# Childcare and COVID-19: Impacts on opening, child attendance, staffing and income

The COVID-19 pandemic and accompanying lockdown has presented an enormous challenge to the provision of childcare in England. Not only have social distancing and safety measures required changes to how care is delivered, but the combination of instruction for parents to look after their children at home where possible with the request for settings to remain open for children of key workers and vulnerable children has raised an almost unique challenge to continue delivery with substantially reduced demand and income. Working in collaboration with NatCen Social Research, Frontier has analysed survey data collected in the midst of the crisis in July to provide new insights on how providers responded to this challenging situation. The findings indicate substantial adjustments in opening hours and staffing during the lockdown, alongside notable variations in child attendance and losses in income. We also looked at how provision may recover over the coming year.

## How did COVID-19 affect childcare in England?

When the lockdown began at the end of March, most parents were instructed to look after their children at home. Childcare settings were asked to remain open, where possible, in order to provide care for children of key workers and the most vulnerable children. While it has been estimated that around 40% of children under the age of five were eligible for this care, take-up was much lower and initially only around one third of childcare settings remained open. Settings were encouraged to open up again to all children from the beginning of June and around two thirds were open during the first two weeks of July.[1] Government guidance on operational changes to reduce the spread of COVID-19 included restrictions on child numbers and the use of "bubbles" was only relaxed from the end of July.

Childcare is primarily delivered in the private market: around 20% of settings are private (for-profit) group-based providers, around 12% are voluntary (not-for-profit) providers, 12% are school-based (mainly maintained) providers and over half (54%) are childminders.[2] [3] Moreover, providers are heavily reliant on parent-paid fees for income: on average, 45% of income for private providers, 27% for voluntary providers and 76% for childminders comes from parent-paid fees, with most of the remainder being Government funding for the delivery of free early education places. School-based provision is primarily Government funded: on average, settings receive only 7% of their income from parent-paid fees and around three-quarters (74%) comes from Government funding for free places.[4]

Potentially, then, lockdown could have been financially devastating for the childcare market and a large segment of all provision, leading to widespread closures and firing of staff. However, the Government took several key steps to protect providers financially:

[1] See Early Years Attendance during the Coronavirus Outbreak.

[2] See SCEYP Main Summary 2019.

[3] Although childminders only deliver around 14% of childcare places because they look after far fewer children per setting than other provider types. Hence, while childminders play a dominant role in terms of provider numbers (as used in the analysis presented in this bulletin), their role in total provision in terms of place numbers is much smaller.

[4] See figure 13 in SCEYP Finance Report 2018.

- Funding for free hours continued to be paid based on expected numbers of children in free places regardless of they were actually used or even whether the setting remained open.
- The Coronavirus Job Retention Scheme (furlough scheme) partially compensated providers for lost income from parent-paid fees by paying 80% of staff costs for the relevant childcare hours.
- The Self-Employment Income Support Scheme (SEISS) paid self-employed providers (almost entirely childminders) a proportion (initially 80% and later 70%) of their gross profits if they experienced any reduction in income from parent-paid fees due to the lockdown.[5]

## How have we measured the impacts?

In June, the Department for Education commissioned NatCen Social Research and Frontier Economics to undertake a short online survey[6] of providers in England to capture how they had responded to the pandemic, the state of provision as they started to emerge from the lockdown, and the potential longer-term consequences for the market. The survey was undertaken between 2nd and 20th July and received responses from 4,012 providers[7]. Responses were broadly distributed across all regions of England and the survey has been weighted to ensure the findings are nationally representative. In addition, because the response from closed settings was understandably substantially lower than from open ones, findings presented here concerning the proportion of closed settings have been reweighted according to administrative data on the proportion of closed settings at the time of the survey.[8]

## How many settings closed or reduced opening times?

Around one third of settings were closed during the first couple of weeks of July[9], although the proportion was much lower for school-based providers (figure 1). Moreover, more than half of settings that remained open reduced their opening times, with most of these reducing their daily hours and around half of these reducing the number of days they were open. The patterns of shorter opening times were similar across the provider types. Overall, because of the differences in closures, a higher proportion of school-based providers kept the same opening times than other provider types (shown in the yellow blocks in figure 1).

Very few providers who were closed reported that they were permanently rather than temporarily closed. Indeed, almost all providers (96%) expected to be open in September (figure 2). Moreover, two-thirds of providers expected to be opening for the same number of days and weekly hours as pre-COVID. However, around one in five providers (22%) were anticipating that they would be open for shorter hours in September, with almost one in three childminders expecting this. A small proportion expected to be open for more days or hours, although this most likely reflects natural changes in the market unrelated to the pandemic. Overall, the indications are that while COVID-19 will not have reduced the number of childcare settings (at least in the short term), it may have a lasting impact on opening times.

