

## Early Years Wales – data inquiry considering the impact of the 2024 uplift in National Living Wage

### Summary

With the proposed changes to the National Living Wage Early Years Wales surveyed member settings to review the impact of the additional costs on their budget models. In Wales, the funding for childcare services where families make use of funded hours remains at £5/hr and is scheduled to be reviewed in 2025. This survey was open during November and December 2023.

### Headline figures show:

- **84% of members disagree that the uplift in minimum wages is affordable based on the current funding models and other cost pressures.**
- **91% are considering or will increase parental fees.**
- **94% do not think the funded rate covers the costs of providing childcare places.**
- **Almost all providers think the rate should be reviewed annually or moved in-line with inflation through some mechanism.**
- **72% have confidence they can sustain the current model for 1 year, 20.2% for 2 years, and only 8.8% for the next five years.**
- **Most providers indicate funding rates of between £6-£8 (the range is from £5/hr - £10/hr) are more appropriate than the current £5/hour.**

Early Years Wales calls for the review of the rate commence as soon as possible, the mechanisms for future reviews to be explored and more frequent than 3-yearly, and any interim measures to support the sector considered in response to the sector concern.

## Introduction

In November 2023, the UK Government announced the uplift to the National Living Wage. The UK Government accepted in full the recommendations from the Low Pay Commission. In so doing, the upper pay identified in the National Living Wage has been applied to all workers aged 21 and over (previously applied to 23 and over) and increased by a substantial percentage of the previous pay as outlined in the table below.

The rates which will apply from 1 April 2024 are as follows:

	NMW Rate	Increase in pence	Percentage increase
National Living Wage (21 and over)	£ 11.44	£ 1.02	9.8%
18-20 Year Old Rate	£ 8.60	£ 1.11	14.8%
16-17 Year Old Rate	£ 6.40	£ 1.12	21.2%
Apprentice Rate	£ 6.40	£ 1.12	21.2%
Accommodation Offset	£ 9.99	£ 0.89	9.8%

## Annual changes to National Living Wage since 2021

The annual increases in the National Living Wage since 2021 are outlined below:

2021: £8.91 (23 and over)

2022: £9.50 (23 and over) +6.6%

2023: £10.42 (23 and over) +9.7%

2024: £11.44 (21 and over) +9.8%

An accumulated increase of 28.4% from 2021 to 2024.

### **Funding and costs for settings**

During this period the funded rate paid to childcare providers has increased from £4.50 to £5.00 per hour (+11.1%). The permitted cost for providing food also rose from £7.50 to £9.00 per hour in April 2022 to reflect the increased costs of providing suitable food.

Since April 2022, inflation and utility costs have continued to add pressure to the budgets and sustainability of the childcare sector. According to the Bank of England £9 in 2022 is now the equivalent of £9.74.<sup>i</sup>

### **Data inquiry**

Following conversations with member settings who are concerned about their sustainability and their ability to meet the proposed increased staffing costs in April 2024, Early Years Wales surveyed members to ask questions about the impact of the increase in the National Living Wage on their business projections for 2024/25. In one such conversation, the setting outlined that their annual staff budget would need to rise by £20k to accommodate the changes to the National Living Wage. This uplift would only permit level 5 qualified staff to receive the statutory minimum.

It must be noted that Early Years Wales supports the concept of increased pay for the sector and for practitioners to receive a fair wage for the high-quality work they do with children. It is also part of our responsibility to our members to review their concerns and bring forward their data to illustrate the tensions in the sector.



In the last week of November 2023, Early Years Wales sent a short survey to all member providers. This survey ran until Friday 22<sup>nd</sup> December 2023 and was based on no changes to the rates for funded childcare in Wales in 2024/25.

## Survey Outcomes

Number of responses:

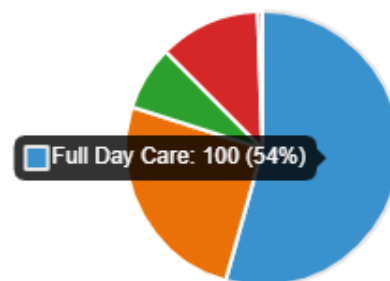
159 (consisting of 155 English responses and 4 received in Welsh). For simplicity of transfer of data, each chart will be English language response first followed by Welsh language response rather than reworking all data accumulatively.

