

Overview and summary

The subject of this report is early years education and childcare, by which we mean the full range of provision, activities and experiences aimed at children prior to their entry into primary school, encompassing education and wider child development, as well as childcare. The topic has grown in prominence over the past two decades, largely because of its perceived potential to address a number of social policy objectives:

- Improving developmental and educational outcomes for children.
- Tackling disadvantage by addressing the attainment gaps already apparent between children of different backgrounds by the time they start school.
- Increasing maternal employment rates, with associated reductions in welfare expenditure and increases in tax revenues.

There may well be tensions between these objectives. For example, high quality early education may be better for outcomes, but more expensive provision may be less affordable for families, inhibiting maternal employment and associated fiscal benefits. There are questions about whether the evidence underpinning the rationale for state intervention is sufficiently strong, and about the extent to which expected gains have been achieved. These are all important questions, not least during a time of austerity.

The Nuffield Foundation has funded over 20 projects relating to early years education and childcare over the last five years, with a total contribution of around £2 million. Our work has been driven by a range of perspectives. Many projects take a longitudinal view of the potential benefits of early years education and childcare and the extent to which they have been realised, addressing factors associated with education and child development outcomes across the life-course, and the relationship between them. Others attempt to identify causal mechanisms that can help inform the design of early years interventions. We have funded projects that consider a broad range of institutional and more informal arrangements for delivering early years education and care and, importantly, how they fit together. Finally, our interests in the wider implications for public policy are reflected in our funding for projects which examine issues such as funding and quality regimes, and approaches to affordable childcare, often drawing on international comparators.

Our aims in publishing this report are to:

1. Highlight key insights from the work we have funded in order to increase understanding of how outcomes in the early years and beyond can be improved through changes to policy and practice.

2. Set these new insights in the context of existing evidence. We do this by synthesising and critically appraising a large and complex body of evidence, highlighting connections and tensions, as well as gaps and uncertainties.
3. Set out the themes, priorities and questions for the Nuffield Foundation's new funding programme, *Early Years Education and Childcare*. We hope this programme will make a major contribution to this wider evidence base in the coming years.

Our primary audience is the research community in its broadest sense: not only academics based in universities and research institutes, but also those who are directly involved in bringing research to bear on early years policy and practice. We also want to engage with researchers from a range of disciplinary backgrounds and to encourage dialogue between them. Some of these, such as speech and language therapists, and those studying business and management, may not have previously been considered central to the early years research community, but we have identified a need for their expertise. We also hope this report serves as a useful resource for policy-makers, practitioners and other research funders.

Summary of key messages

Expansion and the mixed market

The past two decades have seen nothing short of a revolution in the priority and pace of change in public policy for education and childcare. There has been a rapid expansion in the overall scale of provision, partly in response to increased public investment. Successive UK governments have sustained a commitment to a mixed economy of providers and the promotion of parental choice. However, by far the greatest increase has come from private, voluntary and independent providers (such as childcare chains, Montessori nurseries and community-based centres) rather than the publicly-maintained sector. This mixed market model seems unlikely to change, though we believe the evidence raises questions about whether it currently provides consistently high quality childcare.

Funding and take-up

Public funding has been allocated both to the universal free entitlement to part-time early years education and childcare and to assist families with the costs of childcare. There has been a significant growth in take-up of provision overall, but availability varies by region and participation remains proportionally lower for disadvantaged groups, even though evidence suggests they have the most to gain.

Quality and disadvantage

There is strong evidence that the overall quality of provision is lower amongst private and voluntary sector providers than in the public sector. This is particularly true in disadvantaged areas. However, there are suggestions that in comparison with other countries, England has been more successful in using early education and childcare to counteract disadvantage. A key contributory factor is that children in deprived,

predominantly urban, areas tend to access publicly maintained provision, such as children's centres and nurseries attached to primary schools, where quality is higher:

Costs for families

Another encouraging sign is that the percentage of disposable family income allocated to childcare has improved – in that it has decreased – for most families, at least up to 2012. Even so, costs to families for early years education and childcare in the UK remain among the highest in the OECD. This overall picture masks substantial variation by family type, working pattern and position on the income distribution. On average, though, low-income families and lone parents in the UK fare relatively well; they have lower net childcare costs as a proportion of family income than similar families in other OECD countries. This is not the case for moderate and high-income families.

Evidence on outcomes

Evidence on whether the policy measures have delivered as intended is still emerging in the UK. We know that when early years settings are of high quality, there are positive effects on a range of child outcomes that are sustained well into the teenage years. However, when we look across provision as a whole, the effects are much more modest and fade out over the course of the primary phase of schooling. There are a number of possible explanations, but it is likely that a combination of two factors in particular have played a part: improvements to primary education may have dampened any effect of early years education and childcare; and the variable quality of provision may have limited the potential impact. In addition, it appears that there is a fair amount of 'dead-weight' state funding, whereby public expenditure is substituted for activity that would otherwise be privately funded. Of course, this is more likely for policies that are universal rather than targeted, but it is difficult to evaluate how much of a problem it is.

