

## About Early Years: summer snapshot

### Headline findings from the summer 2017 survey

Ceeda launched the independent 'About Early Years' research programme in May 2017 to track key sector trends on a regular basis and provide timely analysis for childcare providers, policy makers and investors.

This bulletin highlights findings from a summer term survey of private, voluntary and independent (PVI) nurseries and pre-schools. The first childminder survey will take place in Autumn 2017.

Reported figures are based on returns from 366 PVI nurseries and pre-schools<sup>1</sup> weighted and grossed to reflect the target population of settings on the Ofsted Early Years Register. Technical notes are provided at the end of the bulletin.

#### Headline messages:

- The sector is in the midst of a recruitment crisis, with an estimated 24,600 vacant posts. Over four out of every five settings recruiting said vacancies were hard to fill.
- Sector pay is on the rise, largely due to the National Living Wage, but rates still lag behind England averages.
- Qualification levels are declining – it will be important to keep a watchful eye on workforce age and qualification mix as the 30 hour offer rolls out.
- Summer occupancy averaged 69%, but there were hot spots - 30% of settings were operating at 81% occupancy or higher.

### Sector capacity

Private Voluntary and Independent sector provision in England, Summer 2017	
Estimated PVI non-domestic settings	*22,270 settings
Estimated total PLACES	978,000 places
Average PLACES per setting	44 places
Estimated total HOURS of provision	44.8 million hrs
Average HOURS offered per setting	2,011 hrs

\*Adjusted to exclude maintained provision on Ofsted EYR

1 Password protected survey invitations were sent to a representative panel of 1,188 PVI pre-school playgroups and nurseries in the period July to August 2017. A total of 366 returns were received giving a response rate of 31% and a confidence interval of 5.1 at the 95% confidence level. Survey data has been weighted and grossed to reflect the sampling frame: Ofsted Childcare providers and inspections as at 31 March 2017.

#### How many PVI providers are there in England and how much early education and childcare can they offer?

There were an estimated 22,270 Ofsted registered settings in *private, voluntary or independent ownership* in summer 2017,<sup>2</sup> offering a total of 978,000 places, and capacity to deliver 44.8 million hours of early education and childcare.

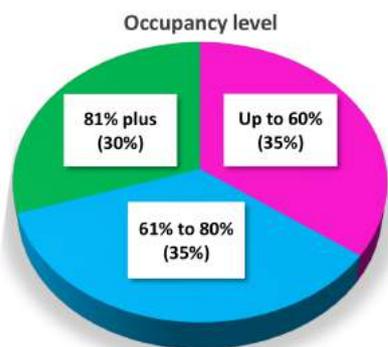
2 The estimate of PVI non-domestic settings makes an adjustment for maintained non-domestic provision on the Ofsted Early Years Register. Estimates of maintained provision are based on the DfE Childcare Provider Survey 2013 as the required breakdown of ownership data was not published in the more recent report - DfE Childcare and early years provider survey 2016. Given recent trends in LA cuts to service provision it is possible this analysis may under-estimate PVI capacity. A data request has been submitted to DfE.

## How is this capacity being used?

To ensure comparability across widely varying session patterns, occupancy measures are based on HOURS occupied as a proportion of all hours offered.<sup>3</sup>

In summer 2017, average term-time sector occupancy was 69%. Over one in three settings had low occupancy of up to 60% (35%), whilst 30% had strong levels of 81% or more.

As the research panel grows, more detailed analysis of occupancy at local level will be provided.



## What is the age profile of summer term occupancy?

Three and four year olds used 54% of all occupied hours across the sector, two year olds 26% and under twos 19%. Children aged five plus are a very small part of the childcare mix in settings offering pre-school care.

