
Childcare Market Management: how the United Kingdom Government has reshaped its role in developing early childhood education and care

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ABSTRACT This article reviews early education and care policies in the United Kingdom since 1997, when a Labour Government came to power, and sets them in the wider context of international changes. It argues that the Labour Government has, by intention and by default, supported the development of private sector, and especially corporate sector childcare. Corporate childcare has increased sevenfold in the period. The rapid scale of these changes has been ignored, or uncritically accepted, by most commentators. However, the Government's childcare policies have not had the anticipated result of increasing the numbers of mothers in the workforce, with the result that there is considerable oversupply of childcare provision. As a result, the private sector has experienced turmoil, as occupancy rates have fallen to an average of 77%, and the sector has become unprofitable. Within 2005-06 many nurseries closed, and there has been a consolidation of the remainder of the market. The private sector is now actively lobbying for more subsidies and a relaxation of regulations. The article concludes that, despite recent difficulties, trends towards private sector growth will continue and that research is urgently needed to investigate and document the changes.

Background

Neo-liberal governments have, on the face of it, no reason to support early education or childcare. For governments concerned to curb or minimise the role of the state, the domestic lives of individuals and the arrangements families make for the care of their children are typically outside the domain of government intervention, apart from exhortatory statements about the importance of family life. Only in the case of gross breakdown of family functioning does the state see itself as having any obligation to intervene when children are young. This was the view of the Thatcherite Government in the United Kingdom, 1979-87, and is, with variations, the current view of governments in Canada, the USA and Australia (Mahon, 2005).

The Organisation for Economic Cooperation and Development (OECD), which acts as a source of transnational policy knowledge and construction for the richest nations, has entered into these debates about early education and care. It has issued a series of reports on early education and care with contradictory views, *Starting Strong* (2000, 2006) and *Babies and Bosses* (2003, 2004).

Starting Strong II (OECD, 2006), issued by the Education and Training Directorate of the OECD, is based on a review of early education and care services in 20 countries. This review concludes that services for young children have a redistributive function. Government-funded universal early education and care underpins the well-being and equitable educational progress of all young children, whatever their circumstances. *Starting Strong II* made a series of recommendations about how such a universal system could best be funded and implemented, and cited the Nordic countries in particular as exemplars. It argued that a privatised system of childcare,

whereby mothers bought the childcare they preferred, would almost certainly lead to an increase in social stratification.

Babies and Bosses (OECD, 2004), issued by the rather larger Directorate for Employment, Labour and Social Affairs (DELSA), on the other hand, argues that the main rationale for supporting childcare is to underwrite women's participation in the workforce. Women's participation means greater tax revenues, less paid out in welfare payments to single parents, and more labour flexibility and therefore more profitability for employers. *Babies and Bosses* also proceeds on the basis of country reviews. The United Kingdom review [1] made a series of recommendations; it pointed to the low rates of mothers' participation in the workforce in the United Kingdom, and the need to increase that participation. It recommended the mechanism of demand-led childcare tax credits for working mothers, which in turn would stimulate the private market to meet increasing demand for childcare. It also recommended that the tax and benefit system be readjusted so as to create a disincentive – as in other European countries – for single mothers to stay at home and remain in receipt of benefits instead of working. It is the prescriptions of *Babies and Bosses*, rather than those of *Starting Strong*, that the United Kingdom Government is following.

After many years of right-wing government in the United Kingdom, in 1997 the Labour administration came to power dependent on – and fearful of losing – media and business support. As the political commentator Ross McKibben writes:

Over the last twenty years or so, Labour's leadership, like the rest of the country's political and economic elite, has come to believe that the private sector is almost everywhere superior to the public. Like Thatcherite notions of political economy, this belief is now fixed. (2007, p. 23)

An important theoretical justification for Labour Party policies has been provided by Anthony Giddens (1998). In his book *The Third Way* he argued that it is necessary for governments to come to terms with global financial markets and 'knowledge economies'. Successful individuals and successful organisations within global capitalist systems continuously exercise choice and take risks. In Giddens's view, the traditional welfare state is obsolete, and its successor, 'the social investment state', is future-orientated, focusing on encouraging people's aspirations and enabling them to equip themselves to take advantage of 'life's chances'. Giddens has provoked a lot of criticism by his emphasis on the need to rethink the welfare state to accommodate global capitalism (Hutton & Giddens, 2000; Lister, 2006) but he has had a considerable influence on Labour rhetoric and policy. From a third way perspective *Starting Strong* has been an anachronism, and *Babies and Bosses* a useful prescription.

Many academics and advocates in the field of early years ignore this political shift by the Labour Party, or hope that in some way it is an irrelevance, or temporary, or is adequately mitigated by short-term government grants for special projects targeted to the poor. Or else they believe that early childhood could or should be an exception to the trend towards privatisation, and hope that the *Starting Strong* concept of universal early childhood services is by some miracle still achievable.[2] Others have pragmatically accepted the new status quo. Anning et al (2006) argue, for example, that the key issue in the implementation of early education and care is learning how to 'work in partnership'. Inherent conflicts can be overlooked, and difficulties and differences between organisations or partners can be minimised if sufficient care is taken to mutually work out goals and procedures in the interests of clients. The leading campaigning organisation for childcare in the United Kingdom, the Daycare Trust (whose roots, ironically, were in the feminist movement but which now has corporate interests represented on its board), has also adopted the view that there is little difference between private and public services; they share the same goal of providing services to young children (www.daycaretrust.org.uk).

Pollock (2004) claims in relation to the National Health Service that the many complexities of setting up private systems within a public service, and the substantial profits being made by private companies, are glossed over (except by shareholders), and as a result planning and development of services in the public interest is badly compromised. Ball (2007) makes similar claims for the privatisation of education. Early education and care, by contrast, has always been a marginal state service and there has never been a halcyon past. There has been some privatisation of existing services but the Government in 1997 acknowledged that there was insufficient provision. It has subsequently favoured the expansion and development of the private sector over the public. This

article draws on a variety of documentation from a wide range of sources to chart the dimensions of this shift in political and public understanding about the relative roles of the private and corporate sector.