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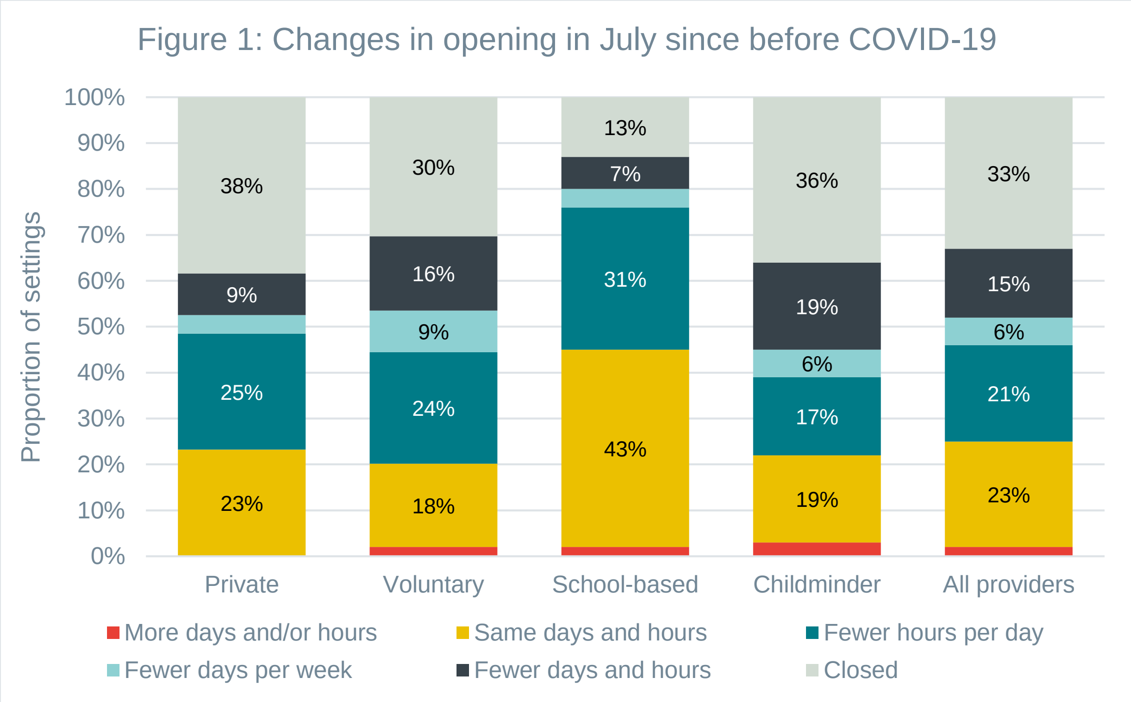
[5] Providers could also have been supported through the business rate holiday, Universal Credit and various other grants, loans and VAT deferral.

[6] This survey was undertaken as part of the regular series of childcare provider surveys called SCEYP (Survey of Childcare and Early Years Providers). For more information on the survey see https://www.gov.uk/government/publications/survey-of-childcare-and-early-years-providers-and-covid-19-coronavirus

[7] These included 809 private providers, 517 voluntary providers, 396 school-based providers, 2,248 childminders and 42 other group-based providers (such as Local Authority maintained provision). Of the 396 school-based providers, 59 were Maintained Nursery Schools.

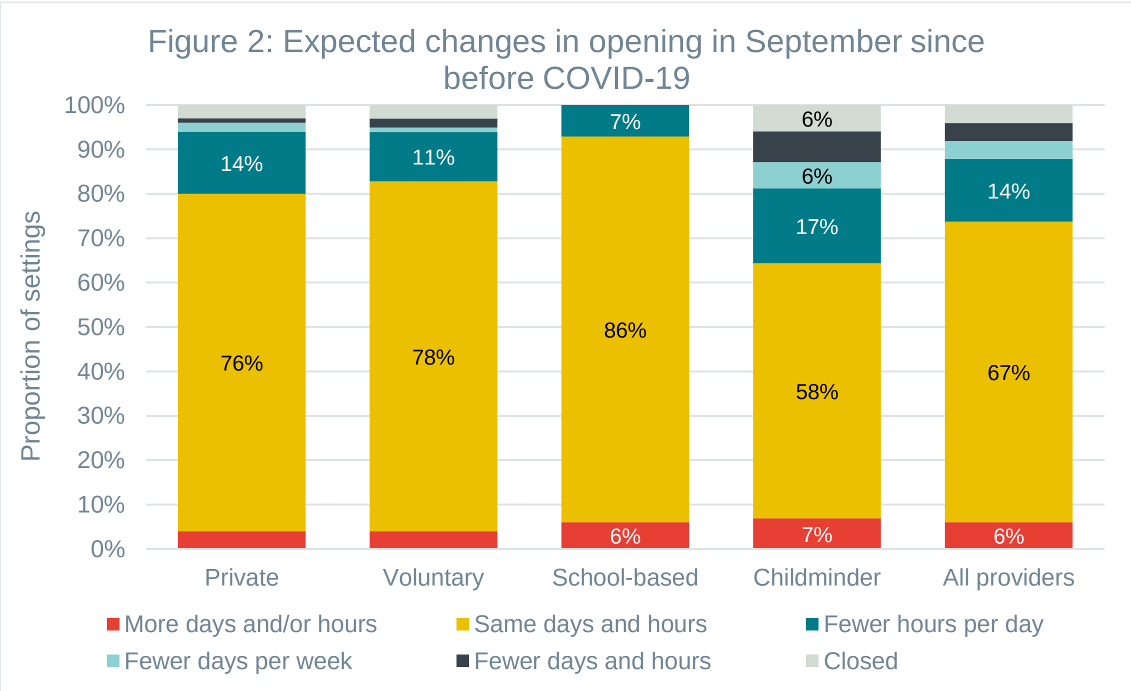
[8] Specifically, data for weeks 9/7 and 16/7 showed that 30% of settings were closed, 62% were open and 9% had unknown status. Of those with known status, 33% were closed and 67% were open. As the proportions in the data were 18% closed and 82% open, the survey weights for closed settings were multiplied by 33/18 and the weights for open settings were multiplied by 67/82. However, it should be noted that these proportions are estimates from the Department from Education based on the responses from a survey of Local Authorities (see Early Years Attendance during the Coronavirus Outbreak).