Occupied hours by age group		
Age	%	Number
5 years plus	2%	480,800
3 to 4 years	54%	16,326,100
2 years	26%	7,871,200
Under 2 years	19%	5,795,500

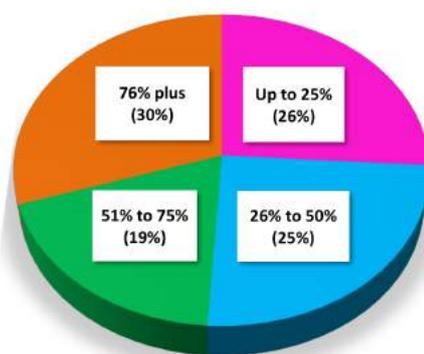
Figures are rounded and may exceed 100%

## What is the mix of funded and private care?

On average, 52% of occupied hours in a setting were government funded. Looking beyond this top-line figure however, funded provision accounted for more than three quarters of all occupied hours in 30% of settings – a heavy reliance on government funding which was more common in voluntary (46%) than privately owned settings (20%).

<sup>3</sup> Occupancy is measured on the basis of HOURS occupied as a proportion of all hours offered. Settings provided detailed data on sessions occupied across one full summer term week, from a choice of six possible study weeks. To minimise data collection burden occupancy was collected in ratio specific age bands: under 2s, two year old's, three to four year old's and children aged five plus.

Proportion of occupied hours funded



Both the age and funding mix found in the summer 2017 survey are likely to change following the rollout of the 30-hour offer.

## Finance and sustainability

### How is early years funding distributed at local level?

The DfE recently published<sup>4</sup> local authority (LA) planned spend on early years education for 2017-18. The figures are summarised here with full details available online.

Three and four year old rates, inclusive of supplements, ranged from a low of £3.83 in St. Helens to a high of £7.70 in Westminster. The average in England was £4.53.

Rate per hour for 3 and 4 year olds	Base Rate	Rate with supplements*
England average	£4.22	£4.53
Average in North	£4.00	£4.27
Average in South	£4.49	£4.86
Lowest rate	£3.58	£3.83
Highest rate	£6.73	£7.70
North East	£3.97	£4.36
North West	£4.01	£4.30
Yorkshire and Humber	£4.09	£4.32
East Midlands	£3.98	£4.23
West Midlands	£4.07	£4.31
East of England	£4.26	£4.50
Inner London	£5.31	£6.08
Outer London	£4.62	£5.00
South East	£4.17	£4.43
South West	£4.07	£4.28

Source: DfE: Planned expenditure on schools, education and children's services by local authorities in England, 2017-18. Published 21/09/2017.

\*All figures are exclusive of Early Years Pupil Premium.

<sup>4</sup> DfE (2017) Planned expenditure on schools, education and children's services by local authorities in England, 2017-18.

Looking at two year old funding the lowest rate was £4.58 in the Isles of Scilly, rising to £9.10 in Camden. The England average was £5.26.

Rate per hour for 2 year olds	
England average	£5.26
Average in North	£5.09
Average in South	£5.58
Lowest rate	£4.58
Highest rate	£9.10
North East	£5.10
North West	£5.08
Yorkshire and Humber	£5.10
East Midlands	£5.01
West Midlands	£5.17
East of England	£5.21
Inner London	£6.29
Outer London	£5.74
South East	£5.24
South West	£5.13

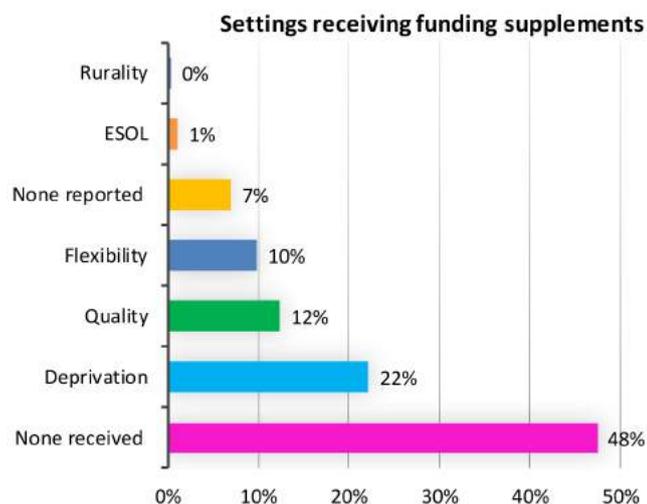
Source: DfE: Planned expenditure on schools, education and children's services by local authorities in England, 2017-18. Published 21/09/2017.

Future bulletins will explore delivery costs in PVI settings.