At the same time, the effects of free entitlement to early years education and childcare on maternal employment are modest. This is perhaps unsurprising given that so much provision is not necessarily designed to fit working patterns, and the design of work incentives could be improved to reduce the very high marginal deduction rates (where, for example, a high proportion of additional earnings is lost in reduced tax credits or benefits) faced by some subgroups.

Driving quality

The research we have funded provides some evidence about the factors that may lead to higher quality early years education and childcare. There is growing evidence that development of both cognitive and non-cognitive skills in the early years are important in improving later outcomes for children. Work funded under our 'Foundations for Learning' theme has demonstrated that a particular focus on early oral language skills is a crucial precursor for later language and literacy development and other aspects of 'school-readiness'. There are already a few properly trialled interventions that have been shown to help boost these skills, including for children

who, for a variety of reasons, experience delays in their development. But in this and other areas there needs to be greater investment in developing evidence-based practice in the early years sector.

Staff qualifications

There is a strong relationship between the level of staff qualifications and the quality of early years education and childcare, and there is scope to use funding mechanisms channelled through providers to create stronger incentives for higher quality care. In the private and voluntary sector, where quality is lower overall, providers with better qualified staff are more likely to provide higher quality care, whatever the level of advantage or disadvantage of their intake of children. But across all providers, it is specifically graduate leadership that is associated with a narrower gap in measures of quality between those settings located in the most and least deprived areas. This is an important finding, but we do not know nearly enough about whether it is the skills that graduates have developed through their higher education that are playing a part, nor about how the skills of graduates are best deployed in early years settings.

Further expansion of public funding?

In conclusion, we find the evidence that might be used to support further expansion of public funding of early years education and childcare is far from conclusive. The immediate priorities should be to ensure that the most effective use is made of existing funding to improve incentives for higher quality care, whilst at the same time improving the evidence base that might support any future funding expansion.

What we do know is that quality – in terms of content, delivery and organisation – is of central importance to the outcomes of early years education and childcare. This is particularly true for disadvantaged groups. Yet the rapid expansion of provision seen over the past two decades may have privileged quantity over quality, and not given adequate consideration to the detailed aspects of early years settings that drive positive outcomes. So before a strong case for significant further investment in early years can be mounted, there needs to be a significant improvement in our understanding of how funding currently flows and might better flow; how quality might be improved and regulated to maximise effects on child outcomes; and how provision might best fit in with the family context, not least for working parents.

The Nuffield Foundation's new funding programme: *Early Years Education and Childcare*

Our new programme aims to address some of the gaps we have highlighted. We hope it will also help address some of the structural challenges we have identified – such as the availability and quality of data and the fragmented nature of the early years sector – which are constraining efforts to improve the evidence base. This new programme will address five key themes:

- **Impact on children's outcomes.** We want to improve our understanding of the impact of early years education and childcare on educational attainment and broader child development outcomes, and the mechanisms through which this is achieved. This is critical to the design and evaluation of formal interventions.
- **Tackling social disadvantage.** We have a particular interest in understanding the extent to which variations in attainment and other outcomes at school entry are underpinned by broader structural differences in society, and the potential role that early years education and childcare might play in narrowing these gaps.
- **The parental and family context.** We are interested in the potential for early years education and childcare to improve the quality of parenting and family childcare, both as an objective in its own right and because of the potential consequences for improved children's outcomes. What are the opportunities to improve the home learning environment and to better integrate early years education and childcare with other services?
- **Wider societal impacts.** What are the costs and benefits of early years education and childcare and how are these distributed across different sections of society? This includes employers and other beneficiaries as well as families with children under five.
- **Public policy mechanisms.** There is an urgent need to improve our understanding of the early years 'market', and in particular the workings of private and voluntary sector providers, to inform the design and focus of future policies to improve quality.

Further detail on our funding priorities can be found in Chapter 4, and at www.nuffieldfoundation.org/apply-for-funding

Structure

The report has four chapters:

Chapter 1 defines early years education and childcare and sets out why it is important; the approach that the Foundation has taken to date; and what we believe is distinctive about our involvement.

Chapter 2 outlines the current state of early years policy and provision, including how and why the current model developed as it has.

Chapter 3 discusses what we have learned from work the Foundation has funded on early years education and childcare, puts that in the context of the wider evidence, and identifies some particularly pressing gaps in our understanding. We examine the key findings relating to the potential for early years education and childcare to fulfil its aims of improving child development outcomes, narrowing the attainment gap, and improving parental employment. We also consider some of the wider public policy implications of the work we have funded.

Chapter 4 sets out the key priorities for the Foundation's work in early years education and childcare, in the form of a detailed rubric for our new research programme.