Changing Attitudes

The Impact of Feminism

Lynn Segal (2007), in her memoir of feminism, *Making Trouble*, charts the radical women's politics that, amongst other things, led to increased demands for childcare in the 1970s and 1980s. Then the prevailing model of family life, expressed in a thousand and one ways in the operation of the state, from the distribution of tax and benefits, to rights at work, to the availability of contraception, was a deeply conservative post-war notion of the nuclear family, with breadwinning father and stay-at-home housekeeper mother. This was such a powerful viewpoint that developmental psychology was conscripted into its cause. Attachment theory and the damage that deviance from a traditional mother's role might cause was a major topic in academic journals. Attachment theory was adopted and popularised in major government reports and used as a justification for providing limited services for young children, or withholding them altogether (Central Advisory Council for Education, 1967; Department for Health and Social Security [DHSS], 1976; Penn, 2002). Segal noted how feminists challenged such a traditional model, and argued instead for legal equality for women and reconciliation of work and family life, and the provision of the collective childcare which could make it possible.

These feminist demands were apparently influential, and were supported by key figures in the Labour Government which took office in 1997, and which is still in power at the time of writing. Harriet Harman MP, who now holds a strategic Cabinet post [3], was a prime mover behind the Government's National Childcare Strategy, which explicitly, and for the first time, linked women's work and childcare. This agenda was supported by the Treasury, because it fitted with the notion of the future-orientated social investment state, equipping individuals to compete in the marketplace through their own efforts. Subsequent elaborations of the Childcare Strategy stressed the importance of human capital development, and the importance of policies directed at mothers and children. It is 'in the nation's social and economic interests' that 'children get a good start in life', for 'children are the citizens, workers, parents and leaders of the future' (HM Treasury, 2004, para. 2:11, cited in Lister, 2006). Similarly, encouraging women into work, as *Babies and Bosses* suggests, can contribute to the economy through increased taxes, and fewer benefits. It is because of this new foregrounding of women in the workplace in Labour Party policy that I refer to 'mothers' rather than 'parents' in this account.

The Position of Early Childhood Education and Care in 1997 When Labour Came to Power

In 1997 there was an uneven patchwork of many kinds of early education and care services. Children's access to services depended on where they lived. In most urban areas nursery education was available (mostly part-time) but coverage outside urban areas was very uneven. Around 1% of children had access to centre-based childcare, almost all of it in the private and voluntary sector. A systematic overview of the situation in 1997 is provided by the National Audit Office (2004) and OECD *Starting Strong Country Note* (2000). Given the fragmentation and low levels of services, especially childcare, the priorities for the Government were to increase the levels of services and to avoid duplication and overlap by coordinating services across the education and welfare sectors. Frequent policy shifts, successive drafts or adaptations of policy, and short-term funding initiatives mean that it is difficult to give a succinct account of the period. Very briefly, there was a consensus that expansion was necessary, but a variety of conflicting views about how expansion and coordination might take place.

Option 1: the nursery education model

One option would have been to extend nursery education, along the French model of *école maternelles*; that is, locally available full-time, free nursery education for all children between the age of 2/3 and 5 years. Take-up for *écoles maternelles* is around 99% of the relevant population, and the number of working mothers in France is significantly higher than in the United Kingdom (OECD, 2006). Nursery education is delivered as nursery classes attached to schools, or less frequently, as freestanding nursery schools. It is free at the point of use, and must be delivered by a qualified teacher, and follow a prescribed educational curriculum. In the United Kingdom in 1997 nursery education was discretionary; it was left up to local authorities to decide whether or not to provide it. Moreover, it was mostly conceived of as a very part-time service for between 12 and 15 hours a week, usually delivered in morning and afternoon shifts to accommodate double the number of children in scarce facilities. It was not seen as a service for working parents, but as a spur to enhanced school performance. The previous conservative administration had introduced frequent compulsory testing of pupils, aggressive inspection regimes, and league tables, and funded schools on a per capita basis, irrespective of their circumstances. Schools were forced to compete against one another for pupils, and lost money if the intake fell. If a school provided a nursery class, it could offer places to would-be pupils and increase its roll. Nursery classes attached to schools could also start children earlier on the literacy and numeracy curriculum, by which the school was judged – the first school attainment tests for the league tables are taken when children are aged seven years (Ang, 2007).[4] Partly because the Labour Government was unwilling to challenge this system of school competitiveness, partly because of turf wars between ministers about their remits [5] and partly because of the expense, it was not seen as a viable option to develop nursery education to include childcare.

But it was nevertheless a priority for the government to provide part-time nursery education (or various hybrids of it in schools) for all four year-olds, and latterly for all three year-olds. The regulations have been relaxed so that a variety of providers, besides schools, can provide nursery education, if the requisite curriculum is followed. Providers receive a standard per capita subsidy for providing nursery education. As can be seen, a substantial part of this nursery education entitlement, 58% for three year-olds is provided by the private and voluntary, as opposed to the state sector through the private subsidy system (see Figure 1).

