

snapshot research - impact of the economic downturn

In light of emerging feedback from members regarding the impact of the economic downturn, NDNA decided to conduct a short research exercise with a small sample of day nursery members around the country. This is not intended to be statistical evidence of the effect that current economic conditions are having upon day nurseries, but rather help build a picture of the current and potential impact upon day nurseries. At the end of this **snapshot report**, NDNA outlines key recommendations that the Government, local authorities and providers should consider to support day nurseries during the coming months.

headline findings...

- one third of respondents reported that occupancy was down, but one third of respondents also reported that occupancy had increased in their setting
- nine in ten had not yet been supported by their local authority in relation to sustainability, although many reported they were confident about business performance over the next year
- Four in ten had experienced changes to levels of bad debt
- Half of nurseries said they had seen 'noticeable changes' in patterns of childcare use.

a mixed picture...

Feedback from NDNA members indicated that changes in the economy were having a mixed impact. Some nurseries in 'commuter belt' areas reported that childcare usage was on the up, with parents taking more hours and returning to work earlier. In contrast, some settings were sharing stories of increased bad debt and falling occupancy, especially where local employers had already made redundancies. This snapshot research, conducted with a focus group of NDNA members, reflects this **mixed picture**.

occupancy...

With a viable occupancy level vital to the success of a day nursery, the research explored changes in occupancy. One third of respondents reported that occupancy was down, with one in ten reporting drops of 11% or more. Indicating the mixed picture that the economic climate is leading to, one third of respondents said that occupancy was on the up with most reporting small increases of up to 5%.

Of all respondents, **40% felt that changes in occupancy** could be attributed to the current climate. Just over half of respondents, 53%, said there had been 'noticeable' differences in the patterns of childcare parents were currently looking for.

impact on nursery businesses...

This research has highlighted how it is still relatively early to be concluding what impact the current situation is having upon the sector. Half of respondents said that the current climate was affecting their business, but the other half felt that it was 'too soon to tell.' Nurseries were then asked to rate how confident they were about their business performance during the next year on a scale of one to five with one classed as 'not confident at all' and five being 'very confident.'

When answering this, almost half of respondents rated their confidence as a high level four or five. However, one in five respondents reported their confidence was low, rating it as a level one or two.

increased bad debt?

40% said they had experienced increases in bad debt which could be attributed to the downturn and 30% said it was too soon to tell.

support needed...

NDNA members were then asked what **support they felt that they needed** during an economic downturn, and what would be helpful for parents. A range of answers were given in relation to this, but settings overwhelmingly said that direct payments for tax credits and increased funding for the Free Early Years Entitlement would help them. Almost all respondents selected direct payments for Tax Credits as an option that would help them, with 70% also sharing that **ringfencing Nursery Education Funding** would also make a positive difference. A number of nurseries commented that recent changes to VAT would not help them as a small business, as the savings would be very small and some settings were concerned that future increases to National Insurance could have negative implications.

help from local authorities...

With local authorities having a duty to ensure childcare is **sustainable and affordable**, providers were asked if their local authority had yet supported them in relation to sustainability. 89% said that they had not been supported, 7% did not know and 4% said that they had been supported. In addition, 49% said that sustainability funding was not available from their local authority, 31% did not know and 20% said funding was available.

future plans...

Settings were then asked what impact **the current climate has had upon plans for the future** in terms of fees or any expansion. Half reported that they were making no change to current plans for fees, although one in ten either planned to freeze fees or increase by less than originally planned.

43% said that the current situation had affected their business plans, for example expansion, whilst 47% said plans remained unaffected. One nursery commented that they had delayed expansion as a recent fall in occupancy made the future more uncertain, whilst another reported that breaking even was their main priority for the next year, and business planning would be continued later.

staff training, pay and conditions...

With staffing costs representing a significant proportion of a nursery's outgoings, respondents were then asked to rate the **likely impact of the downturn** on investment in training, staff pay and conditions. Level one was classed as 'no affect at all' and level five 'very affected.' Positively, most respondents reported that there was unlikely to be any impact on training, with seven in ten rating this as a level one or two. The biggest impact was seen as being on plans for staff pay, with four in ten rating this as a level four or five.

Respondents were also given the opportunity to make additional comments here, and a number of settings reported that they were looking for less expensive ways to support staff or reducing staffing costs - one nursery for example reported that they were only replacing two out of three staff on maternity leave and another said they were **introducing their own staff benefits** such as time off in lieu.

conclusion...

A clear picture of the impact of the economic downturn upon day nurseries has yet to emerge. Day nurseries are reporting a mixture of results, with some struggling and others reporting increase in occupancy. **Sustainable, affordable childcare** is not only a key part of successful economy but securing this is also a duty for local authorities under the Childcare Act 2006. It is essential that both providers and local authorities carefully plan and explore what the local impact of the current climate could be - NDNA makes a number of recommendations below.

recommendations:

- local authorities to highlight the availability of any sustainability funding and grants for quality improvement. It is vital that local authorities plan likely demand, update childcare sufficiency assessments and allocate adequate resources to support the local market. In their role as market managers, local authorities should **support settings** struggling to be sustainable
- all providers to review costs and check fees are at a **sustainable level** and ensure that they are able to signpost parents to sources of help for childcare
- existing help available for small businesses, such as HMRC's Business Payment Support Service and help for small businesses to be **promoted to day nurseries**. As part of this, it is important that nurseries access business planning skills, to enable them to look to the future and plan for change
- the Government to explore how to better support providers and parents, including direct payment for Childcare Tax Credits and **enhanced Nursery Education Funding**.

Notes to editors

This survey is not intended to be fully conclusive evidence, but rather provide an insight into current trends. 30 nurseries participated in the focus group. The research was fully confidential but a number of nurseries indicated that they would be willing to discuss their situation further. If you would like to arrange interviews with any respondents, or NDNA, please contact Senior Press Officer Hayley Wilson on 01484 40 70 66.