



Llywodraeth Cymru
Welsh Government

RESEARCH

Childcare business support grant evaluation (summary)

An evaluation of two childcare business support grants designed to encourage new entrants and support existing providers to expand provision.

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Introduction

Wavehill were commissioned in November 2021 to undertake an evaluation of two childcare business support grants designed to encourage new entrants and support existing providers in expanding provision. The two grants were funded by the Welsh Government and administered by Business Wales from September 2019 to September 2021. They consist of:

1. Childminder Start-up Grant: support of up to £500 for individuals wishing to start a new childminding business.
2. New Employee Grant: grant support for registered day care providers with £2,000 provided for each new employee taken on through the scheme.

The schemes were designed to help address the capacity constraints within the childcare sector in Wales, which act as a barrier to delivering the Childcare Offer and, more generally, childcare requirements. These include difficulties in the recruitment and retention of staff both in settings and as childminders, which serve to reduce local childcare capacity and, subsequently, present challenges to parents and carers in accessing and securing employment (a key theme highlighted in the Welsh Government's Economic Action Plan). In that sense, the schemes have been designed in direct response to Welsh Government policy commitments.

The evaluation was commissioned to help the Welsh Government to understand the effectiveness of these two grants in increasing workforce capacity across the sector and in the creation of additional childcare places. Additionally, the evaluation was tasked with understanding:

- beneficiaries' experiences of engaging with the schemes and the outcomes received
- enablers of and barriers to increasing capacity
- the impact of COVID-19 on the delivery of the schemes

- whether the targeting of these grants is the most effective way in which to increase workforce capacity and the number of childcare places

A range of methods were used, including 12 detailed interviews with key delivery partners and industry stakeholders (Cwlwm partners, Social Care Wales, AWARE, and Care Inspectorate Wales), a review of the core project documentation, and a broader literature review — together, these informed research questions and contextualised our findings.

The main focus of the research, however, was primary research with grant beneficiaries as well as with other businesses and individuals within the sector who had unsuccessfully applied for grant support or withdrawn. Furthermore, feedback was obtained from a group of businesses and individuals who had not engaged with the schemes at all to act as a comparison group.

Surveys were distributed utilising a mix of online and telephone approaches, resulting in 58 responses to the beneficiary survey (51% of the target population), 17 responses from unsuccessful applicants (19% response rate), and 108 responses from businesses and individuals operating within the sector who had not applied (3% of the sector).

The surveys outlined above were predominantly quantitative exercises; thus, we also undertook detailed follow-up interviews with a subsample of respondents in order to supplement the evidence base with qualitative feedback. In total, 10 beneficiaries took part in these interviews alongside seven unsuccessful applicants and 11 non-applicants. Finally, a focus group session was held with four aspiring or recently registered childminders to understand more about the typical journey, challenges faced and support needs of childminders.

Main findings

Administering the grant schemes

Businesses and individuals became aware of the schemes through three primary routes: from key contacts within local authorities responsible for supporting the sector, from Cwllwm partners, and from Business Wales.

These local authority contacts do not appear to have been engaged at the outset to support with promoting the schemes, and yet became important channels for raising awareness thus, schemes in future should consider placing greater emphasis on engaging with those stakeholders.

The deadline for grant claims was extended to March 2021 and then further extended to September 2021 due to COVID-19. This extension was agreed so as to allow businesses the time with which to collect the necessary paperwork required to support any claims made under both grants. The extension was not intended to reopen the fund to new applicants, as the current allocation was approaching its maximum limit. At that time the Childminder Start-up Grant was 86% committed and the New Employee Grant was 96% committed.

However, a substantial proportion of successful applicants to the Childminder Start-up Grant (47%) did not draw down funding. Feedback from some of those applicants suggests that the uncertainty caused by the pandemic was the main driver behind this.

The vast majority of applicants were satisfied with the application process and the various design aspects (e.g. size of grant, eligible spend, payment method, etc.), although aspiring childminders provided a more mixed response in relation to the offer of £500 funding, with 48% providing a positive score and 38% providing a negative score. Evidence from the qualitative discussions with grant recipients suggests that this was primarily because they did not feel that the

grant went far enough in covering the costs of setting up their business. Conversely, the offer of £2,000 was generally considered to be an appropriate amount to defray the costs of taking on a new employee, and did act as an important incentive for employers.

Impact

The schemes did engage with businesses and individuals across Wales, although some areas do seem to be underrepresented. For example, there were no successful applications from aspiring childminders in Rhondda Cynon Taf, whilst West Wales was also underrepresented with regard to the distribution of the Start-up Grant. Several authority areas in West Wales are also underrepresented in relation to the New Employee Grant (Anglesey, Gwynedd, Carmarthenshire), and there appears to be a lack of uptake by Welsh-medium providers as a result.

The New Employee Grant appears to have been taken up by larger businesses than the average childcare setting, more businesses that have previously accessed grant support, and businesses that have greater confidence in their sustainability and growth prospects. This suggests that settings with previous experience of grants and who are perhaps more 'business-savvy' have been more likely to apply and secure these grants.

In total, 41 individuals received the Childminder Start-up Grant and went on to register their business. This is estimated to have provided 335 childcare places. The main impact of the grant, however, has been that of accelerating the establishment of these businesses. The self-reported data from childminders suggest that they had already made a decision to enter the sector and that the grant supported them at a key point of their journey.

The pipeline for becoming a childminder is not necessarily linear, and may include a number of enquiries before committing to the training and registration.

