



A Fair Start?



**Equalising
access to early
education**



The Sylvia Adams
Charitable Trust

About the Sutton Trust

The Sutton Trust champions social mobility from birth to the workplace so that all young people have the chance to succeed in life. It does this through evidence-led programmes, agenda setting research and policy influence.

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Foreword

The Sutton Trust have long been advocates for the value of the early years in promoting educational progress and social mobility. Addressing gaps in development as early as possible is essential if we want to give all children the right platform to succeed in life. Having some children almost a year behind their peers when they start school is a disaster for social mobility, as those gaps only widen as they get older.

Yet while the importance of early years is an oft-repeated mantra among educationalists, this message is still yet to sink in more widely. That's one of the reasons why we have seen the early years sector receive little attention during the pandemic, when nurseries across the country have been struggling to survive, and our youngest children have been starved of the experiences and learning that are vital for their development.

"We would not accept the state providing longer school hours for wealthier families, and nor should we accept it in the early years. If we want to transform our school system to make it fairer, it needs to begin with giving every child the foundation to succeed at school in the first place."

It's also why the early years sector is often seen through the lens of childcare. While enabling parents to work and earn to support their family is of course important, giving every child the best educational start in life is just as crucial. The current funding system for pre-school education in England is not delivering this, and the lopsided arrangement where poorer families actually receive fewer hours of funded pre-school is one of the culprits.

We would not accept the state providing longer school hours for wealthier families, and nor should we accept it in the early years. If we want to transform our school system to make it

fairer, it needs to begin with giving every child the foundation to succeed at school in the first place. As we ponder 'building back better' in our education system, there would be worse places to start.

But expanding access to provision must go hand in hand with improving quality. Recent government investment in the early years workforce has been welcome, but we need a transformational approach to providing high quality and affordable early education for all. Quality is key for making a lasting impact to children's life chances.

Today's report is the result of months of meetings with key organisations, interviews, surveys and number crunching. It evaluates the case for reform, assesses the appetite among parents and providers, and outlines the costs and practicalities of how to implement it.

I'd like to thank the Sutton Trust team, particularly Rebecca Montacute and Laura Barbour for this hugely substantial piece of work. I'd also like to thank the researchers from the Institute for Fiscal Studies and the Centre for Research in Early Childhood for their contributions, along with Jane Young and The Sylvia Adams Charitable Trust for their generous support and valuable guidance.



Sir Peter Lampl

Founder and Executive Chairman of the Sutton Trust, Chairman of the Education Endowment Foundation

Executive summary

The 30 hour entitlement

Inequality in access

- Currently, all three- and four-year-olds in England are entitled to 15 hours of early education and childcare per week. Since 2017, 'working families' meeting certain eligibility requirements have been entitled to an additional 15 hours.
- Under the current eligibility criteria for this '30 hours entitlement', it is predominantly children in better off homes who are eligible for a full-time place – 70% of those eligible are in the top half of the earnings distribution.
- Just 20% of families in the bottom third of the earnings distribution are eligible to the entitlement. This means that while the very poorest children are given greater access to funded early education and care at the age of two, many of these same children are then given access to fewer funded hours than better-off children at the ages of three to four.
- While total spending on the early years has risen since 2007–08, the profile of spending priorities has changed: universal services still account for just under half of the early education and childcare budget, but subsidies explicitly targeted at low-income families have fallen – from 45% of the total then to under 30% ten years later.
- There is some evidence that the 30 hour extended entitlement for working families may be contributing to the recent widening in the attainment gap, by doubly advantaging the better-off with additional hours.

Quality and funding

- Ofsted inspections show that the majority of the early childhood education and care sector offers high quality provision. However, a key

factor in quality in the early years sector is the qualification level of the workforce, but this is deteriorating, which means that fewer children are accessing provision with a qualified graduate or teacher.

- Providers emphasised the key to quality and enhanced child outcomes is their ability to recruit and retain trained staff who could sustain high quality interactions, low ratios and consistency for children, but were concerned that providing a quality service on current funding levels was not possible, with providers often running at a loss per child. 75% said that funding provided per hour for the 30 hour entitlement did not meet their costs.
- They reported this was forcing them to apply charges to better-off families, including extras such as nappies, sunscreen, and lunch. This undermines the intention of the policy that it is a 'free' entitlement. Such charges can be a barrier to access in less affluent communities where cross subsidy is more difficult.

Take up

- Childcare choice and take up is influenced by both *provider-related* factors such as sufficiency, cost/funding and flexibility of provision, and *parent-related* factors such as personal preference, awareness of entitlements and eligibility.
- Evidence suggests that with greater flexibility of provision, support for parents new to an area and those of children with English as an additional language (EAL) and SEND, together with a better understanding of the benefits of early education, parents would be more likely to take up places. However, some parents will still prefer for their child to start early education when their child is older, which may limit the take up rates achievable.

Administrative burdens

- Early years providers interviewed said that the complex eligibility criteria for the 30 hours entitlement caused problems for them and for parents. They argued for greater simplicity and more certainty, as employment situations can be volatile and unpredictable, particularly in the context of the pandemic.
- Providers felt that the termly eligibility criteria means that some children's learning and development can be disrupted as they come in and out of eligibility.
- The 15 hour entitlement was seen as more difficult than the 30 hour entitlement to manage logistically, involving more complex staffing and programme planning.

Childcare or early education

- Providers interviewed felt that they were caught in the middle of two contradictory policy offers with different objectives. They pointed to some experiences of 15 hour places for disadvantaged two-year-olds being withdrawn to prioritise delivering 30 hour places for children of working parents, especially during the pandemic.
- Stakeholders felt that there needs to be a clearer and consistent message as to whether the free entitlements are for childcare or early education. If it is both, then they should be funded accordingly so high-quality provision can be delivered.

Parents and work

- Just over half of providers in our survey (52%) said the entitlement was helping families to work much or slightly more, with 26% saying it had no effect. Those working in the most deprived parts of the country were 13 percentage points less likely to say parents were able to work more.

- Providers felt the 30 hour entitlement helped families who were already working, but who found childcare costs a stretch to afford. For many parents, childcare is an enormous financial burden, and the enhanced entitlement relieves this financial commitment.
- Providers surveyed felt there is appetite from parents for more hours, with a large proportion, 87%, saying more families would take up more hours if they became eligible for the entitlement.

Reforming the 30 hour policy

This report examines options to reform the 30 hour entitlement to bring lower income children into eligibility. This includes a targeted expansion to disadvantaged three- and four-year-olds, or making the entitlement universal.

Fair access

- It is evident that access to high quality early years provision can result in positive benefits for all children, and especially the less advantaged, particularly in relation to enhanced language and social skills. A strategy to both increase the funded hours and improve quality in settings in deprived areas would likely lead to better outcomes for the less advantaged and a closing of the attainment gap.
- Expanding the entitlement based on the existing two-year-old criteria for disadvantaged children would bring 57% of those in the bottom third of the earnings distribution into eligibility for the first time, in particular children in the 16% of families with no earnings.
- There are also regional differences in eligibility under current rules, with more disadvantaged children in the North East and Yorkshire than in the South East. Extending eligibility has the potential to benefit more children in these areas and contribute to the 'levelling up' agenda.

- Expanding the entitlement would also involve less ‘deadweight’ than the original 30 hours policy, because many of the children who would benefit are not currently accessing hours above the 15 they are entitled to.

Number of hours

- While evidence on the optimal number of hours is unclear, the evidence shows that, at a minimum, it is higher than the current universal entitlement of 15 hours. There is a positive association with children’s outcomes when attendance is more than 15 hours in graduate-led settings.
- Generally, the evidence points to positive benefits for up to 25 hours, with some evidence of a potential negative impact on socio-emotional outcomes of children spending too many hours (over 35) in formal settings. However, there are indications that negative effects can be mitigated by a more highly qualified workforce.

Benefits of universal provision

- Extending the entitlement on the existing disadvantaged two-year-old criteria alone would miss some families, for example those in work on low wages. For some of these ‘just about managing’ families, their earnings are too high to be eligible for the two-year-old offer, but too low to meet the existing 30 hour criteria.
- Universalising the entitlement has several potential benefits: making the process simpler for families, bringing ‘just about managing’ families into the entitlement, along with reducing the administrative burden for providers and making it easier for them to plan financially into the longer term.

Views of providers

- If funding was provided at a level per hour high enough to meet their costs, the majority of providers would be in favour of reform, including universalising the entitlement or a targeted extension.
- Those working in the most deprived parts of the country were more likely to favour making the 30 hours policy universal (38% compared to 24% of those working in the least deprived areas).

Capacity

- In interviews with providers, additional hours for more children were generally welcomed. If the 30 hour entitlement were made universal by government tomorrow, many providers said they would offer it, but only if the hourly rate was increased to meet their costs. At the current level, only 52% of providers in our survey said they would offer it, compared to 88% if funding was increased to meet their costs.
- Some argued that this additionality could be offered as a disadvantage supplement, to incentivise those who offered places to more disadvantaged children or children with additional needs.
- Many providers would be able to offer an expanded entitlement quickly, with 39% able to do so immediately, 13% within a month and 28% in 1–3 months.
- The most common barrier, cited by 48% of providers unable to offer the extension, was not having enough physical space, followed by staff recruitment (31%). Just 6% thought they would not have enough demand.

Costs

As part of the study, the Institute for Fiscal Studies (IFS) modelled the costs to government of extending the entitlement:

- The IFS' central estimates suggest that universalising the entitlement would raise spending by around £250 million in 2024–25. Extending the entitlement to disadvantaged three- and four-year-olds would cost an extra £165 million a year. This is compared to the roughly £735 million that the existing 30 hour entitlement will cost.
- In providing universal access, an increase in overall spending on entitlements of just 9% would extend eligibility to about 80% of children in the bottom third of the income distribution for the first time.
- These estimates depend greatly on assumptions about take up. In a low take up scenario, universalising the entitlement could cost £115 million. In a high take up scenario, the cost could be £560 million.
- Removing the 30 hour entitlement from families where at least one parent earns more than £50,000 a year (rather than the current cap of £100,000 a year) would save around £100 million a year, by removing eligibility from around 75,000 relatively high-income families.

The costs of increased funding were also modelled:

- A continued cash-terms freeze in per-hour spending would make it very difficult for the sector to deliver any expansion in the 30 hour entitlement.
- When the current 30 hour entitlement was introduced in 2017, the government boosted per-hour spending by 9% year-on-year to support the sector in delivering the entitlement – but this has already been more than reversed in real terms.

- In the IFS' central scenario, universalising the 30 hour entitlement with a targeted £1 per-hour supplement for children eligible for the early years pupil premium (EYPP) would cost an extra £10m per year, and for a larger group (those eligible for the two-year-old offer), an extra £30m.
- Increasing the funding rate to compensate providers for increases in the National Living wage would raise the cost of universalising the 30 hour entitlement to £305 million, or £370 million if per hour funding was provided at the level the government estimates is needed to 'fully fund' the sector, from a Freedom of Information request made by the Early Years Alliance.

Impacts of the pandemic

Parents

- Parents are concerned about the impacts the pandemic has had on their children. Our survey of pre-schoolers' parents found 64% have been worried about their child's development or wellbeing during the pandemic.
- Over half (52%) said their child's social and emotional development had been harmed. 20% felt that their child's physical development had been impacted negatively, and 25% their language development.
- 69% of parents reported that their child being unable to play with other children had negatively impacted them, with 67% saying that the closure of facilities such as play areas had had an impact, and 63% being unable to see other close relatives.
- Over half (51%) of parents in our survey felt that the government had not done enough to support the development of all pre-school age children during the pandemic.

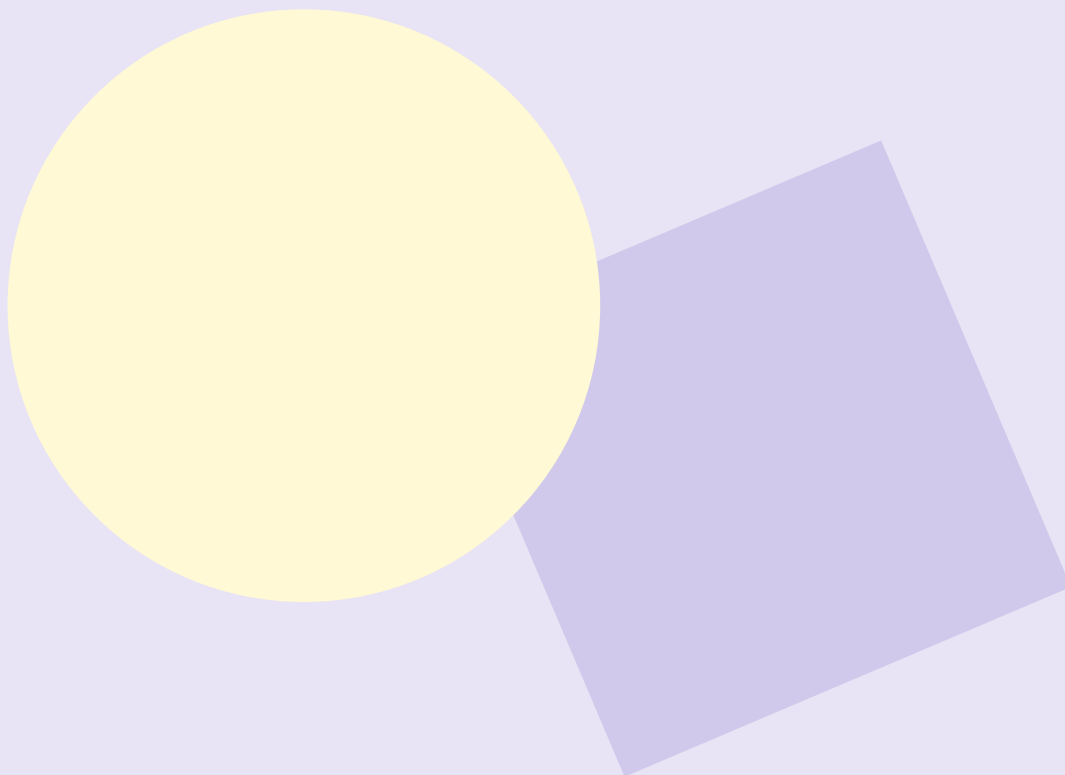
- There is evidence that parental concerns about health and wellbeing is still leading to a reluctance to allow children to attend settings, an issue which is more common in deprived communities, and for children with special educational needs and disabilities (SEND).

Early years settings

- The pandemic has increased and exposed the financial vulnerability of the early years education and childcare sector, with many providers having already closed over the past year.
- Results from our survey of early years providers has shown some optimism among those who have stayed open, with 88% of providers saying it is likely they will still be open by this time next year, and only 6% saying it is unlikely. This has reduced substantially since April last year, when a quarter of providers said they were likely to close.

Schools

- Schools are already feeling the impacts of the pandemic on school readiness. Over half (54%) of primary senior leaders surveyed here said fewer pupils were 'school ready' when they started reception this year than they would usually expect. At schools with the most deprived intakes this was 67%.
- Senior leaders are worried about the impact this reduction in school readiness will have, with 59% concerned about increased strain on teachers, 51% about the long-term impact on children's attainment, and 42% about increased staffing costs.
- The clear majority (93%) of senior leaders in primaries said more time spent in early years provision before children start in reception helps to support school readiness, with 71% saying it helped 'considerably'.



The Sutton Trust's *A Fair Start* campaign is calling for:



Equal access to government funded hours of early education

Access to early years education in England is not equal, with most of the country's poorest families locked out of the government's flagship entitlement to 30 hours of funded provision at age three to four. But these are the very children who stand to benefit most from high quality early education. Access for these children is more important than ever in the aftermath of the pandemic, with the poorest families suffering most from the crisis.

Access to the 30 hour entitlement should be extended to families on the lowest incomes, to ensure the poorest children can have the best possible start in life. There are a number of policy options on how best to extend the entitlement to these children, from a targeted expansion to those eligible for the two-year-old offer, through to making the entitlement universal. Making the offer universal has several additional potential benefits, including simplifying access for families, providers and local authorities, which could help to improve take-up, as well as giving greater levels of financial security to settings, helping them to plan into the long term and potentially improving staff retention and training.

- There should be **universal access to up to 30 hours of funded early education**.
- A **targeted expansion of the 30 hours offer to disadvantaged families would be a cheaper alternative**, but has downsides in terms of ease of administration, along with fairness to 'just about managing' families.



Additional funding for disadvantaged children

The funding provided by government for the free entitlement is not enough to meet many providers costs, leaving them to make up the extra in other paid for hours or through additional charges. Many providers struggle to deliver high quality provision, and those serving the poorest areas are at particular risk of closure and face the harshest financial constraints. It is vital that any expansion of the 30 hour entitlement to children on the lowest incomes is accompanied by a funding uplift.

At a minimum, the government should provide additional funding for disadvantaged children, so that any additional hours provided are of a high quality and serve the poorest communities. Doing so has the added benefit of providing settings with an incentive to recruit children from families on low incomes, as well as ensuring settings serving the poorest areas, many of which have been badly hit by the pandemic, remain sustainable into the long term.

- **The government should provide additional funding for disadvantaged children**, either through the Early Years Pupil Premium or a 'disadvantage supplement' for those eligible for the two-year-old offer.
- **The Early Years Pupil Premium should be reformed to make its administration easier and improve its impact, by increasing the rate, and broadening the eligibility period** over a greater amount of time to capture families dipping in and out of poverty, as with the Pupil Premium in schools.



A focus on quality

It is important that any expansion to the 30 hour entitlement, and the additional funding going to providers along with it, drives up quality in early education, which is most likely to improve children's outcomes and school readiness. In order to offer the extended and better-funded 30 hour entitlement, providers should be required to meet certain quality criteria based in evidence.

As well as putting requirements on settings, other actions should also be taken by government to ensure quality of provision in the early years sector. Increased funding is needed to improve pay and conditions for staff, so that settings can attract and retain a well-qualified workforce. Barriers to accessing qualifications at Levels 1 to 3 should also be addressed, to encourage new recruits into the sector. A clear vision for the early years' workforce, which is designed to deliver high quality provision for children, is the only way to ensure early education can play its full part in closing the attainment gap.

- **A universal uplift to funding, such as the one introduced when the 30 hours policy was first rolled out would have broader benefits to providers**, and help to steady the sector in the aftermath of the pandemic.
- To offer the extended and better-funded 30 hour entitlement, **providers should be required to meet certain evidence-based quality criteria**, for example employing a graduate leader in their setting, employing a certain proportion of Level 3 qualified staff, and providing professional development opportunities to their workforce.
- **The reinstatement of a 'Leadership Quality Fund' would help settings to attract qualified staff with enhanced pay and status**, with the long-term aspiration of having a qualified teacher in every setting.

Introduction



1

Introduction

A child's early years play a significant role in determining their chances later on in life, including their chances of social mobility. But the poorest children are already 11 months behind their peers when they start at primary school, with efforts to close the gap stalling, and evidence that the gap has started to widen once again in recent years.¹

Quality early years provision, targeted at those who need it most, has the potential to reverse this. But early years education in England is underfunded, underappreciated and unequal. Access to quality early education is unfair, with most of the country's poorest families locked out of the government's flagship entitlement of 30 hours of funded early education and child-care for three- and four-year-olds.

At the age of two, state-funded early education is focused on supporting the early development of disadvantaged children, with 15 hours of free provision provided to their parents. But at three- and four-year-olds, while all children can access 15 hours of free provision, the focus was reversed with the introduction of the 30 hour entitlement for 'working families'. This policy gives additional hours of free childcare to those who are already relatively more advantaged, while largely excluding the poorest children – the very group most likely to benefit from additional, high quality hours of early education.

This issue is even more pressing as we come out of the COVID pandemic. Today's babies and toddlers have lived all of their lives in the shadow of the crisis, missing out on early years' provision and day to day experiences which are vital for their learning and development. And, as with many other areas impacted by the pandemic, young children from the poorest families are likely to have been hit the hardest, with many having faced lockdown in cramped and unsuitable housing conditions,² and with their families facing the worst economic impacts of the crisis.³ Research looking at the impact of lockdown on the parents of young babies has found those on the lowest incomes have been the hardest hit.⁴ And previous research from the Sutton Trust has found that 64% of pre-school parents have been worried about their child's development or wellbeing during the pandemic. Over two-thirds (69%) of parents said that not being able to play with other children has negatively impacted their child, and 63% said the same about being unable to see close relatives.

Concerningly, over half (51%) of parents surveyed said that the government has not done enough to support the development of all pre-school age children during the pandemic.⁵ Similarly, recent research from the cross-party Early Years Commission, run by The Centre for Social Justice and the Fabian Society, found that just 1% of adults in England believe that under-5s

1 N. Archer & B. Merrick (2020). "Getting the balance right – quality and quantity in early education and childcare". The Sutton Trust. Available at: <https://www.suttontrust.com/our-research/getting-the-balance-right/>

2 "Poor housing can no longer be swept under the carpet". (2020) The King's Fund. Available at: <https://www.kingsfund.org.uk/blog/2020/09/poor-housing-Covid-19>

3 M. Whitehead, D-Taylor-Robinson, and B. Barr (2021). "Poverty, health, and Covid-19". The British Medical Journal. Available at: <https://www.bmj.com/content/372/bmj.n376>

4 "Babies in lockdown – listening to parents to build back better". Available at: <https://babiesinlockdown.info/download-our-report/>

5 The Sutton Trust (2021). "Fairness first: Social mobility, COVID and education recovery". Available at: <https://www.sutton-trust.com/our-research/social-mobility-covid-education-recovery-plan-catch-up/>

have been prioritised by the government during the crisis.⁶

Indeed, the early years have been largely forgotten in the government's response to the pandemic, with just £160 million of the £3.1 billion announced in education recovery earmarked for the early years.⁷ But without action, a generation of the youngest children risk being left behind, with consequences for the rest of their lives.

As these young children transition into school, teachers are already seeing the impact. Recent research from the Education Endowment Foundation found that 96% of schools are concerned about communication and language development in children who first started school last September due to the pandemic.⁸ It is vital that we do something to address these issues for the next cohorts of school starters, and particularly those who have been affected most by the pandemic, and who continue to receive fewer hours of early education.

Change to early years policy has already come in the UK, with Scotland universalising the 30 hour entitlement for all two-, three- and four-year-olds in August 2021.⁹ The Scottish government argues that doing so will 'improve children's outcomes and help close the poverty-related attainment gap, increase family resilience through improved health and wellbeing of children and parents, and support parents into

work, study or training.'¹⁰ The early years are also forming a key part of education recovery efforts elsewhere, with universal early education for all three- and four-year-olds in the US a key proposal in the 'American Families Plan' for recovery post-pandemic.¹¹

The Sutton Trust believes it is the right time for a change in England, to equalise access to early education for the nation's poorest children and invest in quality to give them the best start. Doing so would be a vital intervention, which could form a core part of the government's recovery efforts as we look forward from the pandemic. This report takes an in-depth look at the issue, examining the impact of the 30 hours policy; the evidence behind the need for change; and options for reform. It also looks at the view from the ground, with polling of parents, teachers and early years providers.

The case for change is a strong one. The targeting of government funding in the early years is unbalanced and unfair. Early years policy should be refocused on providing quality early education to those who need it most. This could have benefits for child development, parents in the least well-off homes, and provide greater security and stability for early years providers, as well as easing the burden on schools to compensate for learning gaps that have opened up before their pupils pass through the gates.

6 The Centre for Social Justice and the Fabian Society (2021). "Early Years Commission – A Cross-Party Manifesto". Available at: <https://fabians.org.uk/wp-content/uploads/2021/07/Early-Years-Commission-Cross-Party-Manifesto.pdf>

7 Farquharson, C., Sibieta, L. and Waltmann, B. (2021). "COVID-related spending on education in England". Institute for Fiscal Studies. Briefing Note BN 329. Available at: <https://ifs.org.uk/publications/15439>

8 Education Endowment Foundation, "Impact of Covid-19 on School Starters". Available at: https://educationendowmentfoundation.org.uk/projects-and-evaluation/projects/the-impact-of-Covid-19-on-school-starters/?utm_source=site&utm_medium=search&utm_campaign=site_search&search_term=impact%20of%20school%20clo

9 "Early Learning and Childcare in Scotland is changing". Available at: <https://www.parentclub.scot/articles/early-learning-and-childcare-in-scotland-is-changing>

10 Scottish Government. "Early learning and childcare expansion". Available at: <https://www.gov.scot/policies/early-education-and-care/early-learning-and-childcare/>

11 The White House. "Fact Sheet: The American Families Plan". Available at: <https://www.whitehouse.gov/briefing-room/statements-releases/2021/04/28/fact-sheet-the-american-families-plan/>

Solutions will not be simple. The early years sector is a complicated mix of state, private and voluntary provision, paid for by a combination of the state and parents themselves, and with two often competing functions: to provide early education to aid child development, whilst also giving parents access to childcare so they can make a living. Making changes to the 30 hour offer will include a variety of complex trade-offs, juggling the needs for simplicity and certainty for parents and providers, high-quality provision for children, the capacity constraints of providers and the cost of any policy change to government.

However, we believe three key principles should underlie any reform: **equal access** to early years entitlements, **targeted funding** for those who need it the most, and a **focus on driving up quality**.

Here, these issues are examined from a variety of different angles, with key contributions from experts in the field.

What do we know about the 30 hour entitlement? – literature review and qualitative stakeholder work

Authored by Professor Chris Pascal, Professor Tony Bertram and Dr Aline Cole-Albäck from the Centre for Research in Early Childhood, this section includes:

- A literature review summarising existing evidence on the 30 hour policy and potential impacts of the Covid-19 pandemic.
- A policy analysis summarising some of the options for reform, with pros and cons for each.
- Qualitative work with providers, to look at the impact of the 30 hours policy, particularly on disadvantaged families, and views of providers on potential reform.

Views on the ground from parents, teachers, and providers

Authored by the Sutton Trust's Rebecca Montacute and Erica Holt-White, this section includes:

- A survey of parents, looking at the impact of the pandemic on the development of their own children.
- Surveys of primary school leaders and early years teachers, looking at how the pandemic has affected school readiness in young children.
- A survey of early years providers, particularly in the private and voluntary sector, looking at their views of the entitlement and on their capacity to offer an expansion to the entitlement, with thanks to the Early Years Alliance.

Costing options for extending the 30 hour free entitlement

Authored by Christine Farquharson, Senior Research Economist at the Institute for Fiscal Studies, this section looks at:

- Costings for potential changes to the 30 hour policy, including expanding entitlement to disadvantaged three- and four-year-olds, and the costs of universalising provision. This work also includes costings for additional funding for disadvantaged children, to ensure any expansion to the entitlement can be delivered through high-quality provision.
- Wider impacts of expanding the 30 hour entitlement to children and their families, including potential benefits for child development, potential impacts on parental employment and the associated benefits to public finances.

Finally, at the end of this report, the Sutton Trust brings together this wide range of evidence to give recommendations on how the 30 hour policy should be reformed going forward, to ensure early years provision is delivering for all children, especially those from the poorest families.

What do we know about the 30 hour entitlement?

Literature review and qualitative stakeholder work

Professor Chris Pascal,
Professor Tony Bertram
and Dr Aline Cole-Albäck,
**Centre for Research
in Early Childhood**



CREC
CENTRE FOR RESEARCH
IN EARLY CHILDHOOD

Key Findings – Literature Review

The 30 hour policy

- In England, there is an entitlement to universal part-time early education for three- and four-year-olds, and targeted early education hours for less advantaged children from the age of two.
- Since 2017 there can be seen to be a policy shift in England to focus more on supporting 'working families', rather than families living in poverty or disadvantage, through extending the hours of funded places for three and four year olds from 15 to 30 hours and also offering childcare tax advantages and additional benefits, for those in employment.
- The introduction of the 30 hour entitlement has created a system in which the very poorest children are given greater access to funded early education and care at the age of 2, but where many of these same children are then given access to fewer funded hours than better-off children at the ages of three to four.

Take-up

- Take-up rates of the free entitlement for two-year-olds and the universal offer for three- and four-year-olds in all sectors has declined over the last year, but take-up of the two year old entitlement in the maintained sector has increased. There is significant variation in take-up by region and socio-economic status. Take-up rates for children with special needs and disability have been particularly affected by the COVID pandemic.
- Childcare choice and take-up is influenced by both *provider-related* factors such as sufficiency, cost/funding and flexibility of provision and *parent-related* factors such as personal preference, awareness of entitlements and eligibility. The issue of quality does not appear to be a factor in parent choice and take-up, meaning the market is not driving sector improvement or enhanced access.
- Parent-related factors are influenced by socio-economic disadvantage, English as an additional language (EAL), ethnicity, population mobility, special educational needs and disabilities (SEND) and employment status.
- Research suggests that with greater flexibility of provision, support for parents new to an area and those of children with EAL and SEND, together with a better understanding of the benefits of early education, parents would be more likely to take up funded entitlements. Some parents will still prefer for their child to start formal early education when their child is older, thus limiting take-up rates achievable.

- For parents of children with SEND there are additional barriers to take-up, including lack of awareness and understanding with regard to eligibility; fear of stigmatisation; and concerns over the ability of staff to deal with a child's additional needs.
- There is some evidence that a lack of impact of the entitlements on child outcomes, particularly for disadvantaged children, may be due to lower hours of access and lower qualifications of staff in settings serving these communities. It is suggested that action on enhancing staff qualifications across the sector is needed if free entitlements are not to further disadvantage the less advantaged.

Quality

- Despite a widening of the attainment gap in child outcomes in the last few years, Ofsted inspections indicate that the majority of the early childhood education and care (ECEC) sector offers high quality provision.
- A key factor in quality ECEC is the qualification level of the workforce, yet this is deteriorating across the sector and means fewer children are accessing provision with a qualified graduate or teacher.
- Recent policy choices have emphasised increasing the number of childcare/early education places for working parents rather than enhancing the quality of education provision through employing highly trained staff.
- It is suggested that a blurring of the policy intention between childcare and early education means the quality debate is confused.

School Readiness and Attainment Gap

- The attainment gap between more and less advantaged children is increasing, after a period of improvement. It is suggested that the COVID pandemic might have further escalated this widening.
- Closing the gap requires a holistic, complex and sustained approach, supported by a highly trained and stable workforce.
- There is some evidence that the 30 hour extended entitlement for working families may be contributing to the widening in the attainment gap by doubly advantaging the better off with additional hours. Accessing fewer hours, combined with attendance at settings with lower qualified staff, can mean lower attainment for the less advantaged.
- There is some evidence that a strategy to both increase the funded hours and enhance practitioner qualification in settings for the less advantaged would lead to better outcomes for the less advantaged and a closing of the attainment gap.
- There is evidence that the early years pupil premium (EYPP) could further enhance child attainment for the less advantaged, but only if it is adequately funded, well targeted and easier to administer.

Universal versus Targeted Provision

- Evidence shows the benefits of universal provision above targeted provision in closing the attainment gap, as long as take-up rates amongst the less advantaged are high. It is suggested that universal provision encourages a social mix amongst children, attracts more highly qualified staff, removes stigma and encourages take up of places.
- Targeted provision has multiple barriers to access for the less advantaged and can lead to longer term problems for the beneficiaries and more inequality rather than less.

Impact of the Covid-19 Pandemic on the Development of Children

- The pandemic has increased and exposed the financial vulnerability of the ECEC sector, with many providers suggesting their futures are no longer sustainable. This has implications for the sector's capacity to absorb any enhanced entitlements.
- The experiences and impact of the pandemic on young children have had less visibility at policy level than for older children, leading to a lack of awareness in policy responses.
- There is emerging evidence that the lack of experience in early years settings due to the pandemic has impacted significantly and disproportionately on the development and learning of less advantaged children and children with SEND. This is particularly in the areas of Communication and Language, Personal, Social and Emotional development, and Literacy.

- There is acknowledged government concern about the loss of time in settings and schools leading to learning loss. The lower take-up of funded places since the pandemic is continuing to cause concern for children's learning potential and progress.
- There is evidence that parental concerns about health and wellbeing are leading to a continued reluctance to allow children to engage in centre based ECEC, which again is more prevalent in less advantaged communities and for children with SEND.

Impact of Formal Hours in Childcare

- It is evident that access to high quality ECEC can result in positive benefits for all children, and especially less advantaged children, particularly in relation to enhanced language and social skills. While evidence on the optimal number of hours is unclear, indications are that this is higher than the current universal entitlement of 15 hours.
- Evidence indicates a range of between 15–25 hours a week after the age of two years as being positive *as long as* provision is of high quality. There is also evidence of a positive association with children's outcomes when attendance is for more than 15 hours in graduate led settings.
- There is some evidence of the negative impact on socio-emotional outcomes of children spending too many hours and starting too early in formal ECEC.
- There is some evidence that the negative effects can be mitigated by a more highly qualified workforce.
- The number of hours and the timing of these hours can also impact on positive or negative outcomes for children.

1

Introduction and Methodology

Introduction

The early years 30 hours policy, (also known as the 'extended entitlement'), was introduced for eligible three- and four-year-olds of qualifying parents or carers in England in September 2017 (for more details on eligibility, see Box 1 below).

The policy was primarily designed to support access to affordable childcare for working parents, and was provided additionally to the universal free entitlement of 15 hours of funded early education for all three- and four-year-olds, and to the 15 hours available to 40% of the most disadvantaged children from the age of two years.

However, there are two key and different drivers to each of these funded programmes: early education for the universal and the two-year-old targeted offer; and childcare to support working parents for the additional 30 hours entitlement.

The introduction of the 30 hour entitlement has also created a system in which the very poorest children are given greater access to funded early education and care at the age of 2, but where many of these same children are then given access to fewer funded hours than better-off children at the ages of three to four.

Box 1: Eligibility for the 30 hour entitlement

Eligibility for the 30 hours entitlement is determined by a means-test based on minimum and maximum earnings. Under the extended entitlement, eligible children of qualifying parents are provided with 570 hours of funded childcare in addition to a universal entitlement of 15 hours of early education from the age of three, or two if you are disadvantaged.

To qualify for 30 hours of free childcare, each parent (or the sole parent in a single parent family) needs to earn on average, the equivalent of 16 hours on the national minimum wage per week and no more than £100,000 per year. A family with an annual household income of £199,999 would be eligible if each parent earns just under £100,000.

Self-employed parents and parents on zero-hour contracts are eligible if they meet the average earnings threshold. Parents can still be eligible if they usually work but:

- one or both parents are away from work on statutory sick pay;
- one or both parents are on parental, maternity, paternity or adoption leave.

In addition, parents are eligible if one parent is employed, but the other:

- has substantial caring responsibilities based on specific benefits for caring, is disabled or incapacitated based on specific benefits.

This policy analysis and literature review sets out to generate an evidence base which can inform future priorities for government early childhood and care (ECEC) policy, with a focus on improving outcomes for children from lower socio-economic backgrounds. Specifically, it aims to:

1. summarise existing research on the 30 hours policy;
2. look at potential impacts of the Covid-19 pandemic (both on the early years sector and on child and family needs);
3. summarise some of the policy options for reform and identify pros and cons of each.

Review Methodology

The literature review and policy analysis was desk based and conducted in line with a *methodical review* as defined by Cole-Albäck (2020) to allow for a rapid turnaround, to help inform spending decisions coming out of the pandemic. A methodical review is similar to a systematic review (Booth et al., 2012) in that it is comprehensive, rigorous and transparent following a set protocol of established timeframes, base criteria, agreed keywords and a synthesis of the evidence base. Published studies were included depending on their relevance to the aims of the review.

The policy analysis and literature review set out to generate an evidence base to inform future priorities for government policy. To meet the review aims the analysis of the evidence on England's ECEC policy was framed to address these four agreed questions:

- What is the nature of gaps in education development and school readiness, and what impact has the current 30 hours policy had on these?
- How has the prevailing government view of early years provision as childcare rather than early education impacted on the quality of provision, for example through lack of funding?
- What impact has the pandemic had on the development of pre-school age children, with a particular emphasis on socio-economic gaps?
- How many hours are enough? Does it need to be 30, and in what pattern of delivery, what is known currently about this?

To allow for a rapid turnaround, the review of literature and policy primarily focuses on:

- existing reviews and sources;
- evidence from 2017 to 2021 (and beyond this time frame where appropriate);
- evidence from England and the rest of the UK, especially Scotland.

The review includes literature from websites, peer reviewed articles from the ERIC and BEI database, sources from reference lists (snow-balling) and grey literature. For the ERIC and BEI database searches, the following base criteria were used: full text; peer reviewed; academic journals; from OECD countries; from 2017 (when the early years 30 hours entitlement for some working parents was introduced). The keywords used can be found in Appendix 1. Results for searches using Research Indexes (BEI and ERIC) can be found in Appendix 2.

2

Review of Early Childhood Education and Care Policies in England

Before going on to look at the 30 hours policy in detail, the next section briefly summarises early childhood and care policies in England, to give context to issues related to the 30 hour entitlement.

Key policies in England can be grouped under four broad areas according to Stewart and Reader (2020): parental leave; support for parents and parenting; high quality Early Childhood Education and Care (ECEC); and financial support through cash benefits. It is the latter two that are of particular interest in this report and whether the balance is right in England between investing in affordable child-care for working parents, and supporting child development by investing in high quality early education. This section summarises key policies in each of the UK nations in relation to these two ECEC agendas.

Changes over time

Policy concern for the youngest children can be identified in legislative changes made throughout the 20th century. In the early 1900s the 'new' nursery schools were promoted as the solution for the education of poor children and although the idea that nursery education may be beneficial for all children was there in the 1940s, this did not take off as nursery schools continued to be seen primarily as needed for the most deprived or neglected children and children of working mothers (West, 2020). It was not until the 1970s, after the Plowden Report (DES, 1967), that the idea of universal nursery education began to take hold, as proposed in the White Paper Education: A framework for expansion (DES, 1972), but with recognition that private and voluntary providers would need to 'fill the gap' in state provision (West, 2020). Although it seemed

to be meant as a temporary solution to an insufficient number of places in state provision, this arrangement has largely remained until today, with inherent problems as raised by Chen and Bradbury (2020), and discussed further in Section 3. The legacy of this policy history is very evident in the current ECEC system, which is diverse and fragmented and still largely split between 'education' and 'care' providers.

In 1996 the Conservative Government had introduced a free entitlement for part-time early education for all four-year-olds. In 1998 the Labour Government extended this free entitlement to all three- and four-year-olds. By 2005 take-up of this extended offer meant that access to free, part time early education for three- and four-year-olds had almost become universal. The entitlement was initially for 2.5 hours a day (12.5 hours a week) for 33 weeks a year, but was expanded to cover 15 hours a week (which could be taken flexibly over fewer days) for 38 weeks a year. The Labour government also promoted childcare as part of a National Childcare Strategy, its flagship policy of Sure Start local programmes (announced in 1998) and through the tax and benefit system. The Sure Start programme was superseded by the establishment of Children's Centres, a universal programme rather than one for disadvantaged areas as in the case of Sure Start local programmes. The intention of this policy was to create a 'double dividend' by promoting good quality childcare which would enhance children's development and encourage parental employment (Strategy Unit, 2002). The provision for places was not secured through an expansion of maintained provision but rather through stimulating the private market for childcare and early education that had grown significantly. The free entitlement could be accessed at a local authority nursery school, a nursery class in a maintained school,

or at a private, voluntary or independent setting or with a child-minder (Lewis, 2011).

In 2013, the Coalition government commissioned two new early years policy documents, *More Great Childcare* and *More Affordable Childcare*, which focused specifically on extending childcare to support working parents. It is argued that this policy illustrates the switch of early years policy to focus almost entirely on extending childcare rather than early education (Lloyd, 2015). However, from September 2013, the free entitlement to 15 hours of early education was extended to two-year-olds from low income families by the Coalition Government. It is argued that this inability to reconcile competing early years policy rationales has led to a lack of coherence and progress in social mobility (Moss, 2014; Brewer et al, 2014; Paull 2014).

Recent policy in England

By 2017 the government supported universal and free entitlements had been extended significantly, as described below, to meet the needs of 40 percent of disadvantaged two-year-olds and all three and four year olds (West, 2020). The 30 hour extended entitlement for three year olds built further on this developing system of ECEC support. In summary, there are currently three main funded programmes:

1. The **universal entitlement** for all three- and four-year-olds to 570 hours of free early education provision per year, typically taken as 15 hours per week over a minimum of 38 and a maximum of 52 weeks of the year. Children are eligible from the start of the term after they turn three until they start Reception year. These funded places can be provided by registered childminders, private and voluntary day nurseries, preschools, maintained nurseries and schools. The focus of this policy is to ensure all children have access to quality early education to ensure school readiness prior to entry to compulsory schooling.
2. The **two year old entitlement** is intended to broadly cover the 40% most disadvantaged children and to offer them access to 15 hours of funded early education. Eligibility targets families on low incomes (those on Universal Credit or who receive tax credits) and children who are vulnerable for other reasons, such as looked after children or children in care, and children with Special Education Needs or with a disability. These funded places can be provided by registered childminders, private and voluntary day nurseries, preschools, maintained nurseries and schools. Again, the focus is ensuring these less advantaged children receive early education that can help boost their attainment and 'close the gap' in their development and learning.
3. Since September 2017, three and four year olds with working parents are entitled to a free nursery place equivalent to 30 hours per week over 38 weeks of the year. This is known as the **extended entitlement** (DfE, 2018). These funded places can be provided by registered childminders, private and voluntary day nurseries, preschools, maintained nurseries and schools (see more details in section 1.1). The extended entitlement is specifically targeted at working families to enhance their access to affordable childcare.

In addition to these three policy initiatives, in 2017 the Early Years National Funding Formula (EYNFF) was set up for delivering the universal and additional entitlements. The Department for Education (DfE) provides Local Authorities with six relevant funding streams for the free entitlements as follows (ESFA, 2020b: 4):

1. The 15 hours entitlement for disadvantaged two-year-olds;
2. The universal 15 hours entitlement for three 3- and four-year olds;
3. The additional 15 hours entitlement for eligible working parents of three- and four-year olds;

4. The early years pupil premium (EYPP);
5. The disability access fund (DAF);
6. Maintained nursery school (MNS) supplementary funding.

The average hourly rate for three- and four-year-olds across the Local Authorities is £4.99 (EFSA, 2020a), up two pence from 2020–2021 (EFSA, 2019a). The average rate however does not recognise the variation between inner city London rates (Camden, £8.51) and, for instance, Yorkshire (York, £4.44). Due to Covid-19 Local Authorities have not been paid based on January 2021 census data, but for 2021–2022 will be paid based on actual attendance, with supplementary funding for maintained nursery schools (DfE, 2021a).

Stewart and Reader (2020) highlight that the EYNFF risks undermining quality as it threatens the viability of nursery schools, thought to offer the highest quality as they are led by qualified teachers, because they are now, with the EYNFF, funded at a much lower rate. The fact that there is also regulatory requirement to pass through a set amount of the DfE funding to providers poses an additional challenge for local authorities to support professional development and quality improvement.

A two-year-old child meeting eligibility criteria is entitled to 570 hours of free provision per year, typically taken as 15 hours per week over a minimum of 38 and a maximum of 52 weeks of the year (DfE, 2018). As mentioned above, the DfE provides Local Authorities with the funding for the free 15 hours entitlement for disadvantaged two-year-olds; however, there are no regulatory requirements to pass through a set amount of the DfE funding nor is there a compulsory supplement or a special educational needs inclusion fund (EFSA, 2020b).

For 2021–2022, the average hourly rate for two-year-olds across the Local Authorities in England is £5.62 (EFSA, 2020a). This is down from £5.82 in 2020–2021 (EFSA, 2019a). As mentioned

above, due to Covid-19, Local Authorities this year have not been paid based on January 2021 census data but in 2021–2022 will be paid based on actual attendance (DfE, 2021a).