### Topping up the base rate

One in two surveyed providers (48%) said they received no hourly supplements on top of the base LA rate. A small number of settings (7%) did not report supplements or select the category 'none received.'

Reported figures reflect provider's understanding of the funding policy in place, based on communication with local authorities. Research by the Pre-school Learning Alliance has found that in some cases, deprivation supplements are included in the LA 'base rate' and not itemised as a supplement.



Excludes Early Years Pupil Premium

The most common supplement was for deprivation, received by 22% of surveyed settings. Supplement amounts varied from just £0.01 per hour to £1.00 per hour as shown below.

Supplement per hour in surveyed settings	Lowest	Highest	Average
Deprivation*	£0.01	£1.00	£0.27
Flexibility	£0.05	£0.49	£0.20
Rurality	One setting received £0.06		
Quality	£0.05	£0.91	£0.30
ESOL	Data unavailable		

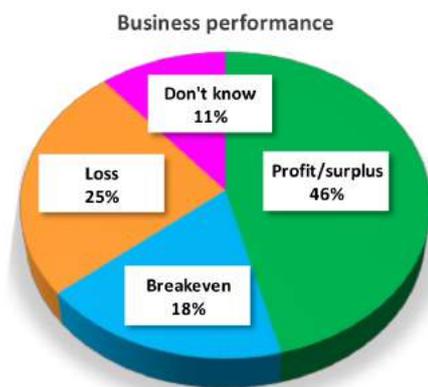
\*Excludes Early Years Pupil Premium

### Extra support for children with disabilities

Just 0.5% of children were in receipt of LA disability access funding and 1.4% of all children had an Education Health and Care Plan in place.

### A glimpse at past and future financial performance

Less than one in two settings reported a profit or surplus in the last financial year for which accounts were available (46%), 18% broke-even and a quarter made a loss (25%).



Voluntary settings were most likely to report a loss (38%, compared to 18% of private provision). This is likely to reflect the greater reliance on funded provision flagged earlier. Organisations with more than three quarters of occupancy taken up by funded hours, were least likely to report a profit / surplus (33% compared to the sector average of 46%).

Confidence in future financial performance is lower in England's PVI early years sector than for all UK-wide businesses. Over one in three settings (37%) said they were less confident about their financial prospects in the next 12 months compared to the previous twelve; the figure for all UK businesses was 26%.

Three in ten settings are, however, more confident about the year ahead (30%) than the year past.

Confidence in economic prospects over next 12 months, compared to previous 12 months



UK data source: ICAEW Business Confidence Monitor Q3 2017

## Early years workforce

### A focus on the early years workforce

The summer survey captured a detailed picture of the PVI early years workforce, with age, salary, working hours and contract terms being collected for 3,930 individual staff, alongside analysis of recruitment activity.

### Feeling the impact of GCSE English and Maths

Almost one in two (45%) private and voluntary sector day nurseries and pre-schools had vacancies at the time of the survey and 84% were finding posts hard to fill. Vacancies totalled an estimated 24,600 posts.<sup>5</sup>

To put this in a wider context, in November 2016 8.9% of primary schools had at least one advertised vacancy or temporarily filled post<sup>6</sup>, vacancy levels which the National Audit Office recently concluded could impact on the quality of education.<sup>7</sup>

Childcare providers report multiple challenges including a lack of applicants with:

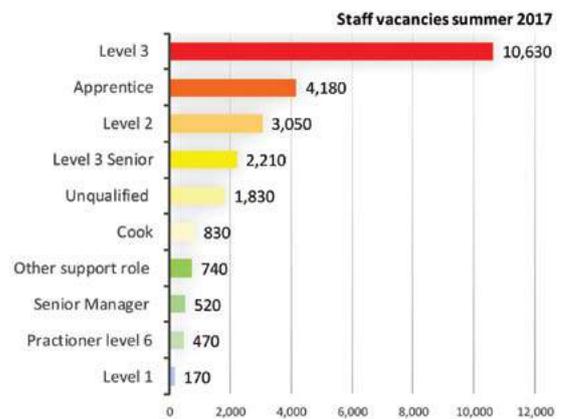
- the required skills (54%)
- the required disposition (34%)
- the required qualifications (36%)
- the required experience (22%)

A general lack of interest in childcare as a career option (27%) was also flagged.