It is unlikely that individuals who have not made any queries and may not have even considered childminding will be aware of the grant offer — thus, the evidence suggests that the grant scheme does not act as an incentive for a career change or as a pathway into childminding, but does accelerate the process for those who are already committed. Nevertheless, highlighting grant opportunities to potential market entrants is important and the acceleration effect is certainly beneficial because it brings forward capacity to the system that would otherwise be delayed, and at a relatively small subsidy cost. Indeed, all but one of the childminders responding to our survey indicated that it would have taken longer for them to start their business without the support, with most reporting that there would have been a delay of one to three months.

Records from the New Employee Grant scheme reveal that 118 jobs have been created by 59 settings, creating 589 new childcare places. If we consider the net additional impact (i.e. what occurred over and above what would have happened anyway), we estimate that the scheme resulted in 71 jobs and 355 new childcare places that would not have been created without the intervention. This estimate is based on self-reported data where grant recipients were asked whether they would have taken on new staff members without the support in order to identify the proportion of impacts that can be attributed to the scheme.

The beneficiary survey suggests that 85% of childminding businesses created as a result of the scheme are still trading, and 79% of settings reported that at least some of the staff taken on through the scheme were still employed.

Most childcare settings believe that the support has improved their sustainability and their ability to expand. There was little evidence of the support leading to increased contact with Business Wales and developing their business literacy, which were secondary objectives when the schemes were designed. Very few beneficiaries received ongoing support from Business Wales beyond the application process, e.g. to look at the business case for taking on new employees and to strategise the growth of their business. This is partly because there was no explicit mechanism in place to facilitate such broader advisory

support other than the mainstream Business Wales helpline offer (working with Business Wales was not a requirement of the support, nor were Business Wales advisors resourced to proactively pursue those relationships). All beneficiaries who had received support from Business Wales reported that it had been useful.

Conclusions

The Start-up Grant does not appear to have a significant impact in motivating individuals to become childminders, as it has been taken up only by individuals already committed to entering the sector. Without a large, resource-intensive communications campaign it is difficult to see how individuals could be made aware of the option without having actively looked into it, and £500 is unlikely to persuade many to change their career. Thus, these grants should be considered a tool with which to accelerate the journey into childminding and support those entering the sector, but not necessarily a way of encouraging new entrants into childminding.

The offer of subsidising new employees does appear to provide an important incentive for businesses, where availability of finance was cited as being one of the main barriers to recruitment. However, other barriers (such as a lack of suitable applicants) also presented a significant challenge. Clearly, finance on its own will not address the issues facing the sector. Linked to this, there are clear challenges in relation to retention, which was also cited as being a key challenge by a substantial proportion of survey respondents, as was having sufficient physical capacity (i.e. space) to increase the supply of childcare. Regulations surrounding space, ratios and qualifications add further complexity to the ambition of increasing capacity. Accordingly, future interventions should be as holistic as possible to account for the many and different needs of businesses and individuals.

An important aspect in understanding the impact of the schemes was that of

considering the decision-making processes of potential beneficiaries. Decisions surrounding whether to access the grants were found to be complex and multifaceted. This was discussed at length with stakeholders during the scoping consultation, who highlighted that those considering entering childminding, for example, were weighing up a range of considerations before entering the profession, whilst childcare settings were also weighing up the economic implications of recruiting staff with other considerations, including the availability of suitably qualified practitioners, physical space, etc.

The complicated ecosystem of available grants was another consistent topic of discussion highlighted in the scoping interviews, with many similar grant schemes being delivered at a local government level. This can be difficult for childminders and childcare settings to navigate, particularly when the grant offers are targeted at specific groups or have different eligibility criteria, or when the same grant is given alternative names by different local authorities. It leads to confusion for sector-based organisations and providers working across multiple geographical areas. This relative coherence between central and local government grants requires further consideration to avoid duplication of effort, and to simplify the system from the perspective of potential beneficiaries.

The extent of the impact of financial incentives is constrained in a number of important ways, including broader structural challenges facing the sector with regard to recruitment and retention, such as the availability of suitably qualified staff and how attractive the profession is to new entrants. The relative effectiveness of financial incentives may therefore be closely linked to the relative coherence of broader support offered to the sector, such as through further thought and reflection on how to make careers within the childcare sector more attractive.

Recommendations

Based on these findings, we make the following recommendations.

The complexity in decision making could be taken into account in the design of grant schemes. If practically possible this includes, for example, designing schemes that have longer timeframes and that move away from grant windows. This could serve to create a more consistent offer that better reflects the complexity and timeframes in relation to decision making for potential childminders and settings.

Consider whether future schemes should provide larger grants to aspiring childminders in order to defray a higher proportion of start-up costs and act as a better incentive for entering the sector.

Consideration should be given to resourcing a larger promotional campaign to reach individuals who are not already on the journey into childminding if the strategic objective is to encourage new entrants (rather than simply accelerating the process of those already committed).

Future schemes should consider how financial incentives align with broader support that addresses far-reaching issues and challenges, including in attracting practitioners to the sector. This includes, for example, raising the profile of the profession and providing clearer progression pathways.

A detailed support mapping and gap analysis may be valuable in understanding the existing support mix available to settings and childminders and supporting the creation of a more consistent and coherent offer to the sector. This could be used to shape future financial support, as well as ensuring that it links coherently with other support on offer.

The Welsh Government should draw on logic models and theories of change in

supporting the design of future policy and programming.

Future schemes should consider whether there should be better ongoing communication and collaboration with partners to account for applicants who have had to withdraw. Alternatively, future schemes could consider whether funding should be provided in waves to enable the reopening of funding to fulfil the full allocation. However, this could pose a risk to the Welsh Government and ministers due to raised expectations.

Consider whether future schemes should incorporate a better mechanism to ensure that businesses receive business advisory support alongside the financial support.

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Views expressed in this report are those of the researchers and not necessarily those of the Welsh Government.

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