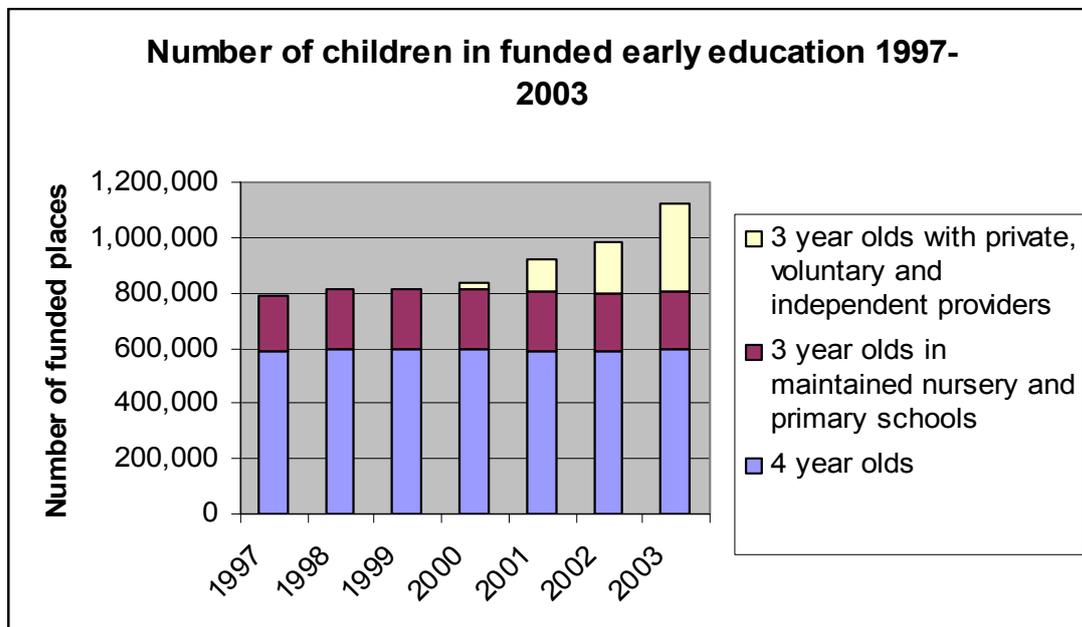


Figure 1. Nursery education expansion. Source: Department for Education and Skills (2004) annual statistical release: Provision for children under 5 years of age in England.

Ironically, given the separation of nursery education, and the continued distinction of nursery education (delivered by teachers and free at the point of use) from childcare (delivered by non-teachers, usually nursery nurses and paid for by parents' fees) in terms of staffing and funding policies, the Government is now insisting that primary and secondary schools provide/commission a range of childcare facilities on site.

Option 2: the welfare model

The Conservative years (1979-97) had left almost a third of young children living in poverty, and the Labour Government was pledged to reduce this figure to a negligible amount. A second option for underwriting women's equality and reconciling work and family life would have been to develop the Nordic welfare model, whereby social services provided universal childcare. In 1997 in the United Kingdom, social services provided day nurseries and family centres, mainly aimed at children 'in need' from dysfunctional families. But these nurseries were considered to be a dated model, failing to get to the root causes of family dysfunction. The Labour Government, however, still maintained that it had a mission to address social inequality and social mobility but through the 'social investment state'. Poverty and dysfunctionality were seen as intertwined, but poverty was viewed as more attitudinal rather than structural. The argument was that in run-down areas where there were many families (especially single mothers) living on social benefit, it would be possible to change the attitudes and aspirations of mothers when children were very young, so that they had a more positive and proactive approach to becoming wage earners, and more vigorous expectations about their children's ability to perform well at school (Glass, 1999).

This social engineering initiative was called Sure Start.[6] It was a long-term programme for children under three, targeted at poor areas. The total budget for the initiative was announced as £3 billion, but it was almost impossible to track. The time-lines were left unclear, capital and revenue spending were conflated, the figures for expenditure were sometimes confusingly reannounced by ministers as new rather than committed expenditure, and the budget was not fully spent when the initiative dissolved (National Audit Office, 2004). Sure Start was conceived without any attempt to reconcile its aims or direction with nursery education policies. Above all, it was a cheaper and more politically acceptable alternative to income redistribution or progressive taxation (Clarke, 2006).

The Government commissioned a substantial evaluation programme alongside Sure Start, *The National Evaluation of Sure Start* (NESS@bbk.ac.uk) which aimed to monitor the way in which it was put into practice, as well as identifying measurable outcomes. The results were disappointing. It took at least twice as long as anticipated to get each local project off the ground, because of inter-professional squabbles and rivalries. Successive evaluation reports suggested that Sure Start was an ineffective programme and so far had made little or no difference to children or their mothers.

Sure Start had grandiose, but vague, policy aims to reduce poverty, and these were not operationalised in any systematic way, and did not really relate either to the issues of women's equality or children's early learning (Rutter, 2006). The Sure Start programme was put forward by Tony Blair, the Prime Minister and Gordon Brown, the Chancellor of the Exchequer, as 'the jewel in the crown' of Labour's policy to combat child poverty. As the National Evaluations have incontrovertibly shown, it has become clear that Sure Start has made little or no difference to mothers' employment rates, and therefore to poverty levels, and the policy has been gradually disowned. In low-income families, it is suggested, mothers' earned income is a crucial factor in reducing child poverty. Recent studies suggest that levels of child poverty are rising again, despite the Government's efforts (Brewer et al, 2007).

Sure Start has been replaced by a programme of 'Children's Centres', targeted first to poor neighbourhoods and then expanding to all neighbourhoods (but a 'neighbourhood' is very loosely defined). These Children's Centres at present are commissioned by local authorities. Like the Sure Start centres before them, they must offer a range of support services – healthy living projects, parenting classes, links with job centres and so on. But unlike Sure Start they must have full-time childcare as a core offer. Whereas the support services will be free, the childcare must be paid for by parents at a full economic cost. It is anticipated that in many cases the core childcare will be

provided by the private sector, in premises in many cases built to their specifications. These private operators will have a service agreement with the local authority or Sure Start provider.

