

# International Centre for the Study of the Mixed Economy of Childcare



## ***SURPLUS OR PROFIT: THE CASE OF PUBLIC FUNDING FOR PRIVATE CHILDCARE PROVISION***

**AN ICMEC INTERNATIONAL SEMINAR  
Monday 3 December 2007  
UEL DOCKLANDS CAMPUS, London**

An invited audience of delegates from the private-for-profit and not-for-profit and from the public early years sector attended UEL's Docklands campus alongside policymakers, academics and journalists. Interested in the mixed economy of childcare, they came to hear and discuss presentations on the subject of 'Surplus or profit: the case of public funding for private childcare provision' and take part in a discussion.

Below you will find a brief report summarising the key points from the presentations and discussions.

This seminar was chaired by *Eva Lloyd*, Reader in Early Childhood, UEL and Co-director of ICMEC

### Key points from speakers' presentations

*How to solve the childcare funding maze.*

Denise Burke, Head of Childcare, London Development Agency.

The impact of the London Development Agency's Childcare Affordability Programme (CAP) was analysed where childcare costs in London are 25% more expensive than elsewhere. CAP was launched in November 2005. CAP supports and helps London's parents to access flexible, high quality, affordable childcare, and to help them train and work. CAP has been successful in making childcare more affordable for lower income families by offering additional money to existing benefits.

Much has been learnt so far from the programme and key challenges were identified. These included a lack of uptake of CAP places in some boroughs as well as some parents wishing to access training but not necessarily employment. The programme could also be simplified.

### *Is childcare safe in private sector hands?*

William Laing, CEO, Laing & Buisson, independent provider of information and market intelligence on the UK's health, community care and childcare sectors.

The possible dangers (if any) of a dominant private sector were analysed and discussed by comparing private, for-profit day nursery provision with other sectors of health and care in the UK.

The benefits of private provision of daycare in the UK were identified to be the incentive for nursery providers to deliver services efficiently, that they could be responsive to the consumer, offer choice and better at risk management. General pros of public provision included a public sector ethos, no profits to pay out and lower transaction costs.

Independent sector (mainly private) providers were found to dominate the UK's nursery market. The nursery market however is highly competitive. Other factors highlighted that could be potentially 'bad' about private supply included poor quality and safety due to a focus on profit and the involvement of private equity investment.

The presentation concluded that the private sector is typically good at operating standardised service models efficiently. The major systemic 'problem' in the children's nursery sector is not so much the existence of a dominant private sector but the failure of local authorities to engage with the private sector in pursuit of public policy objectives.

### *Response and analysis*

Helen Penn, Professor of Early Childhood, UEL and Co-director of ICMEC

In her role as discussant, ICMEC Co-Director Helen Penn responded to the 'outstanding and enlightening' presentations, as well as making some general points.

Helen commented that private for-profit nursery care was depicted as a positive in the second presentation of the morning, as it can capitalize rapidly, and respond flexibly to market demand, as part of a spectrum of consumer choice. Private for-profit nursery care is deeply embedded in our services. However Helen called for 'stringent evidence on the crucial question of quality' highlighting that the rapid growth of the private for-profit sector is

also seen as problematic and 'serious questions have been raised about its operation'.

Early childcare provision in the UK is fragmented and particularly in the capital. Furthermore there is a current crisis in sustainability where top-up and compensatory schemes indicate 'market failure' Helen proposed supply-led funding (rather than demand-led) as possibly more effective and efficient in meeting Government objectives in improving child outcomes and increasing the number of mothers in the workforce. Helen compared the approach of other European countries which regard to childcare as a service to children prioritising access, continuity, and quality for children, irrespective of the mother's circumstances.

Helen stated that the rapid growth of the private and, especially the corporate childcare sector needed further critical and contemporary enquiry and evidence, monitoring and exploration.

### Discussion: Key themes

During the lively discussion that followed the three presentations, several key themes emerged from among the comments made by members of the audience.

- Resourcing CAP in phase one appeared to be problematic in some boroughs. This has been addressed in phase two and additional support to run the programme made available to local authorities. Some local authorities have been successful in running the programme with no additional support.
- Take up of CAP places has been low in some areas, prompting the need for additional local authority action in some boroughs. Where additional support has been needed this has taken a variety of forms. For example 'parachuting' a team in to 'sell' the concept of CAP, help with working with parents, identifying benefits of the programme to the borough, staff advice, support, and recommendations to tackle childcare affordability.
- Local Authority and private nursery partnership working has been problematic. It was concluded that the private nursery sector and local authorities need to engage with each other and take the initiative to do so in a two-way process.
- Profit versus quality. Concern was raised about a conflict of interest in private sector provision with a focus on the 'bottom line' and the standard of quality in childcare. The focus was on the impact of a profit driven nursery sector and levels of quality provision for children, parents and society, and perhaps nursery education should be seen more in terms of welfare rather than business? Elsewhere in Europe, for instance, nursery provision is seen as part of child welfare systems and is very well regarded.

- It was suggested that the market approach to nursery provision in the UK is failing. Financial sustainability of nursery provision and a plethora of funding streams in the UK have proved problematic. It appeared that the childcare market could be consolidated. It was highlighted that there is a corporate sector focus now rather than a private sector for – profit sector one per se.
- Unlike in other countries (e.g. the Nordic countries), nursery care in the UK is fragmented. There are a range of nursery providers and types of setting offering 'choice'. Parental choice not straightforward, however CAP is addressing the cycle of child poverty through training, support and subsidies to encourage parents back to train and return to work. Findings from a recent research project into middle and working class perspectives on childcare options, suggested that working class parents saw themselves as having very little choice. Besides, investment opportunities appeared less appealing in deprived areas. It was argued that the current system and early years policies increase rather than decrease social stratification.
- Childcare provision is not seen as flexible enough. There are issues of workforce low pay, low skills, training and quality. In addition preference is given in many settings to parents requiring full-time places. It was argued that full daycare is becoming a 'thing of the past'. CAP is offering flexibility, for example in line with flexible working arrangements. Extended schools provision, while in principle an important development, is effectively 'dead' already, according to some.
- The notion of the 'knowledgeable consumer' is questionable due to a lack of information among parents. What constitutes 'quality' is not clear-cut either.
- Regulation costs and organisation in the UK compared to other countries was raised and the level of regulation required in the UK compared to other countries which have less regulated provision (Australia and the USA) and those which are more self-regulated (e.g. Nordic countries).

In planning the content of the next international ICMEC seminars, the Co-Directors intend to take account of the main themes raised by the audience in response to the material presented during seminar one. The issue of the relationship between quality and 'auspice' of the setting emerged as a frontrunner, as well as parental perspectives on choice and quality and the employment conditions of early childhood education and care practitioners. All those on the mailing list will be notified of the date of the next meeting as soon as arrangements have been finalised. This is likely to take place in mid March 2008.

Posted by Karen Horsley, 18 December 2007