As to provision for babies and infants under two, there is no free entitlement for this age group (EURYDICE, 2020a). In addition to the universal and extended entitlements there is targeted childcare support through the benefit system (Universal Credit) and/or tax-free childcare.

According to Stewart and Reader (2020), the more recent focus on investing additionally in affordable childcare for working parents can be seen to have contributed to the gradual shift away from supporting child development through investing in high quality early education. In the Nutbrown Review (2012) it was identified that quality of provision requires staff with higher qualifications than are currently required. A review by Mathers and colleagues (2014) for the Sutton Trust explored international evidence on the dimensions of quality which support the learning and development of children from birth to three years old also suggested that Level 3 (A level equivalent) should be the minimum requirement that should be considered, especially when working with two-year-old children from challenging circumstances. The lack of highly qualified staff in early years settings continues to be the case and workforce supply challenges have increased (Pascal et al., 2020a).

Over recent years, school-readiness has also become a more prominent consideration with a growing shift away from a play-based curriculum towards more formal learning through a focus on literacy and numeracy as key aspects of school readiness, according to Stewart and Reader (2020). This shift in focus, together with the introduction of the Reception Baseline Assessment (STA, 2020) and the Phonics Screening Check (STA, 2019) in Year One, puts into question what we mean by ‘quality’ in early childhood education. According to Stewart and Reader (2020: 20) recent policy commitments have been framed “*mainly as improving childcare*

for working parents, with very little attention to early childhood as a life stage in its own right”.

Scotland, Wales and Northern Ireland

Reflecting on early childhood education and care policy in Scotland, Wales and Northern Ireland alongside England, we can see that all four nations in the UK have a level of universal funded entitlement for three- and four-year-old children, motivated mainly by supporting children's development and learning. The amount of hours offered is part time, between 10–15 hours a week, other than in Scotland, which has recently extended its universal offer to 30 hours a week term-time from summer 2021. In each nation there are very different approaches to supporting parents into work, study or training and more varied levels and types of support for this, with Northern Ireland offering the least support for childcare, concentrating its focus on offering early education prior to compulsory school entry, and England the most support for working families. In Scotland there appears to be a more holistic, integrated approach in ECEC policy which foregrounds quite generous initiatives which blend *both*

early education for children *and* childcare for working parents. In Wales there is an entitlement to universal part-time early education for three- and four-year-olds, and targeted early education hours for less advantaged children from the age of two. (For further details see Appendix 3).

Summary

In summary, all children in England are entitled to part-time (15 hours) of early education from the age of three, and for less advantaged children from the age of two, and additionally, children from working households are entitled to a further 15 hours of childcare (ie 30 hours total) from the age of three and other subsidies before this. It is evident that rather than ensuring an extension of universal access to high quality early education, the policy focus since 2017 has been on affordability of childcare and reforming the benefit system to encourage employment. Of significance is that with this policy focus, government support in England has shifted away from targeting low-income families towards targeting support at working families.

It is worth noting that the new Biden administration in the United States has introduced in 2021 a transformative strategy for early years embedded within the American Jobs Plan and the American Families Plan (The White House, 2021). The American families plan aims to provide universal, high quality preschool to all three- and four-year-olds. It is stated that pre-school and childcare providers will receive funding to cover the true cost of quality early childhood care and education, including a developmentally appropriate curriculum, small class sizes, and culturally and linguistically



responsive environments that are inclusive of children with disabilities. The plan also aims to provide more affordable childcare by ensuring that low- and middle-income families spend no more than seven percent of their income on childcare, and that the childcare they access is of high-quality. The plans will also invest in the childcare and early education workforce by providing scholarships for those who wish to earn a bachelor's degree or another credential to become an early childhood educator. And, educators will receive workplace based coaching, professional development, and wages that reflect the importance of their work. The intention is that all employees participating in pre-K

programs and Head Start will earn at least \$15 per hour, and those with comparable qualifications will receive compensation commensurate with that of kindergarten teachers.

It is also noteworthy to consider the pattern of free entitlements available internationally as shown in Figure 1 below. This data reveals that most of the listed OECD countries offer a level of free entitlement that begins at a younger age in most cases, and is generally unconditional or universal from two to three years of age. The universal hours offered from two to three years vary from 15–60 hours with most in the range of 20–25 hours.

Figure 1: International Comparison of Free Entitlements

Country	Age of child	Entitlement to Free Access	Hours/week the child has access to free childcare
Austria	5	Universal	16–20
Belgium (Flemish)	2.5–5	Unconditional	23.3
Belgium (French)	0–2.5 2.5–5	Targeted Universal	N/A 28
Chile	0–2 4–5	Conditional Unconditional	55 22
Czech Republic	5	Unconditional	≥40
Finland	0–6	Conditional	50
France	0–2 2.5–5	Conditional Unconditional	40 24
Ireland	0–5 3–5	Conditional Unconditional	15–60 15
Italy	3–5	Unconditional	40
Japan	0–2 3–5	Conditional Conditional	55 20/50
Kazakhstan	1–6	Unconditional	50–60
Korea	0–5 3–5	Unconditional Unconditional	30–60 20–25
Luxembourg	0–3 3–5	Conditional Unconditional	3 ≤26
Mexico	0–2 3–5	Targeted Unconditional	N/A 15–20
Netherlands	0–4	Targeted	10
New Zealand	3–5	Unconditional	20
Norway	1–5	Conditional	20
Portugal	0–2 3–4 5	Conditional Unconditional Unconditional	N/A 25 25
Slovakia	3–6	Unconditional	N/A
Slovenia	1–5	Conditional	45
Sweden	1–2 3–6	None Unconditional	N/A 15

Source: Data extracted from OECD Starting Strong 2017, Table 2.2 Characteristics of legal access entitlement (p80)

Key Points: UK Policy

- In England, there is an entitlement to universal part-time early education for three- and four-year-olds, and targeted early education hours for less advantaged children from the age of two.
- Since 2017 there can be seen to be a policy shift in England to focus more on supporting working families, rather than families living in poverty or disadvantage, through extending the hours of funded places for three and four year olds from 15 to 30 hours and also offering childcare tax advantages and additional benefits, for those in employment.
- The introduction of the 30 hour entitlement has created a system in which the very poorest children are given greater access to funded early education and care at the age of two, but where many of these same children are then given access to fewer funded hours than better-off children at the ages of three to four.

3

Review of Research on the 30 hours Entitlement Policy

In this section research evidence on the take-up, quality and impact on children's development and school readiness of the 30 hour extended entitlement policy will be presented, along with evidence about the positionality of this policy against other current ECEC policies, such as the two year old funded entitlement. It will also include evidence addressing the following four specified review questions:

1. What is the nature of gaps in education development and school readiness, and what impact has the current 30 hours policy had on these?;
2. How has the prevailing government view of early years provision as childcare rather than early education impacted on the quality of provision, for example through lack of funding?;
3. What impact has the COVID pandemic had on the development of pre-school age children, with a particular emphasis on socio-economic gaps?;
4. How many hours are enough? Does it need to be 30, and in what pattern of delivery?

Competing Goals

West (2020) provides an historic account and analysis of legislative provision of early childhood education over the twentieth century, starting with the 1918 Education Act and up to the 2017 free entitlements, detailing the shift in policies and provision from providing nursery education specifically for poor children and disadvantaged families to universal early childhood education for all three- and four-year-old children. It should be noted that whilst Government funds early education, they share provision of this service with private, voluntary

and independent providers that have been vital in *“filling the gap’ in preschool provision”* (ibid.: 582).

Cohen and Korintus (2017) look at the ECEC situation in Europe from the 1970s and it is interesting to note that the driver behind initiatives and the expansion of ECEC provision was very much for enabling mothers to work as opposed to providing for disadvantaged children as was the case in England, as mentioned above. Cohen and Korintus (2017: 238–239) recognise, referring to work done by the European Commission Childcare Network (ECCEN) in the 1980s, that many EU countries are *“prisoners of their historic roots, with one set of ‘childcare’ services often developed as a welfare measure for working-class children needing care whilst their parents worked, and another set of ‘early education’ services developed as kindergartens or nursery education or play groups prior to formal schooling”*, what was referred to above as a split system (DEPP, 2020). Cohen and Korintus

(2020: 244) point out that although the EU has been advocating an integrated system for over two decades, few countries have fully integrated ECEC systems *“widely seen as important in developing quality across services and ensuring that services meet the needs of children, families and society”*.

West and Noden (2019: 153) recognise that when Labour came to power in the UK in 1997, they inherited a mixed market economy of providers and that it was retained for pragmatic reasons; *“the PVI infrastructure was already in place so facilitating a rapid expansion of places”*. They were in a sense ‘prisoners’ of previous policies when they introduced the entitlement to free early education as part of their National Childcare Strategy and Sure Start local programmes. The aim was to offer choice and flexibility for balancing work and family life (DfES, 2004) but the mixed market economy came with inherent problems as discussed by Chen and Bradbury (2020) below.

Key Points: Policy Focus

- Early childhood education and care (ECEC) expansion as a policy priority can be seen across Europe and elsewhere over recent decades with mixed goals; in some countries it is primarily viewed as providing childcare for working parents, for others it is seen as a means to support less advantaged children educationally, for others it is a mix or blend of both of these goals.
- In England, funded (maintained) provision began predominantly as educational support for less advantaged children, with the PVI sector developing to fulfil the need for childcare for working parents. These twin goals continue to challenge the efficacy and quality of the multi-sector delivery which continues in England.
- The educational value of ECEC is increasingly recognised in most European countries, even those who continue to have a split system.

ECEC Take-up

Stewart and Reader (2020) note that take-up rates of the free entitlement for two year olds peaked in 2018 and has declined slightly from 72 per cent to 69 per cent in January 2020 and that that take-up rates of the universal offer for three and four year olds has also declined slightly, from 93 to 91 per cent for three year olds and 98 to 94 per cent for four year olds. There is also evidence that take-up by children with special needs or disability has been particularly affected by the COVID pandemic (Disabled Children Partnership, 2020). One explanation put forward by the Disabled Children's Partnership is that the 30 hours offer may have pushed some children out of ECEC altogether but they do not elaborate on why this would be the case. They do however point out that despite a steady increase in take-up of funded places by two-year-olds in the maintained sector, that of three- and four-year olds has declined, and overall, data from the National Pupil Database shows maintained nursery provision is down by 5 per cent. This decline is attributed to children who will later claim Free School Meals (FSM), indicating that those in poverty are less likely to take up their entitlement. As Chen and Bradbury (2020) point out, despite maintained settings offering higher quality provision, parental choice seems to be guided by practical considerations such as the age of the child, opening hours and availability; this may result in nursery closures. According to Stewart and Reader's (2020) data about 63 per cent of three- and four-year-old children not on FSM and 45 percent of children on FSM attended PVI settings in 2017.

Figures released from the DfE in July 2021 (DfE, 2021) and analysed by Early Education (Early Education, 2021) reveal the significant impact of Covid-19 on take-up with:

- 62% of vulnerable two-year-olds taking up their entitlements, down from 69% the previous year, and the number of two-year-olds of Asian origin has fallen by a third;

- 88% of 3- and 4-year-olds taking up the universal 15 hours, down from 93%;
- A 5% fall in take-up of the 30 hours entitlement, estimated at around 3 in 4 of eligible children;
- The number of children in receipt of Early Years Pupil Premium has risen by 6%;
- Take-up of the 30 hours is lower for children with SEND than the universal entitlement (2.8% compared to 6.3%);
- The number of providers delivering the two-year-old offer has fallen, although the number of maintained nursery and primary schools delivering the offer has increased;
- The proportion of staff delivering funded entitlements with a graduate level qualification remained at 9%. 36% of PVIs (including childminders), delivering 51% of children's funded entitlements, contain at least one graduate member of staff.

Chen and Bradbury (2020: 297) highlight the dysfunction and inequalities of the English childcare market, when they state that *"parental choosing behaviours do not conform to the market logic of competition and choice"*. They further (2020: 287) point out that contrary to findings by Grogan (2012), working middle-class parents in England can feel they are at a disadvantage as they are *"tightly constrained to day nurseries and childminders because of extended service age and the opening hours they provide"*. In other words, practical considerations such as the age of the child, term time opening hours and availability limit their choice of provision and level of take-up and are often a priority over education quality and staff qualifications. The parents in Chen and Bradbury's study tended to judge quality emotionally and subjectively on the general feeling they had of a setting, rather than taking Ofsted ratings, staff qualifications and education quality as drivers. Chen and Bradbury suggest childcare choice and take-up is, as such, an emotive issue rather than a rational choice and high-quality nursery schools have not acted

as a market incentive to motivate quality improvement as was expected. This problem, according to the authors, is not limited to the English context but is prevalent in marketised approaches to childcare in Anglophone countries in general.

Albakri and colleagues (2018) also discuss the take-up rate for the free entitlement and group them under *provider-related* factors such as sufficiency, cost/funding and flexibility of provision and *parent-related* factors such as personal preference, awareness of entitlements and eligibility. They state parent-related factors are influenced by disadvantage, English as an additional language (EAL), ethnicity, population mobility, special educational needs and disabilities (SEND) and employment status. Albakri and colleagues (2018: 9) identified great variation by region with take-up lower in London than other regions; however, across all areas *“children from the most disadvantaged families, who stand to gain the most, are less likely to access the funded entitlements”*. They suggest that with greater flexibility of provision, support for parents new to an area and those of children with EAL and SEND together with a better understanding of the benefits of early education, parents would be more likely to take up funded entitlements. Albakri and colleagues do however point out that some parents will still prefer for their child to start formal early education when their child is older thus limiting take-up rates achievable.

According to the Starting Well report (EIU, 2012) the UK was rated as offering one of the best pre-school programmes globally by ranking 4th out of 45 countries rated. The Starting Well Index assessed social context, availability, affordability and quality along 21 indicators. The report stated that the UK was, in 2012, ahead of many countries by offering the universal entitlement for three- and four-year olds together with subsidies for disadvantaged families. However, as the research by Chen and Bradbury revealed, league tables may hide inequalities or lack of choice, especially

in a system where the childcare market is not only split between full-time working parents and part-time working or stay at home parents, but also has a split provision for children under three and children three to five, as the English system has. Chen and Bradbury (2012: 297) conclude that there is in effect *“little real choice for parents, whose choosing processes are limited by practical concerns, including those inherent in the ‘free hours’ policy”*. Practical considerations include its location, reputation, affordability and opening hours in relation to their employment needs. Degotardi and colleagues (2018) remind us that parents should not be treated as a homogenous group but their research on factors influencing choice of setting in Australia showed that working parents needing what they call ‘long day care’ were also mainly guided by pragmatic factors. Degotardi and colleagues conclude providers and policy-makers should still be guided by children’s right to high-quality early childhood experiences.

In the US, Bassok and colleagues (2017) noted that there was little difference in preferences across pre-school types in Louisiana but differences in search processes between parents looking for a place in publicly funded pre-schools, state funded pre-schools or subsidised private settings, that varied between relying on personal networks, local public schools or using advertisements and the internet. Bassok and colleagues therefore recommend, taking parental needs and experiences in the choosing process into consideration, that policy makers need to address two points in particular: firstly, know better if and what information parents have access to in making choices, and secondly, improve eligibility to and affordability of provision.

Newman and Owen (2021) examined factors preventing eligible families from taking advantage of the two-year-old entitlement, especially barriers that parents with children with SEND face and possible solutions to these barriers. They revealed three themes:

1. *lack of awareness and understanding in regards to eligibility;*
2. *fear of stigmatisation; and*
3. *concerns over the ability of staff to deal with a child's additional needs.*

Lack of awareness is again an aspect as in the study by Bassok and colleagues (2017). Newman and Owen (2021) suggest that if providers want to overcome identified barriers they need to:

1. *Restructure how they approach the families by being more aware of the unequal power relation between them which may involve using parent 'ambassadors' to share their experiences of the free entitlement.*
2. *Address the 'othering' of families who take up the two-year-old entitlement, that maybe only true universal access, irrespective of disadvantage, can solve.*
3. *Build trust that the system can cater to specific needs.*

The evidence indicates that policy needs to be more explicit about its intentions; Is it to support child development and learning? Is it about helping parents into work? Or both of these aims? It is argued that a lack of coherence in policy intentions over time has led to a lack of impact and outcomes from the investments made (Moss, 2014, Brewer et al, 2014, Paull, 2014). To overcome barriers a strength-based approach rather than a deficit approach is needed, according to Newman and Owen, where the onus is on the service provider in making services accessible. This means promoting benefits of accessing provision for children and families rather than a remediating approach to counter disadvantage.

Campbell and colleagues (2018) recognise the dual purpose of investing in ECEC; to support maternal employment and child development through early intervention in the lives of disadvantaged children in particular. However, they point out that for interventions to have

any impact, understanding access is crucial. There are many factors influencing access, one of them, according to the research by Campbell and colleagues, is the availability of different types of settings. In England the free entitlement can be accessed in:

- maintained nursery schools and primary school nursery classes, collectively as 'main-tained provision';
- day nurseries run by the private, local authority or voluntary sector, some of them within Sure Start children's centres;
- childminders; and
- sessional, part-day providers.

The availability of these different types of providers varies widely across England but noteworthy is that most new places created since 1997 were in private and voluntary settings (Blanden et al., 2016). This is an important point as there are "tendencies among some families to attend some types of settings" depending on opening hours, fees or simply by preference for one type of provision over another (Campbell et al., 2016).

In their study, Campbell and colleagues looked at the extent of take-up of the free entitlement for three- and four-year-olds using data on 205,865 children from the National Pupil Database (the Early Years Census and the Spring Schools Census datasets). The focus was on children accessing the full five terms they were eligible for before compulsory education. They looked into three pupil characteristics:

1. children eligible for free school meals (FSM);
2. children with English as an additional language (EAL);
3. local factors such as nature of provision available.

The results showed that almost one in five children did not take up their full entitlement of five terms before starting compulsory education

with a clear income gradient of non-attendance. Only 15.7 percent of children 'never on FSM' did not attend on the study's cut-off date compared to 27.4 percent of children on FSM. Among most ethnic groups' figures showed a similar pattern of children more likely to have accessed the full entitlement if they had never been on FSM. There was however a stronger effect on low income in English-only than EAL households (Campbell et al., 2018: 526). FSM status, EAL and ethnic background are as such important factors influencing take-up. *"Having English as an additional language, or being English-speaking and persistently poor, are both predictors of non-attendance"* (Campbell et al., 2018: 526).

As to local factors such as provision available, *"over-all, the picture suggests the value of a mix of different types of provision in promoting take-up, and particularly the importance of having even a small share in the voluntary sector and in Sure Start children's centres"* (535).

The above points are important for understanding take-up; however, Blanden and colleagues (2016: 718) found when comparing child outcomes of children taking up the free entitlement for three- and four-year-olds (at the age of five, seven and eleven) that *"disadvantaged children do not benefit substantively more from the free entitlement than their more affluent peers"*. They suggest it may be because all new places created under the policy were in the private sector which is less regulated with lower levels of graduate staff. Blanden and colleagues (ibid.) state:

"There is evidence that private nurseries which serve poorer children are particularly bad on these measures [employing graduate teachers], helping to explain why the policy did not have the expected success in reducing gaps in cognitive development between children from different backgrounds."

Campbell and colleagues (2018: 536) suggest another explanation may lie in the fact that there is:

"unequal duration of attendance between groups in the terms preceding the immediately pre-school year. Non-attendance at the beginning of their funded entitlement may be diluting the potential effects of the policy on low-income children."

Quantity together with staff qualifications may as such be important factors. Blanden and colleagues recommend higher quality requirements, particularly in relation to staff qualifications, are needed for private nurseries serving poorer children in England if the free entitlement is to have greater effect. If this does not happen, Blanden and colleagues, as Campbell and colleagues (2018: 537), fear the free entitlement to 30 hours for children of working parents will further disadvantage children from low-income families by *"increasing the extent to which subsidies for early education are concentrated disproportionately on children who least need a head start"*. In the policy review by Akhal and colleagues (2019), they recognise there is a wide variation across local authorities in the take-up of two-year-old places where in some authorities there had been a slowing down of the take-up of the two-year-old entitlement, possibly due to the difference in delivery costs and the prioritisation of the three- and four-year-old entitlements.

A study conducted in Scotland on the take-up of places for eligible two-year-olds revealed that:

"the major barrier to uptake is lack of awareness – rather than opposition to the concept, problems with the application process or dissatisfaction with the nature of the provision" (Scottish Government, 2017: 4).

The study also noted that the offer was promoted through professionals (mainly health visitors), advertising and word of mouth, and of the three, the importance of contact between the professionals and eligible families was the most important means. All the above findings have important policy implications in that extending universal provision is important in creating a more equitable start for children of low-income families.

Key Points: ECEC Take-up in England

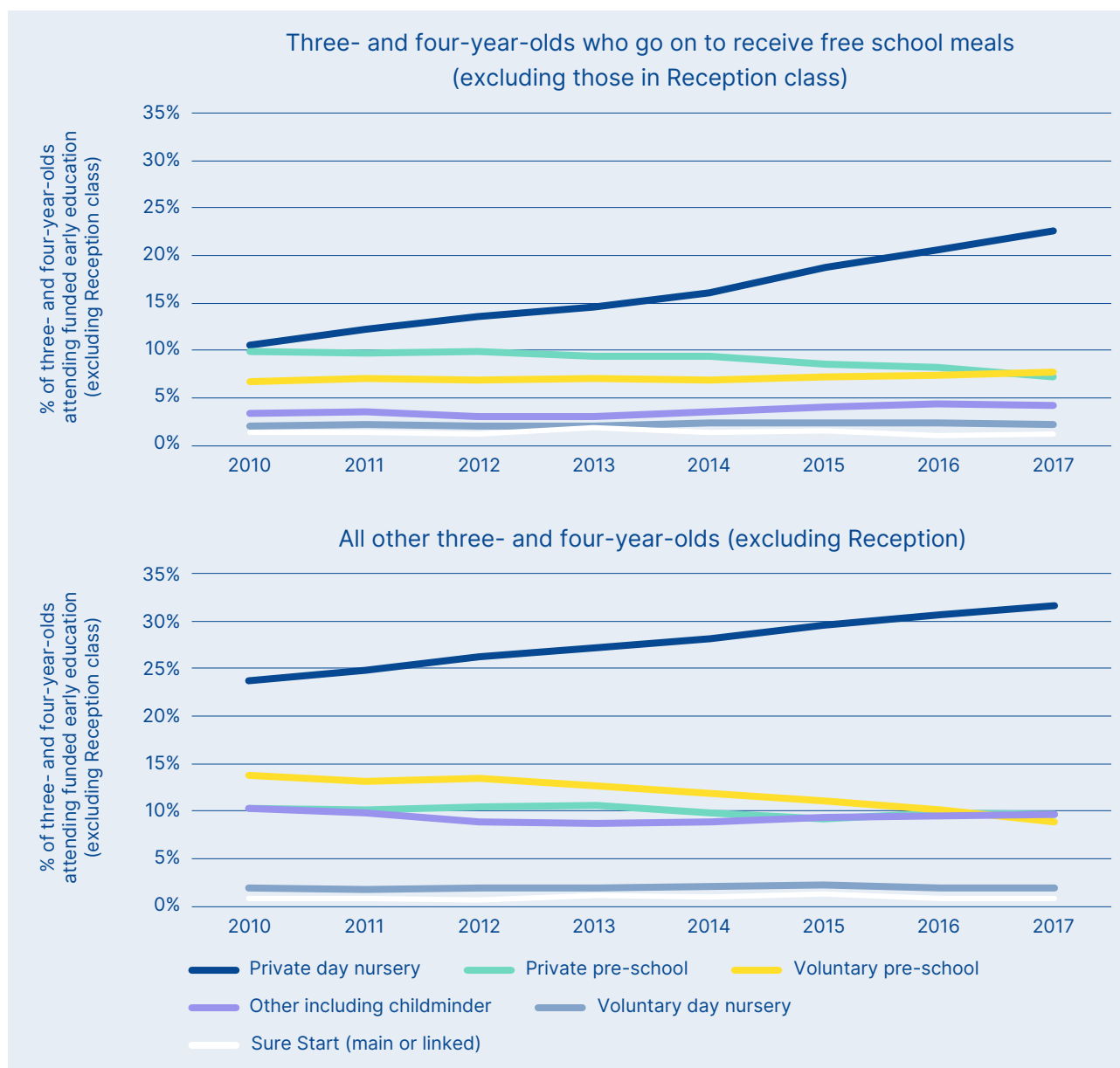
- Take-up rates of the free entitlement for two-year-olds and the universal offer for three and four year olds in all sectors has declined significantly over the last year due to Covid-19. There is significant variation in take-up by region and socio-economic status. Take-up rates for children with special needs and disability have been particularly affected by the COVID pandemic.
- Childcare choice and take-up is influenced by both *provider-related* factors such as sufficiency, cost/funding and flexibility of provision and *parent-related* factors such as personal preference, awareness of entitlements and eligibility. The issue of quality does not appear to be a factor in parent choice and take-up, meaning the market is not driving sector improvement or enhanced access.
- Parent-related factors are influenced by disadvantage, English as an additional language (EAL), ethnicity, population mobility, special educational needs and disabilities (SEND) and employment status.
- Research suggests that with greater flexibility of provision, support for parents new to an area and those of children with EAL and SEND together with a better understanding of the benefits of early education, parents would be more likely to take up funded entitlements. Some parents will still prefer for their child to start formal early education when their child is older thus limiting take-up rates achievable.
- For parents with children with SEND there are additional barriers to take-up, including lack of awareness and understanding with regard to eligibility; fear of stigmatisation; and concerns over the ability of staff to deal with a child's additional needs.
- There is some evidence that lack of impact on child outcomes, particularly for disadvantaged children, may be due to lower hours of access and lower qualifications of staff in settings serving these communities. It is suggested that action on enhancing staff qualifications across the sector is needed if free entitlements are not to further disadvantage the less advantaged.

ECEC Quality

Campbell and colleagues (2018) point out that following the roll-out of funded places, the introduction of the statutory early years foundation stage (EYFS) (from birth to five) and the development of the ECEC workforce are examples of how successive governments have tried to improve the quality of provision in all sectors. However, despite successive workforce

initiatives, overall qualification levels in the ECEC workforce are declining (Pascal at el 2020). Stewart and Reader (2020) also note there has been a general decline in children attending voluntary pre-schools and an increase in children attending private day nurseries, where qualification levels are comparatively low but as this trend started long before the free entitlements in 2017, see Figure 2, this cannot be attributed to the policy from 2017.

Figure 2: Three and four year olds in PVI sector by FSM status



Source: Stewart and Reader (2020: 58) interpretation of the National Pupil Database

Of concern is the fact that, “the falling share of children eligible for free school meals attending maintained settings means a substantial drop in the share of children from low-income households with access to a QTS [qualified teacher]” (Stewart and Reader, 2020: 60). This is important as level of staff qualification is an important indicator of quality. The EPPE study showed that provision needs to be high quality to ensure it promotes children’s development (Sammons, 2010; Sylva, 2010; Mathers et al., 2014). West and Noden (2019: 163) believe “the government focus on increasing the availability of places via

a mixed economy of providers has come at the expense of staff quality, a prerequisite for long-term benefits for children”.

Child development as identified through the EYFSP data can be used to measure cognitive and social development and in how the attainment gap is narrowing or widening by comparing children on FSM and children who are not. Evidence reveals that the gap in the EYFSP scores had been closing up to 2017 but has since started to widen again (Hutchinson et al, 2019; Stewart and Reader, 2020). The gap

in the phonics screening has however narrowed since 2012 from 17 to 14 percentage points in 2019 and has not started to widen. There is as such overall a stalling of progress in children's development that may be attributed to poverty. Stewart and Reader (2020: 86) conclude:

"...even where there is a commitment to invest in early childhood, policymakers face a series of trade-offs: in the balance between spending on cash benefits and investment in services; in whether to design ECEC services primarily as childcare for working parents or to focus on child development; and in whether to provide services universally or to target them to children and families with most to gain."

They suggest that Government policies since 2015 have helped family finances and also supported an increase in maternal employment; however, despite a rise in graduate staff in the PVI sector (but not qualified teachers) the attainment gap is not closing as there has not been a focus on child development. Stewart and Reader (2020: 88) state: *"We urgently need a renewed policy focus on early childhood as a key life stage, not just as a period when children need looking after so their parents can work"*.

Yet, despite the worsening in workforce qualifications, and the widening of the gap in child outcomes, Stewart and Reader (2020) suggest that Ofsted inspection data can also be an indication of quality and they note that the vast majority of children under five attend settings rated good or outstanding.

A DfE-funded evaluation conducted in 2015–16 by Early Education (2016) suggests that the Early Years Pupil Premium, the funding for disadvantaged three- and four-year-olds, does make a difference to children's outcomes and thus quality. An important point West and Noden (2019: 162) make related to quality is:

"The ambiguity between education and care is particularly stark as regards the 30 hours 'free childcare' policy: this comprises 15 hours a week 'free early education' and 15 hours a week 'free childcare', yet providers are required to provide early education and care that follows the Early Years Foundation Stage across the whole 30 hours (DfE, 2018a)."

A solution to what they call this 'blurring' of what constitutes education and what constitutes care would be to have a regulatory framework in place aligned across all the different providers, with a qualified teacher in every setting, according to West and Noden (2019: 162).

Key Points: ECEC Quality in England

- Despite a widening of the attainment gap in child outcomes, Ofsted inspections indicate that the majority of the ECEC sector offers high quality provision.
- A key factor in quality ECEC is the qualification level of the workforce yet this is deteriorating across the sector and means fewer children are accessing provision with a qualified graduate or teacher.
- Recent policy choices have emphasised increasing the number of childcare/early education places rather than enhancing the quality of provision through employing highly trained staff.
- It is suggested that a blurring of the policy intention between childcare and early education means the quality debate is confused.

School Readiness and Attainment Gap

In 2017, when the 30 hours entitlement was rolled out, Andrews, Robinson and Hutchinson (2017) at the Education Policy Institute recognised, in their report on trends in educational attainment and disadvantage, that the attainment gap was generally, gradually closing between disadvantaged pupils (those eligible for free school meals) and their peers at all levels, but that progress was slow despite significant investment and targeted intervention programmes. There were also large regional variations with some areas going backwards. The attainment gap was evident from the early years and grew to 19 months by the end of secondary school according to their data. They state that:

“[in 2017]...persistently disadvantaged pupils [children eligible for free school meals for 80% of their schooling] end primary school over a year behind their non-disadvantaged peers and are over two years behind by the end of secondary school” (Andrews et al., 2017: 10). They further argue that allowing children to fail to reach their potential is not only a waste of human capital from an economic point of view but also morally unacceptable.

Crenna-Jennings (2018: 16) suggests evidence of what works to close the attainment gap indicates the need for:

“a holistic life-course approach, involving sustained, multi-sectoral investment and joined up working to support families from conception onwards, combined with a highly trained and stable workforce capable of addressing individual pupils’ barriers to learning, and equal access to educational opportunities across all schools.”

Archer and Merrick (2020) in research for the Sutton Trust also recognise the gradual reduction of the school readiness gap between 2007 and 2017 but point out that it is opening

up again, as identified by the data from the Early Years Foundation Stage Profile 2019 (DfE, 2019a). They are concerned about getting the balance right between supporting child development and access to affordable childcare for working parents. In other words, about getting the balance right between quality and quantity. Archer and Merrick (2020) point out that because the 30 hours entitlement is only for eligible working parents meeting a minimum salary threshold, this leaves the most disadvantaged children only qualifying for 15 hours. The 30 hours policy is as such of greater financial benefit for better-off parents and potentially for child development outcomes. Archer and Merrick recommend all families of three- and four-year-old children currently eligible for disadvantaged two-year-old funding, including those out of work or on very low incomes, should also be eligible for the 30 hours free entitlement to provide for better continuity for families on lower incomes and to avoid the gap widening again. The widening of the gap is a real concern as providers struggle to meet the demands of the 30 hours entitlement and if the quality of provision is too low, through employment of less qualified staff, then they argue that child development outcomes suffer. Equally, if the costs of childcare is too high and hours insufficient this will also be a disadvantage.

In Bonetti and Blanden’s (2020: 8) analysis of the early years workforce, they not only noted an association between children’s outcomes and staff qualifications such as QTS and EYTS but in particular that:

“the positive association between exposure to a graduate and attainment is stronger for disadvantaged children when they attend a setting for more than 15 hours. Recent government policies which have abandoned any commitment to expanding EYTS and which exclude disadvantaged children from receiving the 30 hours funded childcare entitlement could therefore be hindering progress in narrowing the gap in the early years.”

Of concern is therefore the fact that, as previously mentioned, the presence of a qualified teacher is not common in PVI settings and also that the number of people enrolling in EYTS initial teacher training has plummeted in recent years; according to Bonetti and Blanden:

“The government should consider the costs and benefits of extending the 30 hours entitlement to be universal, and therefore allow disadvantaged children the same opportunity as their wealthier peers to reap the benefits of attending an early years setting for more than just 15 hours per week. In doing so, it should also assess the extent to which the current design of the 30 hours funded childcare policy affects quality and access for disadvantaged children, with the goal of redesigning the system and making it more equitable” (Bonetti and Blanden, 2020: 9).

Bonetti and Blanden’s (2020) data also suggest attending a graduate led setting for more than 15 hours a week had positive outcomes, but they did not commit to what the optimum number of hours would be.

“Universal policy should be capable of reducing socio-economic disparities” stated Campbell et al. (2018: 515) however, Blanden and colleagues (2016: 716) question the quality of the new places as their research suggests that *“contrary to expectations, disadvantaged children do not benefit substantively more from the free entitlement than their more affluent peers”* with one possible explanation given being that the new places were created in the private sector that is less regulated than the public sector.

Another policy in place for supporting disadvantaged three- and four-year-old children in England is the Early Years Pupil Premium (EYPP). Settings can apply for this extra funding to support and improve outcomes for eligible children, on top of the universal 15 hours entitlement. The EYPP provides eligible children with additional annual funding of £302 to the

free entitlement for three- and four-year-olds, to provide support for ‘closing the gap’ and preparing them for school (Brown, 2020). However, according to Brown (2020) this amount is not only far below the annual pupil premium amount of £1,300 that children may be eligible for in primary school, but the administrative process is also a challenge regarding: who is eligible; how it is allocated; and the timing of when it is paid as indicated in the complex eligibility criteria and the funding process for settings. Eligibility requirements mean that families need to meet one of the following criteria:

- Income Support;
- income-based Jobseeker’s Allowance;
- income-related Employment and Support Allowance;
- support under part VI of the Immigration and Asylum Act 1999;
- the guaranteed element of State Pension Credit;
- Child Tax Credit (provided they’re not also entitled to Working Tax Credit and have an annual gross income of no more than £16,190);
- Working Tax Credit run-on, which is paid for 4 weeks after they stop qualifying for Working Tax Credit;
- Universal Credit;
- they have been in local-authority care for 1 day or more in England or Wales;
- they have been adopted from care in England or Wales;
- they have left care under a special guardianship order or residence order in England or Wales.

Eligibility needs to be checked annually to ensure circumstances have not changed. And EYPP funding will follow the child. EYPP is paid by the local authority where the child receives the early education and not where they live.

The participants in Brown's study, all in leadership roles, stated they did not believe the funding 'closes the gap' however it is not clear if this is based on anecdotal evidence or data as Brown does not elaborate on why the participants believed this. This is in contrast to the study carried out by Early Education (2016) that reported the EYPP can make a difference to children's outcomes. The report makes useful recommendations for practitioners, local authorities and the government, and concluded that:

"given a good infrastructure to support practitioners in developing their pedagogical knowledge and skills, this funding has the

potential to make a difference to some of our most disadvantaged children, and we would encourage government to continue to support and embed the learning of practitioners so that it can be used consistently to best effect" (Early Education, 2016: 24).

Brown proposes that the EYPP in its current form is not effective, as the participants in her study saw the funding more as targeting developmental delay rather than 'closing the gap' and would therefore prefer if they could apply for the funding on behalf of children (rather than the parents) and allocate it to children they identify as most in need of support, which was not always the children eligible.

Key Points: School Readiness and Attainment Gap

- The attainment gap between more and less advantaged children is increasing, after a period of improvement. It is suggested that the COVID pandemic might have further escalated this widening.
- Closing the gap requires a holistic, complex and sustained approach, supported by a highly trained and stable workforce.
- There is some evidence that the 30 hour extended entitlement for working families may be contributing to the widening in the attainment gap by doubly advantaging the better off with additional hours. Accessing less hours combined with attendance at settings with lower qualified staff can mean lower attainment for the less advantaged.
- There is some evidence that a strategy to both increase the funded hours and enhance practitioner qualification in settings for the less advantaged would lead to better outcomes for the less advantaged and a closing of the attainment gap.
- There is evidence that the EYPP could further enhance child attainment for the less advantaged but only if it is adequately funded, well targeted and easier to access.

Universal Versus Targeted ECEC Provision

Free entitlements are aimed at creating a more equitable start for children in England (Noden and West, 2016). The Effective Provision of Pre-School Education project (EPPE) project demonstrated that, *“disadvantaged children benefit significantly from good quality pre-school experiences, especially where they are with a mixture of children from different social backgrounds”* (Sylva et al., 2004). However, to what extent universal policies versus targeted policies may affect the attainment gap is less clear.

Dearing and colleagues (2018) questioned if the attainment gap may in effect widen in universal provision, compared to targeted provision, as there are important benefits of ECEC for less disadvantaged children too, as the EPPE study also demonstrated. Dearing and colleagues investigated Norway's universal scale-up, focusing on whether the scale-up had an impact on children's language skills and if it affected children differently depending on income group. Their findings revealed that the *“scale-up of Norway's universal ECEC led to improvements in children's early language skills, with low-income children's evidencing this most robustly”* (ibid.: 10) and that this may narrow the attainment gap. However, the critical point to recognise according to Dearing and colleagues (2018: 11) is *“that any hope of reducing social disparity via ECEC relies on strong rates of participation in public ECEC among disadvantaged families”*. The policy focus in Norway is therefore now on participation rates (OECD, 2015). Dearing and colleagues conclude, based on their data, that the benefits of universal policies should also include considerations on beginning universal ECEC programmes in infancy (from one-year-old). The European Commission (2011: 5) is also in favour of universal provision:

“universal access to quality ECEC is more beneficial than interventions targeted exclusively at vulnerable groups. Targeting ECEC poses problems because it is difficult in practice to

identify the target group reliably, it tends to stigmatise its beneficiaries and can even lead to segregation at later stages of education. Targeted services are also more at risk of cancellation than universal ones.”

It is interesting to note how changes in policies have gone in the opposite direction in Finland. Lundkvist and colleagues (2017) state that universal full-day provision for children under seven had been in place since the 1990s; however, since 2016 universal provision is now limited to 20 hours for all children, with full-day entitlement only for children with both parents in full-time employment, education or who are self-employed. The financial crisis is seen to have provoked this change, reflecting an ideological shift in policies favouring economic arguments and promoting maternal employment. Finland has as such not been immune to the market led discourse. Drawing on the European Commission report (2009), Lundkvist and colleagues demonstrate how Finland's ECEC policies are moving away from a clear ECEC rationale based on equality, lifelong learning and social mobility rationale towards an economic, high-quality rationale focused on future economic gains. They conclude that this shift contradicts the traditional notion of universal provision and is *“a step away from the Nordic model of universal services towards a model characterized by targeted policies and higher degrees of inequality”* (2017: 1553).

The report by Stewart and Waldfogel (2017) for the Sutton Trust also points out universal provision can help to narrow gaps in child development; however, with one caveat, it needs to be of high quality to have a positive impact. Stewart and Waldfogel were already concerned about the possible shift away from quality towards childcare affordability when the additional 15 hours entitlement for eligible working parents of three- and four-year-olds was rolled out in 2017. Even with targeted places for two-year-olds and the early years pupil premium, the shift in funding away from quality (progress in improving staff qualifications has stalled) to affordability for working

families is of concern to Stewart and Waldfogel. In addition, the fact that expectations are now that all parents in receipt of state support should work full-time, regardless of circumstances, puts into question if this is always in the best interests of the individual child. Stewart and Waldfogel do recognise targeted provision may have a positive impact on child development and social mobility but only if

take-up is actively pursued and hours accessed are of high quality, which is only possible with adequate funding of all providers. However, as mentioned above, Akhal and colleagues (2019) recognise the low take-up of two-year-old places in some authorities is possibly due to the difference in delivery costs and the prioritisation of the three and four year old entitlements by the PVI sector.

Key Points: Universal versus Targeted ECEC Provision

- Evidence shows the benefits of universal provision above targeted provision in closing the attainment gap as long as take-up rates amongst the less advantaged are high. It is suggested that universal provision encourages a social mix amongst children, attracts more highly qualified staff, removes stigma and encourages take-up of places.
- Targeted provision has multiple barriers to access for the less advantaged and can lead to longer term problems for the beneficiaries and more inequality rather than less.

Impact of the Covid-19 Pandemic on the Development of Children

The impact of the pandemic can be looked at from several perspectives. According to Pascal et al (2020) in previous research for the Sutton Trust, and Stewart and Reader (2020: 89) the pandemic has exposed the fragility of the Government's approach to ECEC as profit margins were falling in parts of the private sector already before the pandemic and

"this left childcare providers as a whole with very limited buffers to survive the hit to revenue as parents were laid off or lost earnings ... and reinforced the vital importance of ensuring that, alongside high quality services, families have the resources they need to allow their children to thrive" (Stewart and Reader, 2021: 89).

Secondly, as mentioned above, rollout of expansions have been affected. In Scotland planned changes have been delayed until August 2021

(Scottish Government, 2021b), and Wales put their rollout on hold for three months in 2020 to pay for keyworker children places (Gaunt, 2020). Although policies have not been affected in Northern Ireland, the impact on provision has been recognised there too where in July 2020 the Childcare Recovery Support Fund was set up to support providers reopening (DE, 2020c; Early Years, 2020). Thirdly, the pandemic has posed many challenges for young children.

The 2021 EECERJ Special Issue is particularly concerned with capturing "COVID narratives of young children and their families and the responses of practitioners and policy makers to their expressed needs" (Bertram and Pascal, 2021: 2). Pascal and Bertram (2021) recognise the multiple challenges faced by children during the pandemic and their transnational study, involving England, Scotland and New Zealand, revealed children's desire to regain their daily life and routines; be with their friends; have extended time to play; be outdoors; and have authentic information. Research by Malta

Campos and Vieira (2021) on the impact of Covid-19 on early childhood in Brazil revealed children are worried about the disease, knew about the hygiene measures they have to follow and that they miss their school and friends. As the pandemic progressed some of these children said, four months later, that they were also tired, sad, frustrated and angry.

Quenzer-Alfred and colleagues (2021) research in Germany indicates how the final year of pre-school is now commonly seen as a year for preparing children for school, with a focus on language and mathematics, especially for what they call 'low performing children'. Their study of five and six-year-old children living in disadvantaged neighbourhoods identified that during lockdown, with the lack of face-to-face contact, children's language and mathematical skills showed a significant drop both in normally developing children and children with identified additional needs. Interestingly, parents and staff did not perceive lockdown to have had a negative impact on children, quite the opposite; they considered lockdown a valuable opportunity for families to enjoy spending more time together and as being less stressful. Parents also felt it gave children the opportunity 'to learn something different'. There was a lack of understanding on the part of the education professionals of the importance of their educational role during the last year of kindergarten in supporting transition and as a year of preparation for school to reduce the need for additional support when in primary school, according to Quenzer-Alfred and colleagues.