Compliance issues have become a major concern. The local authorities, who finance most of the new capital costs and part of the revenue, must ensure that the private provider has a clearly specified contract with adequate penalty clauses for non-compliance. A brief investigation of 30 Children’s Centres, all of which were based on previous initiatives (Sure Start Programmes, Centres of Early Excellence, Neighbourhood Nurseries, etc.), suggests that almost all of these are incurring difficulties of programming, targeting and financing, particularly of the childcare element. In addition, all the government funding is short term, which makes it very difficult for centre managers to plan long term or to make financial forecasts (National Audit Office, 2006). Although its rationale is to provide a better, more client-focused service, this complicated, part public welfare, part commercial operation requires extraordinary goodwill and cooperation to maintain, and assumes a clientele willing to participate.

Option 3: demand-led childcare and tax credits

The third option for generating new childcare places to help mothers reconcile work and family life was to fund parents directly to assist them in buying childcare places in the marketplace, on the assumption that the market would respond faster and more appropriately to increased demand than the public sector could possibly achieve – but in any case, as portrayed above, there was no consensus about how the public sector might expand to meet such a demand. The Treasury funded childcare tax credit schemes to enable mothers in low income brackets to offset the costs of childcare in the private market. The private market did indeed expand rapidly to meet anticipated demand (see Figure 2). As it expanded became a powerful lobby for yet more expansion, but the take-up of childcare credit schemes has not been straightforward, and has advantaged middle-income households more than low-income households (Brewer & Shepherd, 2004, Blundell et al, 2004, Brewer et al, 2005). Over 300,000 households with children under five now claim childcare tax credit. In 2006 the credit was worth 80% of total childcare costs, with a ceiling of £175 per week for one child and £300 for two children. Expenditure on the scheme is around £130 million, with approximately 6-8% of families with young children benefiting from it (Brewer et al, 2005).

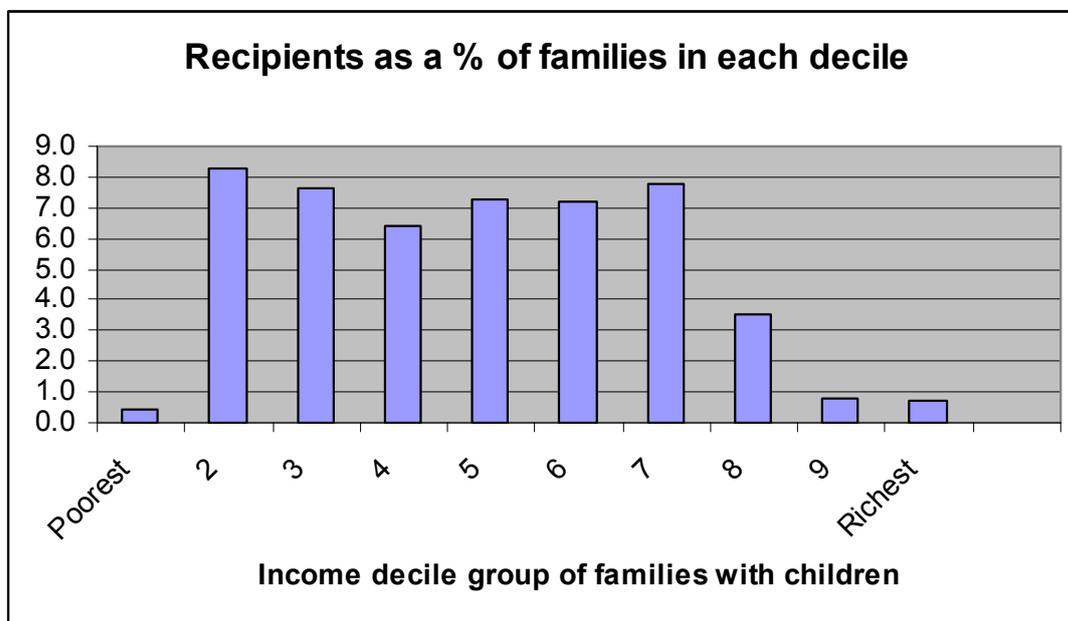


Figure 2. Recipients of childcare tax credits by income level. Source: Institute for Fiscal Studies (2005).

Welfare benefits, especially housing benefits in London where property costs are very high, mean that even with tax credits, many low-income mothers would be worse off working than living on

benefit, and indeed Brewer & Shepherd (2004) comment on the misalignment of childcare tax credits with housing benefit. The numbers of mothers in work has changed slightly since 1997 (see Table III). The OECD *Babies and Bosses* review of the United Kingdom (2003) strongly recommended that the Government did more to realign its tax and welfare programmes, so that poor families were not advantaged by mothers staying at home.

Coordination and Implementation of Early Years Policy

The Labour Government made no real inroads on the separate, distinct and enduring early years traditions it had inherited from the Conservative Government: nursery education as an adjunct to schooling; welfare provision targeted at the poor; employed mothers buying their childcare in the marketplace. To have made any inroads would have required challenging vested interests *and* raising a lot of money to provide alternatives. (When Labour came to office in 1997 it pledged not to raise taxes.) Nevertheless, there was recognition, after many years of pressure from activists within the Labour Party, and from professionals in the field of early years, that the lack of coordination between these separate strands of early years provision was untenable (Pugh, 1996; Moss & Penn, 1996). This was also true of other aspects of children's services, for older children, and for children in care.

The Government did undertake major administrative changes, and gradually all responsibility for all services to children was transferred from other ministries to the Department for Education and Skills (DfES) and a Minister for Children was created. These changes were mirrored at local level. Local authority services were reorganised, so that one senior official became responsible for all children's services, rather than there being separate education and welfare services. The Children Act (2004) legitimised these changes, and set out a common basic agenda for all children in all services.[7] Within the field of early years, a common curriculum and common staffing and training policies have been instituted, enforced by national inspection regimes.[8]

This regulatory framework can be viewed as a step towards ensuring more efficient early education and care services in a sector that was previously in disarray. But it is also an attempt to create a 'level playing field' across different types of provision in the private and public sectors. The 'social investment state' is concerned about quality and a good start for children, but favours market solutions. A tighter regulatory framework is necessary to guarantee the quality of provision amongst the diverse providers in the marketplace. The United Kingdom is exceptional in having such a tight regulatory framework. For instance, adherence to regulations is nationally organised and monitored by the Office for Standards in Education (Ofsted). The results for every centre are posted on the Internet, and there are regular overview monitoring reports.

