INVEST FOR THE BEST

Building a world-class early childhood care and education system for Ireland

Budget 2018 Submission

early childhood ireland

Introduction

Early Childhood Ireland (ECI) welcomes the long overdue national conversation on early childhood care and education (ECE), commonly referred to as 'childcare',[1] and the ambitious plan by the Minister for Children and Youth Affairs, Dr Katherine Zappone TD, to transform Ireland's childcare system from one of the most expensive in the world to the best.[2] The success of this transformation depends on us as a society agreeing how we build the best childcare system in the world. ECI firmly believes that there are three essential, interconnected pillars of a world-class childcare system. They are: quality for children; sustainability for both childcare services and their staff; and affordability for parents. Each of these pillars, which support the overall structure, requires significant, sustained and simultaneous investment by Government and thus joined-up thinking between the relevant government departments.

With almost 3,700 childcare members who support over 100,000 children and their families through preschool, full day care and school age childcare nationwide, ECI is the leading representative body for the ECE sector in Ireland. Our Budget 2018 submission endeavours to describe the current state of Ireland's ECE sector, discuss the plethora of challenges it faces, and offer recommendations for immediate State investment toward the quality, sustainable and affordable childcare system Ireland needs.

Doing the Sums

In September 2016, ECI published *Doing the Sums: The Real Cost of Providing Childcare*, which commissioned Meehan Tully & Associates Ltd. to research the viability of various types of formal, centre-based childcare services throughout Ireland.[3] The findings of the report are stark and typify the prevailing sustainability crisis in the sector:

- the average childcare service in Ireland, whether private or community, urban or rural, is operating on a breakeven basis;
- the focus of State investment into the Early Childhood Care and Education (ECCE) programme is exacerbating the difficulties faced by providers in the sustainable delivery of non-ECCE childcare services. This is pushing struggling services towards an ECCE-only model;
- the professional workforce responsible for the delivery of quality ECE services for children are low paid and increasingly employed on a part-time/38-week basis.

The report is critically relevant to current budgetary considerations. It identifies the plethora of interconnected challenges that will, if not urgently addressed, impede Minister Zappone's laudable goal of building a world-class childcare system for Ireland. The executive summary of the *Doing the Sums* is included as an appendix to this submission.

1 The term 'childcare' is used to denote the provision of early childhood care and education (ECE) in formal, centre-based pre-school and afterschool services run by both community organisations and private providers.
2 Seanad Statement by Dr Katherine Zappone, Minister for Children and Youth Affairs, October 18th 2016 https://www.dcya.gov.ie/viewdoc.asp?DocID=4015
3 The term 'childcare' is used to denote the provision of early childhood care and education (ECE) in formal, centre-based pre-school and afterschool services run by both community organisations and private providers.

State Investment

ECE investment in 2016-2017 represented approximately 0.5% of Ireland's GDP.[4] It is important to note that this figure includes expenditure for children under 6 years of age in primary school education. As such, direct investment in the early childhood care and education sector is certainly lower.

Considering that 0.1% of Ireland's current GDP is approximately €250 million,[5] our gap behind the OECD average of 0.8% and the UNICEF international benchmark of 1% of GDP is significant. For example, based on current estimates, to reach 1% of GDP would require an investment of €2.56 billion. While this is not going to happen in one budget cycle, we need a significant injection of investment now and a concrete plan for sustained investment that will be delivered over successive budgets.

ECI is calling on Government to commit to increasing budget allocation for ECE by a minimum of €250 million (approximately 0.1% of GDP) every year over the next five years. This should be achieved through a combination of direct investment into the ECE sector by DCYA and indirect investment to the benefit of ECE by other relevant departments. Given the current level of investment, and not withstanding fluctuations in GDP, this will mean the following ECE budgets: €716 million in 2018; €966 million in 2019; €1.216 billion in 2020; €1.466 billion in 2021 and €1.716 billion in 2022.

Budget 2018

Based on a variety of sources, including responses to Parliamentary Questions, ECI estimates that the first €70 million of new money allocated in the Budget is required to meet the full year cost of existing measures and policies in 2018. (This includes approximately €44 million to meet the full year costs associated with More Affordable Childcare.)This means another €180 million in new money to fund new improvement measures and policies in the sector is needed in Budget 2018 for Government to achieve an approximate 0.1% of GDP spend on ECE. In this submission, ECI has made 20 recommendations about how to invest the additional funding in a way that strengthens the three pillars of quality, sustainability and affordability. Costings have been provided for these recommendations where possible, which are estimates derived from the best information available to ECI at the time of publication. A summary of ECI's Budget 2018 recommendations is available in Appendix II.

ECI is acutely aware of the 'fiscal space' and competing priorities facing Government in Budget 2018. Early childhood care and education is an essential social infrastructure with

Commit to increasing budget allocation for ECE by a minimum of €250 million (approximately 0.1% of GDP) every year over the next five years.

Lead department: DCYA and other relevant departments.

4 As per DCYA (October, 2016) *Policy Paper on the Development of a new Single Affordable Childcare Scheme*. p.10.

5 Preliminary GDP estimate for Ireland in quarter 4 of 2016. CSO Quarterly National Accounts, Quarter 4 2016 and Year 2016 (Preliminary) http://www.cso.ie/en/releasesandpublications/er/na/quarterlynationalaccountsquarter42016andyear2016preliminary/

benefits for children, families, communities and businesses.[6] It represents investment our collective futures. It needs a whole of government approach, where all departments play their part in ensuring quality, sustainable and affordable early childhood care and education is available in every community in Ireland.

Whole of Government Approach

The most immediate and pressing initiative which would give meaning to the cross-departmental approach is the promised, and we hope, forthcoming National Early Years Strategy. The Strategy must recognise an integrated, universal, accessible and high quality ECE system as a right for all young children. It must be built and developed with parents and communities to support children's holistic development. The evidence-informed policies set out in the Strategy must be accompanied by an implementation plan and timeframe and be met with the necessary funding by all the government departments charged with their delivery. The Strategy must serve as the roadmap for the future direction, development and funding of ECE in Ireland.

1. Publish the National Early Years Strategy.

   Lead department: DCYA.

Quality for children

ECI works to ensure that all children are learning and thriving in quality early childhood settings. One of the most influential determinants of quality in the ECE sector is the workforce and it is the qualifications of the whole staff team that are key to quality provision.[7] The ECE sector employs more than 25,000 people and over 90% work directly with children.[8] ECI supports the introduction of minimum qualifications, QQI Level 5, for all staff working directly with children under the Child Care Regulations 2016.[9] However, we also note the impact this new requirement has had on some community services who can no longer count Community Employment (CE) scheme participants into their adult: child staff ratios and are struggling to either afford or find staff with the necessary qualifications. This difficulty is but a microcosm of the larger staffing crisis in the sector, which is intrinsically linked to poor pay and conditions. These issues will be addressed in more detail in our submission.