Ofsted (2020a: 7) similarly reported that four in five of the 208 providers interviewed in October 2020 reported that *"children's mathematics and literacy skills had either not progressed or had declined"* and that they were also concerned about children with additional needs not receiving support, in settings and at home, with some children's speech and communications skills therefore declining. Having said that, the report recognised that children who continued to attend settings during lockdowns, or who

were well supported at home, had made good progress. It was the children who had left and subsequently returned who had been impacted the most, especially children whose parents were not able to spend time with them. This prevented some children from developing their language and communication and their physical skills (Ofsted, 2020a: 5) and in some cases children had also become less independent regressing to nappies and the use of dummies. A finding further supported by the study by KindredSquared (2021) revealing that on average early years and primary school teachers report that 43% of pupils arriving at their school following the lockdown are not school ready. Research funded by the Education Endowment Foundation (Bowyer-Crane et al., 2021), explored the impact caused by the pandemic on children transitioning to Reception classes across England, to understand if, and how, it was different from previous cohorts. The study revealed:

- 76 per cent of schools (44 out of 58 schools) reported that children who started school in the autumn of 2020 needed more support than children in previous cohorts.
- Curriculum areas of learning where children struggled were: Communication and Language, Personal, Social and Emotional development, and Literacy.

The concern is particularly for children in areas of disadvantage. The report concludes: *"It would appear that the pandemic has exacerbated existing issues in oral language development, and this will need to be a key focus for any education recovery plans"* (Bowyer-Crane et al., 2021: 9). Evidence from the Nuffield Foundation (2021) also indicates the areas of learning that schools were concerned with after they re-opened in September 2020 were Literacy; Communication and Language, and Personal Social and Emotional Development.

The DfE (2021b) has been very concerned about loss of time in settings and schools and the resulting learning loss during the pandemic

from two perspectives, the lifetime perspective or potential loss of earnings over a lifetime and the health and well-being perspective. This together with their assertion that *“there is no strong evidence to suggest that early years, schools and colleges play a role in driving large scale transmission in the community”* (ibid.: 10) has been their motivation to limit school and setting closures. Yet at the end of 2020, Ofsted (2020b: 3) reported most providers operate with fewer children on roll and lower demand for places compared with 2019. Of concern is that it was providers in the most deprived areas that reported that they had far fewer children on roll. Ofsted suggests that increases in unemployment, furloughing and reduced working hours which are more common in low earners, may have reduced the need for childcare for some families. In addition, reluctance in some communities to access childcare during the pandemic have also been cited as reducing demand for childcare over recent months (Resolution Foundation, 2021). In addition, some parents

are more anxious about sending their children to nursery, and it appears more parents are considering keeping their children at home during the early years. This has implications for the sector as a whole as well as individual children’s development, especially for the most disadvantaged children.

The pandemic has impacted significantly on the early years sector, which has exacerbated their already precarious financial position, with many questioning their future viability (Pascal et al, 2020c). This loss of provision due to a lack of government support over many years, and particularly during the pandemic, will have long term implications for those young one- and two-year-olds. They have lived through the pandemic at a time in their lives when social interaction and extended language opportunities are vital but have been severely limited and so will need the benefit of high-quality early education to realise their potential as they move through their Foundation Years to compulsory schooling.

Key Points: Impact of the Covid-19 Pandemic on the Development of Children

- The COVID pandemic has increased and exposed the financial vulnerability of the ECEC sector, with many providers suggesting their futures are no longer sustainable. This has implications for the sector’s capacity to absorb any enhanced entitlements.
- The experiences and impact of the pandemic on young children have had less visibility at policy level than for older children leading to a lack of awareness in policy responses.
- There is emerging evidence that the lack of ECEC experience due to the pandemic has impacted significantly and disproportionately on the development and learning of less advantaged children and children with SEND. This is particularly in the areas of Communication and Language, Personal, Social and Emotional development, and Literacy.
- There is acknowledged government concern about the loss of time in settings and schools leading to learning loss. The lower take-up of funded places since the pandemic is continuing to cause concern for children’s learning potential and progress.
- There is evidence that parental concerns about health and wellbeing is leading to a continued reluctance to allow children to engage in centre based ECEC, which again is more prevalent in less advantaged communities and for children with SEND.

Impact of Formal Hours in Childcare

It is widely accepted that high quality ECEC can have positive and long-lasting impacts on children's outcomes (Sylva et al, 2010; Melhish et al., 2015). However, positive benefits are dependent on several factors and of interest here is if there is evidence on the association between number of hours in formal childcare and developmental outcomes.

The study by Kohl and colleagues examined the link between quantity (age at entry and hours per week), process quality (as measured by CLASS Pre-K, a quality assessment instrument), structural quality (child-teacher ratio) and composition (percentage of immigrant children) and children's socio-emotional adjustment or development at a specific point in time. Kohl and colleagues point out that looking at time spent in childcare (quantity) needs to also take into account the quality of children's experiences as focusing on one or the other *"is likely to yield an incomplete picture"* (ibid., 180). They do not question the generally accepted positive effect of ECEC on children's cognitive and language development; however, they point out findings from previous studies in the US and Europe have been inconclusive and inconsistent on the potential risk of extensive hours on children's socio-emotional development. The 395 children in the study, across 87 settings, were between two and a half and four years old. Data revealed a small negative association between more hours per week and hyperactivity or conduct problems but only in settings with a high percentage of immigrant children or a high child-adult ratio. The conduct problems were only seen in children who had started before the age of 26 months.

Kohl and colleagues (2020: 194) conclude that, *"centre-based ECEC settings in Germany do not pose a major developmental risk to socio-emotional development"* (ibid., 194) for children entering childcare between the ages of two and a half and four, attending between 20 to 40 hours per week, *"as only certain*

aspects of quantity and structural quality are linked to very specific socio-emotional outcomes under very specific circumstances" (ibid.: 177).

Important context specific points to bear in mind are that:

- *Most children (68 per cent) in the study had started formal childcare between the ages of two and three, only 3 per cent before their first birthday.*
- *No setting was assessed as low quality using the CLASS scoring system.*
- *Staff are highly qualified in German settings. In 2018, 70 per cent of staff in early childhood settings held a graduate degree (Autorengruppe Fachkräftebarometer, 2019).*

In England, the situation looks somewhat different. Melhuish and colleagues (2020: 19) involved in the longitudinal Study of Early Education and Development (SEED), following nearly 6,000 children from the age of two to five, report that formal group care between age two and the start of school was associated with several poorer socio-emotional outcomes for all children:

"Using more formal group ECEC between age two and start of school was associated with several poorer outcomes: more externalising behaviour, more internalising behaviour, less prosocial behaviour, less behavioural self-regulation and less emotional self-regulation, during school year one, at age five to six."

Number of hours attended impact differently on the five above mentioned socio-emotional aspects:

- *Formal group ECEC of greater than 15 hours per week between age two and five was associated with higher levels of **externalising behaviour** (losing temper or arguing with other children) at age five, and lower levels of emotional self-regulation.*

- Formal group care ECEC of greater than 35 hours a week in relation to **internalising behaviour** (being easily upset or anxious) was statistically significant at age five.
- There was an overall negative association between formal group ECEC and **prosocial behaviour** (being co-operative, helpful and sharing) but it was the smallest of the significant effects and regardless of hours attended.
- Formal group ECEC of greater than 25 hours a week was associated with lower levels of **behavioural self-regulation** (follow instructions, waiting their turn) at age five.
- Formal group ECEC of greater than 15 hours per week between age two and five was associated with lower levels of **emotional self-regulation** (being calm, keeping temper) at age five.

The SEED data also suggest that for the 40 per cent most disadvantaged children, using a mean of 10 hours per week formal ECEC no later than age two, and a mean of over 20 hours per week formal ECEC between two and the start of school, increases their chances of achieving expected EYFSP levels in school reception year and improves their verbal ability in school year one. However, an earlier start and higher use was associated with poorer outcomes for externalising behaviour and emotional self-regulation. This supports what was already recognised in the early findings of the EPPE study (Sylva et al., 2004: 3) that “there was no evidence that full-day attendance led to better development than half-day attendance”.

The SEED study further states that for the 60 per cent least disadvantaged children:

“who had a mean of up to twenty hours per week formal ECEC between age two and the start of school had significantly better outcomes during reception/year one for sociability, prosocial behaviour and EYFSP numeracy than a reference group who started using ten or

more hours per week formal ECEC aged over three and who had a mean of up to ten hours per week formal ECEC between age two and the start of school” (Melhuish et al., 2020: 91).

Bonetti and Blanden (2020), mentioned above, suggest there is also a positive association on children’s outcomes when attendance is for more than 15 hours in graduate led settings, but they do not elaborate on this and this aspect was not an aspect addressed in the SEED study. As pointed out by Melhuish and colleagues (2020) the importance of these finding will depend on whether the effects are transient effects or whether they persist. This will be addressed in future SEED reports.

Interestingly, comparing the effect of the amount and type of ECEC between the EPPSE (Sylva et al., 2004) and SEED studies, the effects of ECEC in the SEED study on cognitive outcomes were, perhaps surprisingly, more limited. Melhuish and colleagues suggest it can be due to the change in amount and quality of ECEC since the EPPSE study “which may have allowed children with less pre-school ECEC use to catch up with those who used more pre-school ECEC, resulting in less impact of ECEC use in SEED as compared to the EPPSE study” (Melhuish et al., 2020: 28).

Mathers and colleagues (2014) make an interesting point noting that the pattern of attendance may also be an important aspect to consider. Although their focus was on children under three, the point made by Mathers and colleagues is still relevant to the years up to formal education as they suggest that (2014: 44):

“Although research in this area is scarce, the few available studies suggest that children’s social skills and well-being are greater when their hours of attendance are spread over more days and when daily staffing and grouping patterns are more stable, perhaps because they have greater opportunity to build up relationships with staff and peers through regular sustained contact.”

Verhoef and colleagues (2018) raise yet another aspect to consider; when during the day the hours in childcare are taken up. They refer to a study of 22 European countries by Bünning and Pollmann-Schult (2016: 308) that notes *“a substantial proportion of the workforce works in the evening, at night or on weekends”*. Verhoef and colleagues therefore believe it is important to consider when children are in childcare and recognise the impact of nonstandard care (early mornings, evening care and overnight care). In their comparative study between the UK, the Netherlands and Finland their results indicated that longer hours in formal childcare, meaning children were in provision earlier and later in the day, was less beneficial in the Netherlands compared to the UK, which they put down to the lower quality care in the Netherlands, although they did recognise that Dutch parents may be more worried about the effects of formal childcare and therefore may have reported more concerns. Association between formal childcare characteristics and child well-being was surprisingly the lowest in the Finnish children, considering Finland’s reputation as one of the top education systems in the world (Sahlberg, 2015) and consistently scoring high on children’s well-being surveys (UNICEF, 2007; 2013). Verhoef and colleagues put it down to young children in Finland spending the largest

number of hours in childcare as well as more hours in overnight care compared to the UK and the Netherlands.

Looking further afield, a paper outside of the 2017–2021 base criteria still worth briefly mentioning is the paper by Li and colleagues (2015) on preschool experiences in China. They reported that on average children started preschool at the age of three (range from 19–54 months) and attended in average 42.72 hours a week (range from 20–55 hours/week). Their data indicated that, *“children who stayed in preschool for more than 45 hours/week got the highest academic scores, but also exhibited the greatest frequency of behaviour problems”*. The authors still consider *“the optimal entry age and intensity for children’s academic and social development were two to three years of age and eight to nine hours for five days a week”* (Li et al., 2015) and that it is up to parents and teachers to mitigate for the impact of longer hours, or conversely, offer enriching experiences for those children starting later or attending less than eight hours a day.

The impact of formal hours in childcare is, as such, bound to various country-specific characteristics with changing working patterns and family policies having implications for children’s cognitive and socio-emotional development.

Key Points: Impact of Formal Hours in Childcare

- It is evident that access to high quality ECEC can result in positive benefits for all children, and especially less advantaged children but evidence on the optimal number of hours is limited.
- There is some evidence of the negative impact on socio-emotional outcomes of children spending too many hours and starting too early in formal ECEC.
- There is some evidence that the negative effects can be mitigated by a more highly qualified workforce.
- Some evidence indicates a range of between 15–25 hours a week after the age of two years as being positive *as long as* provision is of high quality. There is also evidence of a positive association with children’s outcomes when attendance is for more than 15 hours in graduate led settings.
- The number of hours and the timing of these hours can also impact on positive or negative outcomes for children.

4

Policy Options

There are a number of policy options available to improve support and funding for ECEC, especially for children from lower socio-economic backgrounds, which are identified in the table below. Drawing on the evidence, the pros and

cons of each of these policy options will be considered. All of these policies will also have different economic costs, an issue which is discussed in a later section of this report.

Table 1: Pros and Cons of Policy Options

Policy responses	Pros	Cons
Universal provision: Make 30 hours policy universal for all three- and four-year-olds.	<ul style="list-style-type: none"> Provides benefits of additional time in ECEC for all children. Removes double advantage of more privileged children with working parents accessing more free hours. No stigma. Removes multiple funding streams Leads to more cohesive communities and more positive self-identities for children. Provides childcare for more working families. Easier access as no need to meet complex eligibility criteria. 	<ul style="list-style-type: none"> 30 hours may be too long, especially if staff qualifications are low, leading to negative impact on children's pro-social outcomes. Sector may not currently have capacity to meet the enhanced demand.
Extending entitlement: Extending eligibility for the 30 hours entitlement to three- and four-year-olds who qualified for the two year old entitlement, with other existing entitlements remaining the same.	<ul style="list-style-type: none"> As above but focusing support particularly on those who are identified as less advantaged. Increased benefits for less advantaged and from earlier age. Closing the attainment gap Provides childcare for more working families. Help parents with transition to work. 	<ul style="list-style-type: none"> As above but less benefits for developing cohesive communities within settings and more positive self-identities for less advantaged children. Lower take-up due to need to meet and demonstrate eligibility criteria.
Re-targeting entitlement: Extending the 30 hours entitlement to three- and four-year-olds who qualified for the two year old offer while reducing the upper income limit.	<ul style="list-style-type: none"> As above. Incentivises improving take-up in less privileged communities. 	<ul style="list-style-type: none"> As above but leads to less diverse communities within settings and further lose benefits of a social mix.

Policy responses	Pros	Cons
Replace current policy: Replace current 15 hour Early Education policy and +15 hour Extended Entitlement policy for working parents with universal Early Education entitlement of 20 or 25 hours per week for children from two or three years of age.	<ul style="list-style-type: none"> • Same benefits for 30 hours universal entitlement. • Avoids issues of over long hours for children leading potential negative outcomes. 	<ul style="list-style-type: none"> • Does not provide as much childcare for working families.
Extend the reach of the free entitlement to a broader age range: Extending the eligibility of currently funded places to (some or all) one- to two-year-olds.	<ul style="list-style-type: none"> • Allows for earlier intervention to support children's learning and development. • Facilitates early identification of SEND. • Provides childcare for working parents. 	<ul style="list-style-type: none"> • Dangers of early admission to poor or mediocre quality settings. • Unless quality high could lead to detrimental outcomes for children.
Universal funding increase: Alongside any other entitlements increase the hourly rate for providers to be able to ensure quality.	<ul style="list-style-type: none"> • Enhanced quality of provision. • Enhance sector sustainability. • Incentivise quality and enable recruitment and retention of more qualified staff. 	<ul style="list-style-type: none"> • Without ring fencing/ minimum quality requirements, mixed economy sector could syphon off funding increases to private providers without enhancing quality. • No incentive to address lack of equitable career structure, pathways and terms of employment.
Increase funding for disadvantaged children: Alongside any other entitlements increase the hourly rate for disadvantaged children and children with SEND.	<ul style="list-style-type: none"> • Could support the targeted recruitment of more qualified staff to work with less advantaged children. • Enhanced outcomes for this group and closing attainment gap. • Could incentivise providers to focus on improving take-up by less advantaged groups. 	<ul style="list-style-type: none"> • Shortage of well qualified staff in the workforce. • Lack of equitable career structure, pathways and terms of employment in all sectors ensuring disadvantaged communities or those who work with children with additional needs attract better qualified staff.

Policy responses	Pros	Cons
<p>Enhance qualified staff in all settings serving less advantaged children or children with SEND:</p> <p>Improve supply of qualified ECEC workforce.</p>	<ul style="list-style-type: none"> • <i>Incentivises best ECEC staff to work with less advantaged.</i> • <i>Provides career structure and ECEC workforce becomes more sustainable and professionalised.</i> • <i>Better quality services for less advantaged.</i> • <i>Better outcomes for less advantaged and closes the attainment gap.</i> 	<ul style="list-style-type: none"> • <i>Shortage of qualified staff in workforce.</i> • <i>Longer term investment in workforce needed to ensure recruitment and retention of highly qualified staff.</i>
<p>Make no change:</p> <p>Keep current policy.</p>	<ul style="list-style-type: none"> • <i>No disruption to current ECEC system and existing demand and supply balance.</i> 	<ul style="list-style-type: none"> • <i>Continued lack of reach and access for all children.</i> • <i>Sustainability of the sector remains vulnerable.</i> • <i>Attainment gap continues to grow.</i> • <i>Workforce continues to lose experienced and qualified staff.</i> • <i>No post COVID recovery plan or support for early years sector which remains financially precarious.</i>

5

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Key Findings – Qualitative work in settings

How well is the current policy of entitlements working?

Current delivery patterns of the 30 hour entitlement:

- Providers reported a range of delivery patterns for the 30 hour entitlement, with some very flexible in how parents accessed their entitlement, while others were very constrained in their offer. The school settings appeared to limit their offer to 5 days, most often from 0900–15.00, and term time only. The Private, Voluntary and Independent (PVI) sector were more flexible in their offer, allowing the hours taken to be more tailored to parents' needs, with childminders appearing to be the most flexible.
- Some stakeholders felt that for some children and families 30 hours was too many, and was often not fully used. It was also felt that the hours should be available to more children and offered more flexibly to support different working patterns. The stakeholders generally felt around 25 hours for the whole year from 2 years would provide both the learning benefits for children and support working parents.

Funding levels

- In most cases providers indicated that the funding was woefully inadequate to enable them to provide a quality service, and indicated that they were often running at a loss per child, forcing them to apply charges to make their provision viable. The pandemic had made viability more difficult.
- Some stakeholders stated that they cross subsidised poorer families to access their provision and ensure the charges were not a barrier, by charging the better off for extras like nappies, sunscreen and lunch; as one said, it is 'charging by stealth'. This is despite the stated intention of the policy, that it is a free entitlement. Charging policy is clearly a barrier to access in some communities where cross subsidy is not possible.

Challenges in delivery

- Stakeholders widely felt that the 30 hours policy aim for childcare, rather than early education, and its low funding level, meant that providing children with a quality programme was very challenging. All acknowledged the key to quality and enhanced child outcomes was their ability to recruit and retain trained staff who could sustain high quality interactions, low ratios and consistency for children, but were concerned that providing a quality service on current funding was not possible.
- All stakeholders indicated that the complex eligibility criteria for the 30 hours entitlement caused problems for them and for parents. They argued for greater simplicity and more certainty, as families' personal employment situation was often volatile and unpredictable, especially over recent months with the pandemic.
- The 30 hour policy had led to increased staffing demands, which was hard to maintain over the year as demand for places was not evenly dispersed across the year.
- Creating a high-quality programme which is flexible and meets individual children and family needs requires a complex organisational plan, which is very demanding of leadership time and staff flexibility in deployment. The 15 hour entitlement was seen as much more difficult than the 30 hour entitlement to logistically manage, involving more complex staffing and programme planning.

- The respondents felt that the termly eligibility criteria means that some children's learning and development can be severely disrupted as they come in and out of eligibility, with negative consequences for their progress, socialisation and wellbeing.
- The respondents also felt that the termly eligibility criteria means that when their work or family circumstances changed so their eligibility was lost, some parent's lives and livelihoods can be severely disrupted, with negative consequences for their wellbeing and quality of life.

Impact on the two-year-old entitlement

- Providers felt that they were caught in the middle of two contradictory policy offers, with different objectives and complex eligibility criteria for each. They pointed to their experience of 15 hour places for disadvantaged two-year-olds being withdrawn to prioritise delivering 30 hour places for children of working parents, especially during the pandemic.
- They felt the 30 hour policy was more sustainably financially, and easier to manage organisationally than the 15 hour entitlement for two-year-olds, and this choice leads to further disadvantage for those two-year-olds. It was stated that two groups of 15 hour children are more expensive to deliver than one group of 30 hour children.
- Stakeholders acknowledged that take-up of the two-year-old entitlement was not good in some areas, and this has provided additional capacity for the 30 hour entitlement for three-year-olds.

What are the benefits and limitations of the 30 hour policy for children and families?

Benefits for children

- The stakeholders indicated that the 30 hours entitlement has led to higher attendance levels, which means these children's learning opportunities have increased, leading to better outcomes for those eligible children.
- For some children attending nursery for longer hours provides them with greater security, with more opportunities for their needs to be met and their protection to be secured.
- The stakeholders believed that the longer hours have led to enhanced learning outcomes for the children who access the entitlement.

Benefits for parents

- The stakeholders largely believed the 30 hours policy had benefited parents financially, but were less sure that it had acted as an incentive to employment, as the hours for delivery often did not match parents' employment patterns. Rather, it helped families who were already working but finding paying for childcare a stretch to afford. For many parents, childcare is an enormous financial burden, and the enhanced entitlement relieves them of a huge financial commitment.
- For many parents, the community around the nursery is an important social network of support and socialisation, and accessing additional childcare has enabled their social connectivity.
- The 30 hours entitlement can enhance the quality of home life and parental wellbeing, and this was valued by stakeholders.

Limitations of policy

- The stakeholder group were concerned that the 30 hour entitlement had impacted negatively on non-eligible children, particularly the less advantaged and children with additional needs.
- The funding and eligibility criteria have diverted support away from vulnerable children and children with additional needs, and the stakeholders expressed an anxiety about the long term consequences of this.
- There is a recognition by the stakeholders that the 30 hours policy is not equitable and does not contribute to a 'levelling up' agenda. In fact, they believe it may be doing the opposite, by widening the gap between those who benefit from the enhanced hours entitlement and those who are not eligible as their parents are not working.
- There was some evidence of a concern about the loss of time at home and the impact of long hours on home relationships.

How feasible is it for the sector to deliver an additional entitlement in terms of capacity and what level of funding would be required?

- Most stakeholders expressed a strong commitment that the entitlement should be extended to cover more children and should be offered from an earlier age, and if restricted, it should go to those with particular needs, such as children who were at risk and children with special needs and disabilities.
- Most indicated that they would welcome expansion as they were not running at full capacity, especially since COVID. In some cases the limitation was the physical space, which they felt could not accommodate more children without investment but in principle they supported an expansion of hours for more children.
- It was felt that the government needed to be clearer and consistent as to whether the free entitlements are for childcare or early education, and if it is both then to fund it accordingly, so high-quality provision can be delivered. There was a general agreement that it would be better to fund better quality rather than expanding the hours available to more children, although this would mean some children who would benefit would still not get access.
- Additional hours for more children would be welcomed, but it was universally felt that this would only be feasible if funding levels were increased. Some argued that this additionality could be offered as a disadvantage supplement, to incentivise those who offered places to more disadvantaged children or children with additional needs.
- Stakeholders argued that eligibility criteria and funding applications need to be simplified and made more consistent across the different offers, to allow easier access and delivery of the offer. It was also felt by some that eligibility should also be extended to younger children and also children with SEND.
- It was felt that increased hours and consequent funding could help secure staff and incentivise settings to provide CPD to improve qualifications, and so quality of provision.

Would increasing eligibility give wider benefits to settings?

As indicated in the evidence, the stakeholders identified a number of benefits for settings which increasing eligibility to an enhanced entitlement would provide:

- It would remove the uncertainty over staffing.
- It would enhance financial sustainability and allow longer term planning.
- It would allow the additional funds to be used for CPD and to provide better support for children with special needs.

1

Introduction and Methodology

Introduction

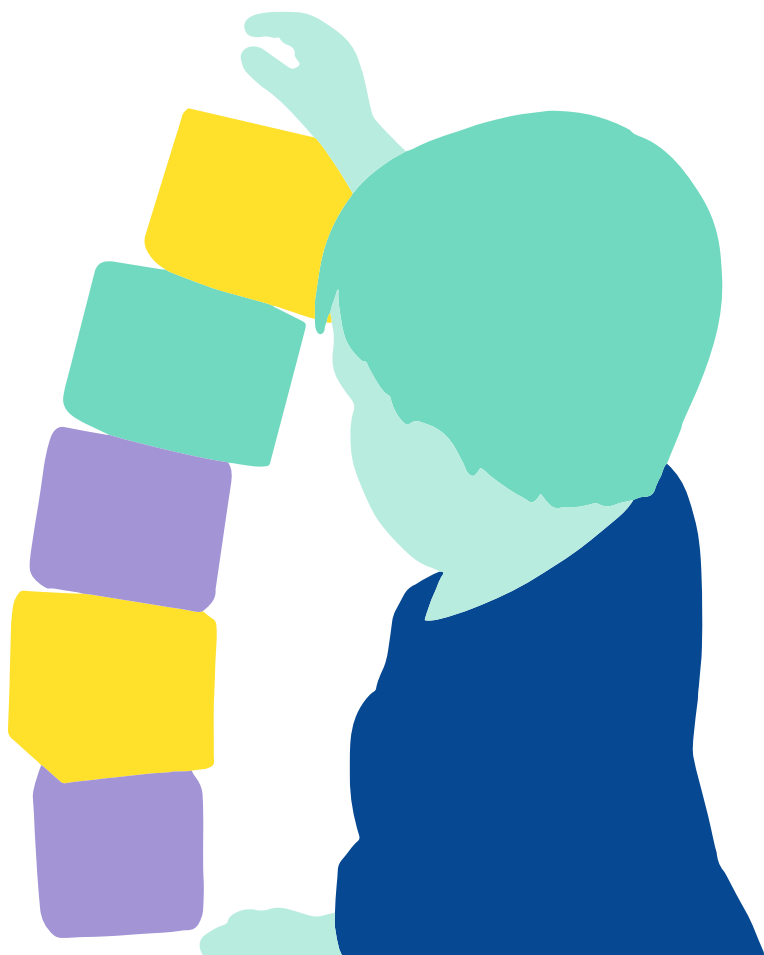
This qualitative research, conducted with a range of early years stakeholders at operational levels, will be framed to address the following questions on the 30 hour policy:

- How well is the current policy of entitlements working?
- What are the benefits and limitations of the 30 hour policy for children and families?
- How feasible is it for the sector to deliver an additional entitlement in terms of capacity and what level of funding would be required?
- Would increasing eligibility give wider benefits to settings?

Research Methodology

This qualitative research aimed to capture stakeholder views of: how the 30 hours policy is currently being delivered and by whom; its viability and reach; its strengths and limitations; funding issues; and what difference it is making to children and families. It also set out to consider views on how the policy might be reconfigured to enable the early years sector to better support young children and families, especially those who are less advantaged or have significant needs. It was carried out in an open, enquiring way without a predetermined hypothesis. CREC's approach embodied a strong element of stakeholder engagement and self-evaluation, which we believe has generated rich information and maximised the learning possibilities. The methodology considered the delivery of the 30 hours entitlement across a range of English local authority area (representing urban, rural and coastal areas) and from the perspective of a range of stakeholders at operational level.

A series of five focus groups were convened, with the aim to secure a purposeful sample of early years providers from a range of settings covering the PVI, maintained (school) sector and childminder sectors, that deliver the 30 hours extended entitlement (across identified regions/LAs of England). These focus groups gathered participant perceptions on the performance of the 30 hour policy against the identified research questions. In total we engaged with 22 respondents (comprising 12 school based providers; 6 PVI providers; 4 childminders) from 7 different and contrasting LA areas. Details of the focus group schedule can be found in Appendix 4.



2 Evidence

The data generated from the focus group dialogues was analysed thematically and is presented against each of the four research questions.

How well is the current policy of entitlements working?

Current delivery patterns of 30 hour entitlement

Varied patterns of delivery: The stakeholders reported a range of delivery patterns for the 30 hours. Some were very flexible in how parents accessed their entitlement, while others were very constrained in their offer. The school settings appeared to limit their offer to 5 days from 09.00–15.00 and term time only, though one offered 10.00–17.00 over 4 days, or 5 days from 09.00–15.00, with lunch and breakfast as additional. Some offered the core hours with paid-for wraparound care. The PVI sector were more flexible in their offer, being open from 0800 until 1800 and all year round and allowing the hours taken to be more tailored to parents' needs. Childminders appeared to be the most flexible with the offer. Additional charges were generally charged in some form and most often required for breakfast, lunches, after school, breakfast clubs and in one case they charged for specialist speech and language support. Those working in more deprived areas indicated that there was little demand for any additional hours, mainly due to affordability, and they could not ask for 'top ups' and they could not charge for lunch which made them less viable financially. Examples of stakeholder offers are:

"5 days from 8.40–3.15. We can extend the day to 6pm in after school club but they pay extra."

"8–4 or 8.30 to 4.30 with some flexibility. Some take it over 4 days and choose which day they don't come, many limit it/share with childminder."

"5 days from 9.00–3.00 lunch is charged for."

"From 08.00 to 18.00 and offer 10 hours from 08.00 to 13.00 or 13.00 to 18.00. We offer a hot meal lunch or in afternoon and are open 51 weeks. We have 5 on 15 hours and charge top ups. We are full with a waiting list. We have qualified teachers and make use of Speech and Language team. Fees are £50 a day and the LA contribution doesn't cover that."

Hourage: It was argued that for some children and families, 30 hours were too many, and often not fully used. It was also generally felt that the hours should be available to more children and offered more flexibly to support different working patterns. The stakeholders generally felt around 25 hours for the whole year from 2 years would provide both the learning benefits for children and support working parents. As stated:

"Families do not necessarily take the whole 30 hours of offer and we go with what's needed at local level and individual context. Some of ours don't take the full offer even now. Maybe 18 or 24 hours would work better, a smaller increased amount for all might make a big difference."

"Families in my area mostly do shift work so there's no demand for a longer day. Many don't take 30 hours because they don't need it for their work."

"Low income should be targeted more and they should have more hours from 2 years."

Funding levels

Insufficient funding: In most cases the stakeholders indicated that the funding was woefully inadequate to enable them to provide a quality service and indicated that they were often running at a loss per child and having to apply charges to make their provision viable. The pandemic had made viability more difficult. They particularly struggled to provide provision to cater for children with additional needs. They argued that increasing the rate to a reasonable level would enable them to stop additional charging and ensure more security and sustainability. As the stakeholders indicated:

"Funding levels don't cover costs. Our budget manager has to be highly qualified to follow it all."

"There is no way the funding is enough if you want quality."

"The rates are really low and paying for wrap around and even lunch makes it expensive for many families."

"As to the funding level we are just about afloat though with Covid-19 we will be in deficit this year."

Charges and cross subsidising: Some stakeholders stated that they cross-subsidised poorer families in their provision by charging better-off families for extras like nappies, sunscreen and lunch; as one provider said, it is 'charging by stealth'. This is despite the stated intention of the policy that it is a free entitlement (though charging for certain items is permitted e.g. snacks but not lunch). In settings located in poorer communities charging is not possible, resulting in a more limited offer. In reality, most stakeholders indicated that they had to include charges for some elements of the programme if they were to be viable as revealed below:

"It's not 'free' childcare but subject to terms and conditions."

"They don't understand that our rate is higher than the LA rate and they also need to pay for additional hours and lunch. Government funding doesn't match the going rate."

"We are open 51 weeks a year and so we need some top-ups. We have 6 settings (and another 2 in the pipeline), so 30 hours over 38 weeks, we'd struggle without top-ups."

Challenges in delivery

Ensuring quality: Stakeholders widely felt that the 30 hours policy aim (for childcare, rather than early education), and its low funding level, meant that providing children with a quality programme was very challenging. They felt that the policy priority was quantity of places rather than quality. All acknowledged the key to quality and enhanced child outcomes was their ability to recruit and retain trained staff who could sustain high quality interactions, low ratios and consistency for children. However, many stakeholders found achieving this quality was difficult, with the funding level meaning even paying a minimum of living wages for staff was hard. Some felt at present the funding was spread too thinly and could be more effectively targeted to ensure better quality for those who need it most. They all expressed a concern that providing a quality service on current funding was not possible, as shown below:

"We need to supplement the nursery with qualified teachers, quality staff to make a real difference."

"We can't do the additional stuff – the enrichment, trips, forest school, music – it's limited and the budget is too tight and restricts us as to what we can do with children, especially those who don't do it at home. They don't get those experiences."

Complex eligibility: All stakeholders indicated that the complex eligibility criteria for the 30 hours entitlement caused problems for them and the parents, and argued for more simplicity and more certainty as families' personal employment situation was often volatile and unpredictable, especially over recent months with the pandemic. Many parents find the complexity of the eligibility criteria confusing to navigate and understand, and accessing the portal is difficult for some. Stakeholders stated:

"Ours is a deprived area, some really wanted to get into work, to make a start but missed the cut off date. It needs more flexibility and support to get people back and into college as well as work. Would-be students are dependent on getting on a course or not and are using their mobiles to register. It's hard and complex and some can't navigate it."

"We have dyslexic parents, parents with limited English vocabulary and are always asking them, have you done it? They need to re-validate application every 3 months so we're forever chasing them – Have you done it? Often the answer is, 'no', or they've tried but not done it properly or their phone is off line or the battery flat. It can all be endless and what we really want to do is teach the children."

Organisational planning: Creating a high-quality programme which is flexible and meets individual children and family needs requires a complex organisational plan which is very demanding of leadership time and staff flexibility in deployment. The 15 hour entitlement was seen as much more difficult logistically to manage. Having children in attendance with different hours of access makes session planning very challenging as testified by many of the stakeholders:

"It requires careful planning – children in different sessions – different days – organisation of the timetable to plan progression not repetition – individualised. We have to constantly assess what a child has covered and what not. This is not necessarily negative, but it has changed provision. How to avoid morning/afternoon repeats, establish consistency and progress so there is individualised delivery. Ensuring the right staff at the right time but also watching curriculum delivery. Tracking and ensuring children are not missing out."

"15 hours is a logistical nightmare, 30 hours has really helped. Sorting out our staffing needs is difficult and meeting appropriate curriculum demand, anticipating that from term to term and predicting take-up is hard."

Staffing: The 30 hour policy had led to increased staffing demands, which was hard to maintain over the year as demand for places was not evenly dispersed across the year, as shown below:

"Termly changes and shifts in staffing, resources and spaces makes delivering the entitlement difficult to predict and manage – we end up juggling it all."

"The big issue term on term is to keep ahead of the game, during non-term time the numbers fall dramatically – we are forever juggling ratios."

Continuity for children: The respondents felt that the termly eligibility criteria means that some children's learning and development can be severely disrupted with negative consequences both for their progress, socialisation and wellbeing as illustrated below:

"Continuity becomes an issue with 30 hours. Children start then parents hours are cut or stopped and then the children can't come. They are supposed to pay and then they can't afford it. It's difficult for all but especially children who lose friendships."

Continuity for parents: The respondents also felt that the termly eligibility criteria means that some parent's lives, and livelihoods can be severely disrupted with negative consequences for their well-being and quality of life, as shown below:

"When one of our parents became a widow, her now single income working hours dropped, so she lost that support as she was under 16 hours, so then she lost her job too as she had to care for her kids because as a single parent she could not afford the fees."

Impact on two-year-old entitlement

Contradictory policy objectives: Stakeholders were of the view that they were caught in the middle of two contradictory policy offers with different objectives and complex eligibility criteria for each. They pointed to their experience of 15 hour places for disadvantaged two-year-olds being withdrawn to prioritise delivering 30 hour places for children of working parents, especially during the pandemic. Some stakeholders felt this put them in a morally difficult position having to make difficult choices as to how to allocate their capacity and ensure their sustainability. It also mitigated against some disadvantaged two-year-olds transitioning to the three-year-old entitlement, as shown below:

"The more who take up the 30 hour funding the more that impacts on our clientele, the size of our groups, the sufficiency of places and those who need it more are the ones who tend not to get it."

"[Those taking-up the two-year-old offer] are some of [the] most disadvantaged, 30 hours children are much less so but they get the places."

Sustainability and organisational management: They felt the 30 hour policy was more sustainable financially and easier to manage organisationally than the 15 hour entitlement for two-year-olds, and this choice leads to further disadvantage for those two-year-olds. It was stated that two groups of 15 hour children are more expensive to deliver than one group of 30 hour children. The programme delivery over a longer time period was much easier to manage, as revealed below.

"With our 30 hours we get better routines. It gives us time to develop sustained shared thinking and extend them and we can revisit learning throughout day."

Low take-up levels: It was acknowledged that take-up of the two-year-old entitlement was not good in some areas and this has provided additional capacity for the 30 hour entitlement for three year olds.

"We had new build so we could take all and have massive space with potential for 480 children. There's a significant drop in two-year-old take-up. Our outreach has progressed but the Health Visitor relationship is not there, that's all gone with the end of the Children Centres initiative. 30 hours for two-year-olds maybe helpful but some of them are still not aware of their current entitlement."

What are the benefits and limitations of the 30 hour policy for children and families?

Benefits for children

Raised attendance levels: The stakeholders indicated that the 30 hours entitlement has led to higher attendance levels which means these children's learning opportunities are increased, leading to better outcomes for those eligible children, as shown below:

"I agree with 30 hours and the children's attendance is 96% to 100% and their progress is great. Before we had dropping numbers especially the afternoon sessions."

"During the pandemic hardly any children were turning up, except the in work front line workers and especially the NHS support staff, a big employer in this area. Their group were getting a 1/8 ratio and they made huge progress, but mostly the 15 hours children didn't come at all but the SEN and vulnerable in the 30 hours group really did benefit. In that sense the better off got more of the benefit."

Secure and enriched early experiences: For some children attending the nursery for longer hours provides them with greater security, more opportunities for their needs to be met and their protection to be secured, as shown below:

"For needy families it's better off for the child to be in school."

"These can be long days for small children, but the longer hours allow us to chill a little. The tracking data reveals the benefit, and the 30 hours children are less disadvantaged by pressures and their experiences are spread over 51 weeks – it's less intense."

"It benefits two- or three-year-olds from disadvantaged homes especially – where they can't do activities at home we can provide stimulation."

Improved learning outcomes: The stakeholders believed that the longer hours have led to enhanced learning outcomes for the children who access the entitlement as shown below:

"The 30 hours children have come along in leaps and bounds, they sometimes need the repetition the enhanced hours allows."

"For children there are huge benefits. We get to know families and children early on and can identify early needs. Having both a maintained and a year-round nursery is hugely beneficial."

"We can repeat and reinforce phonics – our children who access the 30 hours get improved scores – they're doing better."

Benefits for parents

Access to employment: The stakeholders largely believed the 30 hours had benefited parents financially but were less sure that it had acted as an incentive to employment. The hours for delivery often did not match their employment patterns. Rather it helped families who were already working but finding paying for childcare a stretch to afford as indicated by respondents:

"It helps parents up the ladder – it's making a difference for parents."

"For disadvantaged families it really helped – parents could work 16 hours without their benefits being affected and with 30 hours they could work and it fits with picking up other children in school."

Affordability: For many parents childcare is an enormous financial burden and the enhanced entitlement relieves them of a huge financial commitment as shown below:

"I had two children close together. It was financially crippling. I waited so long to get the 30 hours at three years. Tax free childcare is ok, and I had to go back to work, but it was costing me more than my mortgage."

"These programmes are a saving for parents of two- and three-year-olds who want childcare which is not cheap."

"One of my parents with 30 hours was already in employment and paying for childcare – so this just added to her income really."

Support and reduced isolation: For many parents the community around the nursery is an important social network of support and socialisation and accessing additional childcare has enabled their social connectivity, as stated below:

"Parent socialising outside is important. It is harder for the newly arrived, so parents are mixing informally, making friends and learning from others."

Improved family life: The 30 hours entitlement can enhance the quality of home life and parental wellbeing and this was valued by stakeholders:

"The benefits have boosted parents and helped mental health. It positively impacts on parenting providing respite for tired working parents. Children get mix of education and play, development improves but HLE is the key."

Limitations of policy

Impact on non-eligible children: The stakeholder group were concerned that the 30 hour entitlement had impacted negatively on non-eligible children, particularly the less advantaged and children with additional needs, and commented:

"Vulnerable children really miss out. There is a much bigger gap created we've noticed where the 25 hours for these children has gone. Funding has played a big part in take-up."

"Some buy just an afternoon but few do as it's an extra £10 a day – some would love it and we have capacity but they just can't afford it."

Lack of provision and support for children with additional needs: The funding and eligibility criteria has diverted support away from vulnerable children and children with additional needs, and the stakeholders expressed an anxiety about the long-term consequences of this:

"The looked after child is a worry for us. The foster carer didn't have income to access the provision. We are seeing high levels of SEN and the LA funding is insufficient and the process of diagnosis is slow. It's not fully covered by the funding so it puts settings off taking those children most in need – also respite would help these parents."

"Some parents have health problems stopping them from working. The system ends up being arbitrary. Quite a few of my three-year-olds have 3 days at 09.00–15.00. Yet a child with additional needs gets no help at all. A universal system is needed that would help. Then there are children who just go missing – as a seaside town we have some transient families but most are not. Covid-19 actually made them more settled as they couldn't travel."

Equity: There is a recognition by the stakeholders that the 30 hours policy is not equitable and does not contribute to a 'levelling up' agenda. In fact, it is argued that they believe it may be doing the opposite, by widening the gap between those who benefit from the enhanced hours entitlement and those who are not eligible as their parents are not working. There is also evidence from the groups that less advantaged children lost their enhanced hours once the 30 hour policy came in to ensure capacity for eligible working parents. It was suggested that the tension between a policy that prioritised childcare for working parents was working to the detriment of other policies aimed at boosting attainment of less advantaged children as shown below:

"Children would benefit from being here longer but we now feel we are not reaching those who really need it."

"Most who picked up the benefit initially were already paying. In this holiday town employment isn't readily available – a big insurance company employer left, and hotels were shut, so there was a big negative impact from Covid-19 on seasonal work, much of which is poorly paid anyway. So many in real need didn't make the criteria – lot's of children could have benefited."

"My parents could easily pay – it seems the richer you are, the more you benefit."

"Before we could offer disadvantaged children more hours, but it seems to be the more privileged getting it now. two-year-old funding does help close the gap. They are the ones who tend to get less stimulation at home too, they just don't get the quality interaction, and we know how important HLE is to progress. We are not picking up on that as we used too."

Loss of family life: There was some evidence of a concern about the loss of time at home and the impact of long hours on home relationships, as some stated:

"They are a lot more tired. Some felt they were missing out on family and home relationships which is an important part of nurturing and child raising."

"I think 15 hours is enough though – family support and relationships would miss out if it was more."

How feasible is it for the sector to deliver an additional entitlement in terms of capacity and what level of funding would be required?

Commitment to expansion: Most stakeholders expressed a strong commitment that the entitlement should be extended to cover more children and should be offered from an earlier age, and if restricted to those with particular needs, as shown below:

"The entitlement should not just be offered to working parents but perhaps to those in training too. There should also be proper funding for Children with SEND and enlarged staff teams to cope. We certainly have capacity for growth but current rates are inadequate to meet EAL and SEND children's needs."

"We could take more and it would give continuity from 2 years, and that would be good for this community. It would need to be carefully directed to those in need."

Capacity: Most stakeholders indicated that they would welcome expansion as they were not running at full capacity, especially since Covid-19. In some cases the limitation was the physical space which they felt could not accommodate more children without investment but in principle they supported an expansion of hours for more children, as shown below:

"We currently can't expand the building, we have a limited physical space but with planning permission 100% we'd welcome expansion."

"We couldn't take more right now. We'd need capital investment. Expansion would need a capital grant."

"We could extend the 30 hours without impacting on two-year-olds, because with only 49% take-up and steadily declining, it leaves us with some spare capacity."