[9] To note, this proportion was 18% in the survey and the 33% is a direct result of the weighting to match the administrative figures for the weeks of the survey.




*Source: Authors' calculations using data from the SCEYP COVID Survey 2020*

*Notes: Sample sizes are 808 for private providers, 517 for voluntary providers, 395 for school-based providers, 2,234 for childminders and 3,996 for all providers. All providers include 42 other types of group-based providers. Data labels for proportions less than 5% have been omitted to aid clarity in the figure.*




*Source: Authors' calculations using data from the SCEYP COVID Survey 2020*

*Notes: Sample sizes are 805 for private providers, 516 for voluntary providers, 396 for school-based providers, 2,221 for childminders and 3,980 for all providers. All providers include 42 other types of group-based providers. Data labels for proportions less than 5% have been omitted to aid clarity in the figure.*

## How many children still attended?

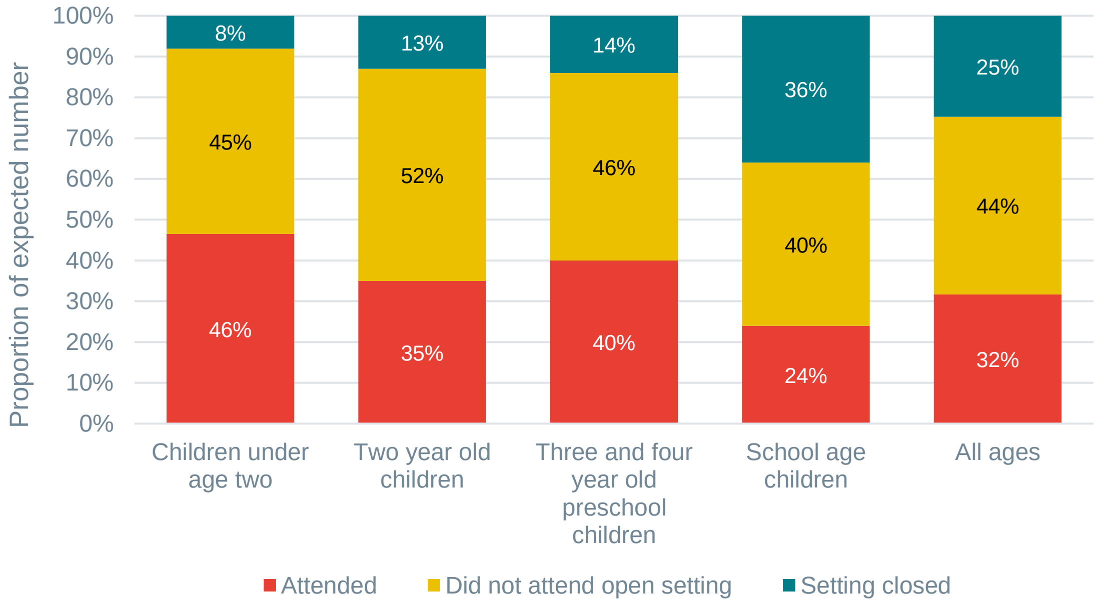
A key concern for childcare provision is not only the financial sustainability of providers but that lower attendance in pre-school early education may have adverse impacts on child development in preparing for school. Our survey therefore asked providers how many children were attending during the first two weeks in July relative to the number they would have expected during that period.[10] This was asked for four age groups of children: those under age two, two year old children, three and four year old preschool children and school aged children (who would be or have been attending wrap-around care).