ECI recognises Government efforts to encourage professionalisation as a quality enhancement measure; for example, through the minimum Level 6 qualification for a Room Leader in ECCE and the higher capitation payments in ECCE for services with a Level 7 qualified Room Leader. We note the role played by the Learner Fund since its

6 European Commission "Country Report Ireland 2016."
7 CoRe Report of the European Commission (2011).
8 Pobal Early Years Sector Profile 2015-2016, p.3.
9 The Child Care Act 1991 (Early Years Services) (Amendments) Regulations 2016

introduction in 2013, the recent bursaries for Early Years Educators who have upskilled to Levels 7/8/9, and the next iteration of the Learner Fund to be rolled out in 2017. In theory, this should support Ireland's journey toward achieving the EU recommended 60% graduate-led ECE workforce by 2025.[10] However, Pobal's most recent review of the sector found that only 18% of the workforce hold a level 7 degree or higher.[11] Again, the reasons for this are multifaceted but ultimately pertain to poor pay and conditions in the sector. The situation is clearly demonstrated by the experience of this ECI Policy and Implementation Panel member:[12]

> Last year I started a Level 8 degree in Early Childhood Education. I couldn't find suitably qualified staff to cover me while I attended classes and I had to defer the degree. I'm not sure when I'll be able to get back to it. I can't get the staff because pay and conditions in the sector are so bad and I can't afford to pay staff more because the State funding isn't enough to cover the cost of running my service.[13]

In a rapidly changing policy and practice landscape, an experienced, knowledgeable and competent ECE workforce is essential to quality early years provision.[14] Engaging in continuing professional learning and development supports early years educators to develop their skills and enhance their work with children and families in early years settings.

2.

Create a new permanent and comprehensive professionalisation fund to support early years educators to:

- >> access further education and training in ECE that incorporates and builds on the existing 'Learner Fund' model and caters for all levels (level 5-level 9);
- >> undertake pedagogical leadership;
- >> engage in 35 hours of continuing professional development (CPD) that is linked to a recognised credit system, each year.

Lead department: DCYA with an initial investment of €10 million.

Moreover, it is essential that investment in professionalisation does not continue in a vacuum. It must be met with commensurate investment in short and medium term initiatives to improve pay and conditions for the early years workforce.

10 Joint Oireachtas Committee on Health and Children (January, 2016) 'Report on Affordable and Quality Childcare.' p.25.
11 Pobal Early Years Sector Profile 2015-2016, p.79.
12 In June 2016, ECI established a demographically representative panel of ECI members to ensure a more robust representation of members' experiences on the ground. ECI Policy and Implementation Panellists contribute to discussions and consultations on key policy issues concerning early childhood education and care and represent ECI at various DCYA policy development forums.
13 Salaries and wages are, by far, the most significant operational cost facing a childcare service on a daily basis. The wage bill for larger childcare services can reach up to 80% of total operational costs. *Doing the Sums: The Real Cost of Providing Childcare* (September, 2016) p. 3.
14 CoRe Report of the European Commission (2011).

3. **Short term recommendation**

Increased State capitation and subsidies should be accompanied by a ring-fencing mechanism to improve staff pay, provide for holiday pay and non-contact time for core staff.

Lead department: DCYA.

4. **Medium term recommendation**

Develop an Early Education and Care Workplace and Professionalisation Plan and a nationally agreed pay scale for the early years workforce in conjunction with the sector.

Lead department: DCYA.

Early Years Policy

In transforming Ireland's childcare system into one of the best in the world, we must recognise that children do not all receive the same start in life. ECI is very concerned about the proposal under the planned Affordable Childcare Scheme to reduce the means tested subsidy to a maximum of 15 hours of childcare per week, inclusive of time spent in school or pre-school, for children where one or both parents are not engaged in formal work or study.[15] This appears to be motivated by labour market activation, which is a stated objective of the Affordable Childcare Scheme.[16]

ECI is adamant that labour market activation cannot be prioritised at the expense of children's best interests or proper consideration of the many and complex reasons that keep parents, particularly women parenting alone, distant from the labour market such as: poverty; domestic violence; homelessness; drug addiction; mental health and disability.

To ensure a quality ECE experience for children, ECI believes that early years policy must be driven by the best interests of the child. While the best interests of the child are dependent on many factors, in the context of ECE and our youngest children, their physical, emotional, psychological, intellectual, educational, and social wellbeing should be the paramount consideration in policy development.[17]

ECE plays a specific and vital role in addressing the effects of child poverty on children as well as on their families and wider communities. Access to quality subsidised childcare must be viewed as part of holistic support for low-income disadvantaged families. Early years policy in Ireland must ensure the most vulnerable and disadvantaged children and families are not penalised by a disproportionate focus on parental labour market activation.

5. Remove the 15 hour 'standard hours' subsidy proposal from the development of the Affordable Childcare Scheme.

Lead department: DCYA.

15 DCYA (October, 2016) *Policy Paper on the Development of a new Single Affordable Childcare Scheme*. p.6.
16 Ibid. p.4.
17 See Part V of the Children and Family Relationships Act 2015, Best interests of the child for further reference http://www.irishstatutebook.ie/eli/2015/act/9/section/63/enacted/en/html#sec63 and *Children and Family Relationship Law in Ireland*, Geoffrey Shannon (July, 2016).

Inspections

The introduction of the new universal subsidy for under 3s in September 2017 is the first time the State will subsidise the care and education of our youngest children. ECI regards this as a perfect opportunity to extend the remit of the Department of Education and Skills' Early-Years Education-focused Inspection (EYEI) to inspect the quality of education to this cohort. Such a move would be in keeping with the position of the Expert Advisory Group on The Early Years Strategy (2013), which stressed the importance of standards across the entire early years age range:

> "Quality matters for young children of all ages, equally for under-3s and for over-3s. It is essential, therefore, that quality standards apply equally to all age groups and that quality-raising supports are available equally to services working with all age groups."[18]

6. Allocate €3 million to support the existing inspection regime of early years services and to expand the remit of the EYEI to inspect the quality of education provision to under 3s in early years services.

   Lead departments: DCYA and DES

New funding to the Tusla Early Years (Pre School) Inspectorate should only be released when the composition of their inspection teams is broadened to include inspectors with relevant qualifications and expertise in early childhood care and education.

Sustainability for services and the early years workforce

There is ample evidence that the sustainability of community and private childcare services needs a continued focus by Government.[19] In *Doing the Sums*, ECI calculated the average costs incurred by the various childcare models under consideration[20] and comparing these costs with the fee-levels reported by Pobal. The research found that the average childcare service in Ireland, whether private or community, urban or rural, is operating on a breakeven basis. Even when a surplus is generated by a childcare facility, it is often too little to meet the cost of normal re-investment such as maintenance, building improvements and replacing equipment. Based on the Report's working examples, the average community childcare facility providing a 39-45-week service in an urban setting had an end of year reserve of only €5,826. The average private service offering a 38-week programme in a rural setting had a reserve of just €1,651.

The ECE sector and the State are united in the goal of delivering quality services for

18 Report of the Expert Advisory Group on The Early Years Strategy, Right from The Start (2013), p.16.

19 See South Dublin County Partnership *et al.* (2016) *Breaking Point: The challenge of securing sustainable Early Years Services to support children and families most at risk of poverty and Doing the Sums: The Real Cost of Providing Childcare* (September, 2016).