Clarity of policy aims: It was felt that the government needed to be clearer and consistent as to whether the free entitlements available are for childcare or early education, and if it is both then to fund it accordingly, so high-quality provision can be delivered. It was agreed that a childcare focus was unhelpful as all provision should contribute to child outcomes and be focused on the child's needs first, as shown below:

"It's been hugely successful for us. The earlier the better really, especially for those most in need. The 30 hours entitlement is flexible for parents needs but for children I think maybe less helpful."

Quality: There was a general agreement that it would be better to fund better quality, rather than expanding the hours available to more children as stated below:

"Quality depends on a qualified workforce, and it is a budget challenge for us."

"It's not just length of experience, the hours, but the quality."

Funding: Additional hours for more children would be welcomed, but it was universally felt that this would only be feasible if funding levels were increased. Some argued that this additionality could be offered as a disadvantage supplement to incentivise those who offered places to more disadvantaged children or children with additional needs. It was felt that without additional funding any expansion would be unwelcome and unhelpful, and the need for more investment was a case strongly made:

"Early Years needs proper funding and policies; it needs to raise visibility; to reorganise; to recognise the importance of early years; and the earlier the better. We should be looking at it from birth, HLE and involving Health Visitors and this requires investment."

Eligibility: Stakeholders argued that eligibility criteria and funding applications need to be simplified and made more consistent across the different offers to allow easier access and delivery of the offer. It was also widely felt that eligibility should also be extended to younger children and also children with SEND as stated below:

"It should be free for ALL children from 1 year old."

"Funding goes to parents at younger age, so entitlement from 1 year."

"SEND children's eligibility for support is needed earlier."

Hours: Most respondents felt 15 hours was not enough to secure child learning benefits or to help parents manage their employment demands. It also does not help their financial sustainability. It was argued that there was no evidence to support the 30 hour entitlement, that for some children and families 30 hours were too many, and that the hours should be available more flexibly and across the whole year, maybe with less hours per week but over 52 weeks. They generally felt that around 25 hours for more children could provide the child learning benefits and also some support for working parents, as shown below:

"I don't think you have to make 30 hours universal. We could make 25 hours universal and then for vulnerable children I'd like to take them for longer, as not one size fits all. There should be more autonomy for parents in the offer to meet their needs individually."

"30 hours is needed in some areas of greatest need, in deprived post codes as there are some families under real stress."

"30 hours spread over the year would work for me, over 51 weeks. It needs continuity, the children can so easily go backwards with long breaks. For equality all children should get the same."

Staffing: It was felt that increased hours and consequent funding could help secure staff and incentivise settings to provide CPD to improve qualifications and so quality of provision. It would also remove the current uncertainty about staffing needs over the year. The respondents were aware of the workforce shortages and the under qualified nature of the workforce and felt it would take time to secure staff at level 3 and above to support any expansion in quality or quantity of hours as shown below:

"We'd need to re-staff it at the beginning, stagger it maybe, but 'yes:'"

Would increasing eligibility give wider benefits to settings?

As indicated in the evidence, the stakeholders identified a number of benefits for settings which increasing eligibility to an enhanced entitlement would provide:

- It would remove the uncertainty over staffing.
- It would enhance financial sustainability and allow longer term planning.
- It would allow the additional funds to be used for CPD and to provide better support for children with special needs.



3

Stakeholder policy preferences

The stakeholders interviewed here were offered a number of policy options, and asked to indicate their preferences. They could express support for more than one option, and these are shown in the table below. It should be noted that this was a small sample of 22 providers

which may not be representative of whole sector. A later section of this report (Section 2, **Views on the ground from parents, providers and teachers**), includes a much larger survey of providers.

Table 1: Policy Options

Policy responses	N=22
Universalise current provision: Make 30 hours policy universal for all three and four year olds.	4
Alternative universal offer: Replace current 15 hour Early Education policy and +15 hour Extended Entitlement policy for working parents with universal Early Education entitlement of 20 or 25 hours per week for children from two years of age.	19
Extending entitlement: Extending eligibility for the 30 hours entitlement to all three and four year olds who qualified for the two year old entitlement, with other existing entitlements remaining the same.	17
Re-targeting entitlement: Extending the 30 hours entitlement to three- and four-year-olds who qualified for the two-year-old offer while reducing the upper income limit.	16
Extend the reach of the free entitlement to a broader age range: Extending the funded places to one- and two-year-olds.	4
Universal funding increase: Alongside any other entitlements increase the hourly rate for providers to be able to ensure quality.	22
Increase funding for disadvantaged children: Alongside any other entitlements increase the hourly rate for disadvantaged children and children with SEND.	18

the stakeholders' preferences revealed that a number of these policy options were popular and were not exclusive to each other, suggesting attributes of several options would be welcomed. in particular, the stakeholders would welcome:

replace current policy: replacing the current 15 hour early education policy and +15 hour extended entitlement policy for working parents with a universal early education entitlement of 20 or 25 hours per week for children from two years of age.

universal funding increase: alongside the enhanced entitlements, they argued for an increase in the hourly rate for providers to be able to ensure quality, and in particular to enable them to recruit and retain more qualified staff.

increase funding for disadvantaged children: alongside any other entitlements, additionally increase the hourly rate for disadvantaged children and children with send.

the main concerns of these stakeholders in their expression of preferences was that current policy did not reach many children who really needed to benefit from early education, particularly those who were growing up in poverty and those who had special needs and disabilities. some felt the entitlement should also be extended to younger children who had these needs. they also felt that the current funding levels did not support the sustainability of high quality provision with trained staff, and that this was a significant barrier to enabling them to close the gap in child outcomes. they expressed the belief that the focus on childcare rather than early education in policy statements was confusing and led to conflicting programme objectives which they were then forced to juggle. in short, more clearly articulated early years policy objectives which foregrounded early education, whilst acknowledging parents' childcare needs, and the importance of appropriately trained and remunerated staff to deliver enhanced child development outcomes, was seen as vital in securing a more coherent and equitable vision and a viable system of early education and care to realise it. the role of government funding to drive this vision was seen as vital as they acknowledged the current market failure to deliver these twin objectives.

Views on the ground from parents, providers and teachers

Rebecca Montacute
and Erica Holt-White
The Sutton Trust



Key Findings

Parents

- 64% of parents said they have been worried about their child's development or wellbeing during the pandemic.
- 18% of parents in working class occupations were worried about affording general costs for their child, compared to only 11% of middle-class parents.
- Parents' views on the impact of the pandemic are mixed. 20% of parents felt that their child's physical development had been impacted negatively, and 25% felt similarly about their language development. Over half (52%) said their child's social and emotional development had been harmed.
- 69% of parents reported that their child being unable to play with other children had negatively impacted them, with 67% saying that the closure of facilities such as play areas has had an impact, and 63% said the same about being unable to see other close relatives had an impact.
- Over half (51%) of parents felt that the government had not done enough to support the development of all pre-school age children during the pandemic.

Teachers

- Over half (54%) of primary senior leaders said fewer pupils were "school ready" when they started reception this year than they would have expected before the pandemic.
- Senior leaders in schools with more deprived intakes were much more likely to say the proportion of students not school ready was higher this year (67% vs 47% in schools with better-off intakes).

- 75% of early years teachers said a higher proportion of children did not know how to listen or respond to instructions than usual, 73% said more children were struggling to play or share with other children and 69% that more children were struggling to hold a pen.
- Almost three quarters (73%) of senior leaders said more pupils needed additional support with their personal, social and professional development this year. 71% said more needed support with their language and development, 41% for literacy and 34% with physical development.
- Senior leaders were worried about the impact this reduction in school readiness would have on their schools, with 59% worried about increased strain on teachers, 51% about the long-term impact on children's attainment, and 42% worried about increased staffing costs.
- The clear majority (93%) of senior leaders in primaries said more time spent in early years provision before children start in reception helps to support school readiness.

Early Years Providers

Impact of the pandemic

- 88% of providers thought it likely they would still be open by this time next year, with 6% saying it was unlikely. This is a much smaller proportion than April 2020, when a quarter of providers said they were likely to close. However, this may be because many settings have already been forced to close during the pandemic.

The 30 hour entitlement

- 75% of the providers surveyed said funding provided for the 30 hour entitlement did not meet their costs. Just 24% said it met or exceeded their costs.
- Most settings surveyed (73%) said they felt offering the 30 hour entitlement had no impact on quality, with 13% feeling it had caused a reduction in quality and 15% an increase in quality provision.
- Just over half of providers, 52%, said the entitlement was helping families to work much or slightly more. Those working in the most deprived parts of the country were 13 percentage points less likely to say parents were able to work more, at 45%, compared to 58% of providers working in affluent areas.
- 37% of providers said the families using the entitlement in their setting were better-off than the local community overall, with 30% saying it was representative of the community. In the most deprived parts of the country, providers were 10 percentage points more likely to say families using the entitlement were better-off than the general community (48% compared to 38% of providers working in the least deprived areas).
- disadvantaged three- and four-year-olds with an upper earnings cap for eligibility, or for the same extension with no change to the upper limit. Just 10% did not want to see any changes to the policy.
- Those working in the most deprived parts of the country were more likely to favour making the 30 hours policy universal (38% compared to 24% of those working in the least deprived areas).
- If the 30 hour entitlement were made universal by government tomorrow, many providers said they would offer it to all three- and four-year-olds, but only if the hourly rate was increased to meet their costs. At current funding levels, only 52% of providers said they would offer it, compared to 88% if funding was increased to meet their costs.
- Many of these providers would be able to offer an expanded entitlement quickly, with 39% able to do so immediately, 13% within a month and 28% in 1-3 months.
- The most common barrier, cited by 48% of providers unable to offer the extension, was not having enough physical space, followed by not being able to recruit enough staff (31%). Only 6% of this group of providers thought they would not have enough demand.

Views on reforms

- A large proportion of providers, 87%, said more families would take up more hours if they became eligible for the 30 hour entitlement, with two thirds (66%) saying many more would do so.
- If funding was provided at a level per hour high enough to meet their costs, the majority of providers would favour either making the 30 hour entitlement universal (40%), and a further 40% would be in favour either of expanding eligibility for

1

Introduction

The Covid-19 pandemic has had a considerable impact across society. Disruption to the education system has been considerable, with many children missing out on normal experiences most of us take for granted. The aftershocks of the pandemic will be felt for today's children for years to come, with potential impacts to their future attainment, development, and wellbeing.

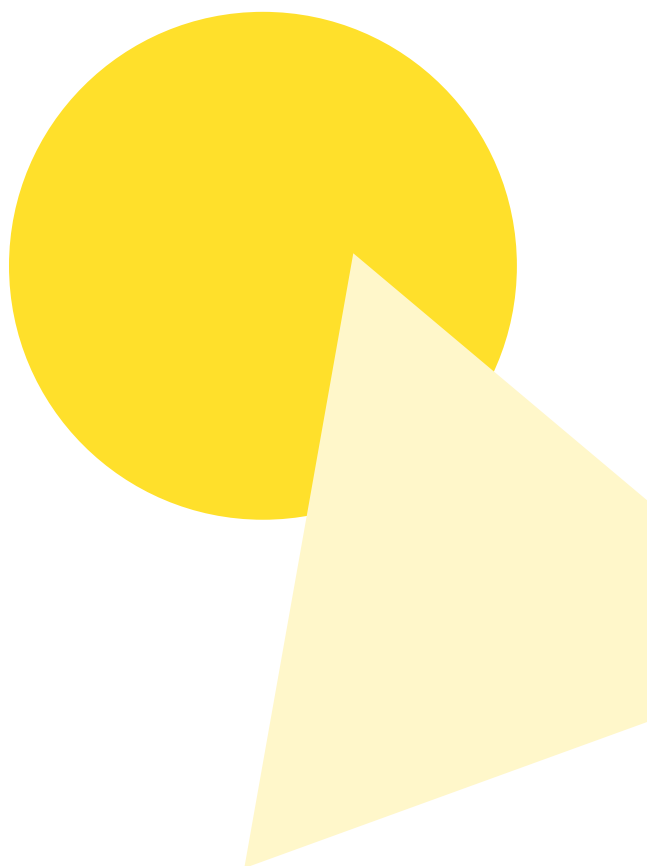
Pre-school aged children have been no exception, but their experiences have been given relatively less attention during the pandemic, and in discussions on subsequent efforts for recovery. Young children have missed out on vital experiences, with many having less time in early years education, as well as missing out on the normal day to day experiences so important for their development, like visiting relatives, making friends with other children, or even just a trip to the shops. Their parents have also faced considerable challenges, caring for them while also facing isolation and the removal of many of their usual support networks, while also perhaps losing work or even loved ones.

As outlined in the introduction to this report, we already know teachers are seeing the impact on young children, with 96% of schools concerned about communication and language development in children who first started school last September.¹

This section, building on previous research, uses surveys of parents and teachers and early years providers to better understand the impact of the pandemic on very young children, including unequal impacts by children's socio-economic background. Getting a better view from the

ground through this work will help give a clearer picture of the level of support these children will need in the aftermath of the pandemic.

Views of those at the coalface are also needed to better understand the opportunities and challenges of any extension to the 30 hours policy, which, as discussed, could be a vital intervention to help the poorest children recover from the pandemic. The qualitative work with providers in the first section of this report gives important detail and context to these challenges. In this section, with the advice and support of the Early Years Alliance, we have been able to survey 1242 early years providers, to get a broader picture of the practicalities of any expansion to the 30 hour entitlement.



1 Education Endowment Foundation, "Impact of Covid-19 on School Starters". Available at: https://educationendowmentfoundation.org.uk/projects-and-evaluation/projects/the-impact-of-Covid-19-on-school-starters/?utm_source=site&utm_medium=search&utm_campaign=site_search&search_term=impact%20of%20school%20clo

2 Methodology

Parents: Out of an overall sample of 10,878 adults, YouGov surveyed 570 parents of 2–4-year-olds online between the 6th and 12th of May 2021. Results have been weighted to be representative of adults in Great Britain over the age of 18.

Teachers: To look at the impact of the pandemic on very young children who entered school during the pandemic (starting in the academic year 2020/21), 702 Primary School Leaders and 109 reception and early years teachers were surveyed via Teacher Tapp in June 2021. Teacher Tapp is a daily survey app that asks over 8,000 teachers questions each day and reweights the results to make them representative of the national teaching population, according to school funding, phase and region, along with teacher age, gender and level of seniority.

Early Years Providers: The Early Years Alliance is a membership organisation representing nurseries, pre-schools and childminders, with over 14,000 members. The Alliance surveyed 1,242 of their members, early years providers predominantly in the Private, Voluntary and Independent (PVI) sector.

The survey was carried out online between the 20th of May and the 9th of June 2021, with questions written by the Sutton Trust in partnership with the EYA. Respondents were asked for the local authority of their provision (provided by 1,201), which was used to match to the English Indices of Deprivation (IMD), to split providers into 5 groups by level of deprivation of the local area.

The make-up of the sample is outlined in table 1 below:

Table 1: Provider types within sample

Pre-school	53%
Nursery	30%
Childminder	12%
Primary School nursery class	2%
Maintained nursery school	1%
Specialist provision	0.2%
Out-of-hours club	0.2%
Other	2%

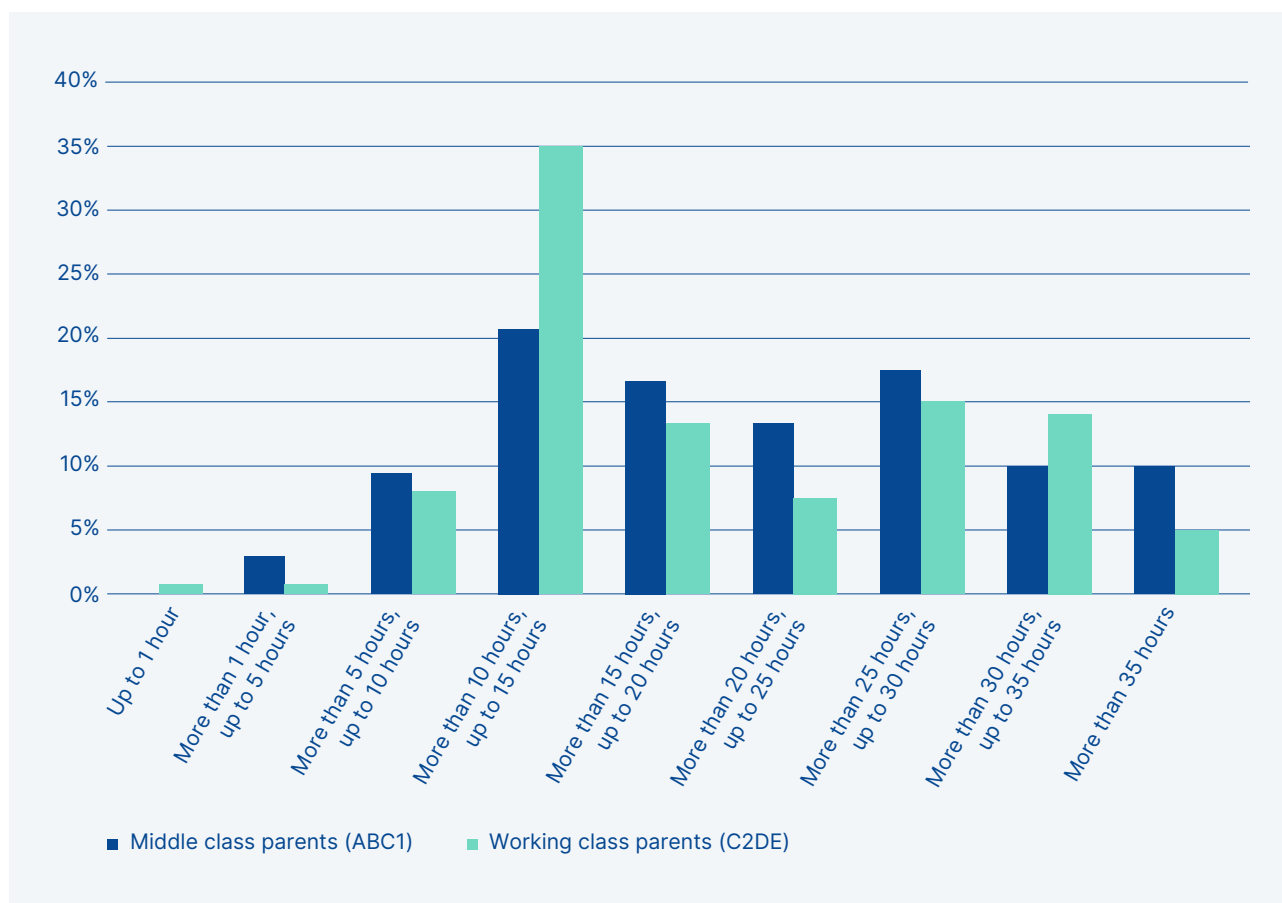
Parents

Attendance in early years settings

Of the parents surveyed, 35% reported their child to be attending an early years setting for over 15 hours a week, while 26% had their child in nursery or preschool for less than 15 hours a week.

There were differences in attendance by parental occupation, with 39% in middle class homes attending for more than 15 hours, compared to just 30% for those in working class families.

Figure 1: Hours of attendance in early years settings by parental occupation

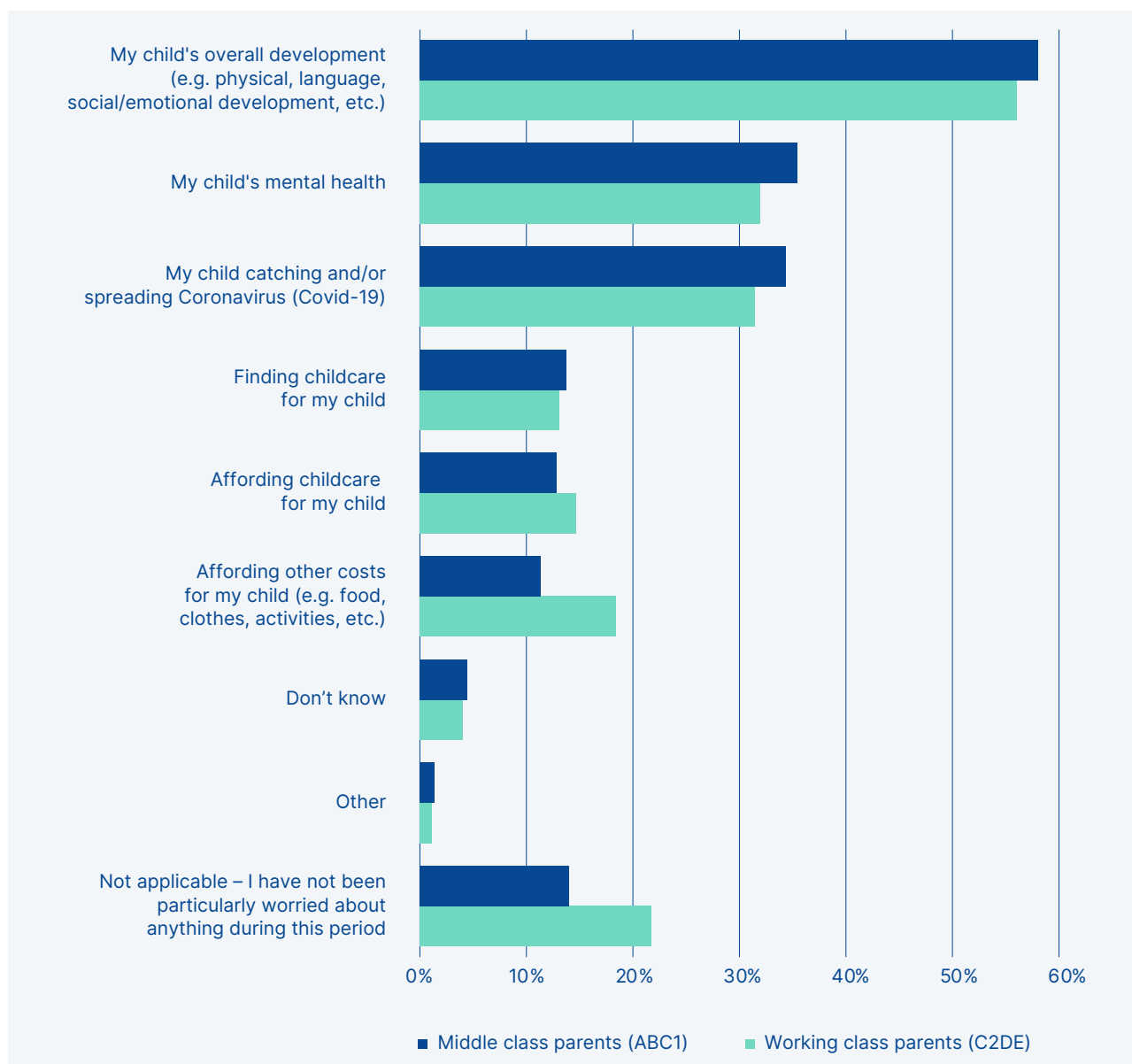


Impacts of the pandemic

Parents were asked any concerns they had for their pre-school aged child due to the pandemic, such as developmental issues or being able to afford childcare. A sizeable proportion, 64%, said they have been worried about their child's development or wellbeing during the crisis, while 33% were worried about their child contracting Covid.

Looking at concerns by socio-economic group, 18% of parents in working class occupations said they were worried about affording general costs for their child, compared to only 11% of middle-class parents. However, similar proportions (13% for middle class and 14% for working class) of parents were worried about affording childcare.

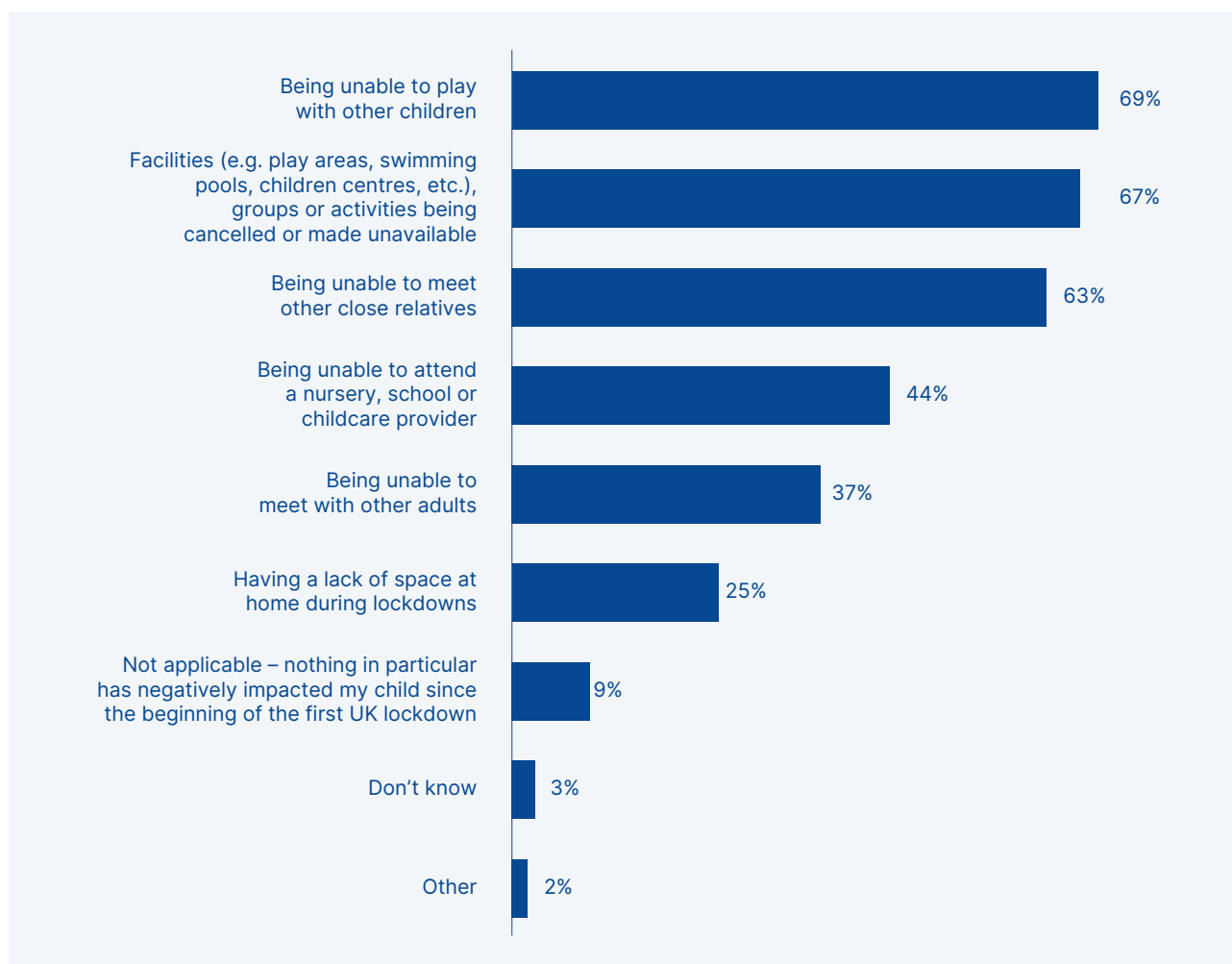
Figure 2: Worries of parents during the pandemic, by parental occupation



Parents were also asked whether aspects of their child's development has been positively or negatively affected by the pandemic. Over half (52%) of parents said their child's social and emotional development had been harmed during the pandemic, while 25% of parents felt their child's language development had been impacted negatively, and 20% felt similarly about their child's physical development.

Many of the normal activities parents would do with their very young children, for example visiting relatives or simply spending time with them outdoors, were not possible or severely limited during long periods of the crisis. Many parents (69%) reported that their child being unable to play with other children had negatively impacted them, with 67% saying the same about the closure of facilities, such as play areas, and 63% reporting that being unable to see other close relatives had a negative impact.

Figure 3: Proportion of parents reported children had been negatively impacted



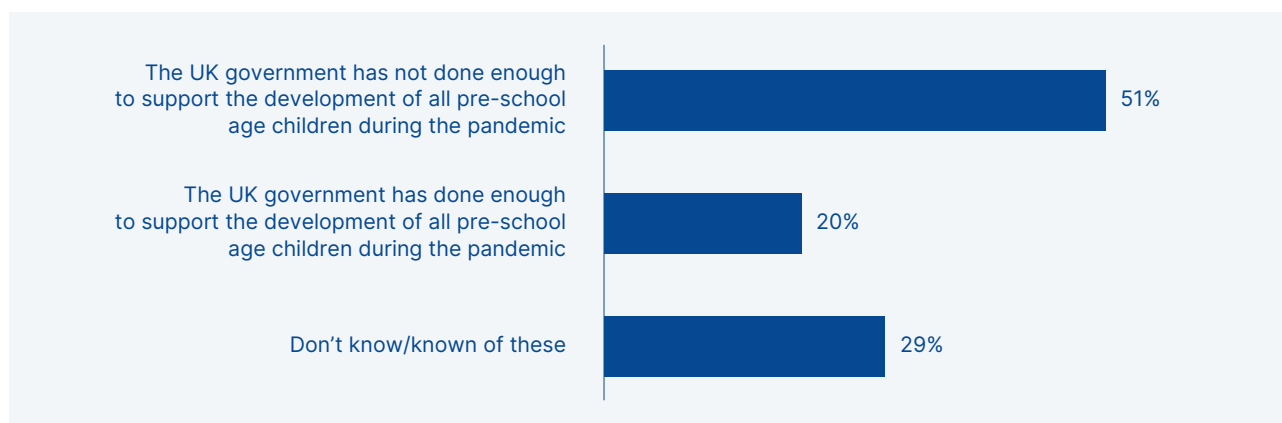
Government action

The pandemic has seen government intervention and spending across many areas of policy, from school catch up efforts to the furlough scheme. While government spending throughout the pandemic has been historically high, pre-school aged children have received very little to support them through the pandemic, especially when compared to other age groups, an issue the Sutton Trust has highlighted previously.²

Given that, it is perhaps unsurprising that over half (51%) of parents of pre-school aged children felt that the government had not done enough to support the development of children in this age group, as shown in Figure 4.

² Sutton Trust (2021). "Fairness First: Social Mobility, Covid and education recovery". Available at: <https://www.suttontrust.com/our-research/social-mobility-covid-education-recovery-plan-catch-up/>

Figure 4: Views of parents on the UK's government support for pre-school aged children during the pandemic



Teachers

In September 2020, the first group of children started school after having their early childhood disrupted by the pandemic, and teachers are now able to give their assessments of the impact those experiences have had on them. This information will be vital in planning for future cohorts, as today's one-, two-, three- and four-year-olds pass through their earliest experiences of education and into full time schooling in the shadow of the pandemic.

Here, teachers in early years settings give their views on children about to start school, and reception teachers and senior leaders in primaries report on the experiences they have had as this first cohort has entered their schools.

Impact of the pandemic on school readiness

School readiness is defined within the government's Early Years Foundation Stage (EYFS) as children having the broad knowledge and skills to provide the right foundation for good future progress through school and life.³ However, concerns have been raised that due to the disruption of the pandemic and associated lockdowns,

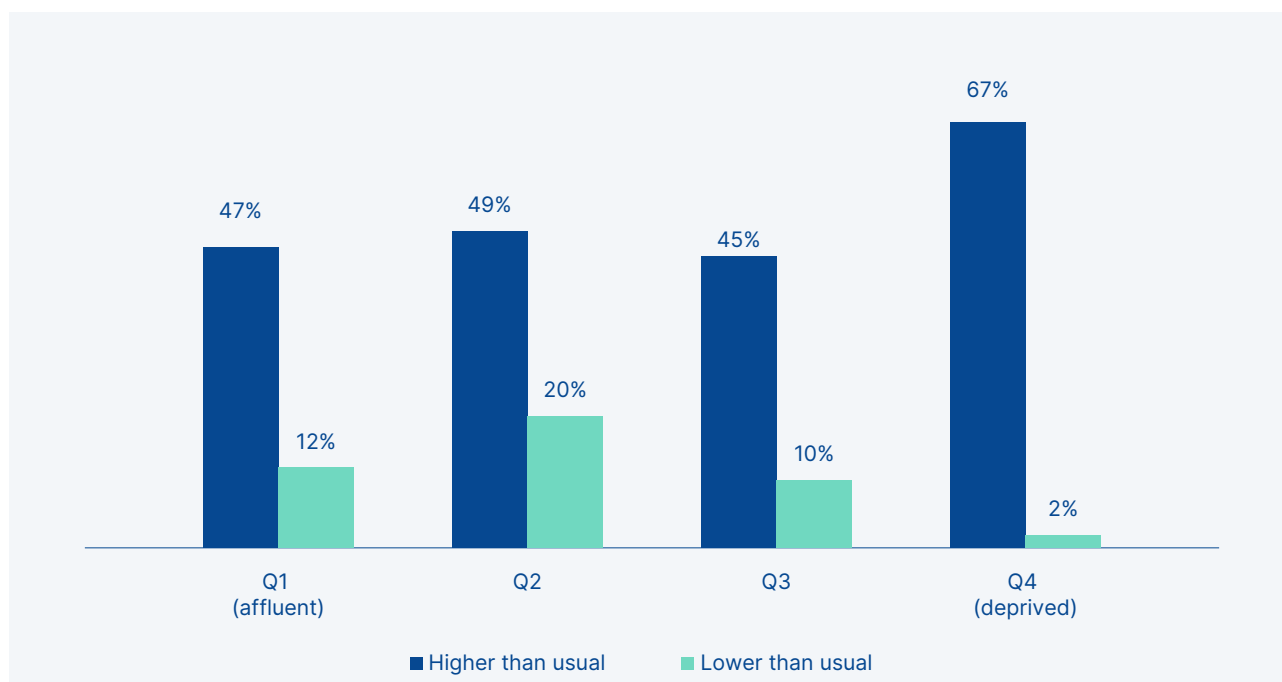
fewer children who entered school this year will have reached this level of development.

To examine this issue, primary senior leaders were asked about the level of students' readiness of pupils who started in their school in the last academic year. Over half (54%) of those surveyed said a higher proportion of pupils were not "school ready" when they started reception at their school this year than what they would have expected before the pandemic, compared to just 11% saying it was lower than usual.

Senior leaders in schools with more deprived intakes were much more likely to say the proportion of students not school ready was higher this year (67% vs 47% in schools with better-off intakes), and much less likely to say it was lower than usual (2% in more deprived schools compared to 12% in schools with better-off students), as shown in Figure 5 below.

3 Department for Education – Statutory framework for the early years foundation stage (2017). "Setting the standards for learning, development and care for children from birth to five". Available at: https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/596629/EYFS_STATUTORY_FRAMEWORK_2017.pdf

Figure 5: How the proportion of students not school ready in primary senior leader's schools has compared to pre-pandemic



The same question was also asked to early years teachers, including in early years settings and reception teachers in schools. These teachers interact with children more closely day to day, and together have a view of both sides of the transition to school, with those in early years settings seeing them just before they left for reception, and reception teachers seeing them once they had arrived in their schools.

Of this group of early years teachers, 59% said the proportion of children who would not be school ready has been higher this academic year than what they would usually expect, with 21% saying more students would be ready compared to usual. Looking just at reception teachers in schools (81 of the 109 respondents), 65% said that more students were not school ready, with 17% saying fewer were not school ready this

year. While 21% of headteachers were unable to answer this question, this was just 1% for the group of teachers, who interact with such children more closely.

Early years teachers were also asked about more specific aspects of school readiness. This work builds on questions asked in previous research.⁴ However, while previous work has asked generally about levels of school readiness this year, with high numbers of students reported not to be school ready, it has not asked teachers to compare current levels of school readiness to what they would expect in a 'normal' year pre pandemic, an issue which is addressed here.

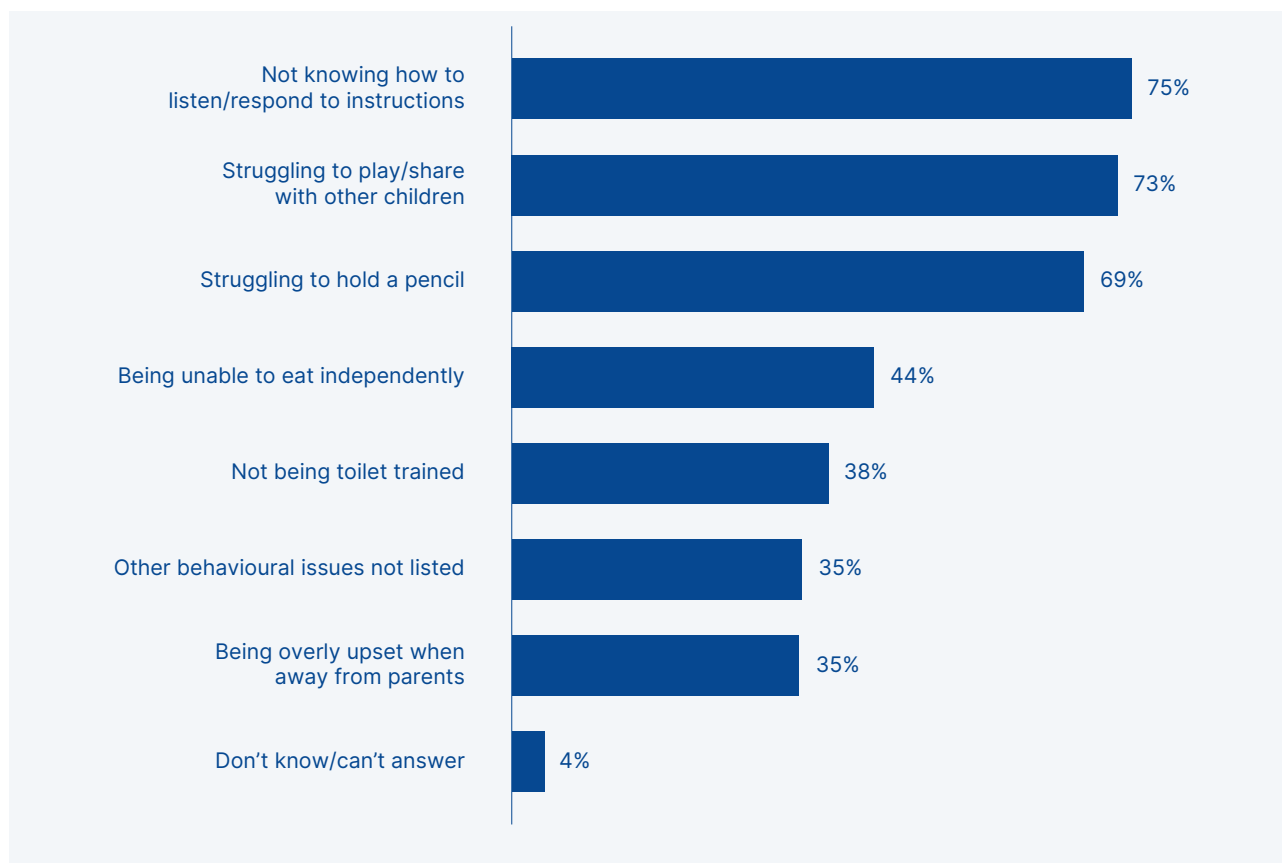
The majority, 75%, of early years teachers said a higher proportion did not know how to listen or respond to instructions than usual, 73% said

4 Kindred2 – "School Readiness". Available at: <https://kindredsquared.org.uk/wp-content/uploads/2020/11/Kindred2-YouGov-School-Readiness.pdf> and the Education Endowment Foundation (2021), "Impact of Covid-19 school closures and subsequent support strategies on attainment and socioemotional wellbeing in Key Stage 1". Available at: https://educationendowmentfoundation.org.uk/projects-and-evaluation/projects/nfer-impact-of-school-closures-and-subsequent-support-strategies-on-attainment/?utm_source=site&utm_medium=search&utm_campaign=site_search&search_term=impact%20of%20school%20clos

more children were struggling to play or share with other children and 69% that more children were struggling to hold a pen. Some other issues were less common, but still with considerable proportions of schools seeing an increase.

For example, 44% of early years teachers said they had seen a rise in pupils being unable to eat independently, and 38% said there had been an increase in children not being toilet trained.

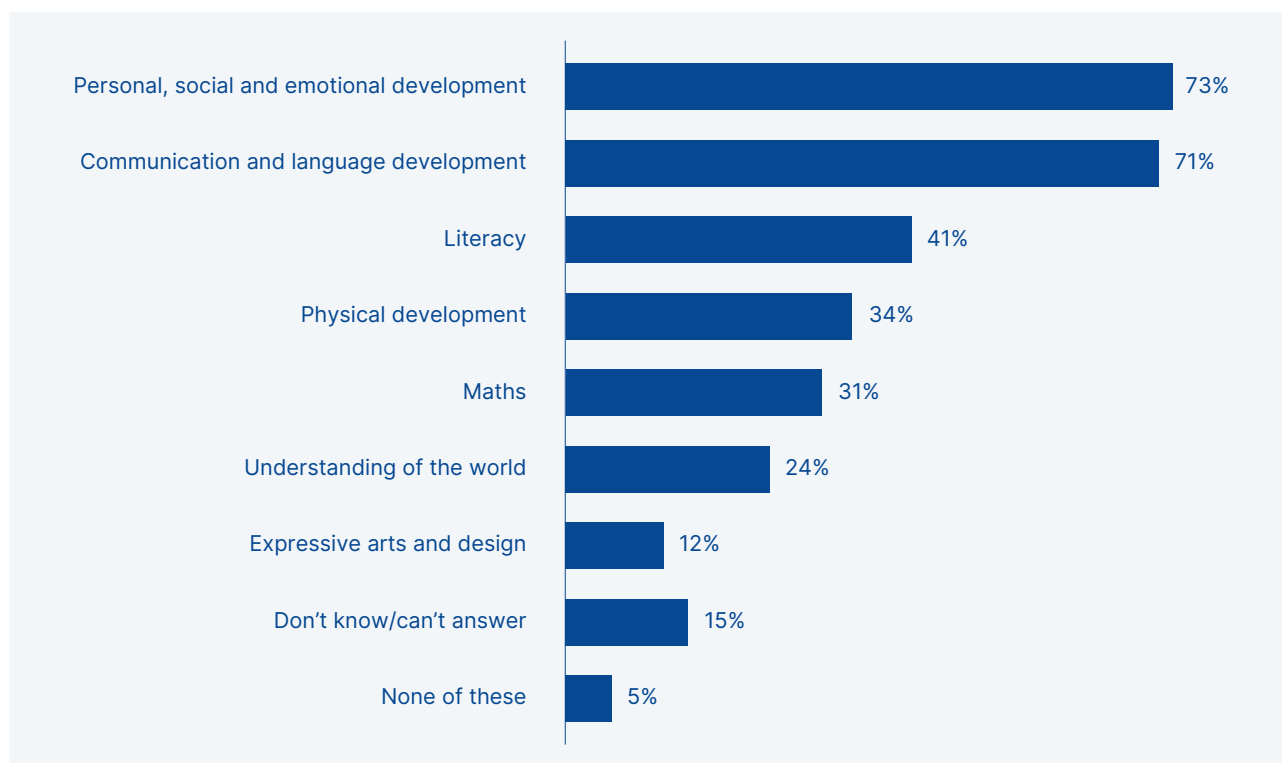
Figure 6: The proportion of early years teachers seeing higher than usual incidences of development issues in children starting at school



Senior leaders were asked whether pupils starting this year had needed more support in areas of the Early Years Foundation Stage Curriculum than what they would expect in a normal year pre-pandemic. Perhaps unsurprisingly given the isolation experienced by much of the population during the pandemic, almost

three quarters (73%) of senior leaders said more pupils needed additional support with their personal, social and physical development. 71% said more needed support with their language and development, 41% for literacy and 34% for physical development.

