

# General Election 2019

## An analysis of manifesto plans for education

**Priority 1: The early years**

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December 2019



Research Area:  
Election Analysis



## Priority 1: The early years

Our research has found that around 40 per cent of the disadvantage gap at age 16 is already evident by age 5, with disadvantaged children being, on average, over 4 months behind their more affluent peers. For more vulnerable children the gap is even more stark: children with SEND without a statement or Education and Health Care Plan (EHCP), and therefore likely considered as having less acute needs, are almost 10 months behind their peers by age 5.<sup>1</sup>

The biggest single influence on a child's development is their parental background and associated home environment, one of the areas of education policy hardest to impact directly. A high-quality early years education is a vital tool in starting to close the gap.

### The current landscape

#### Subsidies and entitlements

The UK spends a comparatively small proportion of its GDP on early years education, spending 0.5 per cent compared to an OECD average of 0.8 per cent. UK spending is skewed towards private funding, with public spending accounting for 66 per cent of total spend, compared to an OECD average of 83 per cent, making it one of the most privately funded systems within the OECD.<sup>2</sup>

Considering the importance of early years, it is essential that there is equitable access to provision and that any subsidies are appropriately targeted. Currently the entitlement to free early years provision is dependent on the age of the child and the household circumstances.

Figure 1.1: Existing childcare entitlements by age group

| Age Group                | Entitlement   |
|--------------------------|---|
| Two-year-olds            | Children whose parents are on certain income-related benefits <b>or</b> children who are currently or have been looked after or have special educational needs<br><b>15 hours a week (38 weeks a year or equivalent)</b><br>Otherwise<br><b>No entitlement</b>                                |
| Three and four-year-olds | Children where both parents (or only parent if they are in a single parent household) earn above the equivalent to 16 hours work at minimum wage but below £100,000 a year<br><b>30 hours a week (38 weeks a year or equivalent)</b><br>Otherwise<br><b>15 hours a week (38 weeks a year)</b> |

Combined with other childcare subsidies, including tax free childcare, government support for early years provision is more beneficial to higher income families.<sup>3</sup> It is also possible that the larger total funding associated with a child on the 30-hour entitlement means that these children are more

<sup>1</sup> Jo Hutchinson et al, 'Education in England: Annual Report 2019', (July 2019)

<sup>2</sup> OECD, 'Starting Strong 2017', (June 2017)

<sup>3</sup> Kitty Stewart and Jane Waldfogel, 'CLOSING GAPS EARLY: The Role of Early Years Policy in Promoting Social Mobility in England', (September 2017)

‘popular’ with providers and so ‘crowd out’ those on the 15-hour entitlement who are likely to be from less well-off households.<sup>4</sup>

The 30-hour entitlement was intended to increase work incentives and reduce financial burdens on working parents, by lowering the cost to parents of entering full time work. A Department for Education evaluation found, however, that only 26 per cent of mothers reported working more hours after the roll out of the 30-hour entitlement, and only two per cent reported having entered work.<sup>5</sup>

Though varying by geographic area, many providers find government funding rates to be insufficient, leading them to pursue a cross-subsidisation model. Here they charge higher rates for hours not covered by the government or charge for extras such as lunch at above cost price.<sup>6</sup> This reduces how much the entitlement incentivises work and may result in shifting the cost burden between parents with different working patterns or with children of different ages. Financial viability is particularly important with 180 nurseries and pre-schools closing per month.<sup>7</sup>

### **Workforce and settings**

For children who do access early years provision, we know that a qualified and skilled workforce is a key component of high quality provision.<sup>8</sup> Despite this, the early years workforce is poorly qualified and low-paid. While 93 per cent of school teachers have a degree, this figure falls to 25 per cent for early years workers.<sup>9</sup> In addition, the proportion of early years nurses and assistants that have a Level 3 qualification has fluctuated in recent years and currently stands at 68 per cent.<sup>9</sup>

As maintained nursery schools and nursery classes in maintained schools have a requirement for degrees among their workers, and private, voluntary and independent (PVI) nursery schools do not, degree-educated EY workers are heavily concentrated within maintained providers.

A qualified and skilled workforce is vital in ensuring early years provision is of high quality, with formal degree education and content specific to an early years environment being useful, though there is likely to be some variation in the quality of early years degrees. Furthermore, upskilling can professionalise the workforce, increasing salary and social status.