20 Examples of costs include: wages; light and heat; refuse and hygiene; rent; accounting and legal fees; insurance and commercial rates.

children and affordability for parents. However, the inadequate State subsidies under the current funding models beget low margins for providers, poor pay and conditions for staff, and unaffordability for parents. The viability and sustainability of childcare services needs to be a key concern of policy makers. Government must address the existing structural deficiencies in the development of childcare policy and the expansion of ECE. Subsidies and capitation rates must be based on a realistic assessment of the cost of providing childcare with adequate margins.

Independent Review

ECI has long advocated that budget considerations and cost models underpinning future developments in childcare policy must be informed by the financial realities facing a very diverse sector.1 Therefore, we warmly welcomed the announcement by Minister Zappone in August 2017 that an Independent Review of the cost of delivering quality childcare would be completed in advance of Budget 2019.2 As per ECI's recommendations in Doing the Sums, the review must look at variations which impact the cost of quality childcare provision, for example whether the service is community or private; the geography, disadvantage, ongoing professionalisation, and future cost pressures such as wages. The review should also include work to inform the development of a Sustainability Policy for the sector.

ECI looks forward to the publication of this review by June 2018 and commends the Minister's commitment that future Government investment in ECE will be informed by its findings. This is especially important in the context of the Affordable Childcare Scheme, which DCYA will continue to develop into 2018.

7. Conduct and publish by June 2018 the independent review of the cost of providing quality childcare in private and community settings, consistent with the principle of ongoing professionalisation of the sector, and include work to design parameters to inform the development of a sustainability policy.

   Lead department: DCYA with an allocation of €2.5 million.

More Affordable Childcare

September 2017 sees the introduction of More Affordable Childcare, described by DCYA as the 'first step toward the new Affordable Childcare Scheme.' More Affordable Childcare comprises the originally planned universal subsidy and enhanced subvention rates and eligibility criteria for the existing targeted supports. The administrative burden for services associated with More Affordable Childcare is significant and includes: contracting into complex and demanding funding agreements; supporting and assisting parents to establish and confirm their eligibility and the ongoing registering children on the various schemes. This is markedly different to what was envisaged under the Affordable Childcare Scheme, which was meant to limit, indeed reduce, the administrative burden for providers. The role of childcare providers is crucial to the success of More Affordable Childcare. Although less than what we advocated for, ECI welcomed the provision of €3.5 million in additional funding associated with the September 2017 measures.

21 Early Childhood Ireland *Doing the Sums: The Real Cost of Providing Childcare* (September, 2016)

22 Department of Children and Youth Affairs (4th August 2017) *Childcare Cost Review Given 10-month Deadline "Independent Review will further transform our childcare system" Statement by Minister Katherine Zappone.* Available at: https://www.dcya.gov.ie/viewdoc.asp?DocID=4364 (Accessed 4th August 2017).

More Affordable Childcare will remain in place throughout 2018, and until the Affordable Childcare Scheme is fully developed. The pivotal role services will play in the management and administration of the new measures during this time must continue to be recognised.

8. Commence the Affordable Childcare Scheme in September 2018 and until then provide additional funding to support the management and administration of More Affordable Childcare.
   Lead department: DCYA with an allocation of €7 million.

Governance and leadership fund

ECI firmly believes that any individual or organisation in receipt of public money must be held to the highest standards of transparency, accountability and good governance. With the proliferation of Government funded schemes over recent years, childcare providers have been entering increasingly complex funding agreements that require sophisticated financial management and reporting, record keeping, data protection and governance. The sector must be supported though training, mentoring and the development of sector specific manuals to achieve the highest standards of financial management, good governance and leadership.

9. Establish a new governance and leadership fund to support the sector to achieve the highest standards of financial management and good governance and to support managers in their leadership roles.

   Lead department: DCYA with an initial investment of €2 million.

Incentivising care for under 3s

As demonstrated in *Doing the Sums*, the current trend for providers is towards an ECCE-only model, alongside school age childcare, as a means of maintaining their viability. The high cost of providing childcare for under 3s has led many services to limit, or remove entirely, childcare services for babies and toddlers.

The need to incentivise the provision of services for under 3s is apparent and ECI notes the establishment of an Early Years Forum sub-group in September 2016 to specifically address this issue.

10. Provide €3.5 million in capital funding for services to build their capacity to support regulatory compliance in the provision of services for under 3s, for example: space requirements; sleeping arrangements; and health and safety.
    Lead department: DCYA

11. Establish a new sustainability fund to support services for whom the continuing provision of childcare for under 3s is at risk. The fund would be designed to support these services to continue providing early years care and education services to under 3s.

Lead department: DCYA with an initial investment of €3.5 million.

Capital funding

With regards all future capital funding for the ECE sector, ECI strongly recommends a strict eligibility requirement, chiefly regulated and compliant services, and a strict timeline for the completion of the application process. Capital funding opportunities should be advertised no later than January of the relevant year, with an application deadline in March and decisions about funding finalised and published no later than May. It is essential that services are given the information they need before the summer to plan effectively for the next programme year (September).

12. Change the capital funding application process to support the operation, planning and sustainability of early years services.

Lead department: DCYA with no cost implication.

Low pay and conditions

Salaries and wages are, by far, the most significant daily operational cost facing a childcare service. The wage bill for larger childcare services can reach up to 80% of total operational costs.[21] However, while wages represent the largest proportion of costs, the actual hourly wages paid to staff are markedly low. For an Early Years Educator, the average is just €11.12 per hour. This is well below the Living Wage of €11.70 per hour,[22] which is the average hourly gross salary required by a single individual (without dependents) in full-time employment to afford a socially acceptable minimum standard of living across Ireland. It is also true that an alarming number of staff in the sector only get Minimum Wage, i.e. €9.25 per hour. The situation for staff is more grave still when you consider that:

>> Many have one or more dependents;

>> Many are working part-time hours and on 38-week contracts, in line with ECCE funding;

>> Many rely on social welfare payments over the summer months.

23 *Doing the Sums: The Real Cost of Providing Childcare* (September, 2016) p. 4.
24 The Living Wage in Ireland increased to €11.70 per hour in July 2017 to reflect increased housing costs nationwide.

Accordingly, an Early Years Educator working in a pre-school service operating a single ECCE session, i.e.15 hours per week, will earn as little as €6,338 per annum and an Early Years Educator working in a pre-school service running two ECCE sessions per day, i.e. 30 hours per week, will only earn €12,677.

Single ECCE session per day	**15** hrs per week x €**11.12** per hr x **38** week contract = €**6,338** per annum
Two ECCE sessions per day	**30** hrs per week x €**11.12** per hr x **38** week contract = €**12,677** per annum

It both alarming and unacceptable that in both these examples, an Early Years Educator in a one-income family with children, is living in consistent poverty.[23] Furthermore, their children would be entitled to the maximum rate of subsidy toward childcare costs under the targeted element of the proposed new Affordable Childcare Scheme, which has been set to support all families with incomes below the poverty line.[24]

No system of service delivery can ever claim to be "the best in the world" if it is predicated on low wages, additional unpaid work, low social status, a heavy workload, a lack of career progression paths and a lack of incentive to professionalise. Indeed, it is very telling that the average rate of pay for degree qualified Room Leaders is €12.30 per hour,[25] a negligible financial return of just €1.18 for an Early Years Educator's investment of time and money professionalising. This again speaks to the earlier point that State investment in professionalisation cannot continue in a vacuum. It must be met with commensurate investment to improve pay and conditions in the sector.