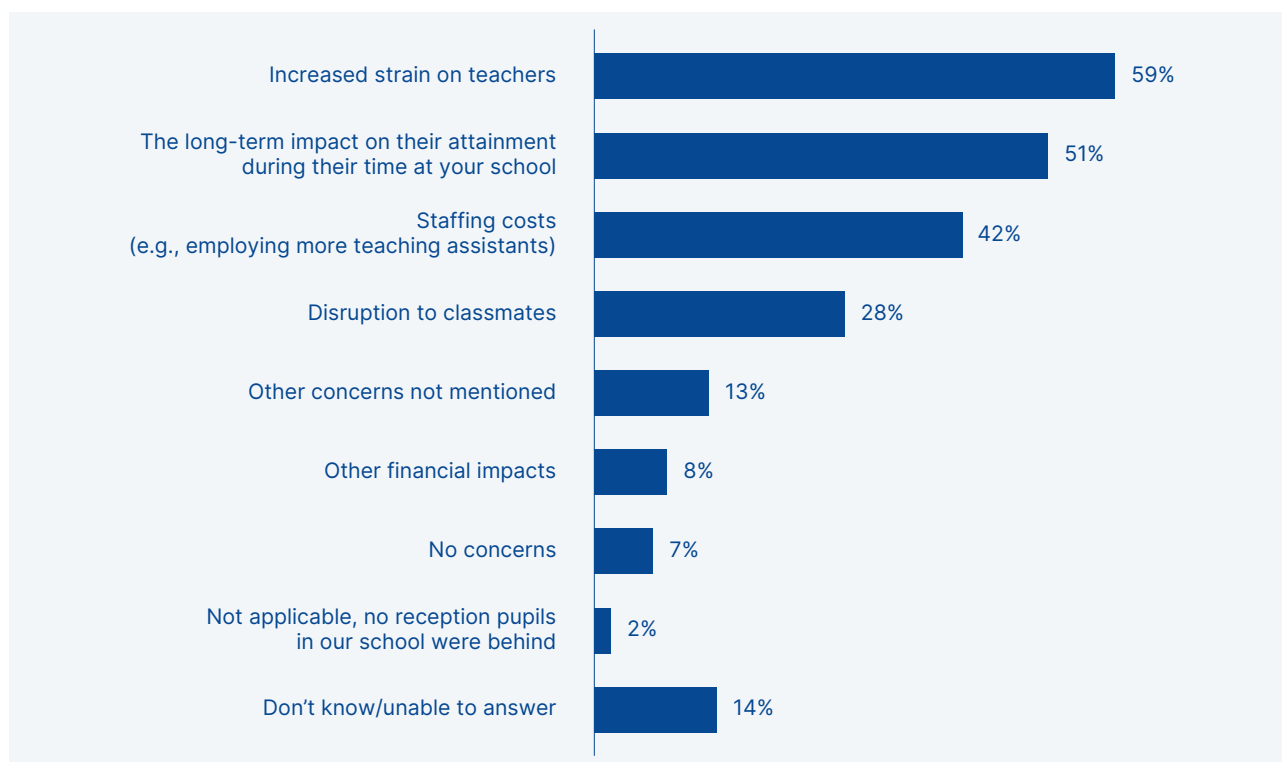
Figure 7: Senior leaders' views on whether pupils have needed additional support with areas of the Early Years Foundation Stage Curriculum this year



Students not being school ready can have serious impacts on a school, with issues including disruption to other children and a need for more staff to deal with children's additional needs. Senior leaders were asked whether they were concerned about a range of issues due to more reception pupils being behind compared to before the pandemic. 59% were worried about

increased strain on teachers, while about half (51%) were worried about the long-term impact on children's attainment during their time at the school. 42% were worried about increased staffing costs, for example funding being needed to employ more teaching assistance to support pupils, and just under a third (28%), were worried about disruption to classmates.

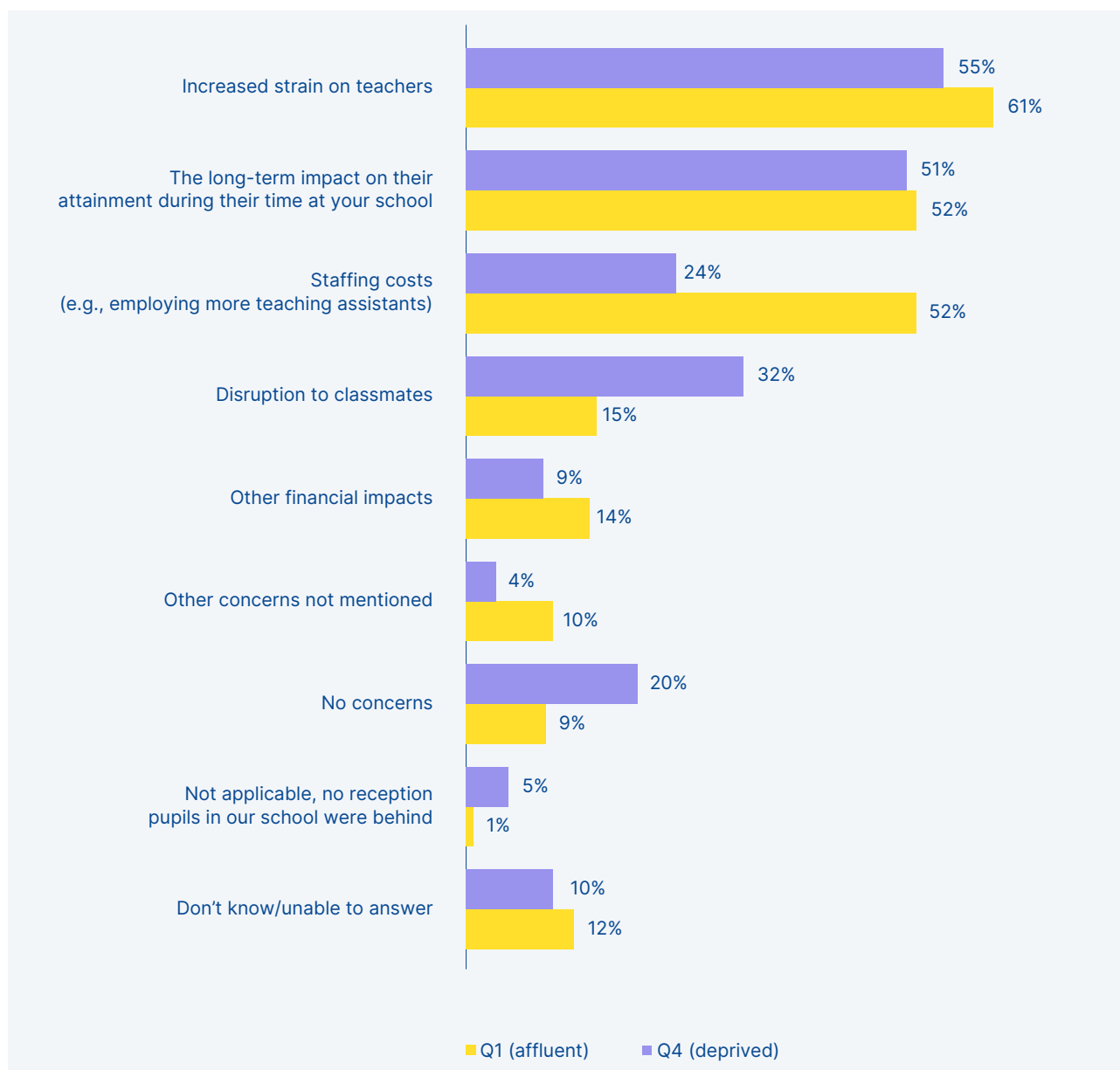
Figure 8: Concerns of primary school senior leaders due to reception pupils being behind



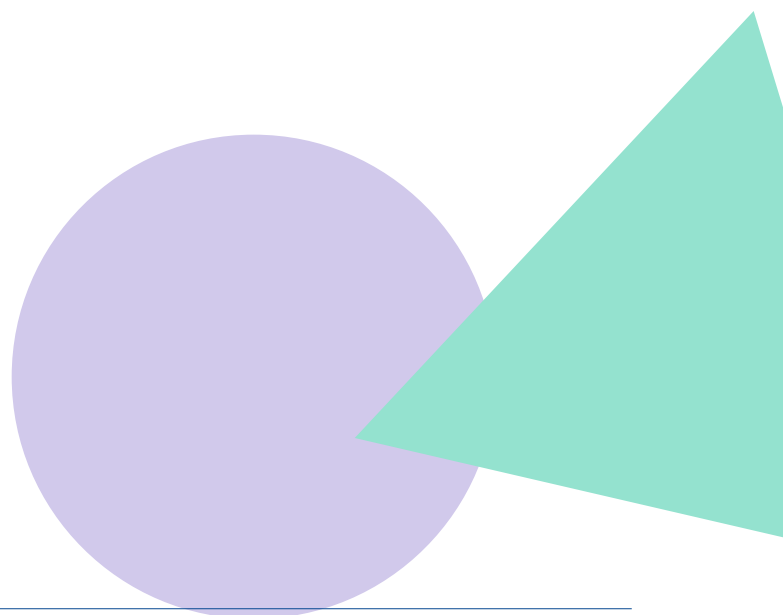
Interestingly, senior leaders in schools with more advantaged intakes were more likely to cite many of these concerns, perhaps because those with more disadvantaged intakes are more used to dealing with lower levels of school readiness in a normal year. 61% of leaders in more advantaged schools were worried about increased strain on teachers, compared to 55% in more disadvantaged schools.

A similar proportion were worried about the long-term impact on attainment for students (52% and 51%), but those with more advantaged intakes were much more likely to be concerned about staff costs (52% vs just 24% in less advantaged schools). Those in schools with less advantaged intakes were twice as likely to be concerned about disruption to classmates (32% vs 15%).

Figure 9: Concerns of primary school senior leaders due to reception pupils being behind, by deprivation level of school



Senior leaders were also asked whether, in their view, more time spent in early years provision before children start in reception helps to support school readiness. The overwhelming majority (93%) said that it did, with 71% saying it helped considerably.



3

Early Years Providers

Impacts of the pandemic

It is clear that young children have been impacted considerably by the pandemic, with consequences for their development, wellbeing and school readiness. Without action we risk primary schools suffering negative consequences for years to come. And most importantly, if children are not given the support they need to catch up, there is a risk it will impact them for the rest of their lives.

Early years providers, and the support they give to children, will be a vital part of the efforts to help young children to catch up and ensure the next cohort are school ready. But, as previous Sutton Trust research has shown, many have suffered considerable financial impacts during the pandemic.⁵

In April 2020, a quarter of providers said they were very or somewhat likely to close by this time next year.⁶ This has now reduced, to just 6%, with most providers (88%) saying it is likely they will remain open. However, many early years providers have already closed, with analysis of government data by the Early Years Alliance in May this year finding over 6,000 settings have already had to close in 2021, with a net loss of 2,000 settings.⁷ It looks likely that those in the worst financial situations have already been shut. Ensuring the survival of remaining providers will be vital to avoid gaps in provision, as demand recovers.

Although only 5% of providers in the most deprived parts of England thought it was unlikely they would be operating next year, compared to a similar proportion (3%) of those in the least deprived areas, they were more likely to be unsure (13% reported this compared to 6% of those in the least deprived areas), perhaps reflecting greater financial uncertainty for providers in these areas.

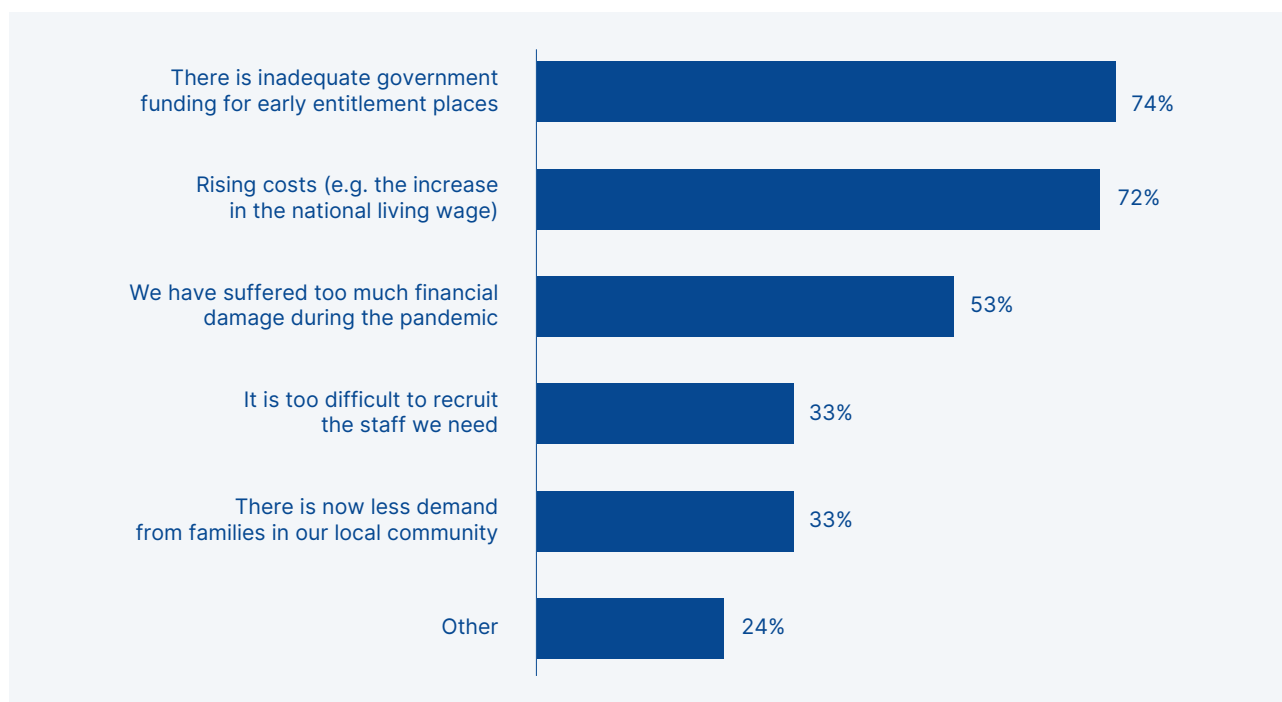
Providers who were concerned about being able to operate this time next year were asked why they had this concern. The most common concern was a lack of government funding for early entitlement places (74%), followed by rising costs such as the national minimum wage (72%). Just over half (53%) had already suffered too much financial damage during the pandemic, while a third (33%) said it was too difficult to recruit staff, or (33%) there was less demand in the local community. Of those who gave another reason (24%), issues included still having parents on furlough and the costs of PPE and Covid cleaning measures. One respondent simply said “it’s too exhausting”.

5 C. Pascal, T. Bertram, C. Cullinane & E. Holt-White (2020), “Covid-19 and Social Mobility Impact Brief #4: Early Years”. Available at: <https://www.suttontrust.com/wp-content/uploads/2020/06/Early-Years-Impact-Brief.pdf> and Early Years Alliance (2020), “A quarter of childcare providers fear closure within a year”. Available at: <https://www.eyalliance.org.uk/news/2020/05/quarter-childcare-providers-fear-closure-within-year>

6 Ibid.

7 Early Years Alliance (2021). “2,000 early years providers have closed since start of the year”. Available at: <https://www.eyalliance.org.uk/news/2021/05/2000-early-years-providers-have-closed-start-year>

Figure 10: Issues for providers who said it was unlikely they would be operating this time next year. Responses = 58



Only 12% of providers thought it was very or somewhat likely they would need to make redundancies in the next year, again a lower figure than during the first lockdown in 2020, when 47% said they may need to, but again, this may be because settings have already had to make redundancies earlier on in the crisis.⁸ There were no significant differences in responses by the deprivation level of the area providers were working in.

The 30 hours entitlement

We know from the first section of this report that currently, the government's flagship early years policy (the 30 hour entitlement) risks widening rather than closing the attainment gap.

As we come out of the pandemic, and look to support children who have missed out on vital life experiences and development throughout

the crisis, it is vital that this is rectified. The poorest three- and four-year-olds, who stand to gain the most from more hours of high quality, adequately funded early years education, must be able to access it.

But what are the views of providers on the ground on any changes to the 30 hour policy? What challenges have they faced under the existing 30 hour entitlement, and what are the opportunities and challenges for them that would come with any expansion?

The current 30 hour policy

Of the providers surveyed, the vast majority (94%) currently offered the 30 hour entitlement, while 1% did not currently but had done so in the past.

An issue highlighted in the qualitative work with

⁸ Education Policy Institute and the National Day Nurseries Association (2020). "The Covid-19 pandemic and the early years workforce". Available at: <https://epi.org.uk/publications-and-research/the-Covid-19-pandemic-and-the-early-years-december-2020/>

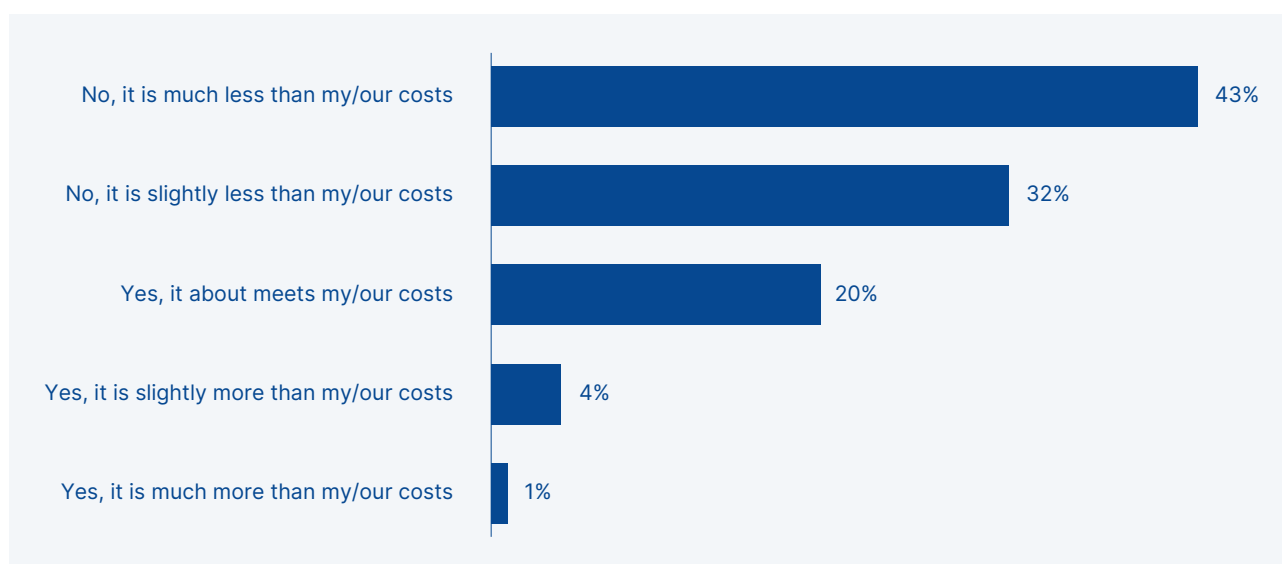
settings, as well as in data from a recent freedom of information request from the Early Years Alliance,⁹ is whether the amount of funding the government gives providers per hour for the 30 hour entitlement is enough to meet their costs.

Providers were asked whether, in their setting, funding they receive per hour for the entitlement meets their cost for providing those hours. A considerable proportion (75%) said it did not meet their costs, with 43% saying it was much less, and 32% slightly less than they needed. Just 20% said it met their costs, 4% that it was

slightly more and 1% that it was much more than they needed. From these figures, it is clear that for most settings, funding is not currently meeting costs, and that there is very little surplus funding in the early years system.

Interestingly, 78% of providers working in the least deprived parts of England said that the funding they received did not meet their costs – 13 percentage points more than those working in the most deprived areas (65% reported this), perhaps reflective of higher running costs in wealthier areas.

Figure 11: Whether current levels of funding per hour for the 30 hour entitlement meet providers costs. Responses: 1,054



While most providers allowed parents to use the 30 hour entitlement how they wish, without any requirements (72%), 28% had at least one requirement, with 12% requiring a minimum number of hours were used a day, 7% requiring all hours to be taken on set days, and 12% having another requirement (1,054 respondents).¹⁰

Another issue raised by the qualitative work with providers earlier in this report was that, as the 30 hour offer was more sustainable financially than the 15 hour for disadvantaged two-year-olds, there was a potential risk that delivery of the 30 hour policy could risk the 15 hour entitlement.

9 Early Years Alliance (2021). "Private government documents show ministers knew that underfunding early years would mean higher childcare costs for parents". Available at: <https://www.eyalliance.org.uk/private-government-documents-show-ministers-knew-underfunding-early-years-would-mean-higher>

10 For example, requiring all sessions be taken either across mornings or afternoons; requiring a minimum number of days; that children stay in the setting for both the morning and the afternoon; only allowing the entitlement to be used at set times of day; only allowing those using the entitlement to use hours not taken up by paying parents and only allowing the hours to be used during term time.

Here, providers were asked whether in their setting, offering the 30 hour entitlement had impacted on their ability to offer the 15 hour entitlement for disadvantaged two-year-olds. The majority (65%) said it had not had any impact. However, 13% said it had resulted in a reduction of these places for two-year-olds, with 4% saying there had been a significant reduction (1,056 respondents).

Another concern, related to the issue of funding, is the quality of provision early years settings can offer. Settings were asked whether they felt offering the 30 hour entitlement had changed the quality of provision available within their setting. Most settings surveyed (73%) said they felt it had no impact on quality, while 15% felt it allowed them to offer a higher quality of provision, presumably by giving a secure funding stream to settings. However, 13% felt it had caused a reduction in quality (1,052 respondents).

One of the aims of the 30 hour policy has been

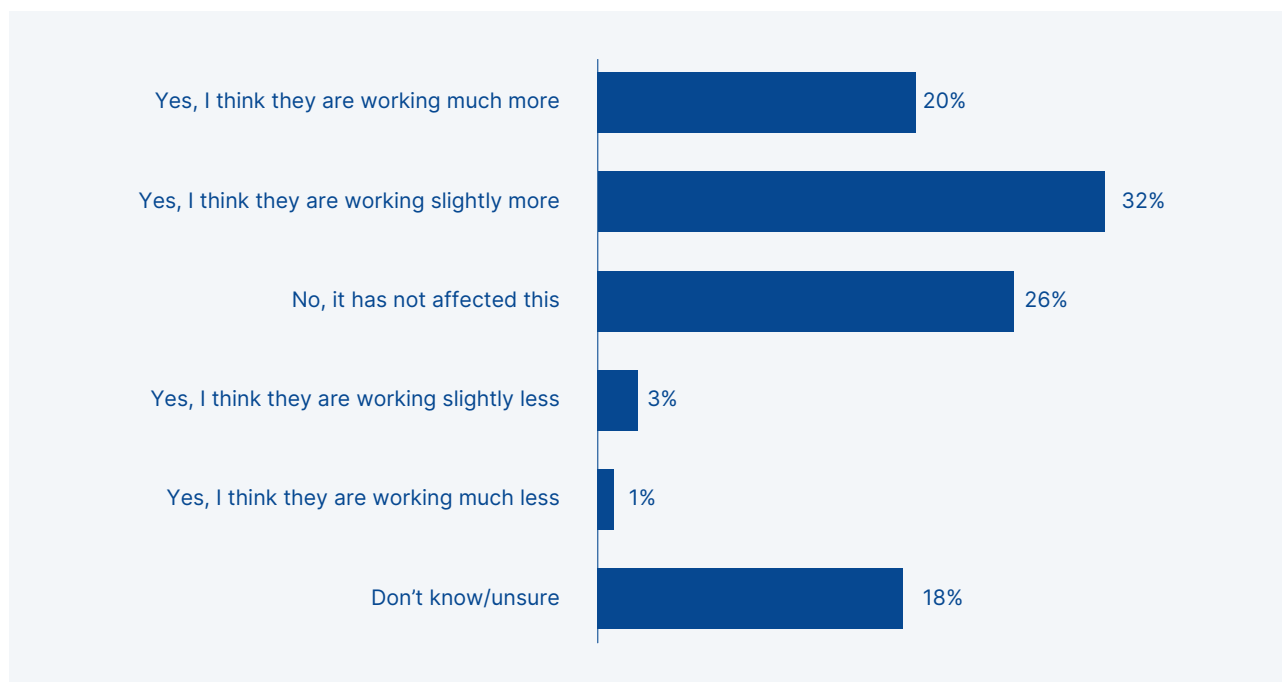
to help more parents to work, or to work more hours. Here, providers were asked whether they felt the current 30 hour offer was helping to change the number of hours families are able to work.

Just over half, 52%, said they felt it was helping families to work much or slightly more, with 26% saying it had no effect.

Those working in the most deprived parts of the country were 13 percentage points less likely to say parents were able to work more, at 45%, compared to 58% of providers working in affluent areas (although, 35% of the providers in deprived areas said the offer had not affected parents work, compared to 23% of those in the least deprived areas).

There are also limitations to asking this question to providers, as it may be difficult to know how much the policy has impacted the decision of families, perhaps reflecting why 18% of those surveyed said they did not know or were unsure.

Figure 12: Providers views on whether the 30 hour entitlement has helped parents in their settings to work. Responses: 1,021



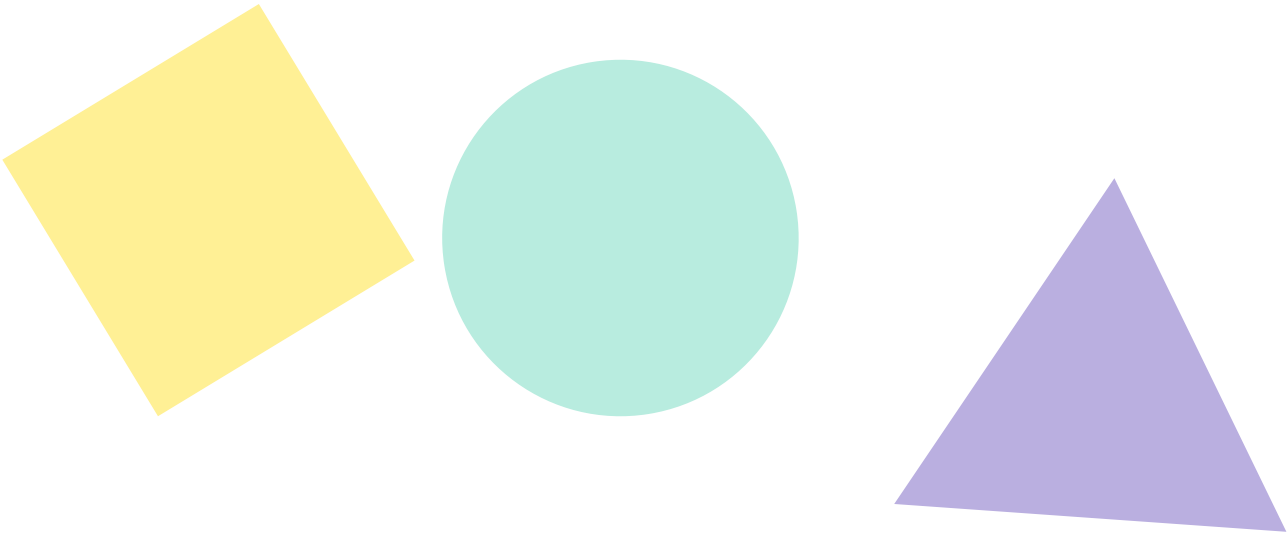
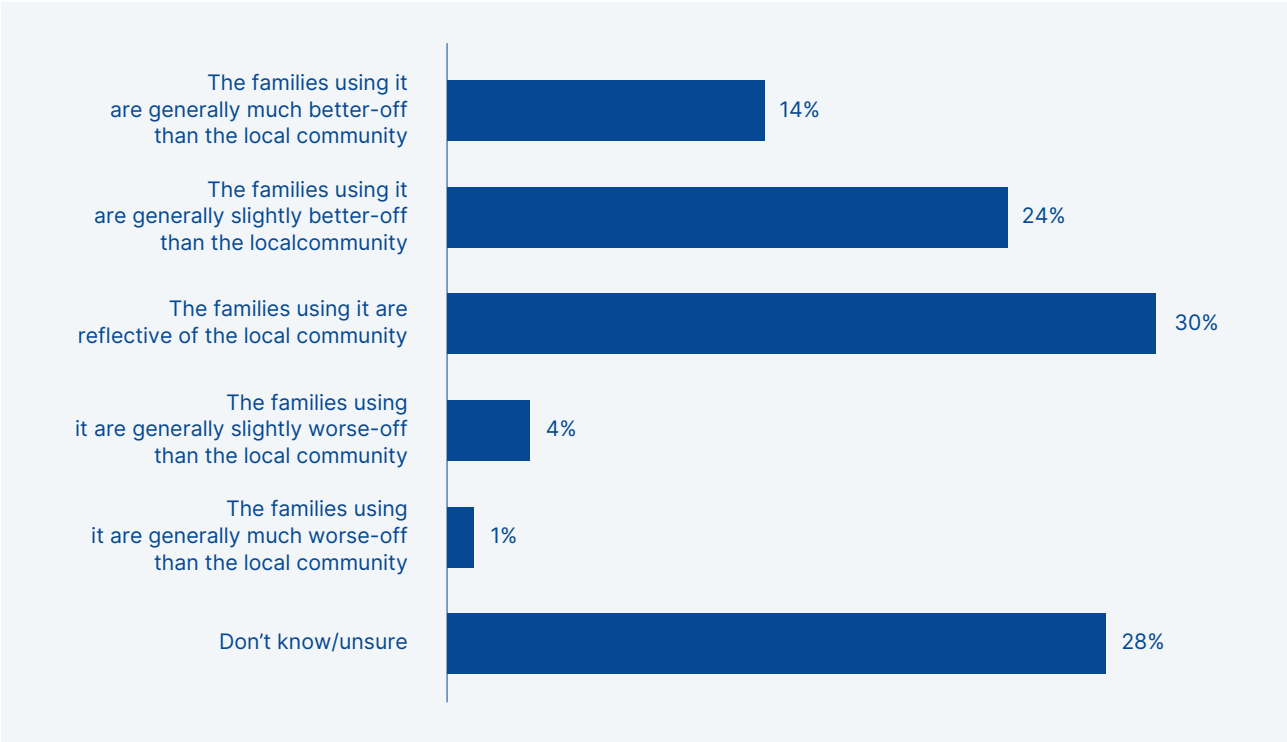
37% of providers said the families using the entitlement in their setting were better-off than the local community overall, reflecting the working parent target group of the 30 hour policy. Only 30% said it was representative of the community, and just 5% said the families using it were worse-off than the community generally.

Those working in the most deprived parts of the country were 10 percentage points more likely to say families using the entitlement were better-off

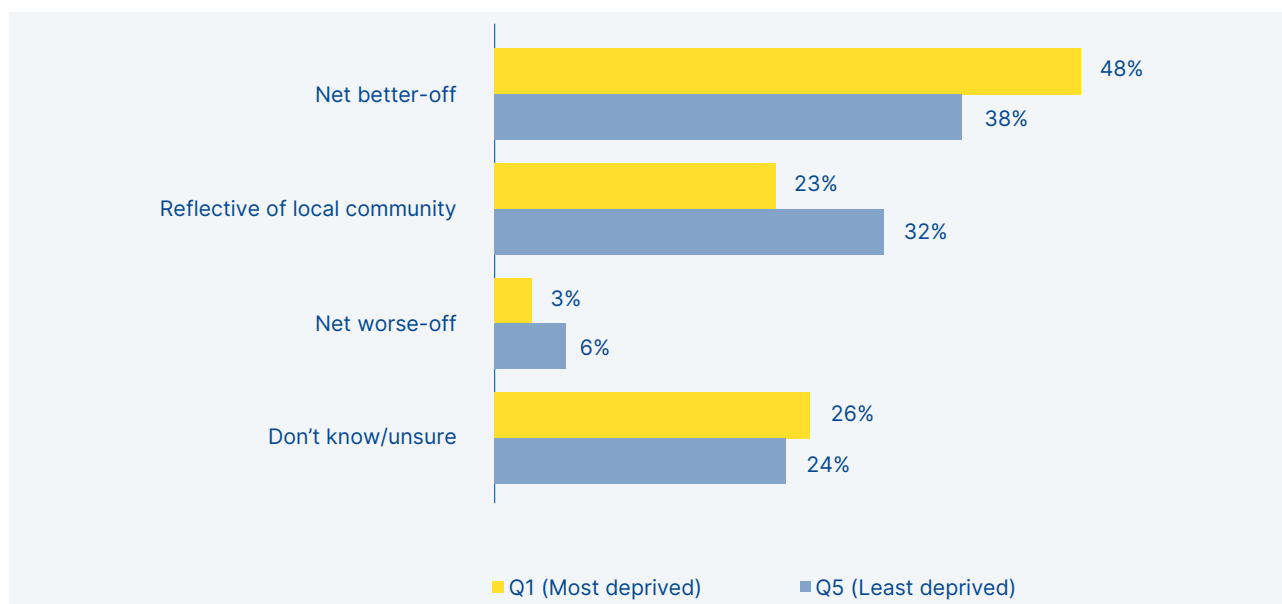
than the general community (48% compared to 38% of providers working in the least deprived areas, see Figure 14).

However, again this was a question many settings found difficult to answer, with 28% of respondents saying they were unsure or did not give an answer to this question, and again a slightly lower number of providers choosing to answer this question.

Figure 13: How reflective of setting's communities are families accessing the 30 hour entitlement?
Respondents: 1,201



**Figure 14: How reflective of setting's communities are families accessing the 30 hour entitlement?
By deprivation level. Respondents: 1,020**

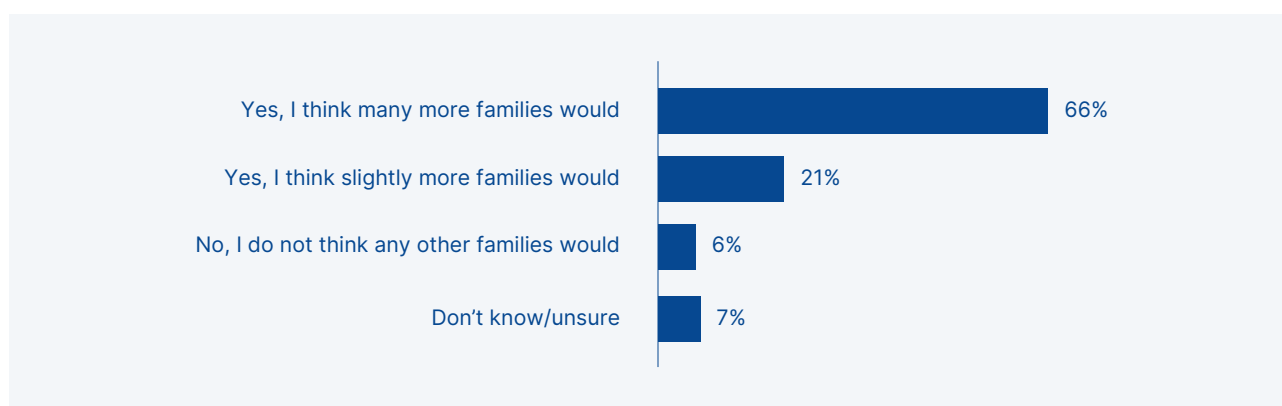


Another important question discussed in previous sections is whether families would use any extension to the 30 hour entitlement. Providers were asked whether any families in their area who are not currently eligible for 30 hours would take up more hours in the setting if they became eligible. A large proportion (87%), said more families would take up more hours, with two thirds (66%) saying many more would do so. Only a small proportion (6%), thought that no other families would take-up more hours. However, some providers were unsure (although a lower

proportion, 7%, than in previous questions), with again a similar number of respondents to the others here looking at parents and their behaviour.

Although those working in the most deprived parts of the country were equally as likely to say families would take up more hours if eligible at 85%, 69% said that many more would do so, compared to 62% working in the most affluent parts of England.

**Figure 15: Whether there are families in a setting's local area, who aren't currently eligible for the 30 hour entitlement, who would take up more hours at the setting if they were eligible.
Respondents: 1,021**



Settings' views on potential reforms to the 30 hour policy

The next section looks at the views of providers to potential reforms to the 30 hour entitlement which would bring children from lower income backgrounds into eligibility, looking at whether they would want and be able to offer any extension.

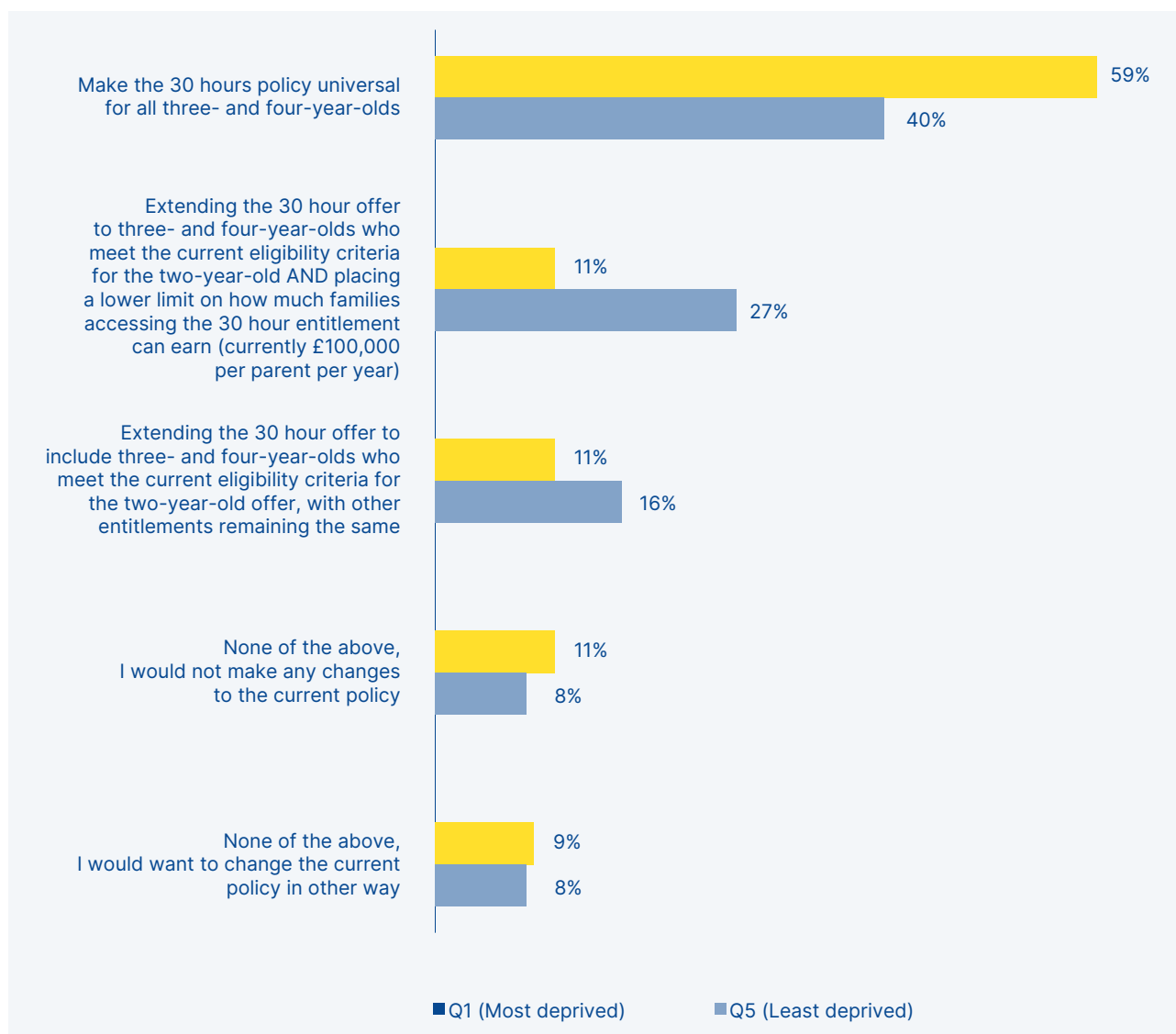
Providers were given a range of different options, and asked which they would prefer if funding provided per hour was enough to cover their costs, to ensure providers were able to give their true preference, rather than a compromise given concerns with the current funding rate.

In that scenario, the most popular change for providers was to universalise the 30 hour policy for all three- and four-year-olds, with 40% of providers favouring this option. The second most popular reform for settings was to extend the 30 hour entitlement to three- and four-year-olds who qualified for the two-year-old offer, while lowering the upper limit on access to the 30 hour offer. 16% of providers wanted to see this extension to disadvantaged three- and four-year-olds, but without changing any other aspect of eligibility. 10% preferred to see a different reform than the ones listed, with suggestions from providers including making working parents eligible for the 30 hour offer as soon as they started work (rather than having to wait until the next term); allowing parents to temporarily keep funding even if they lost a job; extending provision to more two-year-olds rather than three and four year olds, extending the entitlement to parents who are in training and providing support for parents from the end of maternity/shared parental leave. Providers also took the opportunity here to again raise the issue of the level of funding being provided per hour. Only 10% of providers did not want to see any change to the current policy.

Providers working in the most deprived parts of the country were more likely to favour making the 30 hours policy universal, with 59% reporting this compared to 40% of the providers working in the least deprived areas. They were also less likely to favour extending the offer with a lower limit on earnings, at 11% compared to 27% working in the most affluent parts of the country, perhaps as they are less likely to have parents that this would apply to, so would be less able to benefit from charging these parents full fees for provision.



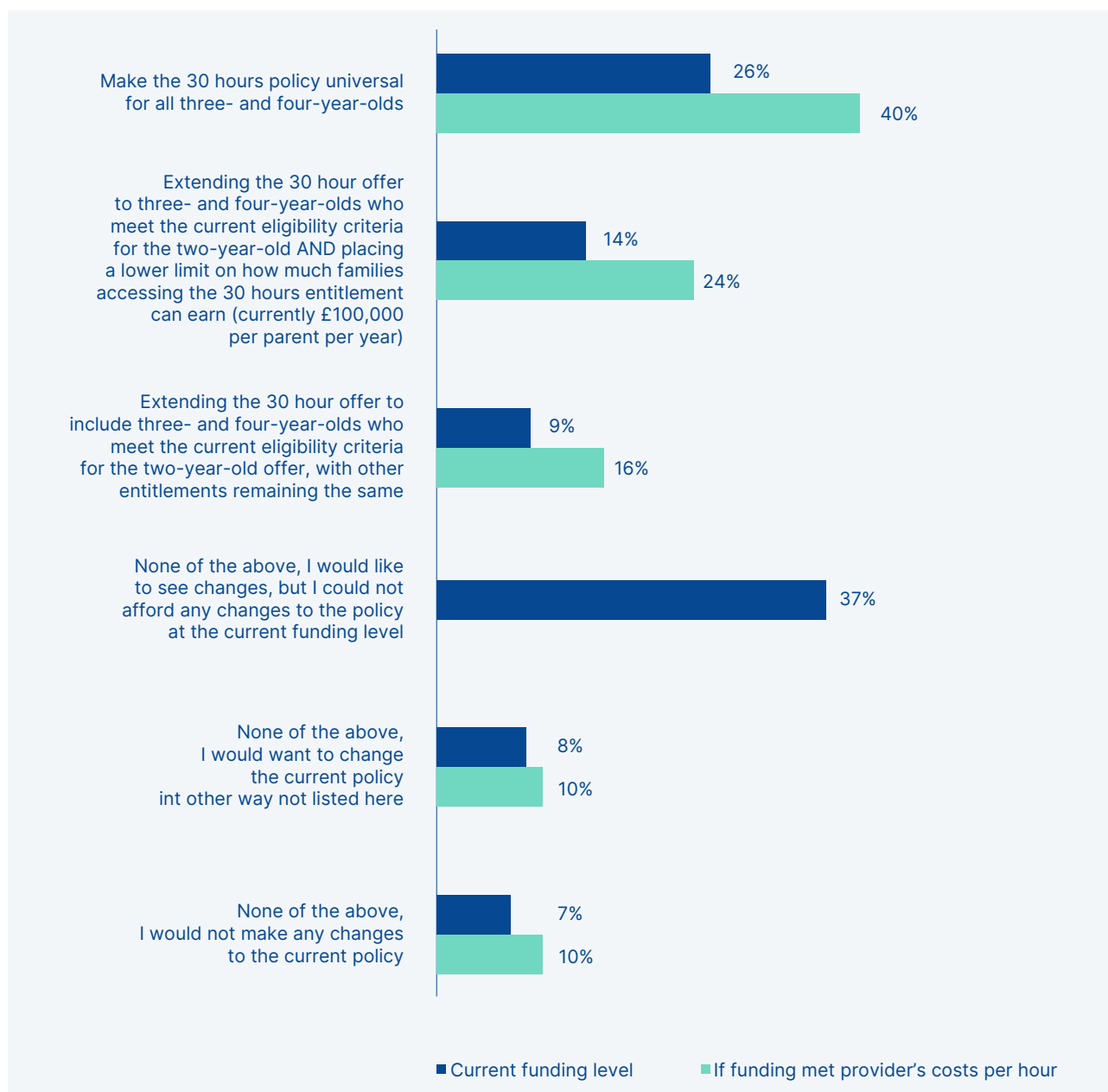
Figure 16: How providers would reform the 30 hour policy if funding per hour met their costs by level of deprivation. Respondents = 956



Providers were also asked what their preferred policy reform would be if funding remained at the current level per hour. A considerable proportion (37%) then wanted to see none of the reforms listed, because they could not afford changes at the current funding level. Support for universalising the offer for all three- and four-year-olds dropped from 40% to 26%; for extending to disadvantaged children but lowering the upper limit fell from 24% to 14%; and only extending to disadvantaged children fell from

16% to just 9%. Providers wanting to see a different policy not listed was similar, 8% vs 10%, with many suggesting at the current funding level allowing them to charge a top up on all hours to help meet costs. The proportion who said they wanted to see none of the above changes was similar, falling only slightly from 10% to 7%.