Unsurprisingly, almost all settings (95%) that remained open had reduced their child numbers in July for at least one age group. This proportion was slightly lower for childminders than for other provider types, but this reflects that childminders have far fewer children and are therefore both less likely to have absent children if they remained open and more likely to have closed with a fall in demand.

The more interesting question is how COVID-19 impacted total attendance for children and whether the effects differed by age? Because the survey asked closed settings how many children they were expecting, we were able to estimate the total proportion of children who attended relative to the total number expected. This does not capture any reduction in childcare hours, but it does give an indication of the proportion of children who were missing out completely on any time in childcare (and of the proportion of parents without any care for children).

As shown in figure 3, only around one third children who were expected to attend in July actually spent any time in the setting. Attendance was highest among children under the age of two and lowest for school age children, partly reflecting that school age children were more likely to attend wrap-around care in settings which were closed altogether. Some 44% of children did not attend settings even though they were open and one quarter were expected to have attended settings which were closed.

Figure 3: Attendance in July by age of child




*Source: Authors' calculations using data from the SCEYP COVID Survey 2020*

*Notes: Sample sizes are 3,841 settings for children under age two, 3,821 settings for children aged two, 3,842 settings for three and four year old preschool children and 3,818 settings for school age children.*

Attendance rates for all ages of children were similar across provider types[11]. However, attendance for preschool children was higher for private providers and childminders than for voluntary and school-based providers while attendance for school age children was considerably higher for school-based providers than other provider types. Hence, the likelihood that a child of a particular age attended varied considerably by the type of provider that the child was expected to attend. For preschool

[10] It was important to ask relative to the numbers expected rather than the number that had been attending prior to COVID-19 because attendance is always higher in the summer term than in the spring term due to the cohort of children that move into school in September.

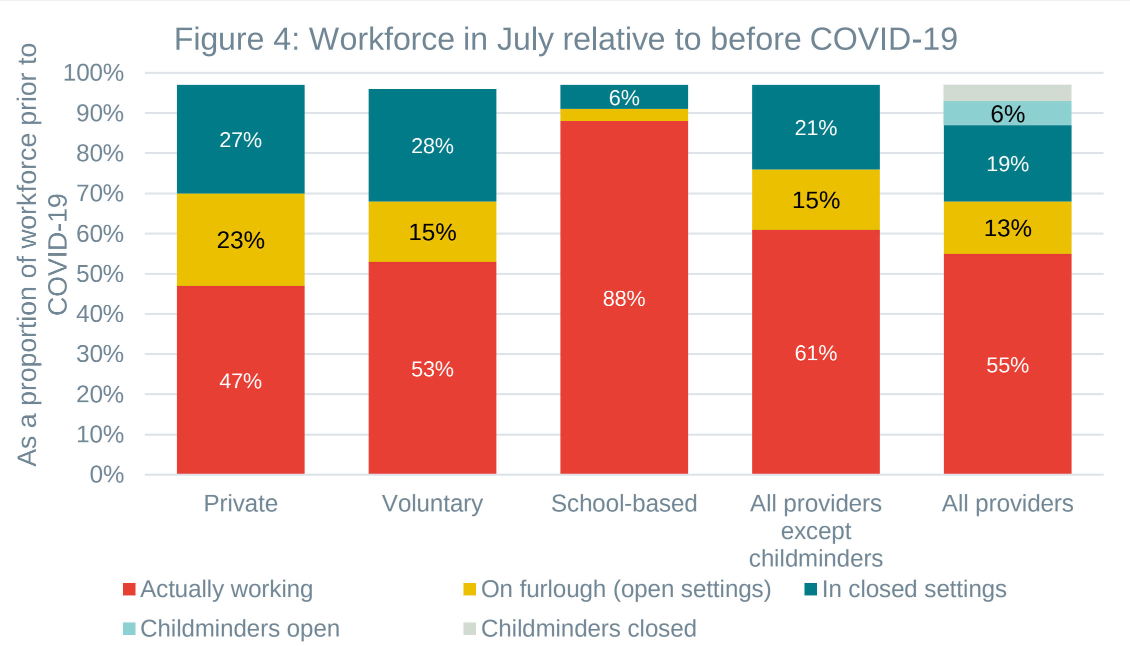
[11] The rates of attendance for all ages of children were 30% for private providers, 27% for voluntary providers, 35% for school-based providers and 32% for childminders.

children, the higher attendance rate for private providers and childminders may have reflected that their provision was more suited to the needs of key workers and other parents in need of childcare for work reasons.