Staffing Crisis

It is hardly surprising that the sector finds itself with a serious staffing crisis. In March 2017, ECI engaged in research to ascertain the extent of the staffing crisis and the impact it is having on the sustainability of services. The research which was compiled of responses from 500 crèches, pre-schools and other early years facilities shows a sector that is struggling to survive due to the poor working conditions and low salaries afforded to staff.

Main findings of the research:

- 86% of services said that they were concerned that problems recruiting and retaining staff will impact on the viability of their service
- 36% of those who tried to recruit staff in the last twelve months were unable to find anyone suitable
- 46% of those who did manage to recruit had to settle for someone with lower qualifications than they'd wanted

25 Social Justice Ireland (2016) *Poverty, Deprivation and Inequality*, Policy Briefing

26 Under the Affordable Childcare Scheme, a base income threshold of €22,700 net income has been set for entitlement to the highest rate under the targeted subsidy to support all families with incomes below the poverty line. DCYA (October, 2016), *Policy Paper on the Development of the new Single Affordable Childcare Scheme*. P. 60.

27 Calculation by Mark Tully of Meehan Tully & Associates Ltd on the basis of *Doing the Sums: The Real Cost of Providing Childcare* (September, 2016) at the request of ECI, October 2016.

- >> Of those who have had staff leave their service in the last 12 months, 57% cited working in the sector wasn't financially viable as the reason
- >> 25% said that they have had to or will have to let staff go due the introduction of the new minimum qualifications
- >> Overall, 49% of services were finding it difficult to retain staff
- >> The sector had a turnover rate of 28.4% in the last 12 months

Government must recognise that inadequate State subsidies are sustaining the unacceptably low pay and poor conditions in the ECE sector. This has led to a staffing crisis. Services increasingly struggle to retain and recruit enough staff meet the adult:child ratios and/or appropriately qualified staff to satisfy regulatory requirements. Government cannot meet its own policy objectives to expand the childcare sector without addressing the pay and conditions deficiency. The additional investment in the sector must provide for increased salaries, where Government works closely with the sector to develop agreed salary scales in the longer term.

13 Commission the development of a nationally agreed pay scale for the early years workforce in conjunction with the sector.

Lead department: DCYA

14. Allocate €5 million to increase the 5% non-contact time for core staff being built into the proposed new Affordable Childcare Scheme to 10%.

Lead department: DCYA

A ring-fencing mechanism is required to ensure this non-contact funding meets the largely unpaid time spent by core staff on activities such as planning daily activities, recording observations of children's development and activities, communication with parents, staff-meetings, and engagement with external agencies (e.g. early intervention teams, or Tusla family support processes).

ECCE

The Early Childhood Care and Education (ECCE) programme, which provides up to two (38 week-academic) years of part-time care and education for children aged 3-5½ years, receives by far the largest proportion of State funding of all care and education programmes in the early years sector.[26] When ECI speaks about the of the

28 In 2015, State spending on childcare was approximately €260 million of which €175 million, or 67%, went into funding ECCE.Report of Inter-Departmental Working Group: Future Investment in Childcare in Ireland (2015). p. 27.

disproportionate focus of State investment in ECCE, that is not to suggest that the level of investment in ECCE is sufficient. Rather, it is to stress the need to invest adequately across the whole ECE sector.

Doing the Sums found that at €64.50 and €75 per child per week at the standard and higher capitation rates respectively, ECCE is not adequately funded to provide a decent income for most providers and staff. In the words of one provider :

"We cannot afford to run our ECCE with the new requirements. We struggle as it is to pay wages at €9.50 per hour, qualified staff are harder to attract and to put on a second ECCE year means we need more qualified staff. The capitation needs to increase significantly."

15. Increase the level of capitation paid to services operating the ECCE programme to €75 per child per week at the standard capitation rate and €85 per child per week at the higher rate over 42 weeks.

Lead department: DCYA with an allocation of €75 million.

ECI urges Government to develop a ring-fencing mechanism to ensure that 50% of the increased funding is linked to staff pay, for example through dedicated core staff non-contact time, and 50% to improve the sustainability of services. The extension of ECCE programme funding from 38 weeks to 42 weeks will enable providers meet their statutory holiday pay obligations to staff and to support self-employed providers, who may not be eligible for Jobseeker's Allowance or other supplementary welfare payments during the summer months when they have limited or no income.

Additional sustainability concerns

It is not just inadequate investment that is threatening the sustainability of the ECE sector. Government needs to carefully construct its supports for ECE so that it does not inadvertently create disincentives and barriers to services providing a full suite of childcare for children. Two clear examples of where inter-departmental coordination is required to ensure the sustainable delivery of quality ECE service are in the areas of commercial rates and school age childcare.

Commercial Rates

ECI welcomed the abolition of commercial rates for community and not-for-profit ECE services, including private ECE service that only offer the ECCE programme, under the *Valuation (Amendment) (No 2) Act, 2015*.[27] However, we firmly maintain that commercial rates should be abolished for all ECE services because they are educational settings. ECE services share the national curriculum framework Aistear, which allows for shared philosophy, principles and aims, with the early years of primary schools. The Department of Education and Skills (DES) EYEI is also responsible for evaluating the quality of ECCE provision in early years services.

29 This change was effected through an amendment to Schedule 4 of the Valuation Act 2001 with the then Minister for Public Expenditure and Reform, Brendan Howlin TD saying, "the Valuation Office's interpretation of paragraph 10 of Schedule 4 of the Valuation Acts 2001 to 2015 means that services that only provide the Early Childhood Care and Education Scheme are also exempt from rates".

Private providers are under serious financial pressure and their sustainability is further jeopardized by commercial rates, which are levied inconsistently across the private ECE sector. Enormous discrepancies exist in the proportion of services, by county, being billed for commercial rates. For example, in one county 11% of notified services were billed compared to 71% in another (ECI Survey, 2013). Of the respondents who recorded paying rates in Doing the Sums, we found the following breakdown for urban and rural services:

Urban
Average of €4,885,
ranging from
€100 to €24,000

Rural
Average of €3,690,
ranging from
€300 to €10,000

Throughout 2017, several county councils have been issuing revised Valuation Certificates under section 26 of the Valuation Act, 2001 as amended by section 11 of the Valuation (Amendment) Act 2015. ECI has been inundated by affected providers. Some have seen proposed increases of 200% in their rates. Some have decided and many more are strongly considering withdrawing their non-ECCE services to avoid paying rates they simply cannot afford. This has serious implications on the supply of wider childcare services, including full day care, care for the under 3s and school age childcare and thus affordability for parents.

16. Improve the sustainability of the ECE sector in Ireland by recognising ECE as educational and thus exempt from commercial rates.

    Lead departments: Department of Finance and Public Expenditure and Reform and Department of Housing, Planning, and Local Government.