As well as being low-qualified, the early years workforce is also ageing and faces an increasingly uncertain future. In 2018, around 90,000 early years workers were 55 years old or above. This means a significant number are likely to exit the workforce in the next decade and little indication that there are sufficient numbers of younger workers to replace them.<sup>9</sup>

The sector also employs more than 37,000 EU nationals, totalling 5.1 per cent of all workers. This is a similar contribution to EU nationals in the NHS (63,000 workers and 5.6 per cent of staff).<sup>9</sup> With net EU migration levels dropping, this could be an additional squeeze upon the sector.

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<sup>4</sup> Avinash Akhal, *The Impact of Recent Government Policies on Early Years Provision*, (January 2019)

<sup>5</sup> Department for Education, *30 Hours Free Childcare: Evaluation of the National Rollout*, (September 2018)

<sup>6</sup> Hannah Richardson, *Parents Subsidise “free” Nursery Scheme BBC News*, (January 2018)

<sup>7</sup> HMCI Letter to Tracy Brabin MP, 23rd October 2019. Based on data from 2018-19. In addition, an average of 390 childminders leave each month.

<sup>8</sup> Sara Bonetti, *What Does Quality Early Years Provision Look Like?*, (August 2018)

<sup>9</sup> Sara Bonetti, *The Early Years Workforce in England*, (January 2019)

There are no signs that this lack of qualified staff will be addressed soon. The sector has suffered a pay reduction of nearly 5 per cent in real terms in the years 2013 – 2018 (despite working women overall seeing rises of 2.5 per cent) and pay is now virtually the same as that of hairdressers and beauticians. Early years workers are now experiencing high financial insecurity, with 44.5 per cent claiming state benefits or tax credits.<sup>9</sup> Around one in four early years workers cited ‘unsatisfactory pay’ as the main reason for leaving the sector.<sup>10</sup>

The lack of parity between PVIs and the maintained sector further reduces the incentive for workers to stay within the PVI sector. This is both for degree-educated workers, who are incentivised to work within a graduate workforce in the maintained sector and for non-degree educated workers who could be earning more outside of the early years sector entirely.<sup>10</sup>

### What should a new government do?

Education research suggests that policies should:

- **include an appropriately funded long-term workforce strategy**, which addresses recruitment and retention issues, and provides incentives and opportunities for current and new staff to increase qualification and skill levels;
- **focus on addressing the regressive elements of the current funding system and entitlements**, to ensure that additional resources help to close the disadvantage gap already present by age 5; and
- **recognise the existing financial strain** on the early years sector and commit to ensuring that any expansion in the provision do not increase this further.

### Manifesto commitments

Manifesto commitments for the early years focus heavily on extending free hours for 2, 3 and 4-year olds and investing in upskilling the workforce – but only amongst some of the parties. There is a clear distinction in the eligibility criteria and provision levels of offers between the Conservative and Brexit Parties and the Labour, Liberal Democrat and Green Parties.

#### Workforce

The Conservative manifesto makes only one suggestion in this area; that its new £1bn childcare fund will create more “high quality and affordable childcare”, but does not give any detail about qualification levels or training offers within the sector.

Labour’s manifesto states a commitment to a transition towards a “qualified graduate-led workforce”, while maintaining efforts to allow current staff to upskill on the job. It also has a significant recruitment target of nearly 150,000 new workers. Labour has also committed to introducing a national pay scale in the early years, which is designed to drive up pay amongst the predominantly female workforce. There remains, however, a lack of detail about what such a pay scale would look like, including whether it would differentiate between maintained providers and PVIs, and between qualified teacher status and early years teacher status qualified staff.

The Liberal Democrat manifesto commits to upskilling current staff in early years-specific qualifications. There is a lack of detail around how this will be funded, however, especially when the

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<sup>10</sup> Avinash Akhal, *The Early Years Workforce: A Comparison with Retail Workers*, (April 2019)

party is committing to a large increase in the number of hours of provision. They also set a long-term goal of having at least one graduate in each setting, although little reference is made to timescales, funding or how this policy will be implemented, considering this is likely to be an ambitious target for PVI providers.

Neither the Green Party nor the Brexit Party make reference to the quality or qualifications of the early years workforce.

### **Children's centres**

The Labour manifesto commits to reversing cuts to Sure Start and creating an expanded service 'Sure Start Plus'. This new universal service will be aimed at children under two and located throughout the country. The Liberal Democrat manifesto commits to a £1bn investment in Children's Centres, which aim to "support families and tackle inequalities in children's health, development and life chances".

Both proposals represent an attempt to reduce the health and educational inequalities which begin at an early age and then widen throughout the lifetime of a child. Their effectiveness is likely to depend on their ability to provide high-quality services and ensure that they have high rates of use, particularly among disadvantaged children and those with SEND.