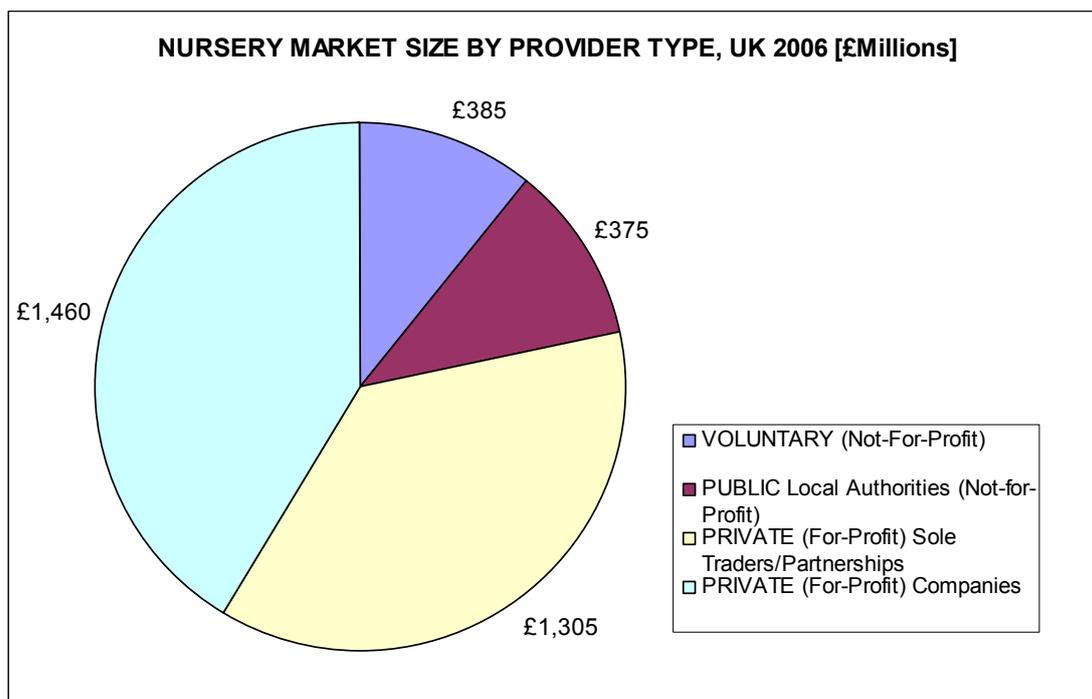
However, the early education and care system has not really become simplified, as the early years community had hoped in 1997. Difficulties and confusion still remain for mothers in marrying up these different care and education options (Skinner, 2003). Mothers necessarily use different configurations of services, depending on the age of the child, and work commitments, and it is hard to capture the complexities of the choices and the arrangements that they make (Brewer & Shaw, 2004).

Because the distinction between for-profit and non-profit has been deliberately blurred, none of the major surveys of childcare commissioned by the Government, or undertaken by independent organisations, has focused on the differences (if any) between for-profit and non-profit care, with the exception of one small qualitative study by Aubrey (2007). This is in contradistinction, for example, to the series of studies emerging from Canada on for-profit versus non-profit care (Goelman et al, 2000; Doherty et al, 2002; Cleveland et al, 2007).

This account of developments in Labour Party policy on early years is necessarily truncated, and does not do justice to its many twists and turns, revisions and adjustments. The graphs presented here are snapshots of the years to which they refer, but do not necessarily reflect the most recent changes.

The Growth of the Private Sector

The market is driven by the need for a return on investment rather than directly by government policy. The growth of private sector childcare has been a response to anticipated market demand, and likely profitability, although the Government frequently presents the increase in the number of childcare places as a sole result of its own successful policy implementation. Figures 3 and 4 indicate the current share of the childcare market and the rise in private sector provision. It should be noted that there is a problem of comparing like with like in attempts to calculate and compare the costs of provision, and in estimating market share. There are also problems matching time frames, and the figures should be interpreted with care.[9]



Total all sectors = £3525 million. Laing & Buisson Valuation of Market worth (i.e. income generation).

Figure 3. Nursery market size by provider type, UK 2006. Source: Laing & Buisson, 2007a.

The rate of increase in the private sector pre-dates the Labour Government and is a direct response to anticipated market demand. A major change has been in the corporate share of the market. In 1997 the corporate share was negligible. Now it is the largest single sector of provision – 16 companies alone provide 50,000 places (see Table I). The Laing & Buisson (2007a) conference organised by the corporate childcare sector listed amongst its attendees investment bankers from well-known banks and investment firms.[10] Managing directors of corporate childcare companies are selected on the basis of their financial expertise and record of trading at a profit. For example, the Managing Director of Nord Anglia Education, one of the largest UK providers, was recruited from TNT Express UK, a transport company. The relationship between subject expertise and executive management capability is a well-rehearsed management dilemma, but one much less familiar to the early years community. The consolidation and corporatisation of private childcare mirrors that of other social sectors, particularly care of the elderly. But such corporatisation, which includes the entry into the market of international stock listed companies such as ABC Learning (Busy Bees), presents new issues for regulation, market management, and indeed for the local participation and democracy that has also been part of the Government’s early education and care agenda (Sumsion, 2006). Another concern is the corporate sector’s ability to exercise political influence on the Government, for instance, for new and more favourable subsidy schemes.

