

How minimum wage rises will affect the early years education and childcare sector

November 27 2023, by Helen Norman, Jennifer Tomlinson and Kate Hardy



Credit: Yan Krukau from Pexels

The early years sector—nurseries and childminders who offer services to children under the age of five—waited expectantly for news of

investment in the UK chancellor's recent autumn statement. But this was not delivered, even though Jeremy Hunt presented 110 economic measures designed to boost UK growth and productivity.

Expanding access to early years care is vital for addressing socio-economic inequality, educating society's youngest members, enabling [early interventions](#) in children's lives and helping more parents access the labor market or increase their participation in work.

In his 2023 spring budget, Hunt announced a significant extension in entitlement for "free hours" of [early education](#) and care for parents of pre-school children. The government has committed an additional £4.1 billion by 2027–2028 to fund the expansion, which includes £204 million in 2023–24 (from September) to bring funding closer in line with the cost of provision.

The basis of this expansion must be high-quality early years education and care, which can only be delivered by committed professionals who are highly trained, recognized and rewarded. These working conditions lay the foundation for the learning conditions of our youngest citizens.

Even with the additional financial input from the spring budget, however, the [CBI has estimated](#) that the full cost of this expansion will be more than twice as much, at £8.9bn. The early years sector had high hopes that the autumn statement would bring further announcements to close this funding gap and support early years providers in delivering this expansion.

Providers we interviewed for [a recent study](#), for example, put increased base funding rates per child at the top of their wish list for the support needed to fuel the expansion. But that wasn't announced in the autumn statement.

Minimum wage boost will help childcare workers

The government did [increase minimum wage rates](#), however. These rises are welcome: they support the lowest-paid workers to improve their standards of living and experiences of work. Enduring low pay remains a structural feature of the early years sector.

[Our recent research](#) showed that low pay and lack of pay progression over time were seen by staff as a key reason for job dissatisfaction.

But many providers are already struggling to pay the wages of their staff while also affording other inflation-linked pressures. Minimum wage increases will push up the wage bill for many nursery providers and may lead to further compression of pay scales, which could drive more workers out of the sector.

In [a report on the workforce](#) co-authored with the Early Education and Care Coalition, we identified retention of staff as one of the key challenges facing the sector. More specifically, this would help support the expansion in childcare places needed under government plans.

Instead, we found evidence of a growing early years' workforce crisis: 57% of nursery staff and 38% of childminders are considering quitting the sector within the next year. Even before the announced minimum wage increase, many nurseries told us they were unlikely to offer new entitlements to children under three because they can't recruit and retain suitably qualified staff.

Now that providers must manage [additional costs](#) to boost employee wages too, the proposed childcare expansion plan is likely to be undeliverable.

How to help the early years sector

Retention of current staff and packages to attract committed early years professionals back to the sector are both essential to deliver current places for children and enable expansion in the short term.

Retaining current childminders is crucial, as many are leaving the sector in order to retire. This leaves a smaller pool of potential "returners." Our research shows that many people who have recently left are still very committed to the sector and would be willing to return if issues such as pay and working conditions are addressed.

As the largest buyer of early years provision, through free hours entitlements, the government has a central and defining role in addressing the recruitment and retention crisis by improving these terms and conditions. The chronic underfunding of the free hours program has left virtually no scope to address low salaries in the sector, [both during and since COVID](#).

In order to encourage early years professionals to remain or return, pay must be improved across the board. Sufficient increases should track improved training and increasing seniority. Ongoing monitoring of pay and conditions is also needed.

The early years sector has been held back for far too long because of piecemeal interventions that have short-term effects but fail to address the wider issues its workforce is facing.

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