## What happened to the workforce?

Another concern is the impact that the lockdown may have had on staffing in childcare settings and possible effects on the workforce. The furlough scheme aimed to prevent substantial permanent loss of staff and most group providers[12] that were open reported that they had used the scheme: 47% reported that they were still using it in July while a further 9% reported that they had used it earlier in the lockdown. Given that the furlough scheme could only be used by settings where parents paid for some hours (that is, were not entirely funded by the free entitlement or other Government sources), it is not surprising that 87% of private providers and 61% of voluntary providers were using or had used the scheme compared to only 14% of school-based providers.[13]

Most group providers (not childminders) (71%) that were open in July reported that they had the same number of employed staff (including those on furlough) as they had prior to the lockdown. Some 22% reported a lower number of employed staff in July and only 7% reported a higher number. While some variations in the number would be expected even in the absence of the lockdown, the proportion reducing total staff numbers was high. Indeed, this number was substantially higher for private and voluntary providers than school-based providers (28% and 25% compared to 14%).




*Source: Authors' calculations using data from the SCEYP COVID Survey 2020*

*Notes: Sample sizes are 800 settings for private providers, 514 settings for voluntary providers, 381 settings for school-based providers, 2,248 settings for childminders and 3,984 settings for all providers. All providers include 41 settings for other types of group-based providers. Data labels for proportions less than 5% have been omitted to aid clarity in the figure.*

A more critical question is possibly to ask what happened to the total workforce numbers in July (including those on furlough) compared to before the lockdown? The number of staff actually working in group settings in July was 61% of the number prior to the lockdown, while staff furloughed from open settings constituted 15% of the number prior to lockdown (penultimate column in figure 4). Information on the number of staff prior to lockdown collected from settings closed in July indicates that 21% of the

[12] Childminders were not asked questions about staff because very few employ additional staff.

[13] For settings open in July, 75% of private providers were currently using the scheme while 12% had previously used it, 48% of voluntary providers were currently using the scheme while 13% had previously used it and 11% of school-based providers were currently using the scheme while 2% had previously used it (due to rounding the last two proportions sum to 14%).

pre-lockdown workforce is either on furlough from closed settings or are no longer employed (we cannot tell which from the survey[14]). If we add childminders into these workforce numbers (assuming each constitutes one staff member as few childminders have any supporting staff), the final column of figure 5 indicates that the working workforce in July was 61% of that prior to lockdown. The estimated proportion on furlough varies between 13% and 32% (dependent upon what has happened to staff in closed settings), with the remaining proportion (between 3% and 26%) constituting a reduction in the number employed in group settings or no longer in business as childminders. While this leaves open the big question of how many furloughed workers and workers in currently closed settings will return to work in the sector, it does show that more than half of the workforce were actually working in July.

While most settings that were open did not change the total number of staff they employed (including those furloughed), only 30% had the same number of full-time and part-time staff actually working in July as they had prior to the lockdown (table 1). In line with other patterns of changes, this proportion was higher for school-based providers than private or voluntary providers (57% compared to 13% and 24%). While some providers (16%) appear to have shifted from full-time to part-time workers (meaning a reduction in the number full-time and an increase in the number part-time), the reduction in the number of staff appears to have taken place fairly evenly across full-time and part-time workers.[15] As the survey did not record individual staff changes, we cannot draw strong conclusions on exactly how the use of staff changed. For example, the reduction in full-time only could reflect full-time staff moving down to part-time and part-time staff being furloughed. However, these numbers do suggest substantial changes in actual hours worked for staff.

**Table 1: Changes in staff actually working in July since before COVID-19**

| Proportion of settings with change in staff actually working | Private | Voluntary | School-based | All providers |
|---|---|---|---|---|
| Unchanged numbers full-time and part-time | 13% | 24% | 57% | 30% |
| Shift from full-time to part-time | 15% | 18% | 15% | 16% |
| Reduced number full-time only | 15% | 5% | 7% | 10% |
| Reduced number part-time only | 15% | 29% | 9% | 17% |
| Reduced numbers full-time and part-time | 39% | 20% | 7% | 23% |
| Other mixes of changes | 3% | 3% | 4% | 4% |
| *Total* | *100%* | *100%* | *100%* | *100%* |

*Source: Authors' calculations using data from the SCEYP COVID Survey 2020*

*Notes: Sample sizes are 632 for private providers, 430 for voluntary providers, 358 for school-based providers and 1,455 for all providers. All providers include 35 other types of group-based providers.*

## What happened to provider's income?

As funding for the free entitlement was maintained through the lockdown regardless of the attendance of children, the main financial risk for providers was the loss of parent-paid fee income. Given the substantial variation in dependence on fee income across providers and the differences in attendance for parent-paid hours and use of retainer fees (payments by parents to continue to hold places they were no using), it was far from clear how providers' income would be affected. Hence, the survey asked providers which were not closed for the amounts of parent-paid fees that they had expected to receive

[14] Almost all closed settings in the survey reported that they were only temporarily closed rather than permanently closed, but this may be because settings which had permanently closed since the start of lockdown would be unlikely to respond to the survey.