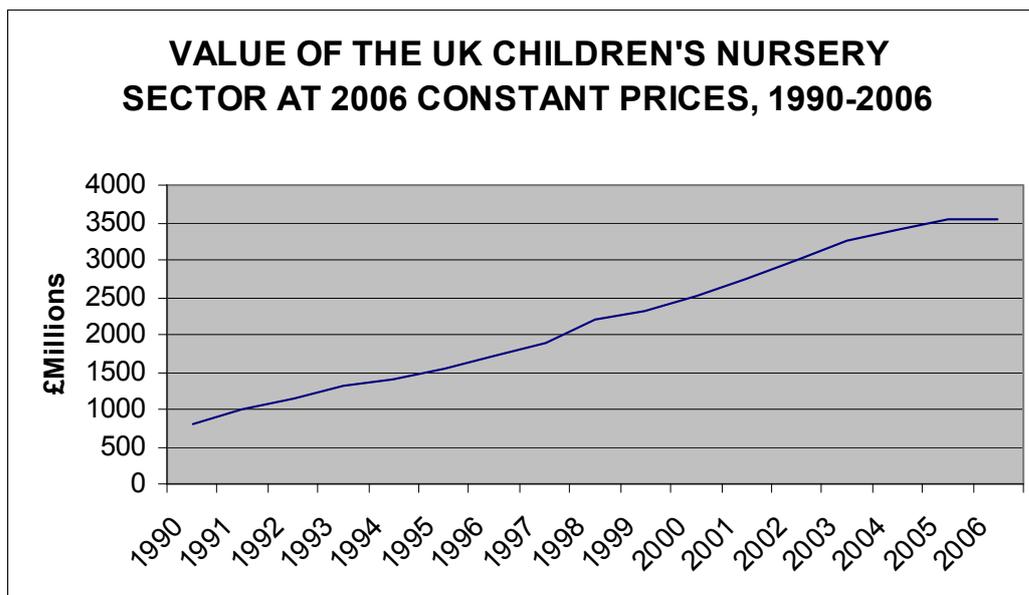


Figure 4. Value of the UK children’s nursery sector. Source: Laing & Buisson, 2007.

Operator	Nurseries	Places
Nord Anglia Education plc	93	8813
Asquith Court Holdings Ltd	114	7402
Just Learning Holdings Ltd	73	6455
BHFS One Ltd	109	6133
Busy Bees Group Ltd	42	3837
Kidsunlimited Limited	50	4808
Child Base Limited	32	2427
Teddies Nurseries Limited	36	2130
Buffer Bear Limited	40	2540
The Childcare Corporation plc	19	1763
Creative Education Corporation plc	33	1704
Pre-School Learning Alliance	33	1577
Ravenstone House Limited	13	1571
CFBT Education Trust	16	1335
Dunmar (Nurseries) Limited	18	1197
Wind in the Willows Limited	17	1196

Table I. Major providers/ operators of nursery services. Source: Laing & Buisson (2007b). This list changes continually, reflecting ongoing consolidation of the sector.

The costs of childcare in the private sector are very high, as illustrated in Table II. Costs are much higher in wealthier areas, especially in parts of London, because of associated property costs. (The Children’s Centre programme was introduced partly because the private sector was unwilling to invest capital in poorer areas, since the return on property, always a safeguard if profits failed, was too low.) The costs represent on average 28% of household disposable income, as opposed to 15% in the USA or 22% in Australia – that is, in other countries where the private sector provides the majority of the childcare (Owen, 2007). Regulations require high child–adult staffing ratios, and the minimum wage must be met. The inspection system is fairly stringent, and reports on nurseries are published [11], so regulations are generally adhered to, which pushes up costs. However, in the United Kingdom rates of pay are very low relative to fees. Labour costs consume 60% of average fees for a child under two, and 24% for a child over 2, although staff–child ratios are higher (Owen, 2007). In other words, because staff ratios are high, childcare workers are paid less.

Region	Nursery (under two) £	Nursery (two and over) £	Highest nursery cost £
Inner London	205	176	330
Outer London	182	158	329
England	152	140	375
Wales	131	126	222

Table II. Typical weekly cost of a full-time childcare place in 2006.
Source: Daycare Trust.

As *Starting Strong* predicts, the private market appears to have led to increased social stratification. State nursery schools once attracted middle-class families, and achieved a social mix, but the route from private nurseries to private schools for middle-class children is increasingly entrenched (Vincent, 2006). The costs of childcare, even with assistance from childcare tax credits, are prohibitive for many families, and may consume one person’s entire weekly wage. For poorer families, earned income is often not sufficient to offset the loss of other welfare benefits, especially housing benefits (Taroyan et al, 2003).

The take-up of places has been much less than anticipated. Occupancy rates vary according to location, but currently average about 75-77% (see Figure 5). On current trends, this is predicted to drop to 60% in 2015 (Laing & Buisson, 2007b). A minimum of 80% occupancy rates is necessary for financial viability. As a result there has been considerable turnover of providers, and abrupt closure of nurseries, often without adequate notice or compensation to staff. The professional magazine for those working in childcare, *Nursery World*, now carries almost weekly accounts of closures.