Figure 17: How providers would reform the 30 hour policy if funding per hour met their costs.
Responses = 948 (current funding level), 957 (if funding met provider's costs per hour)



Again, those working in the most deprived parts of the country were more likely to favour making the 30 hours policy universal (38% compared to 24% of those working in the least deprived areas).

Another option for increasing the funding available to providers is to target it at disadvantaged children: those who most need additional support, and whose families are the least likely to be able to afford any additional charges. Providers were asked which reforms they would prefer where additional funding were provided

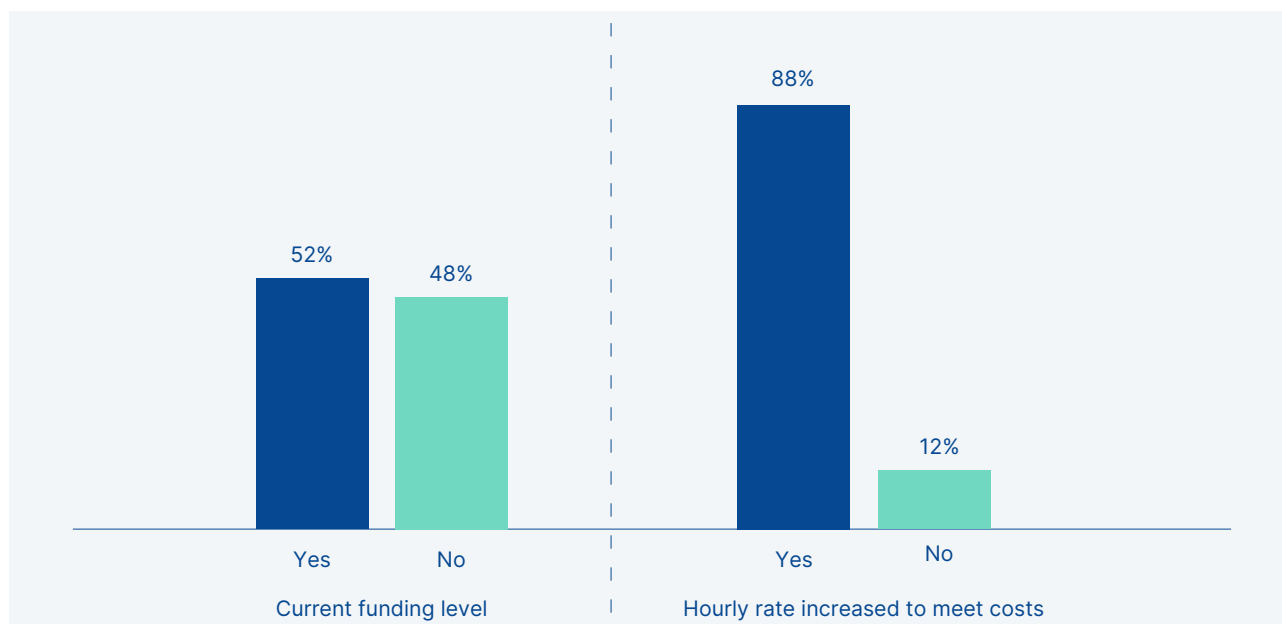
(to meet their costs for those hours) only for disadvantaged children. In that scenario, support for expanding to disadvantaged three- and four-year-olds was back up to levels seen with overall increased funding (16%), but support for universal provision for all three- and four-year-olds was slightly lower, at 21%.

If the 30 hour entitlement were made universal by government tomorrow, many providers said they would offer it to all three- and four-year-olds, but only if the hourly rate was increased

to meet their costs. At the current funding level, only just over half (52%) of providers said they would offer an expanded entitlement, compared

to 88% if funding was increased to at least meet their costs.

Figure 18: Whether providers would offer an extension of the 30 hour entitlement for all three- and four-year-olds. Responses = 1,024 (current funding level), 1030 (if funding met provider's costs per hour)

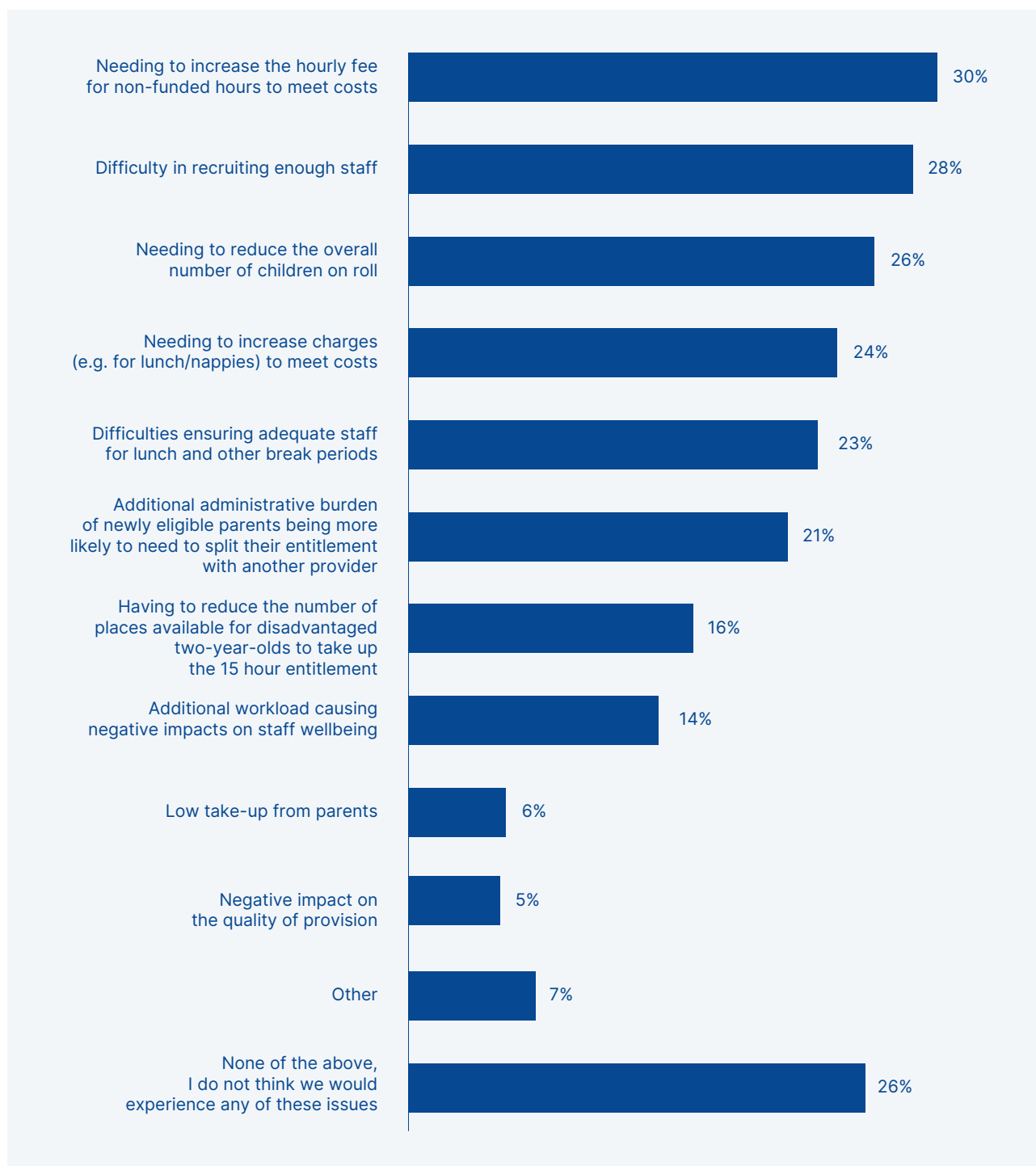


There is also capacity within the sector to be able to offer a universal entitlement in a short time frame. Providers who said they would offer the universal entitlement if funding at least matched their costs (906 respondents), were also asked how quickly they would be able to do so. Many providers (39%) would be able to do so immediately, 13% could not immediately but could within a month, 28% in 1–3 months, 12% in 4–6 months, 3% in 7–12 months and 4% would need more than 12 months.

Providers who would not offer the universal entitlement were asked about the barriers stopping them from doing so. The most common barrier, cited by 48% of providers unable to offer the extension, was not having enough physical space, followed by not being able to recruit enough staff (31%), being unable to afford to even if costs per hour were met (25%), and needing to lower the quality of provision (19%). Only 6% of this group of providers thought they would not have enough demand.

Providers who said they would offer the entitlement universally were asked about the challenges they may face while doing so. 26% of respondents to this question did not think they would experience any issues doing so. The most common concern, given by 30% of this group of providers, was needing to increase the hourly fee for non-funded hours to meet costs, followed by difficulty in recruiting enough staff (28%); needing to reduce the overall number of children on roll (26%); needing to make extra charges to meet costs (24%); difficulty ensuring there were enough staff for break periods (23%) and administrative issues if parents wanted to split their entitlement between more than one provider (21%). Concerningly, a small proportion (16%) were worried they may need to reduce the number of places available for disadvantaged two-year-olds. If adequately funded, just 5% were worried about a negative impact on the quality of provision.

Figure 19: Challenges faced by providers who would offer the 30 hour entitlement universally



4 Summary

The pandemic has had a considerable impact on very young children, with findings here from both parents and teachers showing the scale of that impact.

Parents are worried about their children's development and wellbeing after they have missed out on vital early experiences, and early years teachers are seeing the consequences, as more children are starting school without the skills needed to provide the right foundation for their future progress. Parents also do not think that government has done enough to support these children over this period.

This lack of school readiness risks causing serious issues for schools going forward, as the strain on teachers increases, staffing costs go up, and other children face increased disruption. Going forward, there is a risk that if children impacted by the pandemic do not receive the necessary level of support, there will be negative consequences throughout the rest of their education, with knock on effects for their productivity and ability to contribute economically when they enter the world of work.

There is no excuse not to act, we have already seen how the pandemic is impacting the country's youngest children. Without support now, we risk further cohorts of children starting in primary with reduced levels of school readiness. For children from the poorest families, who have suffered some of the worst impacts of the pandemic, this help is vital.

But the government's flagship early years policy, the 30 hour entitlement, currently locks out the very families likely to benefit from it the most, and research in the first section of this report shows it risks actually widening the attainment gap. In the aftermath of the pandemic, reforms to the 30 hour policy to increase access for the poorest children could play a vital role in the recovery.

As this report has demonstrated, as long as adequate levels of funding are provided, most providers want and are able to offer an increased entitlement, with the majority supporting the 30 hour policy being made universal (particularly those working in the most deprived parts of the country), or increased as a targeted extension to disadvantaged three- and four-year-olds.

There is a real opportunity for government to change the futures of today's pre-schoolers, with action clearly supported by those on the ground.

Costing options for extending the 30 hour free entitlement

Christine Farquharson,
Institute for Fiscal Studies



Key Findings

1. **Extending the 30 hour entitlement to cover more three- and four-year-olds, while a substantial change in the generosity of the system, would represent a less radical change in total early years spending than the introduction of the existing extended entitlement.**

Our central estimates suggest that extending the entitlement to cover three- and four-year-olds who had been eligible for the two-year-old entitlement for vulnerable children could cost £165 million a year in the longer term, compared to the roughly £735 million that the current 30 hour entitlement will cost. We estimate that universalising the entitlement would raise spending by around £250 million in 2024–25. Taking into account wider implications for the public finances (savings on other childcare programmes and a higher block grant for the devolved nations if the expansion is funded by borrowing), these figures rise to £180m and £280m respectively. (All figures are in current prices.)

2. **However, these estimates of the long-run cost are highly uncertain and depend greatly on assumptions about take-up.**

For example, in a low take-up scenario (where families do not increase their usage of childcare in response to the new entitlement), universalising the 30 hour entitlement could cost £115 million. In a high take-up scenario (where the take-up rate is equal to the take-up of the current 30 hour entitlement), the cost could be £560 million.

The relatively low costs of extending the 30 hour entitlement in our central scenario reflect relatively low take-up rates.

Of the 370,000 who would be brought into eligibility if the 30 hour offer were universalised, we estimate that 85,000 part-time (15-hour) equivalent places would be filled (shared between 110,000 children), after accounting for a plausible increase in demand for formal childcare. For an expanded 30 hour offer to form a meaningful part of post-pandemic recovery, government and the early years sector would need to work with families to encourage them to take up their entitlements. Of course, higher take-up rates will also imply higher costs of funding the programme.

3. **A continued cash-terms freeze in per-hour spending would make it very difficult for the sector to deliver any expansion in the 30 hour entitlement.**

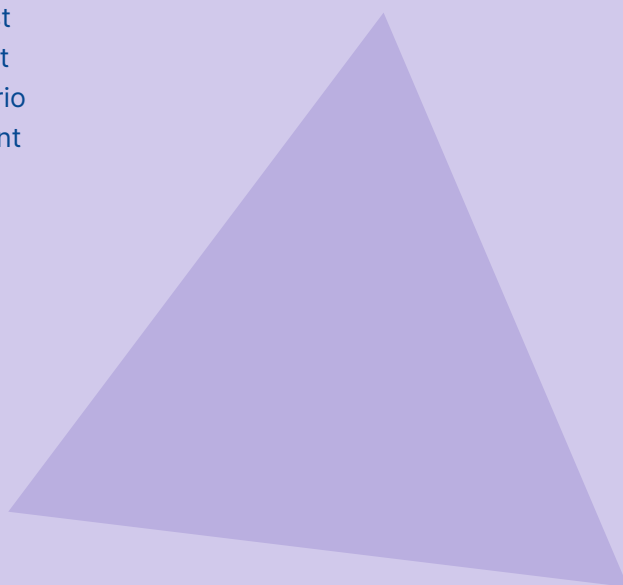
Compared to its high point in 2017–18, a cash-terms freeze until 2024–25 would leave per-hour spending 15% lower in real terms. When the current 30 hour entitlement was introduced in 2017, the government boosted per-hour spending by 9% year-on-year to support the sector in delivering the entitlement – but this has already been more than reversed in real terms.

4. **Where overall spending is constrained, policymakers face important trade-offs between expanding the free entitlement system to offer more hours to more children and protecting funding for existing entitlements.**

Strikingly, the cost in 2024 of offering real-terms protection to per-hour spending instead of a cash-terms freeze at current levels will be around £240 million – a little less than our central estimate of the cost of universalising the 30 hour entitlement. Increasing the funding rate to compensate providers for increases in the National Living Wage would add £685 million to the total cost of existing funded entitlements across all ages, and would raise the cost of universalising the 30 hour entitlement to £305 million under our central scenario (£360 million including wider government costs and savings).

5. **Extending the entitlement to three- and four-year-olds who meet the criteria for ‘vulnerable’ children (but not universalising it) would predominantly benefit out-of-work families and those with the very lowest household earnings.**

Under the current 30 hour policy, 70% of eligible families are in the top half of the earnings distribution. Expanding the entitlement to ‘vulnerable’ children would bring 57% of those in the bottom third of the earnings distribution into eligibility for the first time. This would be a cheaper option than universalising the entitlement (£165 million of additional spending in the central scenario), but it would leave out a group of families with low but not the lowest household earnings, who earn too much to be eligible under the two-year-old criteria but whose work patterns do not allow them to access the current 30 hour entitlement. It might also increase administration costs and reduce parents’ understanding of their entitlements, compared to a universal system.



1

Introduction

The Covid-19 pandemic has had an enormous impact on the educational system. However, while there has been considerable attention paid to the impacts on pupils in schools and universities, there has so far been less awareness of – and support for – younger children in early education and childcare. While childcare funding continued even when centres were forced to close, there has been virtually no funding allocated to support the children who missed out on early education. Of the £3.1 billion so far announced to help children and young people recover from the education disruptions of 2020 and 2021, only £160 million – just 5% of the total – has been explicitly earmarked for the early years (Farquharson et al., 2021).

Even before the pandemic, there was considerable interest in the scope for expanding support to the early years. During the 2019 General Election, both Labour and the Liberal Democrats promised extensive reform to increase the coverage and scope of the free entitlement to funded early education in England; this summer, Scotland is increasing its early learning and childcare to cover 30 hours a week in term-time for all three- and four-year-olds. The Conservative party did not commit to any expansions of the free entitlement, but promised around £250 million a year for wrap-around and holiday childcare for older children.

There are many options for expanding support during the early years. Existing funded early education and childcare entitlements cover a part-time place (15 hours a week) for all three- and four-year-olds, as well as some disadvantaged two-year-olds; three- and four-year-olds in working families are additionally eligible for

another 15 hours a week during term time. Recent years have seen proposals to extend funded entitlements to more two-year-olds or to increase the number of hours offered to the children who are currently entitled; to extend the free entitlement to (some or all) one-year-olds, who do not currently have any access to the free entitlement; and to change the targeting of the 30 hour offer.

In this report, as part of a wider project carried out by the Sutton Trust, we focus on the last of these potential reforms. We consider a range of options for extending the 30 hour entitlement to a broader range of children. After a brief overview of the current policy landscape in Section 2, we focus primarily on estimating the costs of these various options (Section 3). We also estimate how many children might take up a full-time place under the different proposals to expand eligibility, and we consider the distributional impacts of these reforms in terms of both families' economic circumstances and where in the country they live (Section 4). Finally, we explore the implications of different rates of per-hour spending on the free entitlement for the overall cost of these proposals (Section 5). Estimating the impact of increasing funding rates is a particularly important aspect of this report, since a cash-terms freeze is unlikely to be sustainable over the next few years. While squeezing funding rates is an effective way to keep costs under control, keeping funding rates too low will jeopardise the early years sector's ability to deliver any increase in funded entitlement. It may also undermine quality, in turn making it less likely that these funded hours benefit children's development or their parents' careers.

Equally, decisions on the free entitlement should consider not only the costs of delivering the entitlement, but also the potential benefits it has. These benefits include savings to families who would otherwise have paid for childcare out of their own pockets, but they could also include benefits to child development or to parents' careers from enabling families to access (more) early education and childcare. Estimating these benefits in advance can be difficult, since the

scope for benefits depends critically on the detail of the policy being proposed: the age groups targeted, number of hours offered, and flexibility and quality of places on offer will all affect the potential impacts of these reforms. These issues are discussed briefly in Section 6, but as part of this wider project on expanding the 30 hour offer the Sutton Trust has also considered potential benefits in other sections of this report.

2

The current policy landscape

Over the last 20 years, England has dramatically increased the extent of government support for early childhood education and care (ECEC). Spending on the early years has grown more quickly than any other stage of education (Britton et al., 2020), and the UK is now just above the OECD average for government spending on early childhood education and care as a share of the size of the economy (OECD, 2021).¹

As Figure 1 shows, much of this growth in spending has been targeted at the 'free entitlement' system, which offers a funded childcare place for all three- and four-year-olds and some two-year-olds. Following successive increases in the generosity of the entitlement, the current free entitlement covers:

- 15 hours a week, 38 weeks of the year for two-year-olds in disadvantaged families, covering roughly 40% of two-year-olds (the 'two-year-old entitlement');
- 15 hours a week, 38 weeks of the year for all three- and four-year-olds (the 'universal entitlement'); and
- An additional 15 hours a week, 38 weeks of the year for three- and four-year-olds in families where both parents (or the single parent) are in work and earning at least the equivalent of 16 hours a week at the relevant minimum wage (the 'extended entitlement').

The eligibility criteria for each of these programmes are summarised in greater detail in Box 1.

1 The UK also has a different balance between public and private spending than many other countries, with high private costs for better-off families but substantial subsidies for those on lower incomes. See OECD (2020) and Farquharson (2019) for more detail.

Box 1: Eligibility for the free entitlement

Eligibility for the different free entitlement programmes is complex, with a number of family and child characteristics determining how much funded childcare children have access to, and when.

The most straightforward programme is the universal entitlement for all three- and four-year-olds. Children are eligible for a part-time funded place from the start of the term after they turn three, until they start Reception year (usually the September after they turn four). They can access these places with Ofsted-registered childcare providers, which can be nurseries and similar settings or childminders (less formal arrangements, like babysitters or nannies, are not eligible).

Since September 2017, three- and four-year-old children in 'working families' have been eligible for an extended entitlement covering a full-time funded place (up to 30 hours a week). This part of the free entitlement programme is currently aimed more at providing support for childcare for working parents. In particular, families are eligible for the extended entitlement if both parents (or the single parent) are working and earning at least the equivalent of 16 hours a week at the appropriate minimum wage (£142.56 a week for most of those aged 23 and up). If either parent earns £100,000 or more, the extended entitlement is withdrawn. Also, unlike the universal entitlement, the extended entitlement is not available to those with no recourse to

public funds (though there is an exception where one parent is able to receive benefits, and the family would otherwise be eligible).

While the extended entitlement is targeted at working families, the two-year-old entitlement is intended to cover the approximately 40% most disadvantaged children. Eligibility here is quite complicated, but it broadly picks out two groups: families on low incomes, and children who are vulnerable for other reasons. The main eligibility criteria in the first group are families who receive Universal Credit (with an after-tax household income of £15,400 or less) and families who receive tax credits (with a before-tax household income of £16,190 or less).² The second group includes children who are looked after or have left care, and those who receive support for a disability or Special Educational Needs.³

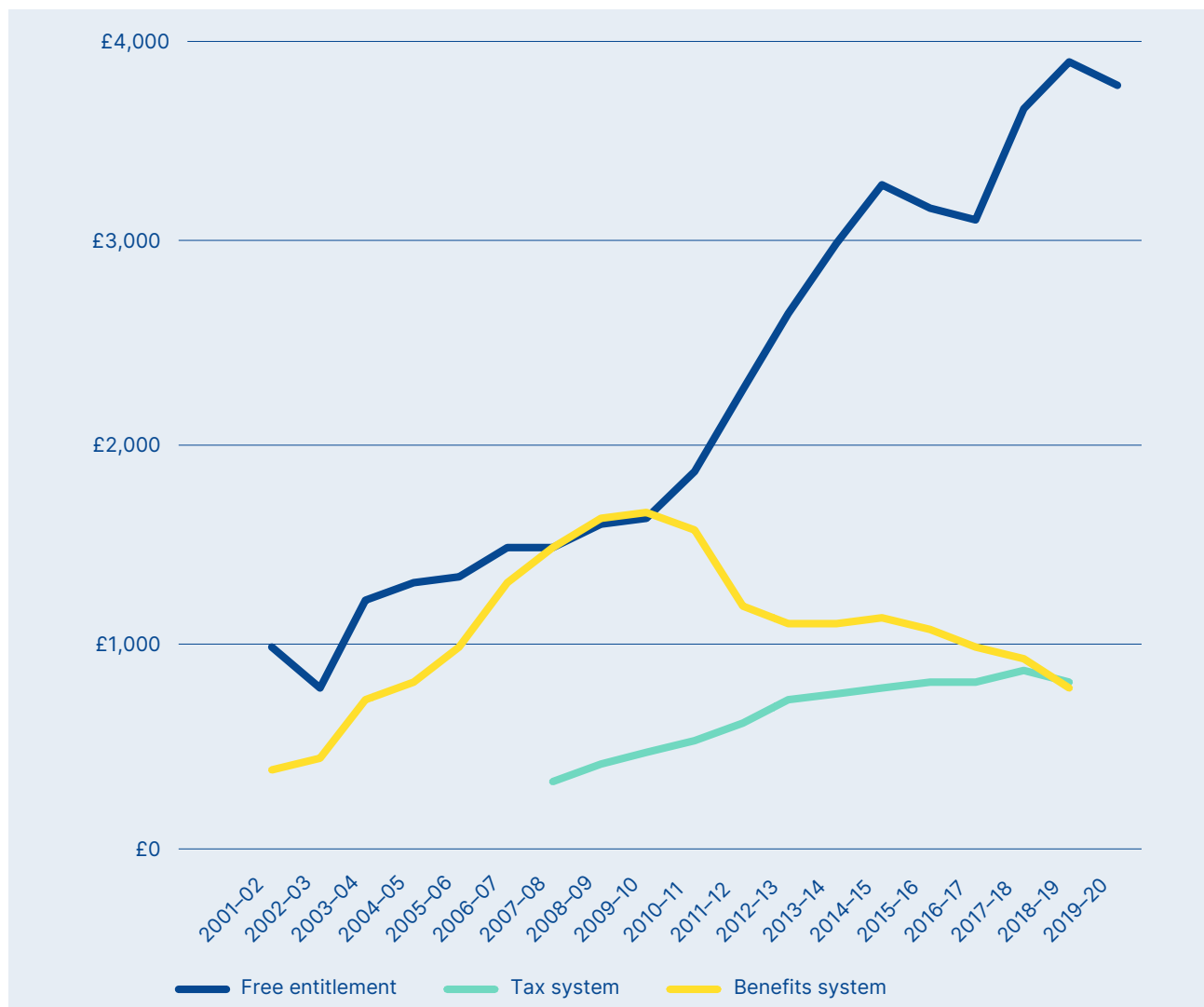
2 Other eligible families include those receiving certain means-tested benefits (Income Support, income-based Jobseeker's Allowance, or the guaranteed element of pension credit); those receiving some disability-related benefits (income-related Employment and Support Allowance); or those receiving the Working Tax Credit four-week run-on payment.

3 To qualify, the child must have a statement of SEN or an education, health and care plan, or must receive Disability Living Allowance.

But while free entitlement spending has risen over time, spending targeted at low-income, in-work families through the benefits system has fallen substantially since its peak in 2005–06. This includes spending on childcare subsidies through Universal Credit (covering 85% of eligible childcare expenses) and through the in-work tax credits that Universal Credit will eventually replace (Working Tax Credit, Working Families' Tax Credit and Family Credit, currently covering 70% of eligible expenses).

Finally, the tax system also offers support for families with childcare expenses, by offering tax relief on employer-sponsored childcare vouchers (now being phased out) and covering 20% of spending on childcare spending (up to a limit) through tax-free childcare accounts. Since 2007–08, while total spending has risen, the profile of spending priorities has changed: universal services still account for just under half of the early education and childcare budget, but subsidies explicitly targeted at low-income families had fallen from 45% of the total to under 30% ten years later (Britton et al., 2019).

Figure 1: Total spending on different types of early education and childcare support in England (£m, 2020–21 prices)



Note: 'Spending' includes foregone tax receipts.

Source: Figure 2.1, Britton et al. (2020).

Arguments for support for the early years

As the name ‘early childhood education and care’ (ECEC) suggests, there are a number of different goals for spending on the early years. First, early childhood education plays an important role in child development. There is an international evidence base that shows that formal childcare and education in the early years can have benefits for children’s academic and social development. Since these benefits are often stronger for children from disadvantaged families, childcare can also help to narrow inequalities between children from different backgrounds, so that they are on a more level playing field when they start school.

Another reason for government to support childcare is for its role in facilitating paid work for parents (especially mothers) with young children. Appropriately supporting families with paid work during the early years is important for a number of reasons – not least because decisions about whether and how much to work in the pre-school years have a major impact on mothers’ wages for the rest of their lives (and hence on the gender wage gap).

Finally, and relatedly, subsidies for childcare and early education are often based on a desire to help young families through a very expensive period of life. Childcare in the UK is expensive; OECD statistics show that the UK comes out near the top of the league table for total childcare costs (parent-paid fees and public subsidies) among 35 developed countries (OECD, 2019).⁴ Policymakers often view childcare subsidies as a way to help families with young children with one of the major costs in their household budget.

The existing complex design of the English early years system reflects the prioritisation of different goals at different points in time. While the two-year-old entitlement is explicitly targeted at improving child development, the existing 30 hour extended entitlement has so far been explicitly focused on helping working parents. In the rest of this report, we consider options for extending it to a wider group of children by breaking the link between working and eligibility for the 30 hour entitlement.



4 The precise spot depends on what type of family is being considered – single versus coupled families, families with different numbers of children at different ages, and high- and lower-income families will all affect childcare costs as a share of household income. But Farquharson (2019) shows that, for two example families, the UK ranks third in total childcare costs.

3

Options for extending the 30 hour entitlement

In this report, we consider two main options for extending the 30 hour entitlement to more three- and four-year-olds. The first option would seek to target the expansion to the most disadvantaged children by extending a full-time place to all three- and four-year-olds who qualify under the rules currently used for the two-year-old entitlement. The second option is to universalise fully the 30 hour offer, making it available to all three- and four-year-olds.

In this section, we model the costs of these two different options. We start by documenting the up-front costs to the Department for Education before considering the wider implications on public spending, through savings in the personal tax and benefit system and through implications for devolved governments' finances.

Modelling the direct cost of extending the 30 hour entitlement

There are three main factors that influence the cost of extending the 30 hour entitlement to new groups of children: the *number* of children made eligible; the share of these newly-eligible children who *take up the entitlement* and the number of hours that they use; and the *cost* per hour of delivering an additional funded place. In this section we provide an overview of the choices and assumptions that underpin our modelling; further detail can be found in Appendix 5.

Estimating the number of children eligible

To estimate the number of children who would be eligible for the 30 hour entitlement under each of the reforms considered, we use data from the Labour Force Survey (LFS), which contains information about earnings, hours of paid work, household characteristics and (proxies for) immigration status. Clearly, many of these factors will have been impacted over the past year by the Covid-19 pandemic. However, many of these disruptions will be temporary, so to capture better the long-term costs of the policy reforms under consideration we focus on LFS data from the year predating the pandemic.

With the LFS data, we can estimate both the share of three- and four-year-olds who would already be eligible for the 30 hour entitlement and the share who would be brought into eligibility if the programme were extended to three- and four-year-olds who meet the two-year-old criteria.⁵ We then apply these estimated eligibility rates to the number of three- and four-year-olds (in the ONS' population estimates), taking into account differences in the share of three- and four-year-olds who are age-eligible over the course of the school year.⁶

Estimating the (part-time equivalent) take-up rate

Since the free entitlement is a voluntary entitlement, not all eligible families will take up their funded place; those who do take up a place may not use the full number of hours to which they

5 Importantly, the LFS data contains information on benefit take-up rather than benefit eligibility. Take-up rates for some benefits are very low; for example, HMRC estimated that only 67% of families eligible for Working Tax Credit in 2017–18 were actually claiming the benefit (HMRC, 2019). We therefore rescale our overall eligibility estimates to account for this gap between eligibility and take-up.

6 The specific rules on when children become eligible for their free entitlement places mean that the number of children potentially eligible varies over the course of the school year, with more children entitled in the Summer term and fewer in Autumn. We use an average figure that roughly corresponds to the numbers eligible in the Spring term.

are entitled. We therefore calculate a part-time equivalent take-up rate, which gives the number of 15 hour places that would be used as a share of the number of children brought into eligibility.⁷

This take-up rate is impossible to know with certainty in advance: it will depend on a range of factors, including families' preferences and awareness about the programme; the availability and attractiveness of taking up funded places; and any wider shifts, such as a change in employment rates.

We therefore calculate the take-up rate under three scenarios to give an illustration of the range of uncertainty and the extent to which overall costs depend on take-up.

- Our **central scenario** uses data from the Childcare and Early Years Survey of Parents to calculate the amount of formal childcare that families who would be newly eligible currently use. We then rescale this by the percentage growth in the use of formal care seen in families who meet the current eligibility rules for the 30 hour entitlement, before and after the current entitlement was introduced in 2017.
- Our **low take-up scenario** assumes that newly entitled families do not increase their use of formal childcare.
- Our **high take-up scenario** assumes that the take-up rate of newly entitled families is equal to the take-up rate of the current 30 hour entitlement. Because under the current rules these families must be in paid work, they typically use much more formal care than the families who would be newly brought into eligibility.

There may be other factors that influence take-up as well. For example, a universal entitlement may make it easier for parents to

understand what they are entitled to, and reduce the complexity and administrative burden of accessing these hours. This could see take-up rise even among those families who are already eligible. This means that our low and high take-up scenarios are not theoretical lower and upper bounds; however, they do reflect what might be considered very low and very high take-up rates.

Spending per hour

The final input into our costing is the per-hour rate of spending on the free entitlement. Here we want to capture the overall amount of spending per hour, not just core central government funding; we therefore use estimates from Britton et al. (2020) on spending per hour on the existing three- and four-year-old entitlements as our starting point. These wider measures of spending per hour take into account the average total spending per hour delivered, including core funding per hour; supplements such as the Early Years Pupil Premium (EYPP); and top-ups from local authorities recorded in their annual statements of spending. (See Britton et al., 2019 for further details.)

For our main estimates, we assume that this per-hour spending measure remains frozen in cash terms going forward. This is analogous to current government policy for the Early Years National Funding Formula. However, in practice a cash terms freeze would likely make it very difficult for providers to deliver an expanded 30 hour entitlement: maintaining a cash-terms freeze until 2024–25 could see real-terms hourly spending at its lowest level since 2011–12. By contrast, when the current extended entitlement was introduced in 2017, the government boosted per-hour spending by 8% in real terms to support providers with the expansion. A cash-terms freeze since then has entirely eroded this boost.

⁷ We focus on part-time equivalent places, and 15 hour places, since we are interested in the cost of making an additional 15 hours a week available to families who are already eligible for the universal 15 hour offer.

We therefore also estimate the cost of these expansions in the free entitlement under a variety of alternatives for per-hour spending. These are summarised in Section 5.

Direct costs to the Department for Education

We combine these inputs, along with population projections from the ONS, to estimate the direct cost to the Department for Education of extending the 30 hour entitlement in England either to three- and four-year-old children who meet the two-year-old 'vulnerability' criteria⁸ (Panel A) or to all three- and four-year-olds (Panel B). We focus on the long-run cost of implementing these programmes, in 2024–25 (the final year of the current parliament, and potentially the final year covered by this autumn's Spending Review). However, we also provide an indication of the short-term cost next year (2022–23), based on the same set of assumptions around eligibility and take-up as the longer-term projections.

In Table 1, we also present the costs of universalising the extended entitlement alongside an increased funding supplement for disadvantaged children. We model the impact of raising spending rates for disadvantaged children by £1 per hour in current prices (with the supplement subsequently frozen in cash terms). This is roughly twice the value of the existing Early Years Pupil Premium, and is broadly enough to raise per-hour spending to the same level as for the two-year-old entitlement (which receives higher per-hour funding than the three- and four-year-old entitlements, to recognise higher costs for these younger children). We define 'disadvantaged' children in two ways: based on the existing Early Years Pupil Premium criteria (Panel C) and based on the current two-year-old childcare criteria (Panel D).

We find that, under our central scenario for take-up, extending the 30 hour entitlement based on the two-year-old criteria would cost an additional £165 million per year in the longer term. This is just over a fifth of the projected budget for the extended entitlement in 2024–25 (£735 million), and around 6% of the total budget of £2.9 billion for the three- and four-year-old free entitlements in that year. Universalising the entitlement would cost around £250 million, half as much again as the cost of extending the entitlement based on the two-year-old criteria. By contrast, removing the 30 hour entitlement from families where at least one parent earns more than £50,000 a year (rather than the current cap of £100,000 a year) would save around £100 million a year by removing eligibility from around 75,000 relatively high-income families (Britton et al., 2019).

At the moment, around 57% of three- and four-year-olds are eligible for the current 30 hour entitlement. Given the substantial share of children who would be brought into eligibility by universalising the offer, it is striking that the additional cost is so much less than the current 30 hour entitlement. There are two main reasons for this. First, we estimate that the number of children who would be brought into the programme by universalising it is around 100,000 lower than the number of children who are eligible for the entitlement as it stands.

But the bigger reason for the substantially lower cost of extending the programme is shown in the second column of Table 1. We estimate that the part-time equivalent take-up rate of the children newly brought into the programme would be substantially lower than the take-up rate of the current programme (which is itself much lower than the PTE take-up rate of the universal entitlement). We estimate around 67% of currently-eligible children take up any of their extended entitlement, and the PTE take-up rate is around 53%.

8 Specifically, this is the group of three- and four-year-olds who meet the means-testing criteria for the current two-year-old offer.

Table 1: Direct costs of extending the 30 hour entitlement in England

	Number of children eligible (2022–23)*	Number of PTE places (2022–23)*	Direct cost, 2022–23 (£m, 2021 prices)	Direct cost, 2024–25 (£m, 2021 prices)
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Memo: Current three- and four-year-old entitlements

Universal	850,000	750,000	£2,245m	£2,135m
Extended	485,000	260,000	£770m	£735m
Total	850,000	1,100,000	£3,015m	£2,871m

Panel A: Extending the 30 hour entitlement based on 2yo criteria

Central scenario	240,000	58,000	£175m	£165m
Low take-up scenario	240,000	25,000	£80m	£80m
High take-up scenario	240,000	130,000	£385m	£365m

Panel B: Universalising the 30 hour entitlement

Central scenario	370,000	85,000	£260m	£250m
Low take-up scenario	370,000	40,000	£120m	£115m
High take-up scenario	370,000	200,000	£590m	£560m

Panel C: Universalising the 30 hour entitlement, with a £1/hr supplement for EYPP children

Central scenario	370,000	85,000	£275m	£260m
Low take-up scenario	370,000	40,000	£125m	£120m
High take-up scenario	370,000	200,000	£615m	£590m

Panel D: Universalising the 30 hour entitlement, with a £1/hr supplement for 2yo criteria

Central scenario	370,000	85,000	£295m	£280m
Low take-up scenario	370,000	40,000	£135m	£130m
High take-up scenario	370,000	200,000	£665m	£630m

* Numbers of children and PTE (part-time equivalent) places are reported based on averages over the school year. They roughly correspond to the Spring term. Numbers benefitting will be higher than this in Summer term, and lower in Autumn term. Panels C and D only take into account the impact of the supplement on newly-entitled children.

Note: Costs are rounded to the nearest £5 million.

By contrast, in our central scenario we assume that the PTE take-up rate of children who would be brought in under the expanded programme is around 24%, less than half the rate of the current entitlement. Appendix 5 presents some additional evidence on formal childcare usage among this group as well as the changes in childcare usage among currently-eligible when the 30 hour entitlement was first introduced. But the overall conclusion from that data is that there would need to be an enormous increase in demand for early education and formal childcare for these newly entitled groups to reach take-up rates anywhere close to the take-up rates seen in the current 30 hour entitlement.

These lower take-up rates help to keep the costs of expanding the 30 hour entitlement down, but they also suggest that relatively few children might actually benefit from the expanded 30 hour offer. For example, in our central scenario we estimate that universalising the 30 hour entitlement would lead to an extra 85,000 part-time equivalent places, shared between 110,000 children. That is around a third as many as the existing 30 hour entitlement.

Of course, these estimates are based on one scenario for take-up, which assumes that demand for formal childcare and early education grows at the same rate as it did for currently-eligible families after the current 30 hour entitlement was introduced. Take-up could in practice turn out to be lower than this (if, for example, newly entitled families are less likely to replace informal care from friends and family with early education). Or it could be higher (for example, if the ease of messaging makes it easier to communicate the offer to parents, or if parents are more willing to take up the offer when they don't need to pass eligibility checks). Table 1 therefore summarises the costs of the policy options under alternative low- and high-take-up assumptions.

The key point from these alternative scenarios is the extent of the uncertainty in the costs of extending the 30 hour entitlement. For example, the cost of universalising the 30 hour entitlement

is nearly 5 times as high under the high take-up scenario as it is in the low take-up scenario. Policymakers designing and implementing these reforms would be well advised to budget for contingency funding, at least in the first few years, to account for the risk that take-up turns out higher than expected.

In our high take-up scenario, for example, universalising the 30 hour entitlement would cost around £560 million in 2024–25. This is a substantial amount of money, worth a fifth of the entire current budget for the three- and four-year-old free entitlement (£2.9 billion). However, the additional cost from universalising the 30 hour entitlement in a high take-up scenario is still less than the current cost of the 30 hour entitlement (£735m). These figures suggest that universalising the extended entitlement, while a substantial change in the generosity of the system, would represent a less radical change in total early years spending than the introduction of the existing 30 hour entitlement, which raised spending by a third over two years (Britton et al., 2020).

Wider implications for government spending

The costs in Table 1 represent the up-front spending commitment needed from the Department for Education to introduce an expanded 30 hour entitlement. However, a major reform of free entitlement policy would also have implications for two other areas of government spending: childcare subsidies in the personal tax and (especially) benefits system, and the block grants for devolved nations calculated under the Barnett formula.

Savings on other childcare subsidies

Expanding the free entitlement can reduce government spending on some of the other childcare subsidy programmes outlined in Section 2. There are relatively few savings to be realised through the tax-free childcare programme, since

its eligibility criteria overlap with the existing 30 hour entitlement (which means that the families who would be brought into 30 hour eligibility by these reforms would not currently be entitled to use tax-free childcare).

There is slightly more scope for savings through the working-age benefits system. Here, families receiving Universal Credit can have up to 85% of eligible childcare expenses reimbursed. But the childcare reimbursement again comes with a requirement that both parents (or the single parent) are in paid work. We estimate that around one in ten families who are not currently eligible for the 30 hour entitlement might be eligible for childcare subsidies through the benefits system.