<sup>5</sup> The estimate relates to vacant posts: details of tenure and working hours were not collected.

<sup>6</sup> Department for Education (2017) School Workforce in England: November 2016.

The majority of vacancies are for qualified level three staff including an estimated 10,630 posts without management responsibilities and a further 2,210 for room leader/supervisory roles.



The reinstatement of functional skills as acceptable alternatives to GCSE English and Maths will need time to take effect and is just one of several challenges that need to be addressed.

### Promoting early years as a rewarding career for all

Men account for just 5% of the PVI early years workforce.



This gender profile results from entrenched cultural stereotypes and the sector's career and pay structure.

### Slow progress on sector pay

The introduction of a national living wage in 2016 has seen average sector pay rates rise to £8.45 in summer 2017, a 9% increase on rates reported by Ceeda in 2014 and higher than the England average found for group settings in the DfE 2016

<sup>7</sup> National Audit Office (2017) Reaching and developing the teaching workforce. HC 307 Session 2017–2019 12 September 2017

provider survey of £8.30.<sup>8</sup> The median figure (mid-point of the salary range) was £7.80 in summer 2017, compared with a DfE estimate of £7.60 in 2016.



Whilst pay is on the rise it still lags behind the wider labour market. According to Office for National Statistics estimates, average hourly pay in England in November 2016 was £15.98<sup>9</sup> per hour and the median figure was £12.25. These rates pre-date statutory rises in April 2017.

Investing in personal development pays – to an extent. On average early years staff qualified to level three earn 15% more than staff qualified to level two or below. There is little financial incentive, however, for individuals to pursue graduate level qualifications.

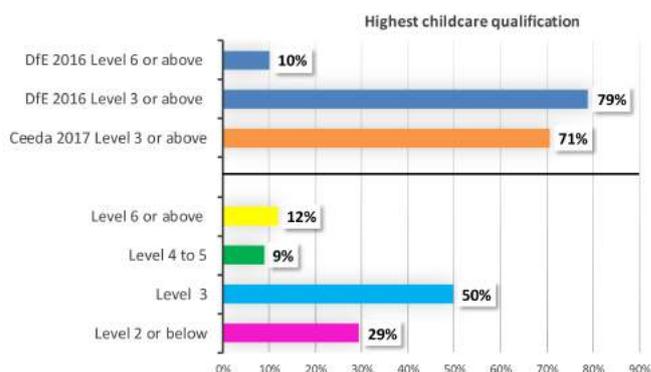
The survey found that average pay for early years staff qualified to level six or above was £10.68 (including London). A newly qualified teacher on spine M1 of statutory teachers’ pay and conditions for maintained schools, earned an hourly rate of £17.76<sup>10</sup> outside of London in the 2016-17 academic year.

### Workforce qualifications on a downward trend

The proportion of staff holding a level three qualification or above was (71%), lower than the figure of 79% reported in the 2016 DfE childcare provider survey.

The 2013 DfE provider survey reported 87% of staff in full day care and 84% of staff in sessional settings were qualified to level 3 or above. Recent research by the National Day Nurseries Association also shows a downward trend from 83% in 2015 to 75% in 2016.<sup>11</sup>

All surveys have a margin of error which is important to consider when looking at trends. That said, there is sufficient evidence here to indicate that qualification levels are generally on the decline after a period of growth.



Considered alongside the significant level three recruitment difficulties found, the need to monitor workforce trends as new funding rates and the 30 hour offer bed in, cannot be overstated.

### A flexible workforce

A DfE review of childcare delivery costs in 2015 concluded a typical provider could save around 15% on unit costs by staffing to statutory ratios and using more ‘variable staffing models’.<sup>12</sup>

Flexible working is, however, well established in the sector. Previous research by Ceeda in 2014 found 9% of staff were on bank contracts, called upon as and when required to meet peaks and troughs in demand. A further 3% of staff were temporary agency workers. In summer 2017 the figures were very similar at 10% and 2% respectively.