## Questions and responses.

### 1. Setting type

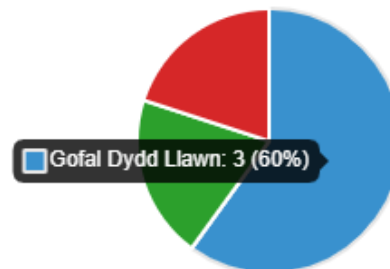
#### 1. Setting type:

● Full Day Care	100
● Sessional	47
● Out of School Club	14
● Childminder	22
● Crèche	1



#### 1. Math o leoliad:

● Gofal Dydd Llawn	3
● Sesiynol	0
● Clwb Gofal Plant ar ôl ysgol	1
● Gofalwr Plant	1
● Crèche	0



### 2. LA Area (combined English and Welsh data)

Blaenau Gwent	0
Bridgend	4
Caerphilly	9
Cardiff	15
Carmarthenshire	7
Ceredigion	2
Conwy	7
Denbighshire	1

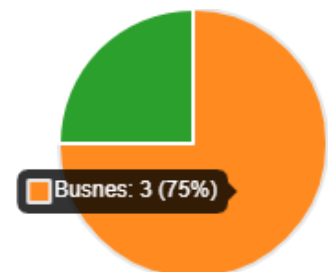
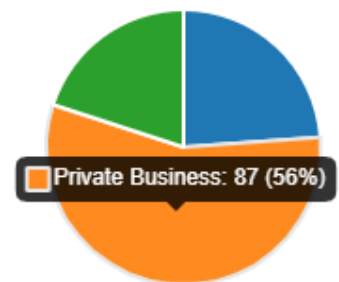
Flintshire	22
Gwynedd	0
Merthyr Tydfil	2
Monmouthshire	10
Neath Port Talbot	6
Newport	14
Pembrokeshire	5
Powys	3
Rhondda Cynon Taf	24
Swansea	7
Torfaen	3
Vale of Glamorgan	10
Wrexham	9
Ynys Môn	4

### 3. Legal Status

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Voluntary managed	37
Private Business	87
Sole Trader	31

Gwirfoddol a reolir	0
Busnes	3
Unig Fasnachwr	1



#### 4. Services offered.

● Early Education	106
● Flying Start	84

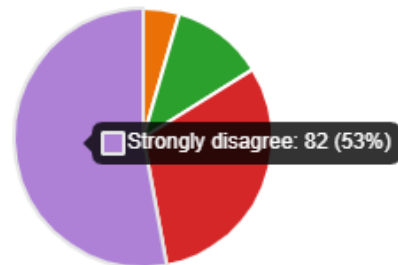


● Addysg Gynnar	0
● Dechrau'n Deg	2

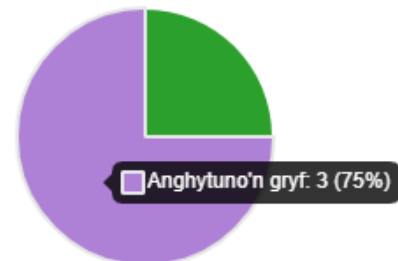


#### 5. Would you agree the uplift to National Living Wage is affordable within your current income / expenditure?

● Strongly agree	0
● Agree	7
● Unsure	18
● Disagree	48
● Strongly disagree	82



● Cytuno'n gryf	0
● Cytuno	0
● Ansicr	1
● Anghytuno	0
● Anghytuno'n gryf	3



## 6. Based on your current business model, how will the uplift in minimum wages affect your business?

147 English medium written responses. A significant number very concerned about sustainability; 'Can't afford this as a business', 'It will put us under', 'Along with energy prices and cost of food we are going to struggle to maintain the level of service. We may have to reduce the number of staff which could impact on the number of children we have.', 'It will significantly and detrimentally impact the businesses (sic) ability to continue to afford quality resources, equipment and ongoing building maintenance. It will reduce the amount of wellbeing benefits we can offer staff and impact the ability to afford to send staff on any courses outside of the mandatory ones.

With the need to push the increase onto parents fees, we are already seeing a drop in numbers due to parents affordability, reduction in number of sessions attending per week - which will ultimately have an impact on us needing to reduce staff contracts, which could then mean we loose (sic) staff at a time where recruitment is at crisis point anyway.', 'Any increase in minimum wage affects all employees as all wages need to be increased across the board to continue reflecting reward for experience, responsibility, qualifications etc. Further expenses such as NI, Sick Pay and Pensions also increase.', 'We actually charge per hour so depending on the session we already lose between 3 and 8% per session. Our loss can only increase. In answer to your next question. How can I increase the rate to parents when the Welsh Government will not allow me to do so.'