### **Entitlements**

As the table below shows, Labour, the Liberal Democrats and the Green Party have set out specific changes to early years entitlements spanning from 9 months to age 5.

The Conservative Party has not made any specific commitment in relation to increased hours or age groups, but has committed to creating a £1bn fund which would be used to expand both early years provision and school-aged childcare.

The Brexit Party has made no reference to the early years.

**Figure 1.2: Early years entitlements by age and party**

| Supply side subsidies only (does not include policies or commitments relating to tax incentives or maternity, paternity or shared parental leave) |  |  |  |   |
|---|--|--|--|---|
| Age Group   | Under one years old  | One year olds  | Two year olds  | Three and four year olds  |
| <b>Current policy</b>   |  |  | 15 hours a week for 38 weeks (or equivalent) free for children whose parents are on certain income-related benefits or children who are currently or have been looked after or have special educational needs. | 15 hours free for 38 weeks per year for all children.<br>30 hours free for those whose parents meet certain working requirements. |
| <b>Conservative</b>   | An additional £1bn fund to create more high quality and affordable childcare, including before and after school and during the school holidays |  |  |   |
| <b>Labour</b>   |  | Work towards extending childcare provision for one-year-olds | Provide 30 hours a week free for all children aged two to four. No mention of changing number of weeks from 38.<br>Additional hours to be provided at rates staggered by household income.                     |   |
| <b>Liberal Democrat</b>   | Provide 35 hours free for 48 weeks per year from 9 months to 2 years for children whose parents are in work.                                   |  | Provide 35 hours free for 48 weeks per year for all children aged two to four.   |   |
| <b>Green</b>  | Provide 35 hours free per week for all children from age 9 months.<br>No mention of changing number of weeks from 38.                          |  |  |   |
| <b>Brexit</b>   | No mention in manifesto.   |  |  |   |

### Funding rates

Changes are also proposed to the hourly rates paid by government for publicly funded early years places, an area of importance for the long-term sustainability of the early years sector in light of the increasing financial strain under which some providers currently operate.<sup>11</sup>

Without an increase in funding rates, there are several possible outcomes. Quality may fall if providers are forced to further reduce the resources directed at hiring and retaining qualified staff and in delivering continuous professional development. Alternatively, providers may pursue increased cross-subsidisation, which in turn could lead to increasing variation in the quality of

<sup>11</sup> CEEDA, 'About Early Years: summer snapshot', (September 2017)

provision, particularly between settings with a higher proportion of disadvantaged children and those with a lower proportion. Finally, an increasing numbers of early years providers could face closure.

Increasing funding rates is likely to be an expensive policy, especially when combined with increases in the number of hours which are government funded. However, a revision of the funding rates or some other changes to the current funding system is likely to be necessary if current concerns around the sector's financial viability are to be addressed. This is especially important when parties are committing to increase the qualification levels within the sector or increasing the proportion of hours provided at government rates by changing the entitlements system.

The Conservative, Green and Brexit parties make no reference to changing the early years funding rates.

The Labour and Liberal Democrat manifestos state they will increase funding. The IFS estimate this increase in funding is an increase in average funding rates for two-year-olds to £7.22 per hour under the Liberal Democrats and £9 under Labour by 2024 (in 2024 prices), from a current average of £5.44 in 2020. The IFS also estimate the increase in minimum hourly rates in 2024 for three and four-year-olds to £5.60 under Labour and £5.36 under the Liberal Democrats (again both in 2024 prices) compared to the current funding of £4.30 per hour in current prices.

Combining the information on proposed changes to hourly rates with changes to the entitlements, it is possible to model the effect of each party's policies, in terms of the change in funding amount each eligible child would receive in the year 2024 having accounted for take-up rates (note, this does not include funding for the Early Years Pupil Premium). For parties that have not suggested a change in rates, we consider a range of costings, representing the cases where they rise with inflation and where they remain constant (and so lose value in real terms).<sup>12</sup> A full description of our methodology is in the appendix.

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<sup>12</sup> For the two-year-old entitlement, 'disadvantaged' refers to children whose parents are in certain forms of income support benefit and children who are or have been looked after or have special educational needs and disabilities. For three and four-year olds, and for the new under-two entitlement, 'disadvantaged' refers to children whose parents do not pass threshold relating to being in work. Whilst this not passing the threshold for being in work does not exactly correspond to disadvantage, it does confirm that at least one parent is earning a low salary of less than approximately £7,000 a year (it is reasonable to exclude children in households where one parent earns over £100,000 as this is a very small number of children).