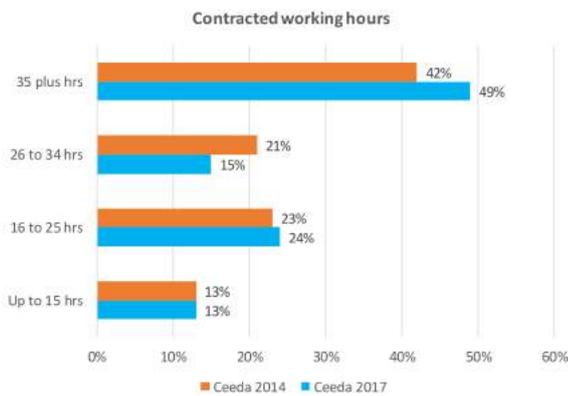
8 Department for Education (2017) Childcare and early years provider survey: 2016. 23 February 2017.

9 NOMIS Annual Survey of Hours and Earnings – Resident Analysis 2016.

10 Department for Education (2016) School teachers’ pay and conditions document 2016 and guidance on school teachers’ pay and conditions. September 2016. Pay rates outlined in this publication apply until 1st September 2017.

11 National Day Nurseries Association (2017) National Early Years Workforce Survey England 2016.

12 DfE (2015) Review of childcare costs: the analytical report. Reference DFE-00295-2015.



Part time working also remains more prevalent in the sector than the wider labour market; official statistics for the period May to July 2017 indicate 74% of all employed staff worked full time.<sup>13</sup> Just 49% of early years staff work 35 hours or more, an increase on the 2014 figure which was 42%.

### Workforce age

The average age of the PVI early years workforce is thirty-five years, and the median age is thirty-two. Almost three quarters of staff (73%) are aged 25 plus and therefore eligible for the National Living Wage.

### Auto-enrolment take up

Employees aged twenty-two years to state pension age, working in the UK and earning above £10,000 per annum are 'Eligible jobholders' and must be automatically enrolled for a workplace pension.

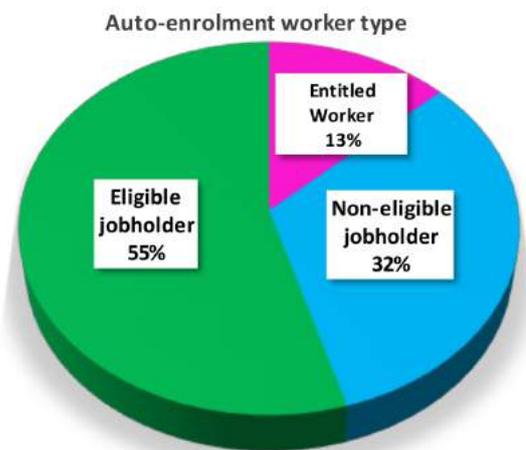
Earnings	Age (Inclusive)		
	16-21	22-SPA*	SPA-74
Lower earnings threshold (£5,876 per annum) or below	Entitled worker		
More than the lower earnings threshold (£5,876 per annum) up to and including the earnings trigger for automatic enrolment (£10,000 per annum)	Non-eligible jobholder		
Over the earnings trigger for automatic enrolment (£10,000 per annum)	Non-eligible jobholder	Eligible jobholder	Non-eligible jobholder

\*SPA: State Pension Age

Employers are also obliged to pay contributions for 'Non-eligible jobholders' choosing to opt-in to a pension scheme. 'Entitled workers' have a right to opt in but employers are not required to make contributions for these staff.

Age and income data collected in the survey was used to classify sector employees into the worker categories outlined. Although many workers meet the age criteria, the level of part time working means many do not reach the earnings trigger.

Excluding bank and agency staff,<sup>14</sup> an estimated 55% of the early years workforce are 'Eligible jobholders', automatically enrolled for a workplace pension. A third are 'None-eligible jobholders' (32%) and 'Entitled workers' make up the remaining 13%.



Again, excluding casual staff, 91% of 'Eligible jobholders' were making pension contributions at the time of the survey, 7% had opted out and 2% were reported as non-eligible by the provider completing the survey return.<sup>15</sup>

Less than one in five 'Entitled workers' were reported as making pension contributions (18%), which employers are not required to match.

Almost two fifths of 'Non-eligible' jobholders were making contributions (39%); in these cases, employers are required to pay a 1% contribution.