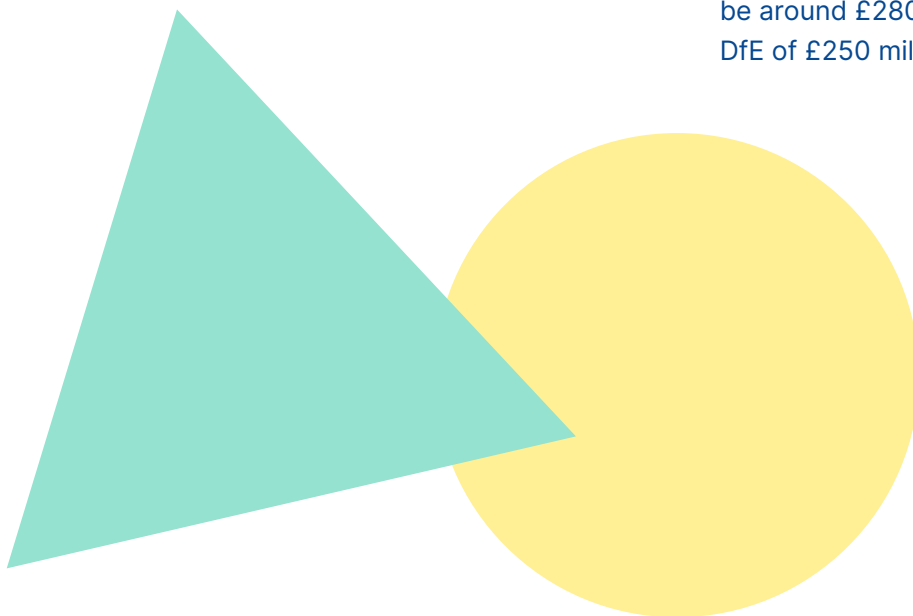
Based on data on childcare spending from the Childcare and Early Years Survey of Parents, we estimate that the savings through the benefits system could offset a portion of the cost of extending the 30 hour entitlement to additional groups. While the precise savings in 2024 will depend on the future rates of benefit take-up, we estimate that the government would save perhaps £10 million, or around 7% of the cost of extending the entitlement just to the two-year-old criteria group under the central take-up scenario.

Barnett consequentials

Since education is fully devolved, any increase in spending by DfE will trigger an increase in the block grant for all three devolved administrations unless it is paid for out of an increase in taxation or cuts to other areas of devolved spending. Based on the 2020 Barnett formula factors, this raises the total cost of policies by around 19% (10% for Scotland, 6% for Wales and 3% for Northern Ireland).

Since the tax and benefits systems are (mostly) run at the UK level, savings through these systems are not automatically included in the Barnett formula. However, savings in the tax and benefits system triggered by a change in spending in a Barnett-able area usually do result in adjustments to the block grant, based on negotiations between the UK government and devolved administrations.

All in, the savings from the benefits system on the one hand and the costs of Barnett consequentials on the other mean that extending the 30 hour entitlement to disadvantaged children under the central take-up scenario would cost the UK government around £180 million in 2024 (compared to a £165 million direct cost to DfE). If policymakers instead chose to universalise the entitlement, again under the central take-up scenario, the whole-of-government cost would be around £280 million (versus a direct cost to DfE of £250 million).



4

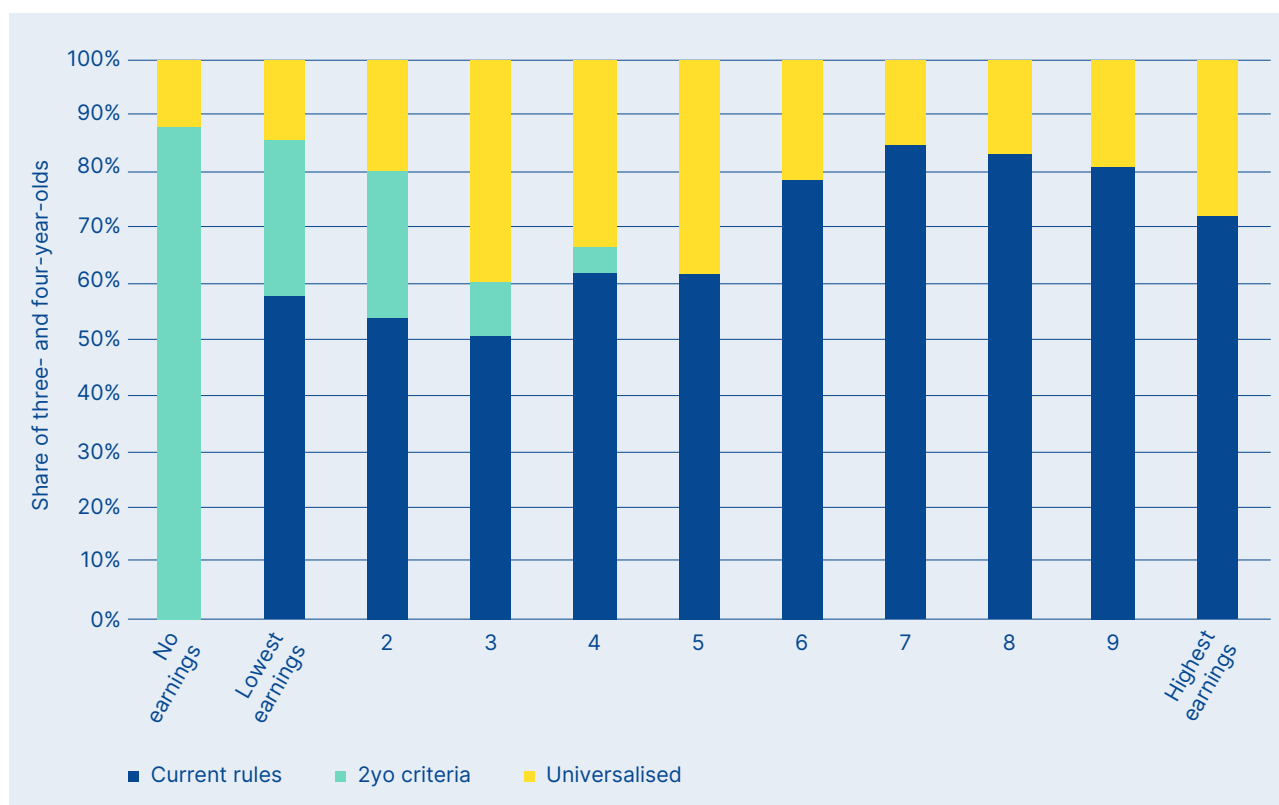
Distributional impacts of extending the entitlement

One key criterion for evaluating the different proposals is their distributional impacts. If the motivation for expanding the 30 hour entitlement is to help children to recover from the effects of the Covid-19 pandemic and to support disadvantaged children in accessing full-time early education and childcare, understanding the policies' impacts across the earnings distribution is vital. Equally, given the government's focus on 'levelling up' in disadvantaged areas of the country, the geographic distribution of the benefits will also be important.

In this section, we provide an initial assessment of the distributional impacts of the existing 30 hour entitlement and of the two main options for reform by exploring how the share of three- and four-year-olds brought into eligibility differs by households' earnings and their location.

Figure 2 shows the share of three- and four-year-olds estimated to be eligible under the current rules (blue), and those who would become eligible if the full-time entitlement were extended based on the two-year-old criteria (pink) or were universalised (green).

Figure 2: Share of three- and four-year-olds brought into eligibility under different criteria, by household earnings



Note: Households are first divided based on whether they report zero earnings (around 16% of children are in this group, shown on the far left). The remainder of households are then divided into ten equally-sized groups based on equivalised gross earnings. Earnings data is only recorded for employees (not the self-employed), so the sample of households is restricted to those with neither parent in self-employment. The lowest-earning decile corresponds to average equivalised weekly earnings of around £75; the middle decile, average equivalised weekly earnings of about £365. These are based on gross earnings from work, so are measured before tax is paid and before any benefit income is received.

Source: Authors' calculations using Q2-2019 to Q1-2020 of the Labour Force Survey.

Figure 2 shows that, under the current eligibility criteria for the extended entitlement, it is predominantly children whose families are in the top half of the earnings distribution who are eligible for a full-time place. By contrast, by far the largest group that would benefit from extending the entitlement based on the existing two-year-old criteria would be children in the 16% of families with no earnings – nearly nine in ten of these children would be brought into eligibility by this policy.⁹

Even so, extending the entitlement based on the two-year-old criteria will still exclude some children in low-earning families, for example those whose parents have no recourse to public funds or those who are not eligible for, or unable to claim, the relevant means-tested benefits for other reasons.

At the other end of the earnings distribution, the majority of children are already eligible for the extended entitlement (though this tails off slightly for the families with the highest earnings as some individual earnings exceed the £100,000 cap). Children in these families would not become eligible if the two-year-old criteria were applied.

However, Figure 2 also shows that the group that would benefit most from universalising the extended entitlement (rather than extending it only to those who meet the two-year-old criteria) would be in-work families whose earnings are low, but not at the very bottom of the distribution (the second to fifth deciles).¹⁰ While some of these ‘just about managing’ families would be eligible for the extended entitlement under the two-year-old criteria, in many cases these families’ earnings are too high to be eligible for the two-year-old offer but their working patterns do not meet the existing 30 hour criteria either.



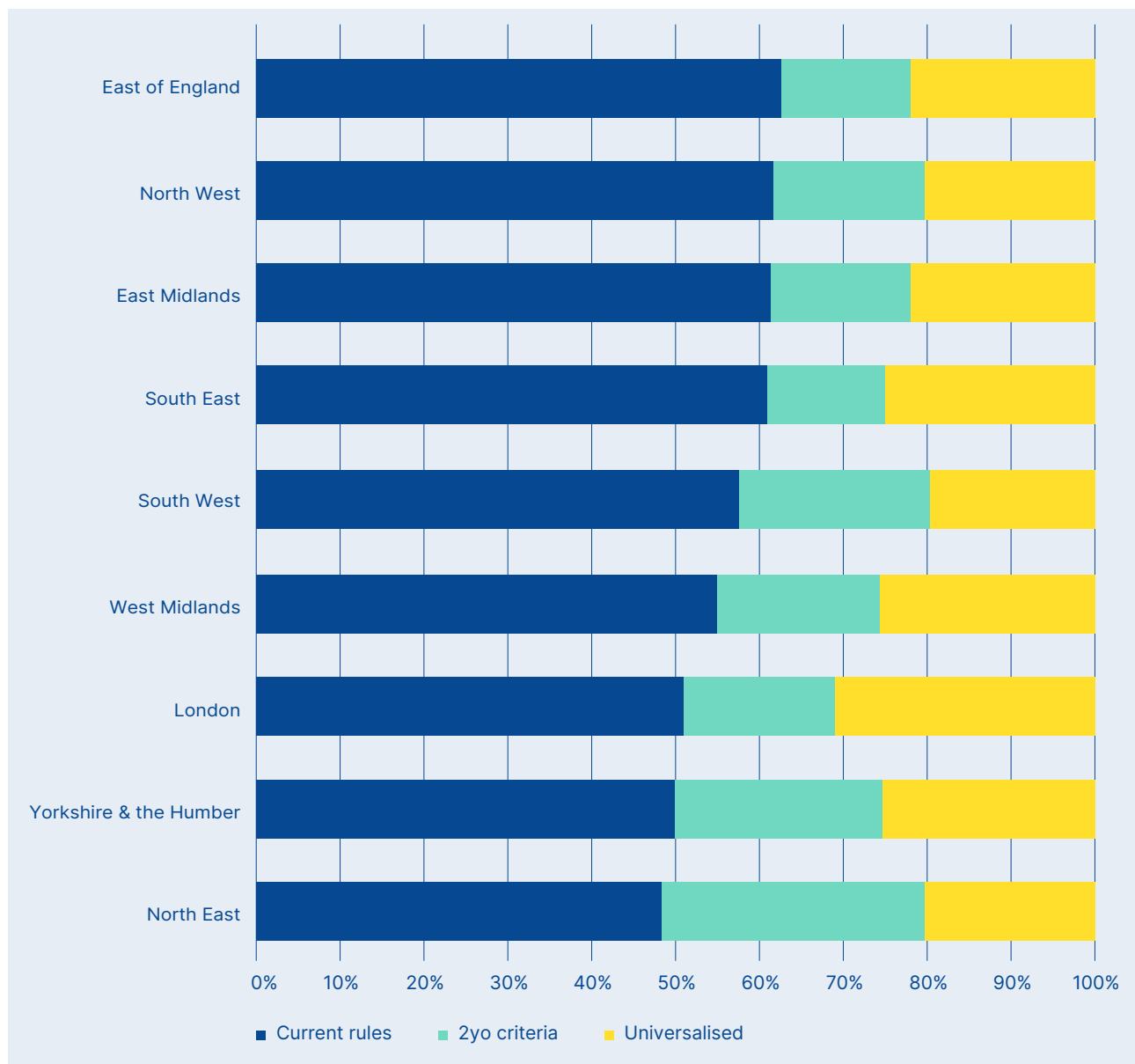
9 Figure 3 is based on data from the LFS, which means that it uses *receipt* of various benefits to assess whether families meet the current two-year-old criteria. Since the take-up rate of some of these benefits is relatively low, it is very likely that more low-earning families would be potentially eligible than Figure 3 shows – though this will not be all families because of specific restrictions on benefit eligibility that are not related to earnings.

10 On average, the gross equivalised household earnings of families in the second decile are around £145 per week; for those in the fifth decile, this is around £365 per week. By comparison, those in the eighth decile – where the largest share of children are already eligible for the 30 hour entitlement – have gross equivalised earnings of around £625 per week.

Figure 3 repeats this analysis, but considering where families live rather than what they earn. In contrast to the strong patterns by family earnings, it shows relatively little in the way of clear patterns in eligibility by geography. There are differences in the geographic distribution of children who we estimate to be eligible for the current entitlement (ranging from just under half of children in the North East and Yorkshire to

just over 60% in the East Midlands, North West and East of England); however, these differences are not statistically significant, which means we cannot be confident that they reflect actual differences. The two-year-old criteria do seem to apply to (statistically significantly) fewer children in the South East than in the North East and Yorkshire, suggesting that families in the South East are less likely to be receiving means-tested benefits.

Figure 3: Share of three- and four-year-olds brought into eligibility under different criteria, by region



Note: Households are first divided based on whether they report zero earnings (shown on the far left). The remainder of households are then divided into ten equally-sized groups based on equivalised gross earnings. Earnings data is only recorded for employees (not the self-employed), so the sample of households is restricted to those with neither parent in self-employment. Source: Authors' calculations using Q2-2019 to Q1-2020 of the Labour Force Survey.

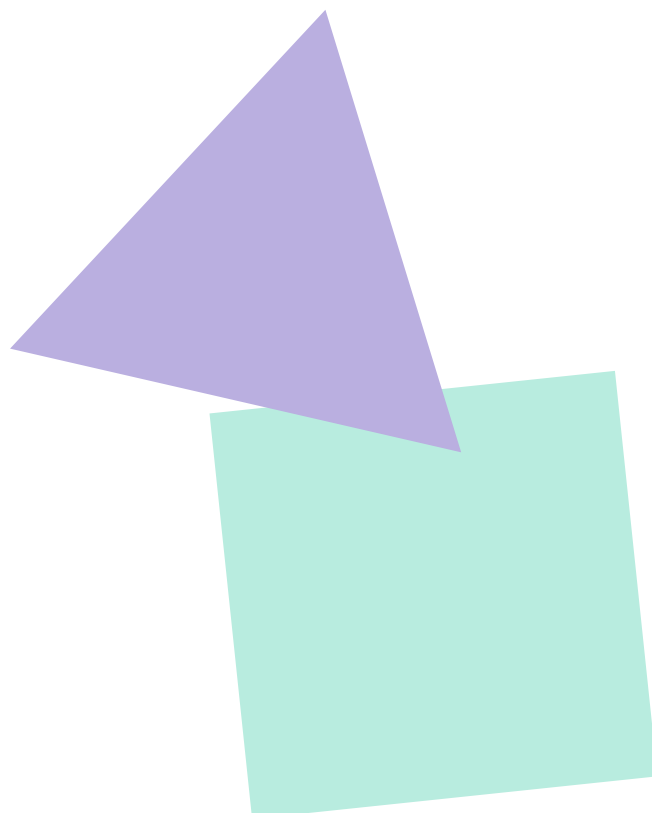
5

Costs under alternative funding rates

So far, all of our analysis has assumed a cash-terms freeze in per-hour spending. However, as Figure 4 shows in the pink series, a long cash-terms freeze in per-hour spending translates into ever-less-generous budgets as the cost of staff, rent, and other inputs rises in cash terms. Maintaining a cash-terms freeze in per-hour spending through to 2024–25 could see spending per hour brought to its lowest level since 2011–12.¹¹ This represents a real-terms fall of 8% compared to 2019–20; compared to the high point of spending per hour in 2017–18, this would be a real-terms fall of 15%. This scale of real-terms cuts would pose substantial difficulties for a sector that has already seen pre-existing financial challenges exacerbated by the Covid-19 crisis.

In this section, therefore, we consider the cost of extending the 30 hour entitlement under a range of alternative funding rates. We consider four main options:

1. Real-terms protection at 2019–20 levels (yellow series)¹²
2. Real-terms protection at 2017–18 levels (purple series)
3. An uplift on 2017–18 levels to account for minimum wage increases,¹³ followed by real-terms protection (light blue series)
4. An uplift to £7.49 per hour (in line with the highest rate discussed in a recent Freedom of Information request)¹⁴, followed by real-terms protection (white series)



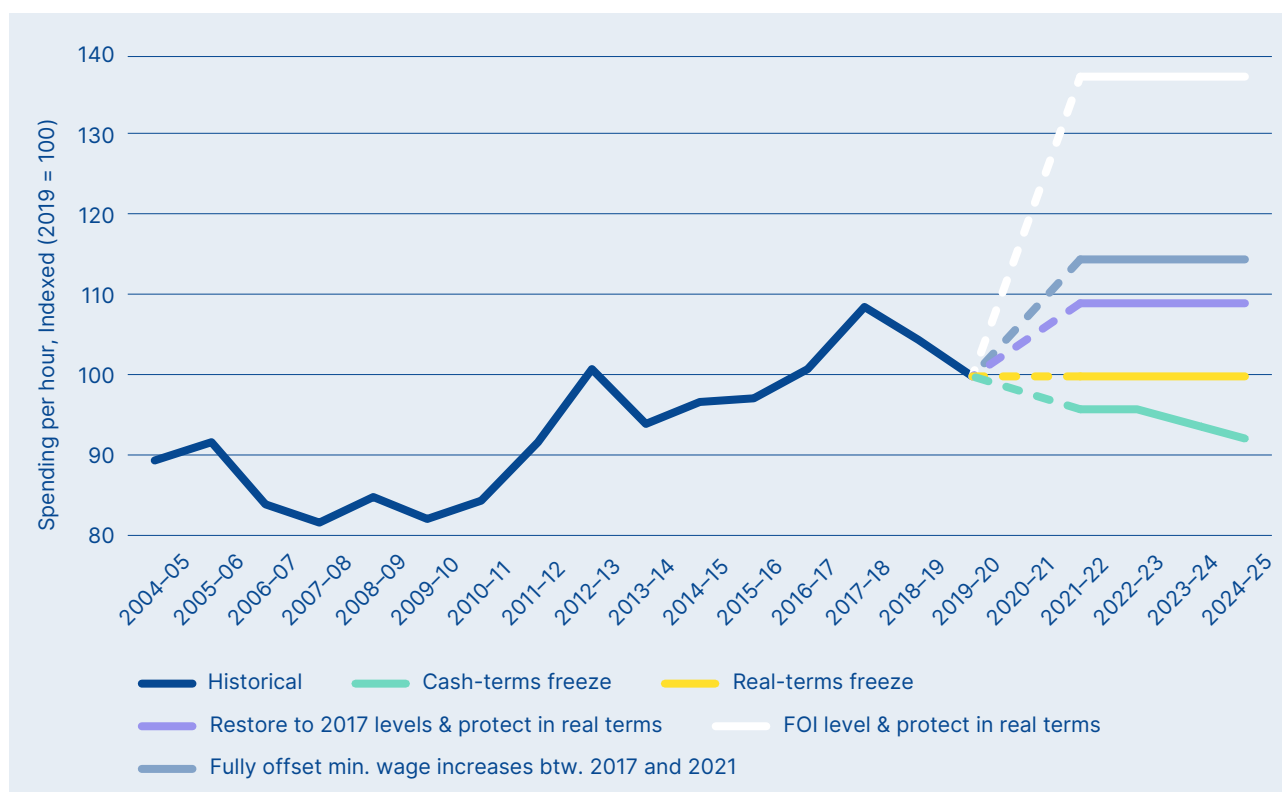
11 The measure of inflation that underpins these figures is the GDP deflator from the June 2021 Quarterly National Accounts (HM Treasury, 2021). The GDP deflator is particularly difficult to measure and forecast at the moment, as the UK economy recovers from successive lockdowns. Inflation figures for 2020–21 and 2021–22 are particularly affected; we therefore focus primarily on figures in 2024–25, when estimates of the deflator are not as volatile.

12 The series of spending per hour is based on Britton et al. (2020). Analogous data for 2020–21 are not yet available.

13 Between 2017–18 and 2020–21, the National Living Wage for most adults rose by 16% in cash terms, a faster rate of increase than the 10% cumulative inflation over this period. This funding option therefore builds in an uplift that fully compensates providers for the minimum wage increases between 2017–18 and 2021–22, then protects this in real terms going forward (not accounting for any future minimum wage increases). The Social Mobility Commission recently found that the average wage for childcare workers was below minimum wage, suggesting that this is an important factor in providers' costs. They therefore recommended that free entitlement funding rates be linked to increases in inflation and the minimum wage (Social Mobility Commission, 2020).

14 The Early Years Alliance requested information from the Department for Education on how it had set its per-hour funding levels for the free entitlement. The FOI documents show that the Department estimated that, absent a planned push for provider efficiencies, cost pressures on the three- and four-year-old free entitlement places would mean a funding rate of £7.49 per hour in 2020–21.

Figure 4: Free entitlement real-terms spending per hour (Indexed: 2019–20 = 100)



Note: Data for 2020–21 not shown since this year's data are not yet available on a consistent historical series.

Source: Historical series based on Figure 2.2, Britton et al. (2020). GDP deflator from HM Treasury (2021).

Table 2 summarises the cost of the two main policy options under each of these rates of per-hour spending. Compared with a cash-terms freeze, offering real-terms protection to per-hour spending would increase costs by around 8%. Put another way, the early years sector will lose about 8% of its spending power over this period if the government pursues a cash-terms freeze in per-hour spending.

Restoring per-hour spending to the real-terms equivalent of its 2017 level (the level of funding in place to support providers with delivering the original 30 hour entitlement) would raise costs by around 18% by 2024–25, compared to a cash-terms freeze. Building in compensation for increases in the minimum wage between 2017 and 2020 over and above this would increase the cost difference to almost 25%. And increasing spending per hour to meet the £7.49 that DfE estimated would be necessary absent reform would be around 50% more expensive than the baseline cash-terms freeze by 2024–25.

These figures point to the challenges facing the existing free entitlement funding system in coping with funding rates that do not increase to reflect general inflation, let alone substantial minimum wage increases, from year to year. As Figure 4 shows, providers instead have to contend with the erosion of their spending power in some years, coupled with relatively large ad-hoc increases in funding rates in other years. This does not give providers a solid foundation to plan their finances over the medium term.

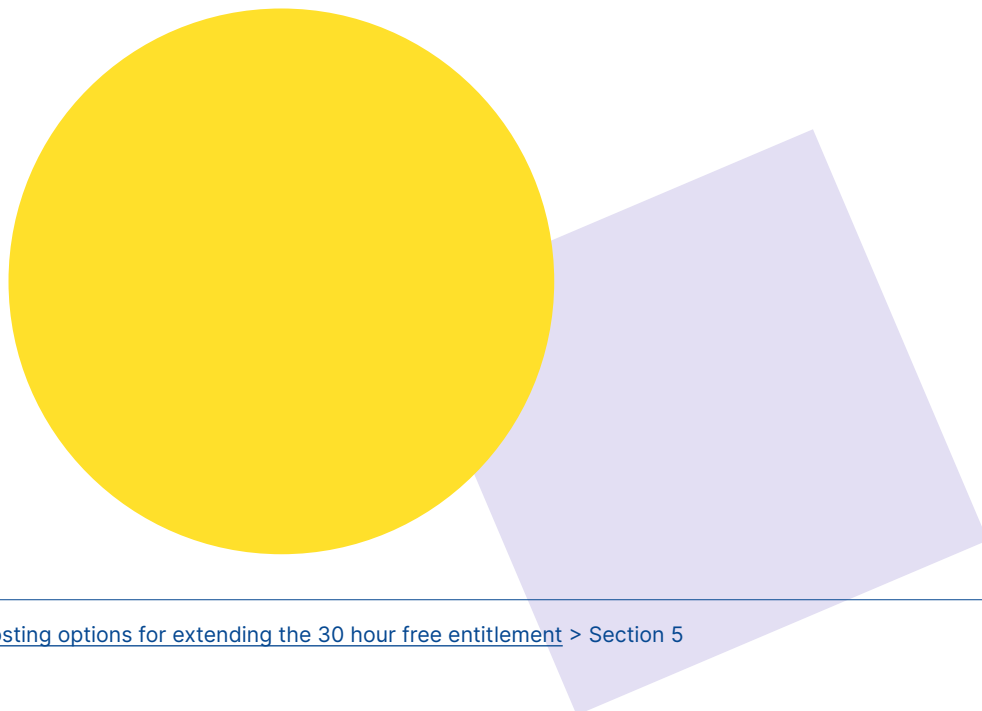
However, the flip side of this is that offering real-terms protection for funding rates can be costly. Strikingly, the cost in 2024 of offering real-terms protection to per-hour spending instead of a cash-terms freeze at current levels will be £240 million – close to the cost of universalising the 30 hour entitlement in our central scenario. There are many such comparisons to be made in Table 2. But the central point is that, when spending is constrained, policymakers face real

trade-offs between broadening the early years system by announcing new childcare entitlements, and maintaining the existing system of entitlements by ensuring that providers' funding is not being continuously eroded.

Table 2: Estimated direct cost in 2024–25 of extensions to the 30 hour entitlement, under different policies on per-hour spending (£m, 2021 prices)

	Cash-terms freeze	Real-terms protection	Restore to 2017 levels & protect	Offset minimum wage increases	Real-terms protection at FOI level
Memo: Current three- and four-year-old entitlements					
<i>Universal</i>	£2,135m	£2,315m	£2,515m	£2,645m	£3,180m
<i>Extended</i>	£735m	£795m	£865m	£910m	£1,095m
<i>Total</i>	£2,870m	£3,110m	£3,385m	£3,555m	£4,270m
Panel A: Extending the 30 hour entitlement based on 2yo criteria					
Central scenario	£165m	£180m	£195m	£205m	£245m
Low take-up scenario	£75m	£80m	£90m	£95m	£115m
High take-up scenario	£365m	£395m	£430m	£455m	£545m
Panel B: Universalising the 30 hour entitlement					
Central scenario	£250m	£270m	£295m	£305m	£370m
Low take-up scenario	£115m	£125m	£135m	£140m	£170m
High take-up scenario	£560m	£605m	£660m	£695m	£835m

Note: The table gives estimated direct costs to DfE in 2024–25 (in current prices). It does not take into account wider savings through the tax and benefit system or spending on Barnett consequentials.



6

Scope for wider benefits

Extending the 30 hour entitlement to a wider group of three- and four-year-olds could have wider benefits for children's development and for their parents' labour supply. Even more than the cost of the policy, these benefits are enormously uncertain: research and evaluations from around the world have confirmed that subsidising childcare *can* bring more parents into the labour force or improve children's development, but these benefits are by no means assured. There are many studies that find substantial benefits of childcare subsidies for children or their parents; other studies find little to no effect, or even negative impacts on some measures, for example socio-economic development.

The effects of childcare subsidies depend on the specific design of the policy – the ages that they target, the number and pattern of hours subsidised, and the quality of the childcare on offer. The relative impact of a new childcare policy also depends on the status quo before the policy is brought in – the share of parents in work, the types of childcare available and how costly they are, and the other barriers (such as cultural norms) preventing parents from working (Cattan, 2016).

In this section, we summarise some of the existing research evaluating childcare subsidies and their impacts on parental employment and child development. We focus primarily on studies evaluating the impact of providing full-time rather than part-time care, since that is the closest analogue to moving from 15 to 30 free hours. We also focus on studies that identify the *causal* effects of these childcare programmes, rather than simply exploring the statistical relationships between childcare and outcomes.

Childcare and parental employment

As the Covid-19 pandemic has highlighted, reliable and accessible childcare is essential for parents of young children to carry out paid work. This is particularly important for mothers: Costa Dias et al. (2020) find that the employment rate of graduate women drops 9 percentage points during the year after the birth of a first child, but graduate men's employment rate does not fall at all. Among women educated to GCSE level or below, the drop is 30 percentage points. Even among those women who do remain in paid work, there is a substantial shift to part-time working that is not seen among men. These labour market changes around the birth of a child explain two-thirds of the gender wage gap among degree-educated women in the UK.

Policymakers have long recognised the role that childcare can play in helping mothers (back) into paid work when their children are young. In some contexts, these programmes can be important drivers of maternal employment. For example, a universal subsidised childcare programme that capped costs in Quebec (Canada) at \$5 per day increased female labour force participation by almost 8 percentage points (Baker et al., 2008; Lefebvre and Merrigan, 2008). In Germany, the introduction of an entitlement to a part-time Kindergarten place from age three boosted the maternal employment rate by around 6 percentage points (Bauernschuster and Schlotter, 2015). A review of the evidence base suggests that a 10% childcare subsidy might boost maternal employment by 0.5–2.5% in the U.S., with smaller effects in European countries (Morrissey, 2017).

On the other hand, a number of studies find very little evidence of impact. Havnes and Mogstad (2011a) find that the expansion of subsidised childcare in Norway had little impact on mothers' working patterns; instead, the subsidised childcare largely replaced existing informal

care arrangements. Lundin et al. (2008) find no effect on working patterns from a similar reform in Sweden, ruling out even small benefits for maternal labour supply.

Evidence on full-time versus part-time care

One possible reason for these mixed effects is that the childcare offer is not sufficiently generous. For example, if jobs require an employee to work at least 20 hours a week, capping a mother's childcare entitlement at 15 hours may not be compatible with moving into paid work. While families can choose to pay privately for additional hours of childcare (and there are other subsidies available in England to help with these costs), additional free hours would essentially raise the effective wage rate of the parent who would otherwise be looking after the child by reducing the costs associated with working another hour.¹⁵

A handful of studies have been able to explore this hypothesis by examining the impacts of extending childcare subsidies from covering part-time to full-time care. These studies tend to find no overall effect on maternal employment from offering full-time rather than part-time care. However, there can be reasonably large benefits from full-time pre-school for single mothers without any younger children. Dhuey et al. (2019a) show that the introduction of full-day Kindergarten in Ontario (Canada) increased the employment rate of single mothers by nearly 12 percentage points, while Cascio (2009) finds a seven-percentage point increase in employment for single mothers whose youngest child was affected by reforms in the U.S.

Evidence from England

Most relevant to the discussion on the 30 hour entitlement is analysis by Brewer et al. (2020), who studied the impact of the 15 hour free entitlement compared to full-time care in Reception in England. Cut-offs for when children start childcare and school are based on a child's date of birth, which means that some children can be in full-time schooling while others who are almost exactly the same age remain in part-time childcare. This research finds that the 15 hour entitlement had no impact on maternal or paternal employment, but eligibility for full-time schooling increased the maternal employment rate for mothers whose youngest child was eligible by around 2 percentage points.

The Department for Education has also carried out an initial evaluation of the existing 30 hour entitlement. This found that just 2% of mothers reported entering paid work once the 30 hour entitlement became available, but 26% reported that they had increased their working hours (Paull and La Valle, 2018).

However, these estimates provide only a limited guide to the impact that a universal 30 hour entitlement could have: they come from mothers who are eligible for the entitlement, who – by definition – are almost entirely already in work. Further, the mothers were asked to compare the period after their child's 30 hour entitlement started with the period before their child became entitled. This means that the differences are picking up not only the effect of the policy, but also changes over time that would have happened anyway (for example, mothers are increasingly likely to be in paid work, and to work more hours, as their youngest child gets older – regardless of any changes in childcare policy). Finally, a universalised policy may make it easier

15 In economics, this is known as the 'substitution effect', and it means that additional free hours would encourage parents to work more. Offsetting this is the 'income effect': since the additional funded childcare hours free up money that would have spent on childcare, parents might not need to work as many hours to earn their desired level of income. This means that the impact of additional funded childcare hours is theoretically ambiguous. In practice, very few studies find that increasing childcare subsidies reduces working hours: this suggests that the substitution effect tends to dominate.

for parents to seek and find work, by supporting them with a predictable full-time childcare offer while they are searching for work and removing the need for parents who have moved into paid work to wait until the start of the next term to access childcare.

Limitations of the evidence base

For the most part, the existing studies that explore the impact of full-time vs. part-time care use entry into school as their measure of full-time care. While these results are a valuable indication of how big the impact on mothers' working patterns could be, these effects are likely to overstate the impact of extending the 30 hour entitlement to all three- and four-year-olds.

Most of the existing evidence focuses on five-year-olds or older four-year-olds; we might expect the impact to be smaller when eligibility is expanded for younger children, since parents of younger children are more likely to cite preferences rather than cost when asked why their children are not in childcare (Department for Education, 2017).

As well, full-time care provided through the school system might have a bigger effect on maternal labour supply than full-time childcare. For example, parents might consider a child starting school a natural point to go back to work. And, since school is mandatory while the free entitlement is not, the start of full-time school has more scope to affect the decisions of families who might not have responded to an optional offer of full-time childcare.

These factors suggest that the estimates from existing literature are likely to be an 'upper bound' on the impact of universalising the 30 hour entitlement.

Benefits to the public finances

In addition to the benefits for family earnings, an increase in the share of mothers in work – or in the number of hours they choose to work – could also benefit the public finances through higher tax revenues.

Andresen et al. (2019), for example, study an expansion of childcare subsidies for one- and two-year-olds in Norway. They find that increased tax revenues from cohabiting mothers who started using childcare were offset by increased benefit spending on single mothers (who became eligible for in-work benefits). Overall, additional tax revenues from cohabiting mothers offset around 6% of the cost of the subsidy; for single mothers, the increase in benefit income meant that the total cost to the public purse was higher than the direct cost of the subsidies.

To give an indication of the potential scale of the impact of universalising the 30 hour entitlement for tax receipts, we model what mothers' wages might be if they moved into work and how much tax they would pay on those earnings. Clearly, for mothers who are not currently in work, the actual wage they would earn in work is unknown. We therefore use data from working mothers of three- and four-year-olds to predict what their wage might be, taking into account their age, education, region, whether they have a partner, and whether they have a child younger than three.¹⁶

16 Of course, these predicted wages will differ from the wages that out-of-work mothers might actually earn if they moved into paid work. In particular, mothers who choose to remain in paid work might have systematically higher wages than the wages that out-of-work mothers could earn (even after accounting for characteristics like education). These predicted wages are a useful guide to the potential scale of the public finance effects of increasing maternal labour supply, but they are only an indication, not a prediction.

We find that, on average, a non-working mother whose three- or four-year-old child is not currently eligible for the 30 hour entitlement might earn £335 a week (around £17,450 a year) if she moved into work. This mother would pay just shy of £2,000 a year in income tax and National Insurance contributions. In addition, their employer would owe around £1,200 in employer National Insurance contributions. This means that, for each mother brought into work by this policy, we might expect just over £3,100 in direct tax revenues.¹⁷

To give a plausible estimate of the total increase in tax receipts, consider the estimate of Brewer et al. (2021), who find that full-time care in Reception in England boosts the share of women whose youngest child is eligible by 2 percentage points compared to part-time childcare. Table 1 shows that around 370,000 children would be brought into eligibility by universalising the 30 hour policy; 70% of these children are the youngest in their family. This means that Brewer et al.'s estimate of the impact on labour supply would see direct tax receipts rise by around £16 million.

Early education and child development

Early childhood education and care (ECEC) can also have wider benefits for children's development. These benefits are most firmly established for small-scale, very intensive and expensive programmes that are highly targeted at very disadvantaged families. A number of these programmes, like the Perry Preschool Project and the Abecedarian Initiative, were robustly evaluated in the U.S. and showed substantial long-term benefits for children's educational attainment, social development, health, and criminality (Heckman et al., 2010; Conti et al., 2014).

While the results from these 'classic' programmes are striking, the programmes themselves are quite different from the ECEC policy options that are on the table in England today. Most European countries favour programmes that aim to reach a broader group of children with a less intensive offer than these earlier interventions. Even so, there is a growing evidence base confirming that these universal childcare programmes can still benefit children's development even in countries with a much stronger social safety net (Havnes and Mogstad, 2011b; Felfe et al., 2015; Cornelissen et al., 2018).

Most researchers find that ECEC is particularly beneficial for disadvantaged children's development (van Huizen and Plantenga, 2018; Waldfogel, 2015). This means that – done well – an effective early years programme can help to reduce inequalities between children from disadvantaged families and their better-off peers.

However, while there is a strong evidence base showing that public support for ECEC *can* benefit children, it is equally clear that benefits are far from guaranteed. In many contexts, childcare programmes have had only small effects on children's developmental outcomes, or even no detectable effect at all (Datta Gupta and Simonsen, 2010). In other cases, childcare subsidies have had a strong *negative* impact on children. For example, Quebec's \$5-a-day daycare programme helped mothers into paid work – but it also worsened children's social and emotional development, worsening aggression and preventing children from developing motor and social skills as quickly as they would have otherwise done. These early negative impacts persisted in the longer term, with affected children having worse health and more risk of crime later in life (Baker et al., 2019).

17 Moving into work would also have implications for benefit spending and for indirect tax revenues (e.g. VAT), but these are not considered in these figures.

Evidence from England

The evidence for the impact of early years policies in England is quite mixed, but generally supports some benefits for children's early academic outcomes (though studies differ on whether these benefits persist beyond the first years of primary school). This relationship has been detected by several different studies that use different methodological approaches.

Two longitudinal studies tracked cohorts of children over time to examine associations between childcare use and academic development. The Effective Provision of Pre-School Education (EPPE) project, from the early 2000s, found that children who used ECEC tended to have better academic skills up to age 11 (Sylva et al., 2008). More recent data from the 2010s, collected by the Study of Early Education and Development (SEED) paints a more mixed picture: this research found that *informal* childcare between age two and the start of school boosted children's language development at age five-six, but the relationship between early language and *formal* childcare (of the sort offered under the free entitlement) was only present for children in the least enriching home environments (Melhuish and Gardiner, 2020).

Blanden et al. (2016) use a different approach to study the impacts of the 15 hour free entitlement. They compare children living in the same neighbourhoods but born at different times during the rollout of the 15 hour free entitlement. Based on when and where they are born, different cohorts of children therefore have different amounts of access to funded free entitlement places. Using statistical techniques, the researchers are able to account for both permanent differences between different areas and nationwide changes over time. While the estimates from this study differ from those in EPPE and SEED, the researchers again find that access

to ECEC via the free entitlement improves children's academic outcomes at age 5. However, they also conclude that these benefits fade out over the primary school years. The authors argue that the relatively modest benefits are the result of high take-up of childcare even before the free entitlement was introduced, coupled with the emphasis on delivering free entitlement hours through the private and voluntary sectors.

While there is some consensus on the academic benefits associated with childcare in England, the evidence on social and behavioural development is much less certain. Evidence from EPPE suggested that children's social and emotional development at ages 5 and 6 benefitted from attending childcare, but most of these benefits had faded out by the end of primary school (Sylva et al., 2008). The more recent data from SEED concludes that formal childcare use is associated with worse behaviour and less emotional control during the early schooling years (Melhuish and Gardiner, 2020). This is particularly true of formal group settings (such as nurseries), and the relationships between childcare use and socio-emotional development were similar across children with different levels of disadvantage.

Impact of number of hours in childcare¹⁸

Most studies of how childcare affects child development focuses on whether families use childcare at all, or the overall impacts of a childcare subsidy programme. Less is known about how these impacts vary with the number of hours of childcare that children use. However, there is some indication from existing studies that increasing the amount of time spent in childcare can benefit children's academic development, but often harms their social and emotional development.

18 For a fuller discussion of the developmental impacts of longer hours in childcare, please see section 1 of this report – *What do we know about the 30 hour entitlement? – literature review and qualitative stakeholder work.*

For example, Gibbs (2017) focuses on the outcomes of children in the U.S. randomly assigned to either full-day or half-day Kindergarten. She finds that full-day Kindergarten substantially boosts children's literacy at the end of the Kindergarten year, with the largest effects for Hispanic students and those who enter Kindergarten with low literacy levels. The relative benefits for Hispanic students mean that offering full-day rather than half-day Kindergarten would close around 70% of the ethnicity gap in literacy at the end of Kindergarten. These are very meaningful benefits. However, they will not be directly comparable to the 30 hour entitlement: Gibbs studies a slightly older age group (age 5) in a school rather than an early education setting.

On the other hand, Datta Gupta and Simonsen (2010) use a reform in Denmark to estimate the impact of increasing formal childcare hours on children's social and emotional development at age 7. They find that enrolment in pre-school at age 3 does not significantly affect children's

development at age 7, but longer hours in formal childcare lead to more behavioural and emotional problems.

In England, the SEED study considered whether using more hours of childcare was associated with children's outcomes during primary school. It found that using more hours of formal childcare was associated with worse social and emotional outcomes during Year 1 (age 6). Among other outcomes, it found that children who used more than 15 hours of formal group care per week had statistically significantly more behavioural problems and less emotional regulation than their peers using 5 or fewer hours of formal care. On the other hand, for the 40% most disadvantaged children – which is largely the group that would be affected by extending or universalising the 30 hour entitlement – using at least 10 hours of childcare from age two, combined with using at least 20 hours a week on average between age two and the start of school, was associated with better verbal ability in Year 1.

7 Summary

Overall, the evidence on the impacts of increasing the number of hours of childcare is relatively mixed. Universalising the 30 hour entitlement in England would probably help some mothers to move into paid work, but the best evidence we have comes from slightly older children entering school and so is likely to be an 'upper bound' for the plausible impact. If results from a study comparing the 15 hour free entitlement to full-day schooling in Reception extend to a 30 hour childcare offer, the government might expect to receive around £16 million in additional direct tax revenues as a result. Of course, given the huge amount of uncertainty, this figure is less a forecast than an indication of the small

scale of additional tax revenues that might be generated.

The evidence for early education and child development is somewhat more mixed. While there are clear benefits to very intensive, small-scale, highly targeted early years programmes, the international evidence base suggests that effects of large-scale or universal programmes depend crucially on what kinds of care children would have used in absence of a childcare subsidy. In general, the evidence points to positive benefits for children's intellectual development in a range of international contexts. However, in some contexts spending more hours

in early education or childcare has been linked with worse social and emotional development and more behavioural problems, particularly for younger children in more formal settings.

As this overview has highlighted, the potential benefits of childcare for parents and their children depend on a range of factors, including – crucially – the counterfactual: what would have happened without the policy. To the extent that children would have been in formal childcare anyway, expanding the free entitlement is likely to change how much families have to pay but

would have less dramatic impacts on the kinds of environments children are actually exposed to. By contrast, expanding the 30 hour entitlement will likely have much less of this ‘deadweight’: as discussed in Section 3, most children who would be brought into eligibility if the 30 hour entitlement were expanded are currently using at most 15 hours of ECEC per week. While our modelling suggests that take-up of a 30 hour offer in this group would be low, the children who do take up the offer would mostly be increasing the actual time they spend in childcare, rather than simply changing how it is paid for.

8 Conclusion

The Covid-19 pandemic has caused enormous disruption to the lives of young children and their families. In contrast to the remote learning that took place in schools, children who were asked to stay away from their early years settings in spring-summer 2020 had relatively little in the way of formal replacement activities to help support their development. While the impact on the development of this age group is not yet fully known, early indicators suggest that the early years will not have escaped the wider pattern of lost learning and widening inequalities caused by the lockdowns.

Even before the pandemic, there has been debate about whether England’s current childcare entitlements for three- and four-year-olds go far enough. Both the Labour and Liberal Democrat parties promised substantial increases in these free entitlements in their 2019 General Election manifestos, while the Conservative party pledged £250 million a year for wrap-around and holiday care (including for older age groups). In Scotland, the Scottish Government is completing the rollout of a universal 30 hour offer for three- and four-year-olds in summer

2021, and the SNP’s manifesto earlier this year promised to expand free early education to disadvantaged one- and two-year-olds as well.