**Figure 1.3: Average funding amount each eligible child would receive through the entitlement in 2024 having accounted for take-up rates. We have assumed that the rates payable for those under two years old are the same as the two year old rates<sup>13</sup> This considers only supply side spending (not benefits and tax incentives, etc)**

| Average annual expenditure per eligible child in 2024 (2020 prices) | Current/Conservative  | Labour   | Liberal Democrats  | Green  |
|---|---|--|--|--|
| <b>9 months to 2 years</b>  | NA  | NA   | <b>Working:</b> £7,730<br><b>Non-working:</b> £0                 | <b>Working:</b> £4,611 - £4,978<br><b>Non-working:</b> £4,611 - £4,978             |
| <b>Two years</b>  | <b>Disadvantaged:</b> £1,717 - £1,854<br><b>Non-disadvantaged:</b> £0 | <b>Disadvantaged:</b> £6,539<br><b>Non-disadvantaged:</b> £6,539 | <b>Disadvantaged:</b> £7,730<br><b>Non-disadvantaged:</b> £7,730 | <b>Disadvantaged:</b> £4,611 - £4,978<br><b>Non-disadvantaged:</b> £4,611 - £4,978 |

As IFS data gives minimum funding commitments made by parties, in Figure 1.4 we consider the minimum amount of spending per eligible child.

**Figure 1.4: Minimum funding amount each eligible child would receive through the entitlement in 2024 having accounted for take-up rates.<sup>13</sup> This considers only supply-side spending (not benefits and tax incentives, etc)**

| Minimum annual expenditure per eligible child (2020 prices) | Conservative/ Current Policy   | Labour   | Liberal Democrats                                    | Green  |
|---|--|--|--|--|
|   | <b>Working:</b> £3,563 - £3,846<br><b>Non-working:</b> £1,781 - £1,923 | <b>Working:</b> £4,640<br><b>Non-working:</b> £4,640 | <b>Working:</b> £6,545<br><b>Non-working:</b> £6,545 | <b>Working:</b> £4,157 - £4,487<br><b>Non-working:</b> £4,157 - £4,487 |

As shown in the table, the increase to early years funding under Labour and the Liberal Democrats is significant both in absolute terms and relative to the Conservative proposals. If delivered, a spending of this scale has the potential to improve significantly the quality and pay of the early years workforce and put early years per-pupil spending higher than school spending. However, building the workforce capacity and quality will take time and there is therefore a risk that while spending can rise quickly, improving overall quality will take much longer.

## Overall assessment

The Conservative party policy is notable for its lack of detail on any of the priorities facing the early years. Unlike any of the other parties, it commits to an expansion of school-aged childcare. The Conservative party’s approach appears to be driven largely by childcare and cost of living motivations, although as the government’s own evaluation of the 30 hour entitlement pilot found, a

<sup>13</sup> In other words, it is the average across all of the eligible child population not just those who take up the entitlement. Excludes the Early Years Pupil Premium.



childcare-based approach to provision for under-fives appears to have an impact on increasing working hours but only a small effect on overall unemployment rates.<sup>14</sup> The Conservative Party's lack of reference to building a high-quality workforce, introducing a more progressive entitlement system and increasing funding rates raises questions over the stability and sustainability of the early years sector and suggests that their policies in this area will do little to close the existing gaps.

Both Labour and the Liberal Democrats propose significant reform to both early years entitlements and funding, and would bring early years spending per child close to (or higher than, in the case of the Liberal Democrats) school spending.

Labour and the Liberal Democrat parties also recognise the importance of upskilling the early years workforce. However, both parties have very ambitious and expensive plans which rely not only on securing the resource, but also the capacity of the sector, to build and sustain a better qualified workforce. If delivered, plans to upskill the workforce and to make entitlements universal and not contingent on work status are likely to help to narrow the disadvantage gap at age 5. Making provision for three and four-year olds universal could also reduce the regressive nature of the current system; making the two-year-old entitlement universal may increase take-up rates among disadvantaged children.<sup>15</sup> The Liberal Democrat policy to deliver only free provision for children under two years to those in families where both parents work may provide some help as a cost of living policy, but it is unlikely to target spending towards children who have the greatest development need.

The Green Party's only proposal in this area is to increase the free entitlement to 35 hours from the age of nine months. Without further detail of how this would be delivered, the impact of this policy is unclear.

The Brexit Party has made no commitment to changing policies in the early years.

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<sup>14</sup> Department for Education, *'Evaluation of the first year of the national rollout of 30 hours free childcare'*, (September 2018)

<sup>15</sup> W. Steven Barnett *'Universal and Targeted Approaches to Preschool Education in the United States'*, (February 2015)