School age childcare

ECI welcomes the publication of the *Action Plan on School Age Childcare* (March, 2017). We also welcome the establishment of the new Working Group to develop standards for school age childcare and the €3 million in capital funding to support increased capacity for the provision of school age childcare. However, in developing a model of school age childcare, DCYA and DES must be mindful of the important role school age childcare plays in subsidising the cost of providing wider childcare in existing services.[28] Serious consideration must be given to the negative impact of displacement "to primary school buildings for afterschool care provision"[29] on the viability and sustainability of existing providers in areas where demand for additional school age childcare places is not evident. By way of illustration, ECI received this communication from a member in April 2017, following the publication of the School Age Childcare Capital (2017) Application Guidance:

30 Please see *Doing the Sums: The Real Cost of Providing Childcare* (September, 2016) for further detail.
31 A Programme for Partnership Government, May 2016. p.78.

"My service caters for 4 local schools with a Breakfast & Afterschool Club and a mini bus collection service. We have 38 Children in our Afterschool and to be brutally honest, it is the area that financially supports the younger Care Rooms which like many of my colleagues lose money. Our Baby Room loses on average c. € 3,000 per month = over € 30,000 per annum. I have clear paperwork to show this, we have many times considered closing it. We are effectively providing a 'subsidy' to families of young children which should be provided by the State. Our only saving grace is that we have a strong afterschool in which I invested heavily - it has dedicated Lego, Science and Jnr Orchestra areas. If even one of these schools, or indeed the community play school, were to apply and be successful it would inevitably result in the obliteration of my business."

There are 17 distinct Actions in the *Action Plan on School Age Childcare* across the areas of quality, accessibility and affordability, which will require significant investment to deliver. ECI is pleased to see our own recommendations including, developing comprehensive quality standards for school age childcare and the need for workforce planning, reflected in the Actions. Action 5, to develop a Workforce Plan for the early years and school age childcare sector, is a priority in building a world-class childcare system for Ireland. In this regard, ECI welcomes the establishment of the Expert Group on Future Skills Needs, who will prepare a report on the ECE workforce that identifies the future skills requirements of the sector over the next decade. Their work will be vital to ensuring that a high-quality workforce is in place into the future.

17. Develop a capacity plan for the early years and school age childcare sector based on evidence of need, setting out the numbers and locations for provision, and measures to address the most effective mix of efficient setting size needed, subject to geographic and other factors.

Lead department: DCYA.

Affordability for Parents

Ireland has grappled with the high cost of childcare for decades.[30] Costs have risen due to chronic underinvestment and fragmented policy development. ECI does acknowledge the improvement in State spending on childcare in recent years.[31] However, prior to 2010

32 The first steps to address the deficiencies in Ireland's childcare system were made in 1999 through the D/JELR National Childcare Strategy.

33 For example, since the establishment of the Department of Children and Youth Affairs in 2011, the Budget allocation for ECE has risen from €250 million in 2012 to €465 million in 2017.

the State invested almost nothing in the care and education of pre-school children. As such, the level of investment falls consistently short of what the sector needs to deliver quality, sustainable and affordable services.

Across the EU and OECD, childcare costs between 10-13% of a family's income. In Ireland, childcare accounts for a massive 35% of household income, and for a couple is the second most expensive in the EU. This rises to 40% of net income for a lone parent on an average wage, nearly four times the OECD average and the highest in the EU. [32] In the absence of a review into the real cost of providing quality childcare, perceptions have developed about childcare providers profiting from the high childcare fees. The findings from *Doing the Sums* confirms this is not the case. Rather, the average childcare service in Ireland is struggling to break even and sustain its operation.[33]

The cost of childcare is especially high for babies and toddlers, collectively referred to as the under 3s. In fact, care for the under 3s is the most expensive in the EU (OECD, 2014). Most parents in Ireland pay the full cost of childcare for under 3s and given rising housing costs, many families are struggling to cope.

Universal subsidy

ECI therefore welcomes the introduction of the new universal subsidy, which applies to all children between 6 months and 3 years/start of ECCE in Tusla registered childcare services from September 2017. This will amount to a maximum €20 per week or €1,040 per annum for a child in full time 40-hour per week care. To support parents with the full year childcare costs for under 3s, the universal subsidy must be increased year on year, and achieve a minimum contribution of €60 per week for full time care by 2021.

18. Allocate €17 million to increase the maximum universal subsidy for children between 6 months and 3 years/start of ECCE by €10 per week, i.e. up to €30 per week for a child in full time care in 2018. **Lead department**: DCYA

Parental Leave

The high cost of childcare for under 3s is exacerbated by the fact that Ireland has the fourth shortest period of paid parental leave in Europe. [34] This is despite growing consensus on the beneficial outcomes for children of being cared for by a parent for at least the first 12 months of life.[35]

34 European Commission (2016).
35 See ECI (September, 2016), *Doing the Sums: The Real Cost of Providing Childcare* and South Dublin County Partnership et al (July, 2016), *Breaking Point: The challenge of securing sustainable Early Years Services to support children and families most at risk of poverty. A review of Community Early Years Services in Cork City and South County Dublin.*
36 Toby Wolfe, Policy and Research Officer at Start Strong writing in Public Affairs Ireland (April, 2015) 'Current Developments in Family Leave'.
37 Right from the Start (2013) *Report of the Expert Advisory Group on the Early Years Strategy*. p. 5.

The introduction of two weeks paid paternity leave in September 2016 was very welcome. However, including the existing provision of 26 weeks paid maternity leave, Ireland still only offers 28 weeks paid leave compared to the average 76 weeks paid leave for parents across Europe.[36] The 28 weeks or 7 months paid leave mostly translates to just 6 months paid leave for a parent with their child since a minimum of two weeks maternity leave must be taken prior to the child's birth and paternity leave is generally taken immediately after the child's birth and paternity leave has to be taken within the first 6 months.

After the first 6 months parents receive no further childcare subsidy until their children turn 3 and become eligible for part time care and education under the ECCE programme. This has obvious implications on the cost of childcare for parents and, more importantly, it means children in Ireland are not getting the full benefit of dedicated parental care in the critical first year.

ECI welcomes the Programme for Partnership Government commitment (May, 2016) to "significantly increase parental leave in the first year of a child's life" and "prioritise paid parental leave in the first year". However, ECI notes that no resourcing was made available in Budget 2017 to improve the current position.

19. Allow paternity leave to be taken within the first year to enable children to be cared for at home by their parent for longer.
Lead department: Department of Employment and Social Protection with no cost implication

20. Introduce four weeks paid parental leave (€235 p/w), which can be shared by parents following maternity and paternity leave entitlements.

Lead department: Department of Employment and Social Protection with an allocation of €40 million.

38 Start Strong (2015) *Family Leave in Ireland, How Do We Compare?*

Early Childhood Ireland firmly believes that there are three essential, interconnected pillars of a world-class childcare system:

1. Quality for children;
2. Sustainability for both childcare services and their staff;
3. Affordability for parents.

Each of these pillars, which support the overall structure, requires significant, sustained and simultaneous investment by Government and thus joined-up thinking between the relevant government departments. To this end, we need a significant injection of investment now and a concrete plan for sustained investment that will be delivered over successive budgets.