[15] The higher proportion of voluntary providers only reducing the number of part-time staff may reflect that these providers have more part-time staff to begin with.

and that they actually received in July, together with the proportion of their total income which came from parent-paid fees.[16]

Most providers (81%) received less income from parent-paid fees than they had expected (all sections to the left of the red blocks in figure 5). In line with other findings in this paper, the proportion of settings affected was much lower for school-based providers because 60% did not expect any income from fees, but 37% received lower fee income than expected. Figure 5 indicates the variation in the proportion of fee income that was lost across the provider types: for example, 36% of voluntary providers received none of the fee income they were expecting, while 39% of childminders received between a third and two-thirds of that expected. Overall, 13% of providers received none of that expected, while 27% received between none and a third, 29% received between one and two thirds and 11% received between two thirds and the full amount expected.

The overall impact of these reported losses in parent-paid fees on total income was estimated using the proportion of income that providers typically received from fees (and assuming that all other income sources were unchanged).[17] Overall, these estimates indicate that 10% of providers received between less than a third of expected income (with very few reporting that they received nothing), while 31% received between one and two thirds and 39% received between two thirds and the full amount expected (figure 6). Most notable, however, is how the proportions affected by a substantial reduction in income (received income less than two thirds of that expected) is substantially greater for private providers and childminders (43% and 57%) than for voluntary and school-based providers (20% and 4%), reflecting the greater reliance on parent-paid fees for private providers and childminders.

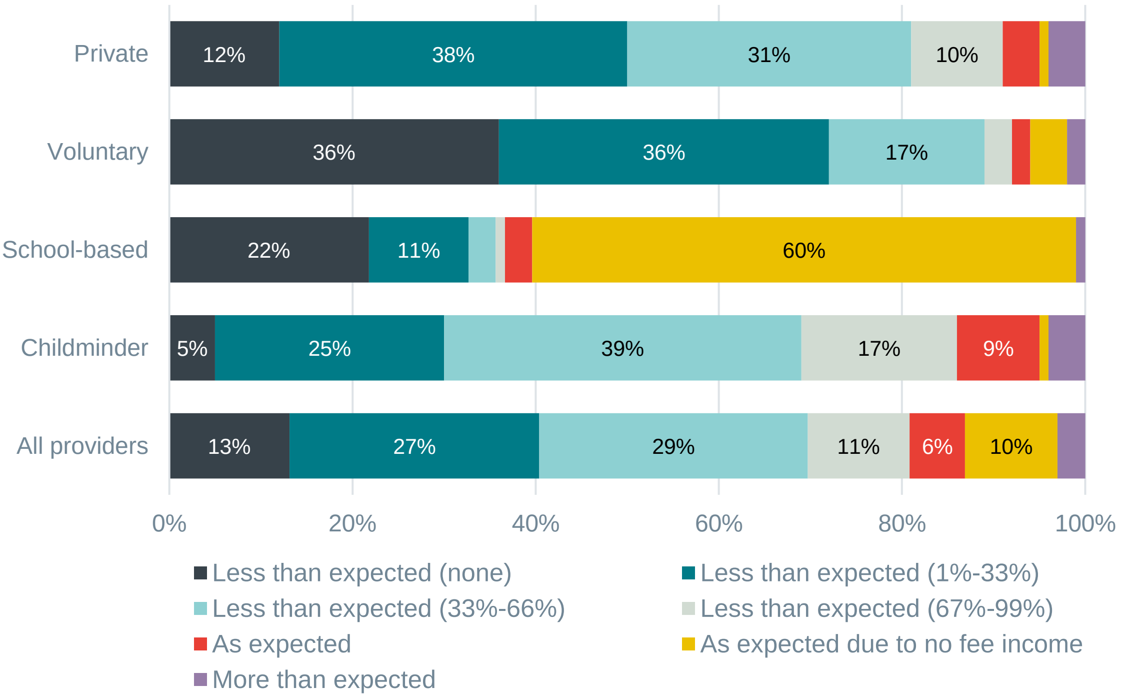
Of course, while these figures indicate substantial income losses for some providers, the risks to financial sustainability will have been mitigated both by the furlough scheme for group providers and the SEISS for childminders and by any cost-reducing adjustment made to provision. As highlighted above, 56% of group providers who were open in July were using or had used the furlough scheme which meant that staff costs for parent-paid hours which had lost fees were paid by the Government. Even if this did not support all providers with lost fee income, it appears to have been used to a greater extent by those with greater losses in income: 89% of group providers with an estimated income which is less than two thirds of that expected were currently or had used the scheme, while only 43% of other group providers had used it. Among childminders, 85% had received or applied for some type of financial support from the Government for loss of income, with 79% having received some support in July. Beyond adjustments to staffing, cost adjustments may have been quite limited: some more flexible costs (such as food or other materials) could have been reduced but many costs (including mortgage payment or rent, insurance, utility costs) may have been more challenging to reduce in the immediate term. Overall, how directly the income losses presented here will have affected financial sustainability will have mainly depended upon how well the Government support compensated for the loss in income.[18]

[16] As with child attendance numbers, the comparison is with expectations during the summer term rather than with prior to lockdown because child numbers and fee income are higher in the summer term than in the spring term.