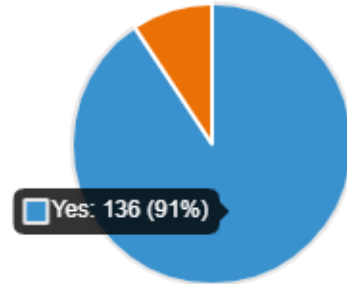
There are a minority who do not see the impact as negative. Some of these are childminders who potentially have less exposure to the influence of staff pay.

*(Full data set can be made available)*

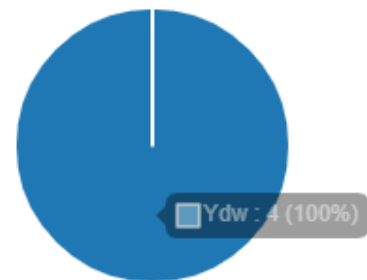


## 7. To manage any increase in staff costs would you be considering increasing fees to parents?

● Yes	136
● No	14



● Ydw	4
● Nac ydw	0

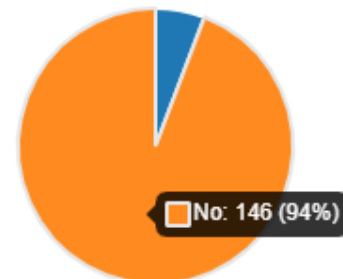


## 8. If so, by how much?

139 responses with increases very individualised based on response type. Some indicating increases of 10%, some adding £1-2 per hour, some increasing daily costs by £5. A number of respondents noted that is this only possible for non-funded hours/ childcare. A number noting that any more than *xpx/ hour* only results in parents dropping booked hours or looking elsewhere.

## 9. Does the funded childcare rate (£5/hour) cover the cost of running your service?

● Yes	9
● No	146



<span style="color: blue;">●</span> Ydw	0
<span style="color: orange;">●</span> Nac ydw	4

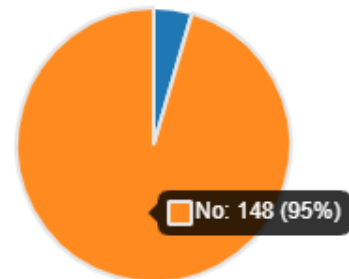


**10. What do you think the next uplift in rates should be to make your service sustainable for the long term? (£x/hr)**

146 responses ranging from 50p per hour more to £9.50 per hour

**11. Do you think a three year review of funding rates is frequent enough?**

<span style="color: blue;">●</span> Yes	7
<span style="color: orange;">●</span> No	148



<span style="color: blue;">●</span> Ydw	0
<span style="color: orange;">●</span> Nac ydw	4

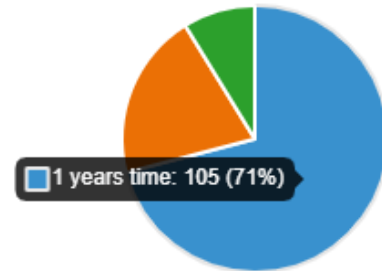


**12. How frequently do you think the rate should be reviewed?**

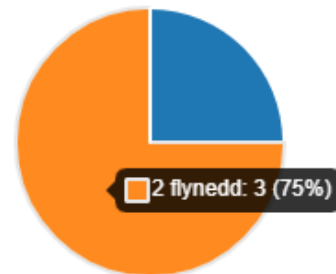
152 responses most indicating annually.

**13. Based on your current income (fees and funded provision), expenditure and projections, do you think your business is sustainable and have confidence that you will be able to provide the same service level in:**

● 1 years time	105
● 2 years time	30
● 5 years' time	13



● 1 mlynedd	1
● 2 flynedd	3
● 5 mlynedd o amser	0



**Summary**

We know that responses to a data inquiry are influenced by the level of concern that a topic creates for providers and leaders. The response rate of 15.4% of eligible members is enough to be considered a good return and nonetheless represents a significant number of providers and childcare places. 20 out of 22 local authority areas are represented by at least one response.

The sector has faced pressure from external influences since the pandemic in 2020 and is struggling to maintain the existing provision due to the market forces acting upon it. Whilst recognising it is impossible to meet the upper demands identified in the survey for funding rates, and that there is significant pressure across all Welsh Government budgets in 2024/25, Early Years Wales is concerned that the static funding rate will lead to closures that result in increased pressure for other providers and undermine the ambition to expand childcare services for 2-year-olds.

This data is shared, as received, with the intention of providing statistical representation of the concern voiced within our membership and their conversations with Early Years Wales.

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<sup>i</sup> <https://www.bankofengland.co.uk/monetary-policy/inflation/inflation-calculator>