Minimum increased investment of €250 million in Budget 2018

ECI is calling on Government to commit to increasing budget allocation for ECE by a minimum of €250 million (approximately 0.1% of GDP) every year over the next five years. This should be achieved through a combination of direct investment into the ECE sector by DCYA and indirect investment to the benefit of ECE by other relevant departments. Given the current level of investment, and not withstanding fluctuations in GDP, this will mean the following ECE budgets: €716 million in 2018; €966 million in 2019; €1.216 billion in 2020; €1.466 billion in 2021 and € €1.716 billion in 2022.

ECI has made 20 recommendations to Government about how to invest the additional funding in a way that strengthens the three pillars of quality, sustainability and affordability. Costings have been provided for recommendations where possible, which are estimates derived from the best information available to ECI at the time of publication.

Quality for children

1. Publish the National Early Years Strategy

   Lead department: *Department of Children and Youth Affairs (DCYA)*

2. Create a new permanent and comprehensive professionalisation fund to support early years educators to:

   - access further education and training in early childhood care and education (ECE) that incorporates and builds on the existing 'Learner Fund' model and caters for all levels (level 5-level 9);
   - undertake pedagogical leadership;
   - engage in 35 hours of continuing professional development (CPD) that is linked to a recognised credit system, each year.

   Lead department: *DCYA with an initial investment of €10 million.*

3. In the short term, increased State capitation and subsidies should be accompanied by a ring-fencing mechanism to improve staff pay, provide for holiday pay and non-contact time for core staff.

   Lead department: *DCYA.*

4. In the medium term, develop an Early Education and Care Workplace and Professionalisation Plan and a nationally agreed pay scale for the early years workforce in conjunction with the sector.

   Lead department: *DCYA.*

5. Remove the 15 hour 'standard hours' subsidy proposal from the development of the Affordable Childcare Scheme.

   Lead department: *DCYA.*

6. Allocate €3 million to support the existing inspection regime of early years services and to expand the remit of the Early-Years Education-focused Inspection (EYEI) to inspect the quality of education provision to under 3s in early years services.

   Lead department: *DCYA and Department of Education and Skills.*

Sustainability for services and the early years workforce

7. Conduct and publish by June 2018 the independent review of the cost of providing quality childcare in private and community settings, consistent with the principle of ongoing professionalisation of the sector, and include work to design parameters to inform the development of a sustainability policy.

   Lead department: *DCYA.*

8. Commence the Affordable Childcare Scheme in September 2018 and until then provide additional funding to support the management and administration of More Affordable Childcare.

   Lead department: *DCYA with an initial investment of €10 million.*

9. Establish a new governance and leadership fund to support the sector to achieve the highest standards of financial management and good governance and to support managers in their leadership roles.

   Lead department: *DCYA with an initial investment of €2 million.*

10. Provide €3.5 million in capital funding for services to build their capacity to support regulatory compliance in the provision of services for under 3s, for example: space requirements; sleeping arrangements; and health and safety.

    Lead department: *DCYA.*

11. Establish a new sustainability fund to support services for whom the continuing provision of childcare for under 3s is at risk. The fund would be designed to support these services to continue providing early years care and education services to under 3s.

    Lead department: *DCYA with an initial investment of €3.5 million.*

12. Change the capital funding application process to support the operation, planning and sustainability of early years services.

    Lead department: *DCYA with no cost implication*

13. Commission the development of a nationally agreed pay scale for the early years workforce in conjunction with the sector.

    Lead department: *DCYA*

14. Allocate €5 million to increase the 5% non-contact time for core staff being built into the proposed new Affordable Childcare Scheme to 10%.

    Lead department: *DCYA*

15 Increase the level of capitation paid to services operating the Early Childhood Care and Education (ECCE) programme to €75 per child per week at the standard capitation rate and €85 per child per week at the higher rate over 42 weeks

Lead department: *DCYA with an allocation of €75 million.*

16. Improve the sustainability of the ECE sector in Ireland by recognising ECE as educational and thus exempt from commercial rates. .

    Lead department: *Department of Finance and Public Expenditure and Reform and Department of Housing, Planning, and Local Government.*

17. Develop a capacity plan for the early years and school age childcare sector based on evidence of need, setting out the numbers and locations for provision, and measures to address the most effective mix of efficient setting size needed, subject to geographic and other factors.

    Lead department: *DCYA*

Affordability for parents

18 Allocate €17 million to increase the maximum universal subsidy for children between 6 months and 3 years/start of ECCE by €10 per week, i.e. up to €30 per week for a child in full time care in 2018.

Lead department: *DCYA*

19. Allow paternity leave to be taken within the first year.
    Lead department: *Department of Employment and Social Protection with no cost implication*

20. Introduce four weeks paid parental leave (€235 p/w), which can be shared by parents following maternity and paternity leave entitlements.

    Lead department: *Department of Employment and Social Protection with an allocation of €40 million.*

early childhood ireland

Doing the Sums

Executive Summary

September 2016

EXECUTIVE SUMMARY

Early Childhood Ireland (ECI) is the representative and support body for the early childhood care and education (ECE) sector in Ireland. We have over 3,600 childcare members who support over 100,000 children and their families through preschool, full day care and School Age Childcare nationwide. Our work includes quality enhancement, publications, advocacy, training, business support and information for a sector that employs 25,000 people. The best interests of the child is of utmost importance to ECI and we work to ensure that all children are thriving and learning in quality early childhood settings.

ECI's policy and advocacy work is underpinned by the belief that: quality for children; sustainability for both childcare services and their staff; and affordability for parents are the three essential, interconnected pillars of a robust, functioning and desirable ECE system.

Many children, particularly under 3s are looked after in the informal and largely unregulated childminding sector where the cost of care is lower but where there is no oversight or inspection of quality for children. However, for the purpose of this report, the term 'childcare' is used to denote the provision of ECE in formal, centre-based pre-school and afterschool services run by both community organisations and private providers.

ECI is acutely aware that the cost of childcare is unaffordable for many parents and with ever increasing housing and rental costs, many families are struggling to cope. The sector is beset by a number of interrelated challenges. Well qualified staff are essential to the delivery of a quality ECE service for children. The increasing difficulty faced by providers in retaining and recruiting well qualified staff will not be resolved without dealing with the low pay and poor conditions in the sector. Low pay cannot be addressed without proper funding that also supports sustainable business models for childcare provision. The viability of services depends on such funding and ultimately, there can be no positive progression in any of these areas without significant investment by Government.

Since the early 2000s, there has been a concerted and welcome focus within the childcare sector on quality childcare provision and positive outcomes for children. The introduction of Aistear and Síolta as the two key curriculum and quality frameworks underpinning early childhood education, the Tusla Early Years (Pre-School) Inspectorate, and the Early Years Education-Focused Inspection (EYEI) by the Department of Education and Skills have greatly improved the quality and consistency of childcare practices. The most recent Regulations in 2016[1] introduced minimum levels of qualifications, QQI Level 5, for all members of staff working directly with children. As a result, the sector is becoming increasingly professionalised, which is welcome since the workforce is one of the most influential determinants

1 The Child Care Act 1991 (Early Years Services)(Amendments) Regulations 2016

of quality in childcare.[2] However, with only 18% of educators working in Ireland's childcare sector currently holding a degree at Level 7/8 in early childhood education and care[3], we are still a long way off achieving the EU recommended (2011) 60% graduate-led ECE workforce by 2025[4].