[17] For example, if a provider reported that they received 60% of their income from parent-paid fees and only received £15,000 for the week in fees when they had expected to receive £30,000, their parent fee income would have fallen by 50% (£15,000/£30,000) and their total income by 50% x 60% = 30%. In this example, their expected total income was £50,000 and they actually received £35,000 (70% of the total expected).

[18] Blanden, J., Crawford, C., Drayton, E., Jarvie, M. and Paull, G. (2020), *Challenges for the childcare market: the implications of COVID-19 for childcare providers in England*, Institute for Fiscal Studies Report R175, September Challenges for the Childcare Market

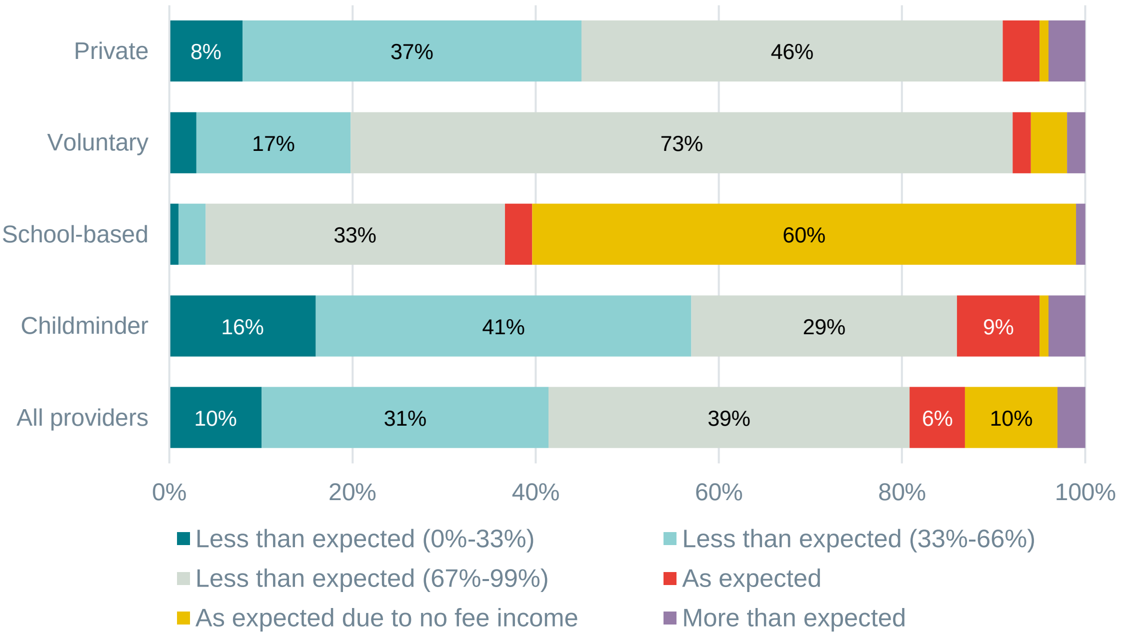
Figure 5: Parent fee income in July relative to expectations




*Source: Authors' calculations using data from the SCEYP COVID Survey 2020*

*Notes: Sample sizes are 517 for private providers, 374 for voluntary providers, 296 for school-based providers, 1,451 for childminders and 2,668 for all providers. All providers include 30 other types of group-based providers. Data labels for proportions less than 5% have been omitted to aid clarity in the figure.*

Figure 6: Estimated total income in July relative to expectations




*Source: Authors' calculations using data from the SCEYP COVID Survey 2020*

*Notes: Sample sizes are 517 for private providers, 374 for voluntary providers, 296 for school-based providers, 1,451 for childminders and 2,668 for all providers. All providers include 30 other types of group-based providers. Data labels for proportions less than 5% have been omitted to aid clarity in the figure.*