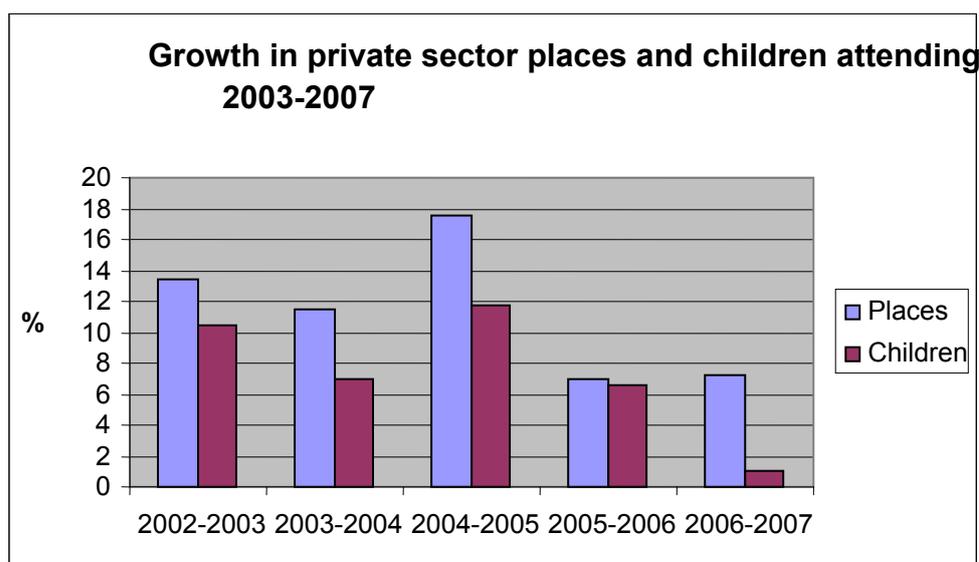


Figure 5. Growth in private sector places and children attending.
Source: Laing & Buisson, 2007a.

Because of the lack of demand for places, and the stringency of the regulations concerning staffing ratios and levels of training, the private childcare sector regards itself as ‘under pressure’ (Laing & Buisson, 2007a). As well as self-regulation (closures) it has attempted to deal with ‘pressure’ in a number of ways. Firstly, it engages in active lobbying at a very senior level within the Treasury for a relaxation in the regulations. Secondly, it argues that rather than create new places, local authorities should more actively commission and use vacancies within the private sector. And thirdly, it demands more money for the services it provides. There are various estimates of the value of indirect subsidies from the state, depending on whether nursery education subsidies are included. Excluding nursery education subsidies, approximately 11% of the total value of the

industry comes from the state through childcare subsidies (Owen, 2007). The nursery education subsidy is a particular bone of contention. The private sector claims that it cannot provide nursery education entitlements at the same rate as the public sector, which has hidden subsidies and assets (i.e. if there is a nursery class or a reception class for four year-olds within a school, maintenance and other support services will be met within the school budget; also adult-child ratios are less stringent within reception classes). It is argued that the private sector should therefore should be paid *more* to compensate for the relative disadvantages it experiences and the risks it takes in investing in this area, i.e. the Government should create ‘a level playing field’ (Laing & Buisson, 2007a). The Conservative Party shows some sympathy for this argument (Wiltshire, 2007).

The private sector, although conscious that its public image is sometimes a negative one, is very cautious about disclosing information for research or other purposes, because of its need to protect its business information against potential competitors. The only consistent source of information, from which much of the above data is drawn, is from the trade sector market research organisation Laing & Buisson, which carries out regular sector surveys. One such finding is that the private for-profit sector tends to operate a core hour service, i.e. 9-4 p.m. because the profit margins are less for childcare outside these core hours (Laing & Buisson, 2007a), a point also indirectly confirmed by Clemens & Kinnaird (2007). Information about the ‘quality’ of provision in the private sector comes from inspection reports. These reports categorise about a third of the sector as ‘weak’ in developing children’s speaking and listening skills (Ofsted, 2007).

Although it may not have met all the private sector demands, the Government has actively encouraged private sector engagement. It has not specifically encouraged the corporate sector, but the logic of the marketplace is towards consolidation, and single traders find it more difficult to compete.[12][13] The 2004 Children Act stressed that local authorities had a duty to oversee ‘childcare market management’. The DfES has commissioned a series of papers to explore how local authorities are fulfilling this duty, and to suggest how they might improve (Harries et al, 2004; PriceWaterhouseCoopers, 2006). Most recently the Government has employed consultants to work with and document the good practice of local authorities in managing the childcare market, especially in assessing demand and linking demand to existing supply (Robert Hill Consulting, 2007).

Mothers at Work

Despite all these activities – new legislation about mothers’ rights at work, the changes in the delivery of early childhood education and childcare, and a substantial rise in the number of childcare places in the private market, the numbers of mothers at work has increased only very slightly compared with the rise under the previous Conservative administration (Walling, 2005; Office for National Statistics, 2006). One of the Government’s aims was to reach a target of 70% of single mothers in the workforce, mostly full-time. As Table III shows, the figures for 2004 are 28% working full-time and 26% part-time.

	Married/Cohabiting Mothers			Lone Parents		
	Full-time	Part-time	Total	Full-time	Part-time	Total
1994	24	40	64	21	21	42
1997	26	42	68	22	23	45
2004	29	42	71	28	26	54

Table III. Full-time and part-time employment rates for mothers with dependent children. Source: Office for National Statistics, Labour Market Trends, July 2005.

It is not clear why more women are not working. There are a number of possible explanations. Firstly, the labour market is problematic for low-skilled women. The type of work available for women at the bottom end of the market is poorly paid and inflexible, and some of it is cash in hand rather than a regular job. A study by Dean (2007) explored the extent to which mothers and fathers living in an inner-city housing estate, working and non-working, saw themselves as having flexibility of employment. Even if their jobs were part-time, they saw themselves as having little or

no flexibility in their employment hours or conditions, and were somewhat incredulous to think that it might be on offer.

As pointed out above, another reason is the misalignment of tax and benefit systems. Particularly in the south-east of England where housing costs are so high, families on benefit do not gain enough from working to make it financially worthwhile. They lose their benefits and their income from work does not cover their outgoings.

Thirdly, mothers find it hard to dovetail their arrangements between nursery education and childcare. As discussed above, nursery education is free at the point of use, and seen as an important first step to schooling, so mothers are keen to take advantage of it for their children, if necessary at the expense of other childcare arrangements. The evidence recounted above (Laing & Buisson, 2007a; Clemens & Kinnaird, 2007) suggests that since the private sector tends for the most part to operate in core times, mothers do not in fact have much choice, although more choice is one of the main arguments that has been advanced in support of private sector expansion.