While there has been widespread discussion about the implementation of quality practices in childcare services, there has been relatively little research regarding the actual financial cost of running such services. It is against this backdrop that ECI commissioned Meehan Tully & Associates Ltd. to research the viability of various childcare financial models in Ireland, including community, private, rural, urban, part-time and full-time services. The aim of the research was to examine whether it is possible to operate a viable childcare service that: operates within the confines of the existing funding models; supports professional development for owners, managers and staff; and provides a career pathway for those working in the sector.

The research addressed these considerations by scoping out the costs involved in running childcare services, of varying operational sizes, and asking:

- How much does it cost to employ staff?
- What are the average overheads for a childcare service?
- If staff costs increased what would be the impact on viability of childcare services?
- What level of income, and funding, is required to support a viable and sustainable childcare service?

Based on these questions, conclusions were drawn about the ability of childcare financial models to meet the expectations, requirements and future developments of the childcare sector, particularly regarding the impact of staff costs upon the services. The main findings of the Report can be summarised as follows:

- **The average childcare service in Ireland, whether private or community, urban or rural, operates on a breakeven basis.** Having calculated the average costs for the various childcare financial models considered by the research and comparing these costs with the fee levels reported by Pobal, the research found that the average childcare service in Ireland operates on a breakeven basis. Even when a surplus is generated by a childcare facility, it is often too little to meet the cost of re-investment, which will be required at various stages of the business, including for maintenance, building improvements and replacing equipment. For example, based on the Report's working examples, the average community childcare facility providing a 39-45 week service in an urban setting had an end of year reserve of only €5,826 and the average privately owned service offering a 38 week programme in a rural setting had a reserve of just €1,651. While a small number of childcare services manage to generate relatively high surpluses, they are the exception within the sector and tend to be based within large urban settings.

- **Salaries and wages are, by far, the most significant daily operational costs facing a childcare service.** The wage bill for larger childcare services can reach up to 80% of total operational costs. However, while wages represent the largest proportion of costs, the actual hourly wages paid to staff are markedly low. The average Early Years Educator in Ireland earns just €11.12 per hour, well below the Living Wage. The Living Wage is the average hourly gross salary required by a single individual (without dependents) in full-time employment to afford a socially acceptable minimum standard of living across Ireland. In 2016, the Living Wage was €11.50 per hour. The situation for Early Years Educators is more serious still when you consider that many have one or more dependents, many are working part-time hours and on 38-week contracts, and many rely on social welfare payments over the summer months.

2 CoRe Report of the European Commission (2011).

3 Pobal Early Years Sector Profile 2015-2016, p.79.

4 Joint Oireachtas Committee on Health and Children (January, 2016) 'Report on Affordable and Quality Childcare.' p.25.

- **The State's focus on the Early Childhood Care and Education (ECCE) programme is exacerbating the difficulties faced by providers in the sustainable delivery of non-ECCE childcare services and is pushing many services towards an ECCE-only model.** The Early Childhood Care and Education (ECCE) programme receives by far the largest proportion of State funding of all care and education programmes in the early years sector. In 2015, State spending on childcare was approximately €260 million of which €175 million, or 67%, went into funding ECCE.[5] While imperfect, ECCE has been a positive and welcome initiative in Irish childcare that should be built upon. However, its success has come at the expense of the non-ECCE services in terms of focus, investment and the consequent financial viability of wider childcare services. Despite the low capitation rates paid under ECCE, Baby and Toddler Rooms, in general, still cannot compete with the predictability and dependability of the revenue stream produced by an ECCE Room. The findings of this Report clearly show a trend for providers towards an ECCE-only model, alongside School Age Childcare, as a means of maintaining their viability. This has led to a reduction in the provision of non-ECCE childcare, such as year round full daycare and care for the under 3s. As it stands, for the majority of childcare services, full day care represents a very small portion of the overall number of children in the service. Rather, the number of children enrolled in ECCE represents a very significant proportion of the overall numbers in ECE and this is set to increase as the ECCE programme is extended over 2016-2017. If left unchecked, non-ECCE services may be further reduced, or removed entirely, while the retention of highly qualified staff capable of satisfying the regulatory requirements for the sector will become increasingly difficult as the 38-week/part-time childcare model becomes the norm.

- **The unsustainability of the current ECCE capitation rates.** The introduction of the ECCE programme has been a positive development within the sector, improving occupancy and giving services access to a regular and dependable revenue stream. However, with standard and higher capitation rates of €64.50 and €75 per child per week respectively, ECCE is not adequately funded to provide a decent income for the majority of providers and staff. In the words of one provider "we cannot afford to run our ECCE with the new requirements. We struggle as it is to pay wages at €9.50 per hour, qualified staff are harder to attract and to put on a second ECCE year means we need more qualified staff. The capitation needs to increase significantly."

- **Impact of wage changes on ECCE capitation rates.** The Report found, using the example of an average ECCE Room in a privately owned urban service on the higher capitation rate, that in order for Room Leaders to be paid the average educational wage of €33.90, the ECCE rate would need to increase to €119.86. To raise childcare staff's average hourly rate above the Living Wage of €11.50, thus requiring an increase of 30% for Room Leaders and 20% for Early Years Educators, the ECCE rate would need to increase to €80.71. Or, to support the cost of employing staff at their current wage levels for 52 weeks, whilst maintaining delivery of the 38 week programme, the ECCE rate would need to increase to €83.39.

- **There are many differences between urban and rural-based services, which lead to higher costs for those in urban settings.** For example, urban-based services tend to be larger than rural-based services, requiring a larger building and the higher costs that ensue, such as higher rent, rates, insurance, maintenance, light and heat. These differences can lead to higher fees being charged for childcare, without necessarily increasing any surplus of income over expenditure for the childcare service. For some of the larger services that operate as franchises, there are additional costs to be borne by the service, including the cost of the franchise itself.

- **Privately owned services incur certain costs that do not apply to or are lower in community services.** The most significant are rents, which increase significantly for larger services in urban settings, and commercial rates, which are paid exclusively by privately owned services operating outside the ECCE-only model. Of the respondents who reported paying commercial rates, the report found that services in urban settings pay an average of €4,885 with the rates ranging from €100 to €24,000 and in rural settings services pay an average of €3,690 with the rates ranging from €300 to €10,000.

5 Report of Inter-Departmental Working Group: Future Investment in Childcare in Ireland (2015). p. 27.

- **Of particular concern within privately owned childcare facilities is the tendency for many owner/managers to use their own salaries to supplement the operational costs of their businesses.** According to one provider "we are finding costs are increasing such as light, heat, rates, wages but we are unable to pass these costs on to parents and therefore the only way to continue to operate the crèche is to take less and less of a salary as the owner." This may, on the face of it, facilitate the short term survival of the business, but it is an artificial scenario that does not reflect the true cost of running the childcare service and is certainly not sustainable as a good business model.

At the centre of all considerations about the provision of quality childcare is the best interests and experience of the child. The Report's findings highlight significant potential impacts for parents, staff and the childcare sector as a whole.