Based on the age, income and pensions information provided it is therefore estimated that 63% of the PVI workforce on permanent or fixed term contracts are making payments AND eligible for a 1% pension contribution from their employer.

13 ONS Labour market statistics summary data tables: Table 3: Full-time, part-time and temporary workers: People by Full-time, part-time and temporary workers (seasonally adjusted). 13 September 2017.

14 Auto-enrolment analysis excludes casual staff due to the complexities in estimating annual salary.

15 This should not be taken as an indication that employers are failing to meet auto-enrolment requirements.

Latest analysis from the Office for National Statistics<sup>16</sup> shows workplace pension scheme membership in England has increased to 67.4% in 2016 from 63.1% in 2015.

In 2016, 88.1% of employees in the public sector had a workplace pension compared with 60.4% of private sector employees; this gap has been narrowing since the introduction of automatic enrolment in 2012.

### Time out of the workplace

Just over 3% of the early years workforce took paid (1.3%) or unpaid (1.8%) sickness absence in the study week and 2.67% took paid (1.9%) or unpaid (0.7%) maternity, paternity or adoption leave.

### What's coming up next

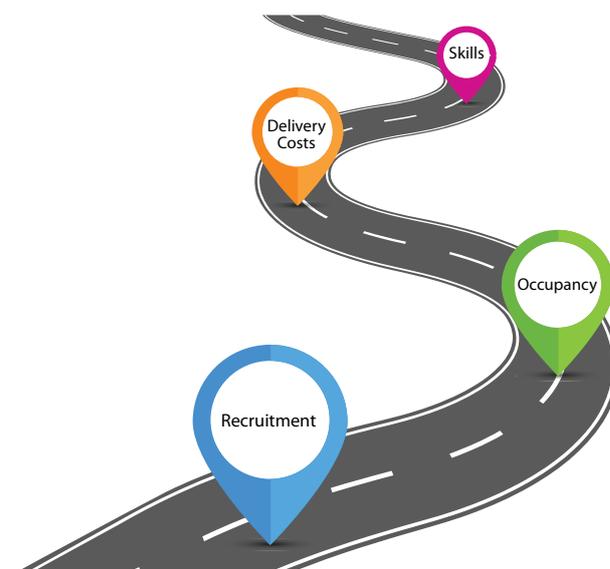
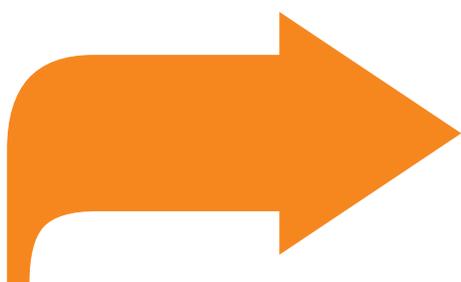
The next pre-schools and nursery survey will take place this autumn, focusing on early experience of the 30-hour rollout and updating occupancy figures. The first childminder survey will also be getting underway.

Watch your inbox for information on how to register and take part, or click to find out more.

### Thank you to all panel members, project sponsors and supporters

We would like to thank all settings joining the About Early Years Panel for sparing your valuable time to support this research. Your confidential survey results, complete with sector comparisons, will be on their way to you soon.

This independent research programme has been made possible by generous sponsorship and support from leading early years organisations. We extend our thanks to them all. Meet them overleaf.



## Join the About Early Years Panel

Inform future policy and enjoy timely, relevant sector analysis you can act on

Watch out for an invite coming your way soon or click to find out more

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<sup>16</sup> Office for National Statistics. User requested data. Proportion of employees with workplace pensions: by sector, England, 2015 to 2016. Please note figures are not directly comparable as casual staff are excluded from the PVI childcare sector analysis.

## Headline sponsors



The Pre-school Learning Alliance is the largest and most representative early years membership organisation in England. A registered educational charity, the Alliance represents 14,000 member settings and supports them to deliver care and learning to over 800,000 families every year.



An award-winning childcare social enterprise, LEYF aims to change the world one child at a time in our 38 nurseries. We offer high quality care and education to all children, regardless of their background.



Our mission is to improve the lives of children, globally. We can only achieve this by working with childcare professionals to create the very best tools, so that nursery management is easy & efficient and child development is always the main focus.

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