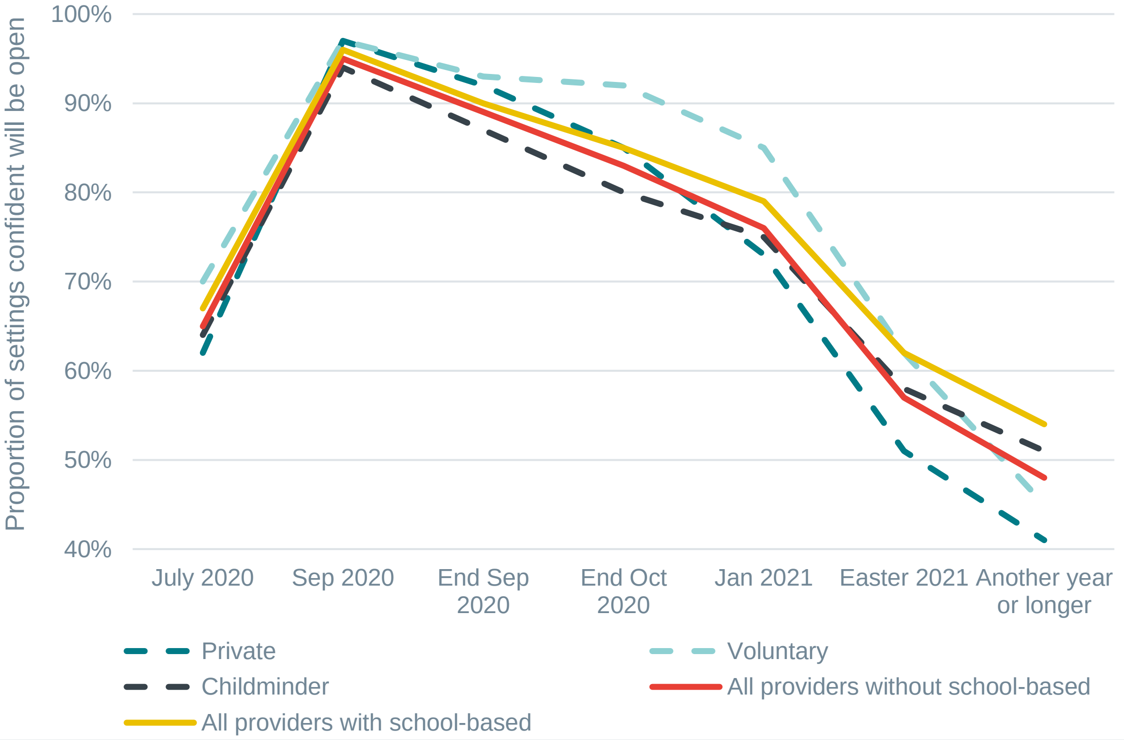
## How confident are providers for 2021?

Finally, private and voluntary providers and childminders were asked in the survey how long they were reasonably confident that it would be financially sustainable to continue to run their provision, based on the current situation (in July) and what they knew about upcoming developments. Figure 7 charts the proportions who were confident they would still be able to run their business across the five time points offered in the survey, together with the current proportion open in July and the proportion reporting that they expected to be open in September.[19]

Perhaps the most striking element of figure 7 is the similarity in the patterns for all three types of providers shown in the dashed lines. Although voluntary providers appear more confident through the Autumn and until Easter in 2021 and confidence among private providers ebbs a little more than among other providers in 2021, around half of all three provider types are reasonably confident of financial survival for another year or longer. Adding in a presumption that school provision continues as in September 2020 (the yellow line), this suggests that more than half of providers are reasonably confident that they will be delivering their provision in at least the medium term.

Given that childcare is a market subject to many uncertainties even in more normal times without a pandemic, this level of confidence for continued delivery of provision may be considered quite high in the circumstances. Unfortunately, there are no comparable statistics from other times to assess how COVID-19 and lockdown have affected providers' assessments.

Figure 7: Confidence for longer term opening




*Source: Authors' calculations using data from the SCEYP COVID Survey 2020*

*Notes: Sample sizes are 626 for private providers, 429 for voluntary providers, 396 for school-based providers, 1,771 for childminders and 3,258 for all providers.*

[19] Two assumptions were used to create this figure. First, the question was only asked of those open in July so we have assumed that those not open in July but expecting to be open in September would have responded in the same way as those open in July. Second, the question was not appropriate for school-based provider (because the decision to run provision is part of a larger school financial strategy) and we have assumed that these providers are confident to remain open for all time periods if they expect to be open in September.

## Conclusions

Childcare provision had to make substantial adjustments during the lockdown: many settings closed and many reduced their opening hours and the hours worked by their staff if they remained open. Moreover, a high proportion of children did not attend childcare provision and potentially missed out on the benefits of early education.

On the positive side, the Government's furlough scheme was widely used, particularly among providers facing the greatest losses to their income, and most childminders used the financial support available from the Government to help them through the crisis. Possibly as a consequence of this Government support, almost all settings were expecting to be open again in September (albeit with fewer opening hours for some) and around half of all providers were reasonably confident that it would be financially sustainable for them to continue to deliver childcare for another year or longer.

Going forward, the financial sustainability of childcare provision will depend upon whether parent demand returns to pre-COVID levels. If it does not, continued Government support may be required either to enable the market to survive a prolonged but temporary shock or to permanently help ensure that there is sufficient and adequate provision to support its parental work, child development and social equality objectives.

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