In this report, we focus primarily on providing a range of estimates for the potential cost of widening eligibility for the 30 hour offer. The current 30 hour entitlement applies to just over half of three- and four-year-olds. Despite this, even universalising the entitlement in this age group would likely cost much less than the current programme. These relatively low costs are related to relatively low predicted take-up rates: even taking into account how childcare use might rise if families are given an additional 15 free hours, the groups that are currently excluded from the free entitlement are likely to use much less childcare than the children who are currently eligible.

The low take-up rates that we predict have two important implications. The first is that the costs of expanding the 30 hour entitlement are very uncertain: considering different scenarios for take-up, we find that universalising the entitlement might cost a sixth as much

as the current programme, or it might cost 75% of the current budget.

The second implication is that relatively few children are likely to benefit from extending the entitlement. If the government wishes to pursue this as a policy to support children's development, it needs to consider how it will ensure that the offer is attractive enough to benefit a meaningful share of the cohort. Of course, in doing so, it will also face higher costs as take-up rises.

One of the most important findings in this report, though, is the difficulty that the government will have in continuing to fund providers at the current level. Spending per hour on three- and four-year-olds has already fallen by 8% from its 2017–18 high point; continuing with a cash-terms

freeze until 2024–25 will leave hourly spending 16% below its 2017 level. For providers who are facing rising costs on the back of minimum wage increases and – more recently – COVID-related disruption, a continued funding squeeze will be difficult to sustain.

Going into this autumn's Spending Review, the government faces difficult choices for the early years. While the costs of expanding the 30 hour entitlement are not especially large, the government must also consider the need to put the existing free entitlements on firmer financial footing. After two mini-Spending Reviews that did little to change the early years budget, it is clear that these choices – while perhaps difficult – must not be ignored this coming autumn.

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Discussion



1

Discussion

Most of the country's poorest three- and four-year-olds are currently locked out of the government-funded entitlement to 30 hours of early years education.

But as research throughout this report has shown, it is this very group who would benefit most from more hours of high-quality, well-funded early years education, which could play a vital role in improving their life chances. As it stands, the existing policy actually risks widening the attainment gap between the poorest children and their peers.

This is especially important in the aftermath of the pandemic, which research here and elsewhere has shown is hitting the poorest children and their families the hardest. If young children from poorer backgrounds are allowed to fall behind before they even start at school, this will have a knock-on impact for the rest of their lives.

Children beginning their formal education not school ready also puts a huge amount of pressure on schools, with additional strains for teachers, higher staffing costs, and disruption to learning for the whole class. If gaps in the early years are allowed to further open, the impact will be felt in the school system for years to come with wider economic impacts when these left-behind children have grown up and entered the workforce.

It is clear that change is needed to give all children a fair start. But what exactly should reform to the 30 hour policy look like, ensuring it gives the best start to disadvantaged children, alongside working well for parents, and giving the best value for money to the taxpayer?

In this final section, the Sutton Trust brings together the research presented throughout this report, to give evidence-based recommendations on reforms to the 30 hours policy.

2

How many hours?

Research here has shown that a strategy to both increase the funded hours available, and to enhance the quality of provision in settings for the less advantaged could lead to better outcomes for poorer children and a closing of the attainment gap. Given this, it is clear there is a case for equalising access to funded early years provision, and for ensuring settings have the resources to recruit and develop a skilled workforce.

Where existing evidence is less clear is exactly how many hours children should spend in early

years provision for optimum impact. However, evidence presented here indicates that the 15 hours currently available to all children is insufficient, with a positive association with children's outcomes if attendance is above 15 hours in a graduate-led setting.

The outstanding question is how much above 15 hours is best. The evidence points to a limit in the number of hours spent in provision that are likely to benefit a child, with research showing

negative impacts of too many hours on children's socio-emotional (behavioural) outcomes. However, there is also evidence that this can be mitigated by a highly qualified workforce. In fact, research suggests that the lower outcomes seen in some studies for poorer children may be due to lower hours of access and lower qualifications of staff in settings serving these communities. Generally, the evidence points to positive benefits up to 25 hours, with any negative impacts seen for younger children (under age two) attending formal centre-based settings and for longer hours (over 35).

We also know from existing data on take-up that many families will not take the full 30 hours even when available, and we expect many will take closer to 25. But giving all families a right to 30 hours of early education and care will create greater flexibility for parents, to allow them to fit childcare in with their working patterns, as well as ensuring equality of access across socio-economic groups, without the need to remove

existing provision and change a well-established policy for those currently eligible.

While the Sutton Trust believes that the core focus of early years provision should be on education and efforts to close the attainment gap, it cannot be the only factor considered when designing this provision. Enabling parents, and women particularly, to access affordable childcare has the potential to improve their employment prospects, with associated increases to taxable income for government. And importantly, making the policy universal could help parents searching for work who would then have the certainty of access to 30 hours of provision, both during their search and when first moving into work.

Taking all of this together, looking to ensure equality of access, while also balancing the needs of parents, we recommend that any extension of hours should be to the level of the existing 30 hours entitlement.

3

Shouldn't we improve quality before expanding provision?

Another important question posed by this work is whether an extension of provision is the right focus, given the concerns raised by providers about the level of quality they are able to provide under the existing entitlement. Many providers say they are currently using cross-subsidies from other hours and extra charges to make up underfunding of the existing 30 hour entitlement. As the poorest families will be less able to pay any additional costs, there is concern about ensuring quality under any plans to expand provision.

We firmly believe that this simply cannot be an either-or question. If quality is improved first, but

access is not widened, then the 30 hour entitlement risks widening the attainment gap even further, as the poorest children will not be the ones to see the benefits. But equally, it would be wrong to expand the entitlement without efforts to improve quality. Simply providing disadvantaged children with more hours of provision which are of a low quality would not provide the necessary level of support these children need to improve their academic and social outcomes.

An expansion of provision and improvement of quality must happen together. Such a move would be an important step on the road towards

viewing early years provision primarily as a critical element of the education system, and not just a vehicle for delivering childcare, which could bring about a self-reinforcing

cycle of improvements in quality. This will require additional funding and a renewed focus on quality of provision, an issue explored in greater detail below.

4

Targeted expansion or universal provision?

Expanding provision to disadvantaged children could either be done in a targeted manner, or by making the entitlement universal.

The main benefit of a targeted expansion would be the lower cost. The IFS estimate it would cost just £165 million a year to expand the entitlement to children currently eligible for the two-year-old offer (if funding levels were frozen).

Additionally, well over half of the cost of a targeted expansion could be saved by looking again at the top end of incomes, by removing the entitlement from families where at least one parent earns more than £50,000 a year, a move which would save £100 million annually.

While universalising the entitlement would cost more than a targeted expansion, it would still be relatively low, at an additional £250 million per year, especially when compared to current spending on the 30 hour entitlement, which stands at roughly £735 million per year. An increase in overall spending on entitlements of just 9% would extend eligibility to around 80% of children in the bottom third of the income distribution for the first time.

And there are many potential benefits to universalising the entitlement. One major advantage is how much easier the policy would be to administer. Research presented here has found the complex eligibility criteria for the 30 hour entitlement causes problems for both providers and families, especially if families' employment

situations are volatile and unpredictable, as has often been the case during the pandemic. Simplifying the process for parents and removing this complexity could therefore help to encourage take-up of places, an issue which is particularly pressing for disadvantaged families. It would also make enrolment more straightforward for parents moving into work or training, or those seeking to increase their hours.

Providers would also benefit from the additional financial certainty and security which would come with universal provision. Rather than having children move in and out of eligibility each term, settings could plan budgets yearly, which would help them with staff recruitment and planning of staff training. Settings also commented here that 30 hour blocks were much easier to manage logistically, in terms of both staff time and programme planning, than 15 hours. For local authorities, universal provision would mean they would no longer need to regularly check the eligibility of children, an issue which puts an administrative burden on LAs. Research here has also found that universal provision encourages a social mix amongst children, attracts more highly qualified staff, and helps to remove stigma for poorer families.

Additionally, if the entitlement were only extended to the disadvantaged children currently eligible for the two-year-old offer, it would still miss many families who could benefit from additional support, for example those in work on low wages. While some of these 'just about

managing' families would be eligible for the extended entitlement under the two-year-old criteria, in many cases these families' earnings are too high to be eligible for the two-year-old offer, but their working patterns do not meet the existing 30 hour criteria either. For example, over 10% of families with no earnings, and around 20% of families with the lowest earnings, would not be eligible. A universal extension would bring all of these low-income children into eligibility.

While a targeted expansion would be a step forward from the current system, given the potential benefits of universalising the offer to children, parents and providers, including ensuring all children from lower-income families can access the entitlement, the Sutton Trust is recommending any extension to the entitlement for three-to-four-year-olds is universalised, to give the best possible outcomes for all children.

5

What funding level should be provided?

Funding has been an ongoing point of contention in the early years sector. Since the 30 hour entitlement was first introduced, providers have raised concerns that the funding level is not enough for them to meet their costs. This issue appeared to be confirmed by recent findings from the Early Years Alliance, who through freedom of information requests, found that funding rates for 2020/21 were less than two-thirds of the levels government officials estimated to be the true cost of funding provision.¹ The issue of funding has also been further exacerbated by the pandemic, with many children being kept away from early years settings during the crisis, and with many providers reporting they had not received adequate government support to make up for their losses, and many ultimately having to close down.²

Research here has highlighted the impact of this lack of funding, with providers forced to make extra charges to make their provision viable,

and reporting that the need for these additional charges is clearly a barrier to accessing the entitlement in more deprived communities where cross-subsidy is not possible. And as discussed earlier, this would likely become an even greater issue if the 30 hour policy were extended to those on lower incomes without a funding uplift, as these families would be less able to meet any extra charges.

To ensure quality provision, an expansion to the 30 hour entitlement to the poorest families must be accompanied by an increase in funding to successfully deliver the expansion. While ideally a higher level of funding would be provided across the board, as a minimum, the Sutton Trust recommends that the government should provide additional funding for disadvantaged children, alongside any expansion of the 30 hour entitlement.

This could be delivered either through the Early

1 Early Years Alliance (2021). "Private government documents show ministers knew that underfunding early years would mean higher childcare costs for parents". Available at: <https://www.eyalliance.org.uk/private-government-documents-show-ministers-knew-underfunding-early-years-would-mean-higher>

2 C. Pascal, T. Bertram, C. Cullinane and E. Holt-White (2020). Covid-19 Impacts: Early years. Sutton Trust. Available from: <https://www.suttontrust.com/our-research/coronavirus-impacts-early-years/>

Years Pupil Premium (EYPP), or as a 'disadvantage supplement' to settings looking after disadvantaged three- and four-year-olds eligible for the existing two-year-old offer. This targeted funding would help to ensure that any additional hours are of a high quality and serve the poorest communities. Importantly, evidence highlighted here has also shown that additional funding for young children from disadvantaged families, for example funding administered through the EYPP, could make a real difference to attainment, as long as it is sufficient, well-targeted and easier to administer. The EYPP as it stands is in need of reform, with children moving in and out of eligibility on a termly basis, causing significant challenges for providers and limiting the potential benefits of the funding. A move towards the

relative stability of the school pupil premium mechanism (eligibility at any point over a set period) would also be of significant benefit.

Additional funding tied to disadvantaged children, regardless of any wider uplift, would also have the benefit of providing settings with an incentive to recruit children from families on low incomes, as well as ensuring settings serving the poorest areas, many of which struggle most from a lack of cross-subsidisation and have been worst hit by the pandemic, remain sustainable into the long term.

6

How can we ensure a focus on quality?

The early years sector in England is made up of a complex mixture of state, private and voluntary provision. In a system reliant in large part on private for-profit providers, there is always the risk that any increase in funding goes towards profit, rather than being invested in high-quality provision. Given that, it is vital that any increase in funding, whether targeted or universal, is also accompanied by expectations on quality, to ensure both the best outcomes for children and value for money for taxpayers.

Research here and previous work by the Sutton Trust has highlighted the critical importance of recruiting, training and retaining a skilled early years workforce in driving quality provision which improves children's outcomes. This should form the basis of requirements for any providers

receiving additional funding for an extension to the existing 30 hour entitlement. But we know from findings in this report that the qualification level of the early years workforce is deteriorating, with fewer children accessing provision with a qualified graduate or teacher. This reduction in quality needs to be tackled, and additional funding attached to the extension could provide an incentive for settings to do so. Every setting could, for example, be required to have a graduate leader, to employ a certain proportion of staff at Level 3 (A Level equivalent), or to provide a certain amount of professional development opportunities to their workforce, in order to be able to offer an extension to the entitlement with an increase in funding per hour. Those opportunities should be based on approaches and strategies with a strong evidence base,

for example from the Education Endowment Foundation's Early Years Toolkit.³ Importantly, any quality requirements would need to be developed in partnership with the sector, and need to be realistic for settings to achieve with the funding levels provided.

As well as putting in place requirements for settings receiving any additional funding, there are other ways in which the government can help to improve quality. Importantly, pay and conditions for staff, and therefore staff quality, can only be improved with additional funding, so that

settings can attract and retain a well-qualified workforce. Barriers to accessing qualifications at Levels 1 to 3 should also be addressed by the government, to encourage new recruits into the sector, an issue which is discussed in more detail in previous Sutton Trust research.⁴

A clear vision for the early years workforce, which is designed to deliver high-quality provision for children, is the only way to ensure early education can play its full part in closing the attainment gap, and should be a core consideration in any change to the 30 hours policy.

7

How can government ensure any extension delivers for the poorest children?

One of the major issues highlighted throughout the research is the low level of take-up for the existing two-year-old entitlement, and the associated estimates of low take-up levels for any extension to the entitlement for three- and four-year-olds.

This challenge should not be ignored, although it is important to see it in context. Even when assuming low take-up, the IFS have modelled that about a third of those brought into eligibility if the 30 hour offer was universalised, or about 110,000 children per year in total, would take up an average of 11 additional hours each (equivalent to 85,000 part time 15 hour places). That is tens of thousands of children who are likely to be better prepared for school as a result, with subsequent economic benefits in terms of future productivity. These figures are also likely to

underestimate final take-up, as they do not take into account wider impacts of universalising the offer on ease of access and a likely subsequent upturn in overall take-up. And as previously discussed, offering providers financial incentives linked to the attendance of disadvantaged children could also help incentivise settings to work to improve take-up for this group.

However, issues of take-up are likely to remain, especially among the most disadvantaged families. That is why it is vital that any expansion to the entitlement is also accompanied by an awareness campaign, to ensure families know about the hours they are entitled to, how to access them and the benefits of more hours in early education on their children's development. This could, for example, include efforts to contact families through existing local services,

3 Education Endowment Foundation, "Early Years Toolkit". Available at: <https://educationendowmentfoundation.org.uk/evidence-summaries/early-years-toolkit/>

4 C. Pascal, T. Bertram and A Cole-Albäck (2020). "Early years workforce review". The Sutton Trust. Available at: <https://www.suttontrust.com/our-research/early-years-workforce-review/>

such as GPs, children's centres and family hubs, or through antenatal classes, and could also make use of targeted advertisement to parents

through social media. However, extending eligibility is the vital first step in this long-term process.

8 Conclusion

Using evidence and analysis from a wide variety of sources, this report has looked in detail at the case for reform, why it matters and how to deliver it.

The existing 30 hour entitlement risks worsening social mobility, by providing additional hours in early years provision to children who are already relatively better off, while missing out those who have most to gain. Increasing eligibility for funded hours of early education and childcare could have a broad variety of benefits:

- Extending access to a more optimal number of hours of provision to poorer children who stand to benefit most.
- Giving parents greater confidence in access to childcare when retraining, moving into work, or increasing their hours.
- Allowing greater stability and predictability for settings, including lowering administrative burdens. Providers in the most deprived areas would stand to benefit the most, addressing geographical inequalities in the sector.
- If accompanied by increased funding, improving an emphasis on quality and facilitating improvements to the early years workforce.
- Closing the gap in school readiness, reducing the burden in schools and helping to ensure all children can start their formal education on an even footing, with potential long-term benefits for social mobility.

There is already evidence that the current policy

is exacerbating the attainment gap on starting school, and as we come out of the pandemic, ensuring children from the poorest families can access high-quality early years provision is more important than ever.

Research here has shown there is a clear case for increasing the number of hours available to disadvantaged children; but that doing so must come alongside work to improve quality. To do this, additional funding will be needed for the poorest children, to ensure any expansion can deliver improvements in attainment. It is also clear that the time for change is now, to ensure we build back better from the pandemic.

Together, this set of reforms could help make a real difference to social mobility in this country, ensuring all children have a fair start in life.

Appendices



Appendix 1

Keywords

30 hours free childcare	Free education and childcare for two-year-olds	Universal, targeted, means tested funding	Impact	Quality	UK	Internationally
Extended entitlement	Early	Universal entitlement	Early education	Childcare versus early education	England	EU
Policy	Two year old funding	Universal offer	Outcomes	Optimal hours	Scotland	
Take-up	Funded childcare	Extended offer	Social mobility	Quality and quantity	Wales	
	Take-up	Early years entitlements	COVID and socio-economic gap	Workforce qualifications	Northern Ireland	
		Targeted offer	School readiness			
		Area based funding	Attainment gap			
		Pattern of delivery – split, integrated	Wellbeing			
		Early Years Pupil Premium	Language and literacy			
		Graduate Leader Fund				
		Maintained versus PVI settings				

Appendix 2

Index Search Results

Search Focus	Search Terms	Search Results	Selected Papers
ECEC Policy Focus	30 hours childcare AND policy OR extended entitlement	BEI: 1 paper BEI: 75 papers	17 papers
	childcare AND policy	ERIC: 231 papers	
ECEC Take-up	30 hours free childcare, AND/OR extended entitlement and policy and take-up	BEI: 1 paper ERIC 1 paper	1 paper
ECEC Quality	30 hours childcare AND early education AND quality	BEI: 1 paper ERIC: 1 paper	1 paper
School Readiness and Attainment Gap	30 hours free childcare, AND school readiness, AND/OR extended entitlement and policy	BEI: 1 paper ERIC: 1 paper	2 papers
	30 hours free childcare AND impact or effect or influence or outcome or result or consequence	BEI: 1 paper ERIC: 1 paper	
	early years pupil premium	BEI: 1 paper ERIC: 1 paper	
Universal Versus Targeted ECEC Provision	COVID pandemic AND impact AND early childhood education	BEI: 6 papers ERIC: 1 paper	6 papers
Impact of Formal Hours in Childcare	early childhood education and care, AND quantity, AND outcomes	BEI: 4 papers ERIC: 4 papers	1 paper

Appendix 3

Early Childhood Education and Care Policy Across the UK

Scotland

The Standards in Scotland's Schools Act 2000 established that all three- and four-year-olds, and some two-year-olds, were entitled to a free, part-time pre-school education place (EURYDICE, 2021). The Children and Young People (Scotland) Act 2014 meant three- and four-year-olds, and eligible two-year-olds, were entitled to 600 hours per year of free childcare (up from 475 hours), available through local authority provision or through providers in the private or third sector, for 38 weeks a year. The local authorities are required to offer choice for parents through a range of providers so that the hours can be used in different patterns and integrated with additional (unfunded) hours. This is in line with the Government's new concept of Early Learning and Childcare (ELC) as an integrated provision of education and care that makes no distinction between childcare (0–3), pre-school (3–4) and wrap around care (Scottish Government, 2016). The entitlement was due to be extended to 30 hours for 38 weeks a year (1,140 hours) for eligible two and all three- and four-year olds from August 2020; however, due to the COVID 19 pandemic the legal obligation for local authorities to roll this out has been delayed until August 2021 (Scottish Government, 2021a; Stewart and Reader, 2020). Due to the COVID 19 pandemic the implementation of the '*Funding Follows the Child*' guidance has also delayed even though it remains the long-term policy framework that will support the delivery of funded ELC. When fully implemented, all parents in Scotland will be able to choose to use their child's entitlement at any provider in the public, private, third sector or childminders

(Scottish Government, 2021b) in different combinations and integrated with additional unfunded hours.

A new role has also recently been created for the sector, an *Equity and Excellence Lead*, primarily for leading support for the most disadvantaged children to close the attainment gap. It is a graduate role (teacher or early years graduate) that involves working directly with children as well as leading the development of pedagogy settings in the most deprived areas of Scotland. An interesting aspect of this role is that the Equity and Excellence Lead is independent of the child-staff ratio and therefore quite flexible (Scottish Government, 2021a).

In addition to the universal and extended entitlements there is targeted support through the benefit system. Low-income families may be entitled to the following payments through the Best Start Grant and Best Start Foods programmes that do not affect any other benefits or tax credits they get (mygov.scot, 2021):

- Pregnancy and baby payment;
- Early learning payment;
- School age payment;
- Best Start Foods payments.

Since 2018 Children in Scotland has been managing the Early Learning and Childcare (ELC) Inclusion Fund that provides funding to ELC settings to **support children with additional support needs (ASN). Staff apply for the funding that can be used for** training, resources, equipment and adaptations to support children

with ASN within a setting. The motivation behind the Scottish Government's (2016) expansion in ELC are to:

- improve children's outcomes and help close the poverty-related attainment gap;
- increase family resilience through improved health and wellbeing of children and parents;
- support parents into work, study or training.

The Scottish Government recognises not only the dual nature of provision for children before compulsory education, that of education and childcare for working, studying or training parents, but also highlights how childcare and education can impact children and parents' health and well-being. This is evident in the Getting It Right For Every Child (GIRFEC) policy framework for improving outcomes and supporting the well-being of children and young people in Scotland (Scottish Government, 2021c). The approach is based on eight factors or well-being indicators often referred to by their initial letters – SHANARRI (Scottish Government, 2018): Safe; Healthy; Achieving; Nurtured; Active; Respected; Responsible; Included.

As to provision for babies and infants under two, there is no free entitlement for this age group but the Scottish Government (2020) had as of December 2020 delivered 163,397 'Baby Boxes' to expectant parents since the start of the initiative in 2017. 'Baby boxes' contain essential items for the baby's first six months including a mattress and bedding for the box that doubles up as a sleeping space.

In summary, Scotland appears to have adopted a more holistic, integrated approach in ECEC policy by funding which foregrounds initiatives which blend BOTH early education and childcare for working parents. It has also recently extended its universal entitlement to 30 hours of early education from the age of three.

Wales

In Wales, all three- and four-year-olds are entitled to free education of 10 hours per week during school terms. This is called the Foundation Phase and is intended to help children "*achieve their full potential in preparation for further learning and life*" (Welsh Government, 2015a: 5). Working parents are also entitled to 30 hours a week of a mixture of early education and childcare with a minimum of 10 hours of early education and a maximum of 20 hours of childcare, dependent on what local authorities offer (Welsh Government, 2021), over 48 weeks per year. For the nine weeks of school holidays, the full 30 hours can be taken up as childcare by eligible parents (Welsh Government, 2018). However, "*In contrast to Scotland and England, early years education is more frequently accessed through Local Authority (LA) maintained school settings in Wales*" (ibid.: 20). Approximately 93 per cent of three- and four-year-olds access some early education provision in maintained schools (ibid: 20–21) and of these 99 per cent of attending children are in maintained provision as part of a primary school (EURYDICE, 2020b).

The funding streams are similar to that of England (Welsh Government, 2018):

1. 12.5 hours entitlement for eligible two-year-olds (Flying Start);
2. Universal 10 hours entitlement for all three- and four-year-olds;
3. Additional 20 hours entitlement for eligible working parents of three- and four-year-olds;
4. Early Years Pupil Deprivation Grant (EYPDG) (Welsh Government, 2015b);
5. Childcare Offer Additional Support Grant (Welsh Government, 2020a).

The funding rate is £4.50 per hour for children entitled to childcare but it is up to the discretion of each Local Authority how much is passed on to providers (Welsh Government, 2020b). As to provision for babies and infants under two, there is no free entitlement for this age group (EURYDICE, 2020b). In addition to the universal and extended entitlements there is targeted childcare support through the benefit system (Universal Credit) and or tax-free childcare. The motivation behind the early education and childcare offer is *“that childcare enables parents to work, supports economic growth, and helps tackle poverty and inequality”* (Welsh Government, 2018: 20).

Northern Ireland

In Northern Ireland, the Pre-School Education Programme (PSEP) provides for 12.5 hours of funded places for three- to four-year-old children in either nursery schools, nursery units or classes in Primary schools, playgroups, day nurseries and day-care providers (EURYDICE, 2020c). The sessions are 2 ½ hours and normally offered in 5 sessions across a week for at least 38 weeks a year during the period September to June in any academic year, which equates to 475 hours a year (DE, 2020). The policy has not been extended further since its inception in 2011 (EURYDICE, 2020c).

All non-statutory providers must, when oversubscribed with applications, ensure that *“available places are targeted at children in their final pre-school year who are from socially disadvantaged circumstances”* (DE, 2020: 8) and it is also expected that pre-school education providers in receipt of funded places are required to employ a qualified teacher or early years specialist (DE, 2020: 12). Extended Service Funding is available to eligible pre-school settings in deprived areas for identifying children with social, emotional, communication and language needs (DE, 2020a). The Getting Ready to Learn programme is a programme for settings providing DE-funded

places to help settings engage with parents in developing a positive home learning environment. The system for funded hours in Northern Ireland is as such different from the rest of the UK. Parents can only use the funded hours for early education, not childcare as can be done, to varying degrees in England, Wales and Scotland.

There is no free entitlement for two-year-olds; however, the Sure Start programme may be available to parents living in disadvantaged areas, offering some childcare and a variety of programmes for two- to three-year-olds with a focus on supporting children's social and emotional development, communication and language skills, and imagination, in readiness for school (EURYDICE, 2020c).

In relation to the revised policy for Special Educational Needs (DE, 2020b), the Northern Ireland government highlights that policies apply to all different providers in the sector but there does not appear to be any disability access or inclusion fund that provides additional funding to early years settings to support children with special educational needs or disabilities. The Department of Education do however provide funding to the five Education Authorities (EA) in Northern Ireland for their Special Educational Needs Early Years Inclusion Service (SENEYIS) *“which aims to promote the optimum development of pre-school children with special educational needs by providing support to children, families and pre-school settings”* (DE, 2020b: 20). The support is through information and training, workshops, advice and tailored programmes (Education Authority, 2021).

In addition to the PSEP entitlement there is targeted childcare support through the benefit system and or tax-free childcare for working parents. As to provision for children under three, there is no funded entitlement; however, if Pre-School Education Programme places have not been filled by three- and four-year-old children, they may be offered to children under three (EURYDICE, 2020c).

The motivation behind the early education and childcare offer is twofold as set out in the 'Ten Year Strategy' (Northern Ireland Executive, 2015: 8):

1. *Developmental: To give all our children the best start in life, preparing them for lifelong wellbeing and achievement, thereby creating the basis for a better, more prosperous future.*
2. *Employment: To enable parents to join the workforce thereby enhancing prosperity, and to improve gender equality by enabling mothers to join the workforce, return to work, remain in work, work the hours they want and progress in their careers.*

In the document (Northern Ireland Executive, 2015: 11–12), reference is also made to children's well-being as an important element:

childcare services can help deliver fundamental and lasting social change by improving children's health and well-being, building their life chances and enabling them to achieve their full potential.

In summary, in Northern Ireland there appears to be a stronger focus on the importance of early education in its funded provision for three- and four-year-olds but this is a more limited offer and there is much less support for younger children.

Appendix 4

Focus Group Schedule

Current Policy

- Do you currently, or have you previously, offered the 30 hour free childcare entitlement for 3–4 year olds at your setting?
- Did the implementation of the 30 hours entitlement cause any changes in the way your setting operated in terms of children served, and the way you offered places?
- How do you offer the 30 hours? Do you have any stipulations for how parents use their entitlement?
- The 30 hour policy was aimed at making childcare more affordable for working parents – how far do you believe it is achieving this aim?
- What additional benefits do you think those families get? eg in terms of additional hours of employment (income), quality of life, gender equality...
- What benefits do you think children get from the additional hours of care/education they receive?
- Thinking about families who are not entitled to the additional hours, are there children who, in your opinion, would particularly benefit from having an additional funded 15 hours?
- For children who are ineligible – is there a demand from parents for additional hours or are parents happy with the 15 hour offer?
- What are the current challenges of the 30 hours policy from your perspective? Eg funding levels, staffing, capacity, take up, admin?

- What are the current successes of the 30 hours policy from your perspective?
- How does the demographic of the families accessing the 30 hour entitlement compare with those who are not eligible? – is it reflective of the local population?
- Has the 30 hour offer had any impact on the delivery of the 15 hour entitlement for disadvantaged two year old children?
- Would you need additional funding to support an expansion and if so how much more? And what for?
- Are there ways of bringing more funding into the sector without increasing the hourly rate? eg a staff qualification bonus/quality bonus?
- Would increasing eligibility give wider benefits to settings? e.g. having more guaranteed funding to spend on CPD for staff/having longer term stability for staff/reduced bureaucracy.

Future Policy

- Would an expansion/change to the eligibility of the 30 hour offer be welcome for settings? Have you got additional capacity for an expansion? If so under what conditions?
- If the 30 hour entitlement were made universal for all 3–4-year-olds, funded at the current rate of funding per hour, could you afford to offer it?
- If it was adequately funded, what do you feel about a universal entitlement to 30 hours funded childcare? Would it raise numbers overall – remove stigma – emphasise education opportunity, particularly relevant post COVID?
- How feasible is it for you to deliver any additional entitlements in terms of capacity?
- Would an expansion of the entitlement need to be phased in?
- Imagine you were being funded at an adequate hourly rate. If a change were made to the 30 hours policy, which of the following would you most like to see?
- Extending eligibility to 3–4-year-olds who qualified for the two-year-old offer, with other existing entitlements remaining the same.
- Extending eligibility to 3–4-year-olds who qualified for the two-year-old offer but lowering the cap at the top end of the income spectrum, above which families cannot access the 30 hour entitlement.
- Make the 30 hours policy universal for all 3–4-year-olds.
- None of the above, I am happy with the policy as it is.
- Another option

Appendix 5

Technical details of modelling

In this appendix we provide more detail about the modelling choices and assumptions that underpin the costing figures presented in this report.

There are three main factors that influence the cost of extending the 30 hour entitlement to new groups of children: the number of children made eligible; the share of these newly-eligible children who take up the entitlement; and the cost per hour of delivering a funded place.

Estimating the number of children newly eligible

To estimate the number of children brought into eligibility, we first need to know the share of children who are already eligible for the extended entitlement. As the eligibility criteria in Box 1 suggest, modelling this requires a fair bit of information about families' earnings, working patterns, and parents' ages and immigration status. We use data from the Labour Force Survey (LFS) to estimate eligibility, since it combines information for all adults in the household on all of these characteristics. Importantly, we focus on the LFS data collected in the year prior to the Covid-19 pandemic (Q2 2019-Q1 2020); since this report aims to produce estimates of the long-run cost of these extensions, these pre-pandemic data will (hopefully) be more representative of the state of the economy in the longer term than this year's data.

Based on this data, we estimate that around 57% of three- and four-year-olds live in families that are currently eligible for the extended entitlement.

The number of children who are age-eligible varies throughout the year (more children are eligible in the summer term, fewer in the autumn after most four-year-olds start school), but on average 2021–22 will see around 875,000 children eligible for the universal entitlement (falling to 840,000 by 2024). This means that we estimate there are around 500,000 children already eligible for the extended entitlement this year.

We then use the same dataset to estimate the share of three- and four-year-olds living in families that meet the two-year-old eligibility criteria, but would not currently be eligible for the extended entitlement. There are two main limitations to our estimate of eligibility under the two-year-old rules:

- The LFS does not contain data on children's Special Educational Needs status or social care history, so we cannot incorporate these measures into our estimate of eligibility. We therefore focus only on eligibility under the financial criteria for the two-year-old entitlement.¹ This means we will underestimate the share of children who would be eligible under these criteria.²
- The LFS collects data on benefit take-up, not benefit eligibility. The difference between the two can be substantial: for example, the Department for Work and Pensions estimated that only 67% of households that were eligible for Working Tax Credit were actually receiving the benefit in 2017–18. Since tax credits is by far the largest reason in our data that a family would be eligible under the two-year-old rules, we rescale our estimated eligibility rate by a factor of 1.5 ($=1/0.67$).

1 Because the LFS does not ask about all possible benefits, we are also not able to take into account eligibility for the guaranteed element of Pension Credit or the Working Tax Credit 4-week run-on payment.

2 Eligibility under these non-financial criteria is much rarer: in 2020 around 16,000 children under 5 had an EHC plan or SEN Statement, and there were around 11,000 children aged 1–4 who were looked after by a local authority.

At the end of this process, we estimate that 39% of three- and four-year-olds meet the two-year-old criteria (again, focusing only on the financial criteria). However, around a quarter of these children are already entitled to the 30 hour entitlement under current rules, so the share of children who would be newly brought into eligibility under these rules is 28% (with a 95% confidence interval of 25%–31%).

Estimating the (part-time equivalent) take-up rate

The next important input in estimating the cost of extending the entitlement is the take-up rate among children who are newly eligible. We are interested both in understanding the overall take-up rate (the number of newly eligible children who use any of the extended entitlement, as a share of all newly eligible children) and the part-time equivalent take-up rate (the number of new part-time equivalent places taken up, as a share of all newly eligible children).

Estimating the take-up rate is highly uncertain, since it requires understanding both how much formal childcare newly eligible families currently use, and how their demand might change if they suddenly have access to 15 additional hours of formal childcare at no cost. This in turn is influenced by bigger-picture impacts; for example, if the availability of full-time free childcare encourages more parents to return to work, take-up might rise over time.

To give an initial indication of what the take-up rate of a newly extended 30 hour entitlement might be, we use data from the Childcare and Early Years Survey of Parents to track formal childcare usage among families who would likely be eligible for the extended entitlement under current rules, and those who would not.³

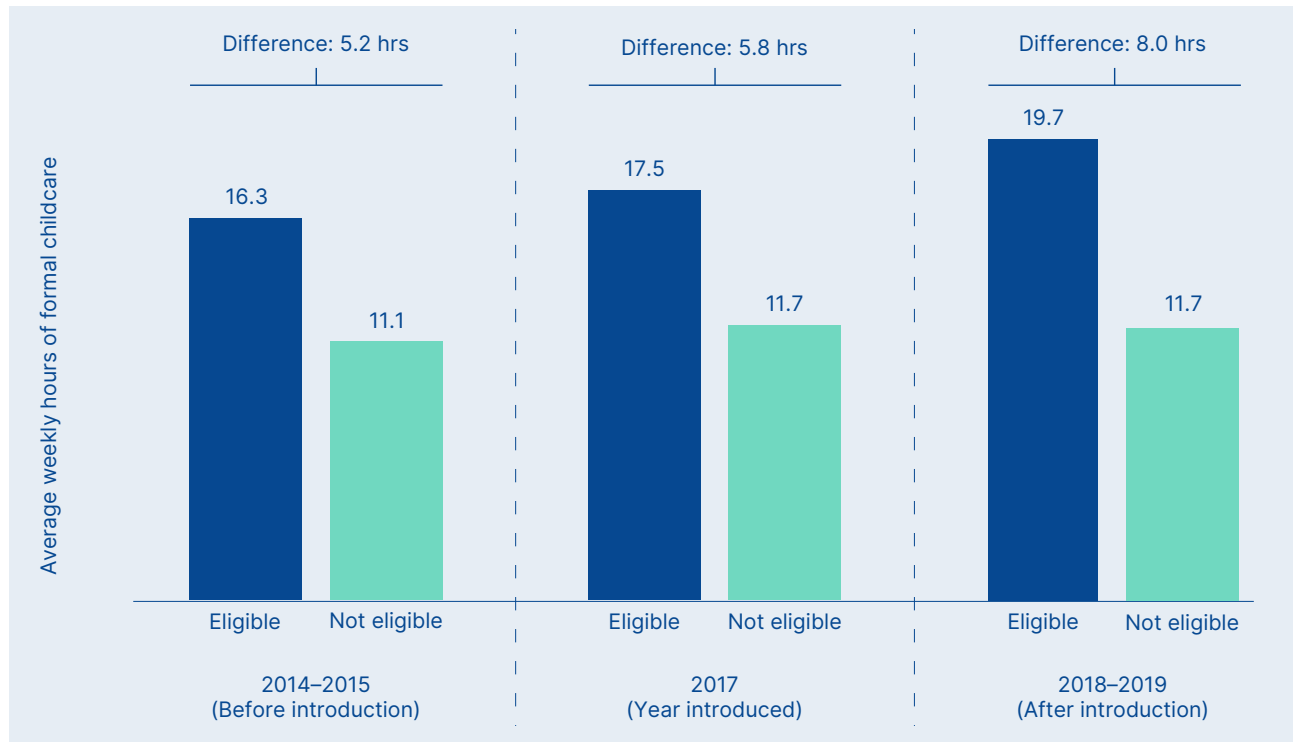
Figures 1 and 2 show how much formal childcare three- and four-year-olds were using in 2014–2015, before the extended entitlement was introduced;⁴ in 2017, when the entitlement was first brought in; and in 2018–2019, when the extended entitlement was fully in place. For each year, Figure 1 shows the average weekly hours used by among families who would likely be eligible for the extended entitlement under current rules, and those who would not be. Figure 2 focuses on the share of each of these groups using more than 15 hours a week of formal childcare.

These two figures highlight two important points to consider when estimating the potential take-up rate of an expanded 30 hour entitlement. First, overall usage of formal childcare increases when it is made free: among families meet the current eligibility criteria, average formal care usage rose from 16 to just under 20 hours a week between 2014–2015 and 2018–2019. Second, there are differences in formal childcare use between families who are and are not eligible under current rules: even in 2014–2015, before the extended entitlement was introduced, families who fulfil the current rules used more than 5 hours a week more formal care than those who do not fulfil the current criteria.

3 In this dataset, income is only available in bands, so we primarily rely on parents' work hours to estimate eligibility. We assume that families where both parents (or the lone parent) are in work and working 16 or more hours a week are eligible unless either (a) there is a single carer with household income above £100,000 a year or (b) there are two parents with total household income under £10,000 (two people aged 20 or up working 16 hours each at the National Living Wage would together earn around £13,000 a year).

4 Survey data for 2016 are not available.

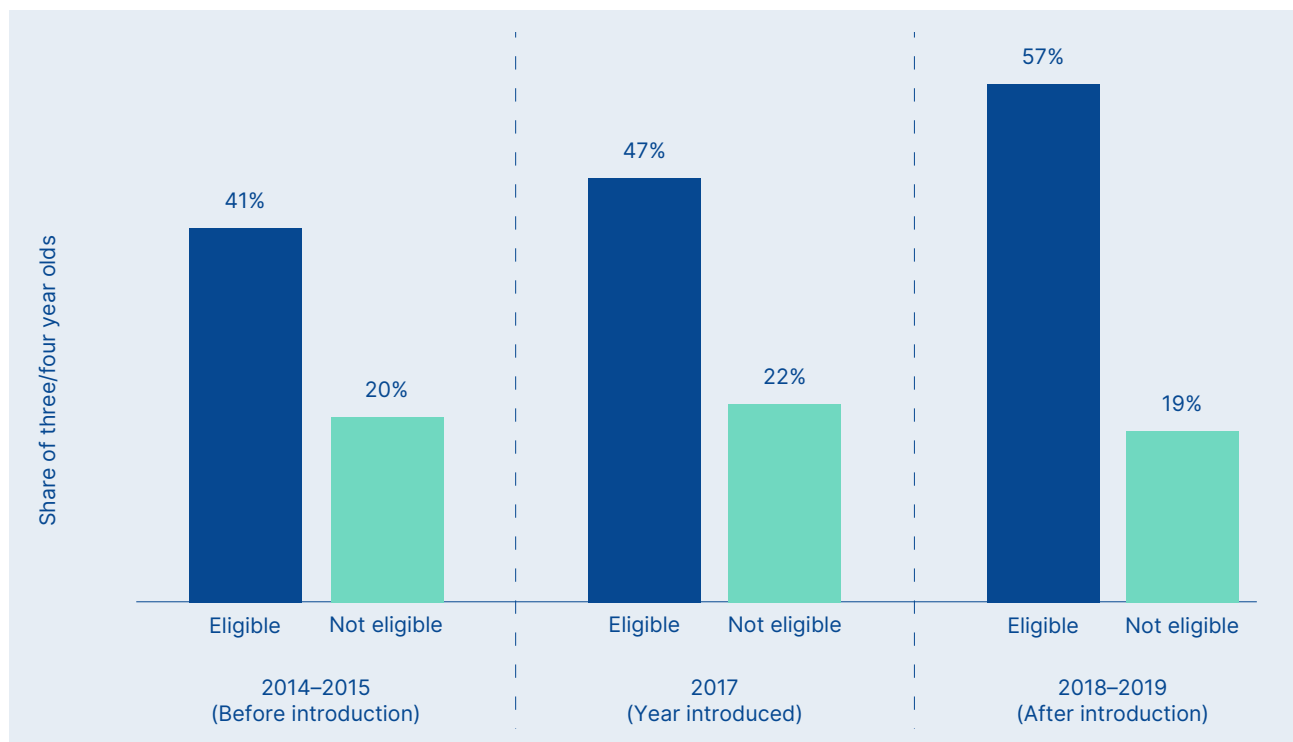
Figure 1: Average weekly hours of formal childcare for three- and four-year-olds, by year and likely extended entitlement eligibility



Note: 'Eligible' and 'not eligible' are based on predicted eligibility for the extended entitlement under current rules.

Source: Authors' calculations using data from Childcare and Early Years Survey of Parents (2014-15, 2017, 2018, 2019).

Figure 2: Share of three- and four-year-olds using more than 15 hours a week of formal childcare



Notes and sources: As for Figure 1.

In order to incorporate both of these facts in our estimate of the take-up rate of an expanded 30 hour entitlement, we calculate the *change* in take-up before and after the extended entitlement was introduced for likely-eligible families, and apply that to the current *level* of formal childcare usage among the groups who would be newly eligible for full-time childcare. We do this separately for children who would become eligible under the two-year-old criteria, and all other children who are not currently eligible for the extended entitlement.

Because the take-up rate is so uncertain, and so important to the overall cost of the programme, we also present costs under two alternative scenarios. The first, a **low take-up scenario**, assumes that there is no change in the use of formal childcare as a result of the new entitlements: that is, that newly eligible families do not respond to the new entitlement by increasing their childcare usage at all. The second, a **high take-up scenario**, assumes that the take-up rate for newly eligible families is the same as the take-up rate of families who are currently entitled to a 30 hour place. Neither of these scenarios is likely to be 'right', but they help to illustrate the range of uncertainty around take-up and the importance that it plays in driving the total cost of the programme.

Spending per hour

For our measure of spending per hour, we use the estimates in Britton et al. (2020) as a starting point. These go beyond the headline funding rate, which averaged £4.86 across local authorities in 2019–20. Our measure of spending per hour also incorporates a variety of uplifts, including the Early Years Pupil Premium; other supplements like the Maintained Nursery Supplement; and any top-up spending done by local authorities.

These measures of spending per hour are constructed based on the Individual Schools Budget for early years in 2019–20. The figures net out spending on health-related services as well as some elements of central spending on school admissions; servicing schools forums; termination costs; the Falling Rolls Fund; capital expenditure from revenue; prudential borrowing costs; and equal pay back pay.

We also cross-check these budget data against out-turn data reported in the Statistical First Release SFR52 data. For a full description of the checks carried out on these data and the inputs into the longer-term series of spending per hour used in Figure 4 of the main report, please see Appendix A of Britton et al. (2020).

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