A fourth factor is likely to be the cost of childcare. Also as indicated above, costs are very high. This is mainly a function of regulation. Childcare places are very expensive because the price *cannot* be reduced without reducing staff wages or reducing staff numbers, or relaxing regulations such as training requirements. Those mothers employed at the top end of the market can afford such costs; others, even with subsidies, find it difficult to meet them. The new government policy of children's centres targeted at poor areas is unlikely to be successful because of the difficulties of making the childcare element self-financing. Preliminary results from the National Audit Office seem to indicate that this is the case (National Audit Office, 2006).

The evidence about mothers' views on quality of childcare is ambiguous, partly because there have been no major studies which differentiate between the for-profit (corporate and single trader) and non-profit sectors. Generally the evidence seems to suggest that mothers are not particularly well informed about the availability of childcare in their area, but are mainly satisfied with the quality of what is available (Bryson, 2007).

Conclusion

Private sector childcare, especially corporate childcare, has increased substantially in the United Kingdom in the last 10 years. The sector has been supported by a range of government measures, but it has also been tightly regulated. This regulation has led to very high fee charges, and low wages, as providers pass on the costs of maintaining staffing levels to families and workers. The expansion of the sector has not been matched by significant increases in the numbers of mothers at work. The childcare industry has reached a crisis point, and is exerting considerable pressure on the Labour Government to relax regulations and to increase subsidies. The Government is likely to face an outcry if it relaxes regulations, although other countries, most notably the Netherlands, have managed to do this (Netherlands Childcare Act, 2005) and childcare is much cheaper as a result. The most likely route for the Government is to do as suggested in *Babies and Bosses* and realign welfare benefits and taxation, so that it is more profitable for poorer mothers to work than to stay at home. This route has already been floated, to much public indignation.[14] However, if the current Government changes at the next election, and it is replaced by a Conservative Government, then private sector childcare is likely to increase its hold still further. *Starting Strong* put forward the idea of a child-focused, equitable, universally accessible, publicly funded early education and childcare service. The United Kingdom Government at first appeared to subscribe to this agenda, but it is no longer a practical option because of the size of the private sector relative to the public sector.

This situation suggests that more detailed research on the corporate and single trader for-profit sector is urgently needed, both about its daily operation and its economic impact. The view of the Government is that entrepreneurship has produced more flexibility and innovation than the state could ever provide, and is more economically efficient than public services, in all areas of government. This may have been true to an extent in the field of early years. Private for-profit nurseries in the 1990s were often started as innovative small-scale ventures set up by nursery teachers and nursery nurses, who were keen to break away from what they regarded as the stifling conventions of state provision (Penn, 1995). The market did indeed grow very quickly, as the

Government had hoped. However, the consolidation and corporatisation of childcare suggests that market considerations of profitability are now paramount. This article has suggested that the choice and flexibility arguments now appear much weaker.

Pollock (2004) argues that in the National Health Service, privatisation has meant short-term gain for long-term loss. In the long-term, private health services cost much more to the taxpayer (let alone the consumer), make coherent planning and development of services less likely, increase social stratification and minimise the possibility of public participation and democratic control. She argues that if these costs were truly understood, there would be much more of an outcry. The National Health Service is on a different scale of cost and complexity from early years, but Pollock's points are certainly worth consideration. What is so striking about the current situation in early education and care in the United Kingdom is the absence of public concern or information about the expansion that has taken place. As Ball comments, 'The task at hand is to understand the situation we are currently in ... and to develop an appropriate and effective language and set of concepts for thinking about what is happening and about possible alternatives' (2007, p. 191).

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Notes

- [1] One of the changes that has taken place in the United Kingdom is the devolution of domestic policy to the constituent countries of the United Kingdom – England, Scotland, Wales and Northern Ireland. Although this article refers to trends in the United Kingdom as a whole, much of the government policy described here refers only to England; the other countries have diverged slightly.
- [2] For example, one leading postgraduate course on early childhood education contains no mention at all of the private sector, and proceeds as if state education was the only option.
- [3] She is now Deputy Leader of the Labour Party and promotes a women's agenda.
- [4] The curricular requirements and the assessment regimes vary across England, Scotland, Wales and Northern Ireland.
- [5] At one point relationships between David Blunkett, then Minister for Education and Harriet Harman, then Minister for Social Security and Minister for Women, were reported in the media to be particularly bitter.
- [6] In England. Slightly different initiatives were launched in Scotland, Wales and Northern Ireland.
- [7] These changes were also partly prompted by a notorious child welfare case which involved the death of a child under terrible circumstances.
- [8] But with differences in Scotland, Wales and Northern Ireland.
- [9] It should be noted that the time frames of costings presented here may also refer to different periods.
- [10] The delegate list included: Phoenix Equity Partners; N.M. Rothschild and Sons Ltd; Confederation of British Industry; HSBC Bank plc; Christie and Co.; Bank of Ireland; Bank of Scotland; Austock Securities; Coldharbour Systems Ltd; HG Capital; Allied Irish Bank (GB); Findel Education Ltd; Duke Street Capital Ltd., Blake Laphorn Linnell.
- [11] There was a minor scandal when a model nursery run by the National Day Nurseries Association (NDNA) was deemed unfit by inspectors. The NDNA has now withdrawn from direct provision and acts as a representative voice for single trader (as opposed to corporate) childcare nurseries.

- [12] A similar phenomenon of consolidation has occurred in the privatisation of care homes for the elderly (Laing and Buisson, 2007a).
- [13] Owen estimates that in the United Kingdom there is 'considerable scope for further consolidation, although not a strong case for the development of new centres' (2007, p. 6).
- [14] The *Guardian* newspaper at the time of writing (April 2007) is running a series of articles and letters on the advisability or otherwise of mothers staying at home with their children.

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