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Help, our nursery's gone bust … again!

Ingela Naumann **reflects on the risks of leaving childcare to the market**

For some years I have studied Early Childhood Education and Care systems across Europe, and as the mother of two small children I have also come to learn how ECEC provision in Scotland works in practice.

Researchers usually work hard to keep personal experiences out of their analyses. Individual experiences can't be generalised, yet they can illustrate issues policy analysis has difficulty expressing: for example, that emotions – love, attachment, trust – and the development of personal relations are central to the care and education of small children.

This is particularly relevant today, as it has become increasingly popular to talk about ECEC in economic terms, as social investment. The idea that every pound invested yields manifold returns through parental employment, tax revenue, poverty prevention and positive effects on children's life courses, has led to positive change with governments acting to expand provision and develop early years frameworks. Having lagged behind, the UK Government now spends as much on ECEC as Europe's showcase example, Sweden. But an economic perspective is not always conducive to good quality education and care.

In Scotland and the UK, investment is in a two-pronged system: on one hand, quite generously funded council-run 'nursery education', on the other 'childcare' operating on a regulated free market principle. The UK Government has actively supported the creation of a childcare market by directing subsidies to parents through tax credits. The theory is this empowers parents to choose services, and competition among providers increases efficiency and improves quality. The underlying assumption is that supply reflects demand: parents will withdraw children from 'bad' nurseries and those with fees that are too high will be priced out of the market.

But does this work in practice? As with most families of small children with working parents, my own family depends on private childcare. We have, for logistical reasons, only recently been able to take advantage of the free council-run nursery education available for our daughter since she turned three a year ago. Which working parent is able to bring their child to nursery at 9.00 am then pick them up again at 11.30? We have found childcare costs astronomical: part-time places for our two preschool children equal 33% of our household income – a situation that reflects the average household expenses for childcare in the UK. In Sweden, we would be spending 6% of our family income – for full-time education and care! But costs are not the only problem: it is the volatility of childcare provision that we have found particularly difficult.

Within 3 years we lost childcare places twice due to nurseries going into liquidation. On the first occasion we coped fairly easily: we had time to put our daughter on waiting lists for other nurseries. The second time, the closure hit us with full force. It happened only weeks before I was due to return to work after maternity leave with my second child, so this time we needed two nursery places, but intensive searching yielded no success. No nursery within viable distance of home or work had space for our children, nor could we find a childminder. There were long waiting lists for both. Eventually we cobbled together a complex set of care arrangements: my partner changed his work patterns to weekends and night shifts, while babysitters, a part-time nanny (like most parents, we cannot afford a full-time nanny), and grandma came in at various times.

Are these extraordinary experiences? By no means: a recent study by Growing Up in Scotland shows the majority of working parents in Scotland use complex and multiple care arrangements involving a number of formal and informal carers, and that these arrangements have changed over time for many families. This may suit some, but for others it is the result of sheer need. And constant juggling, reshuffling and reorganising of childcare comes at a high price: stress and anxiety for parents, and sometimes, when everything fails, the loss of their jobs. For children, the frequent change of arrangements means being uprooted from familiar care settings, losing bonds with carers they've grown fond of and losing their friends.

Expertise in early child development has come a long way since Bowlby proposed children under three need an exclusive, symbiotic relationship with one primary carer – ordinarily their mother. Today, research emphasises maternal employment is not harmful for children, and that extra-familial childcare and education is good for them, as long as it is of good quality. It is also popular to quote the African proverb "it takes a whole village to raise a child": *ergo*, get the children out of the home into different care settings. But how can you become a village, or community, if settings constantly change? How can children, and their parents, form secure relationships outside the home that help them grow if the people surrounding them keep changing?

The point is that childcare, when left to the free market, is risky for everyone. Research indicates childcare markets do not behave according to economic theory. High prices should signal high demand, but here not enough new places are being created. Parents' choices are often geographically constrained, meaning nurseries dictate prices and conditions. And childcare is not particularly profitable. The scope for efficiency gains is limited, as there are only so many children a carer can look after without hampering quality of care and ultimately child safety, and profit margins are low, as most income goes on staff salaries. Commercial operators can be tempted to trade efficiency for quality; international research indicates quality tends to be more stable and higher in public and non-profit settings.

High fixed costs also make childcare businesses vulnerable to economic change. Recent UK surveys found that occupancy in nurseries had decreased since the recession as parents were less able to afford childcare; the number of nurseries running a deficit had increased from 13% to 19% between 2009 and 2010; and the number of operating nurseries in the UK had decreased by 7% between 2008 and 2010. Small-scale, for-profit providers are more vulnerable, as are nurseries in deprived areas, where families are hit harder by recession.

If high fees force parents to reduce the childcare they buy, leading to nurseries going bankrupt and loss of childcare places, this is hardly a sign of a market ’sorting itself out’, but of market failure. When good quality nurseries close everyone loses out: owners forego profits, childcare staff suffer redundancies and parents risk losing their jobs. This is hardly economically efficient, and it is ultimately costly for government to pay the social bill. But nursery closures are damaging in other ways. When parents look for good childcare, they look for carers who will be emotionally involved, someone they can trust who will develop personal relationships with their child and themselves. These emotional transactions cannot simply be bought, but they are crucial to a good environment for children’s development. Continuity is key to this – continuity the market cannot ensure.

This, then, is where both Scottish and UK governments need to take responsibility: childcare markets need to be managed if they are to yield positive results.

How could this be done? In Sweden, for example, fees are capped and ECEC vouchers ensure all parents have equal access to the childcare market. To boost availability, government could increase supply-side funding by providing start-up funding in less attractive locations, such as rural or deprived areas, and by expanding council-run sites where private initiatives are not forthcoming. A form of security fund for nurseries who run into financial difficulties could help stabilise the market – we bail out banks for society’s wellbeing, so why not nurseries? Most urgently: government must end the artificial division between ’early education’ and ’childcare’. Children learn when they play, when they eat, when they go to the park with their peers. But they only learn well and thrive in loving and safe environments. Lastly, in view of the UK government’s policy stance to encourage parents of small children to work – and not just a little, as the tightening of tax credit eligilibity demonstrates – a guaranteed ECEC place for every child following the end of maternity leave would be economically rational. Such measures could help make Alex Salmond’s aspiration for childcare to ”match the best in Europe” a reality.

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