Parents - potential impacts

- Limited availability of childcare services for young children and babies outside of the ECCE programme, as childcare facilities reduce or withdraw from running the less viable non-ECCE Rooms

- Potential increase in price of non-ECCE services, as supply reduces and/ or a subsidy is required by the service to justify running a non-ECCE Room

- A worsening childcare affordability crisis in Ireland, especially in the cost of childcare for under 3s, which is already among the most expensive in the EU (OECD, 2014). The high cost of childcare is exacerbated by the fact that Ireland has the fourth shortest period of paid parental leave in Europe and the gap between the end of paid leave and the beginning of free pre-school under the ECCE programme is approximately 138 weeks, depending on when during the ECCE programme year a child turns three years old

Staff - potential impacts

- An increase in the number of part-time employment contracts being offered on a 38-week basis, as opposed to 52-week, in line with the payments being received through ECCE

- Associated difficulties for staff, for example securing mortgages and making pension contributions

- Wages not reflecting staff qualifications, with Level 7-qualified staff earning relatively low wages and most services not being in a position to offer an increase in hourly rates

- Minimal professional development within the sector, as higher qualifications unlikely to lead to increased wages or a full-time 52-week contract

Childcare sector - potential impact

- Potential that the childcare sector becomes primarily a 'pre-school' setting, alongside School Age Childcare placements, moving away from the provision of traditional childcare services

- Since the workforce is one of the most influential determinants of quality in childcare, a lack of qualified staff will negatively impact on quality.

- A lack of professional development and opportunities within the sector is likely to reduce the attractiveness of the sector to qualified Level 7 staff

- Retention of staff will be difficult in a low-wage and part-time sector

- Failure to secure highly qualified staff, i.e. Level 7, will impact upon the capitation rate available to the service, with potential knock-on effects regarding viability

Childcare services are increasingly moving towards an ECCE only model, alongside School Age Childcare placements, in an effort to continue as viable going concerns. While this no doubt improves the financial sustainability of their service, it only works where low wages, part-time contracts and relatively low surpluses are the norm. Quite clearly, this is incompatible with the professionalisation of the sector and the ability of services to attract and retain the qualified staff they need to deliver quality care and education to children. If the sector continues in this direction, there will be an inevitable and significant impact on the availability and affordability of comprehensive childcare provision outside of ECCE, i.e. childcare provision on a full and part time basis and for under 3s, to the detriment of children, parents, staff and the sector as a whole.

It is vital that all stakeholders work toward achieving a robust, functioning and desirable childcare system in Ireland that ensures: quality for children; sustainability for both childcare services and their staff; and affordability for parents. To this end, ECI makes the following 10 recommendations to Government and policy makers.

ECI's 10 Recommendations

1. **Publish the National Early Years Strategy.** The National Early Years Strategy is a unique opportunity to identify the needs, opportunities and best interests of every child in Ireland from birth to 6 years of age, with special focus on early childhood care and education. The Strategy must recognise a universal, accessible and high quality ECE system as a right for all young children. It must be built and developed with parents and communities to support children's holistic development. The evidence informed policies set out in the Strategy must be accompanied by an implementation plan and timeframe and be met with the necessary funding by all the Government Departments charged with their delivery. The Strategy must serve as the roadmap for the future direction, development and funding of ECE in Ireland.

2. **Base state subsidies on a realistic assessment of the cost of providing childcare.** The financial viability and sustainability of childcare providers needs to be a key concern of policy makers, and not just the providers themselves. Government must address the structural deficiencies in the current funding model, whereby low state subsidies lead to low margins, low pay and poor conditions for staff, and ultimately undermines the ability of both the sector and the State to deliver quality services for children and affordability for parents. The levels of subsidy underlying the design of future schemes, as well as the existing ECCE programme, must be based on a realistic assessment of the cost of providing childcare with adequate margins. To this end, the Department of Children and Youth Affairs must expedite the independent review of the cost of providing quality childcare in private and community settings, consistent with the principle of ongoing professionalisation of the sector, as per the Programme for Partnership Government commitment (May, 2016).

3. **Initiate a new 'Early Education and Care Workforce and Professionalisation Plan'.** Government should conduct research and engage with the sector to develop a Workforce Plan that sets out a realistic assessment of the number of early childhood professionals that are needed, and where, over the next 5-10 years, including their levels of qualification and how we recruit and retain them.
4. **Develop a 'Capacity Plan' for the sector.** Government should develop a Capacity Plan based on evidence of need, setting out the numbers and locations for provision, and measures to address the most effective mix of efficient setting size needed, subject to geographic and other factors.

5. **Work with the sector to agree recognised salary scales for early years educators.** Government must recognise that inadequate State subsidies are sustaining the unacceptably low pay and poor conditions in the ECE sector. This has led to a staffing crisis. Services increasingly struggle to retain and recruit enough staff meet the adult:child ratios and/or appropriately qualified staff to satisfy regulatory requirements. Government cannot meet its own policy objectives to expand the childcare sector without addressing the pay and conditions deficiency. The additional investment in the sector must provide for increased salaries, where Government works closely with the sector to develop agreed salary scales in the medium term.

6. **Increase Paid Parental Leave and Introduce a Childcare Subsidy for under 3s.** Mindful that UNICEF recommends 12 months' paid parental leave as a minimum, ECI urges the Government to act quickly on its Programme for Partnership Government commitment to "significantly increase parental leave in the first year of a child's life" and "prioritise paid parental leave in the first year". Thereafter, Government must introduce a childcare subsidy to support parents with the full year childcare costs, where the State pays the provider or registered childminder directly to subsidise the real cost of childcare. In order to have any meaningful impact on the affordability and availability of childcare for under 3s, the subsidy level must be sufficient to address the current sustainability difficulties for provision to this age cohort. A minimum initial €20 million investment is required for this subsidy in 2017 (see Early Childhood Ireland Budget 2017 Submission 'Time for Giant Leaps Toward Quality, Sustainability and Affordability in Irish Childcare'). This subsidy needs to be increased consistently year on year, and achieve a minimum contribution of €60 per week by 2021. This subsidy should be rolled out as part of the Affordable Childcare Scheme, with higher subsidies for low-income households.

7. **Get the Affordable Childcare Scheme right from the start.** The new Affordable Childcare Scheme must be planned and developed to ensure it provides a comprehensive and coherent system of supports for all children availing of childcare, including ECCE and School Age Childcare, and provides a flexible and robust platform for all future investment in childcare. The design of the Scheme needs to:
   - Be informed by an independent review of the cost of providing quality childcare in private and community settings, consistent with the principle of ongoing professionalisation of the sector, as per the Programme for Partnership Government commitment (May, 2016).
   - Be informed by the knowledge and expertise that the sector has to offer. Preparations for the Scheme need to include a comprehensive consultation and engagement process that ensures that the voices of providers and parents are heard.
   - Recognise that a 'one size fits all' approach will not suffice and that one level of subsidy will not work everywhere. Many factors influence to the cost of providing childcare. They may be geographical or specific to the needs of particular communities and children. For example, subsidies should reflect the higher cost of providing childcare to children with disabilities in the under 3s cohort and in School Age Childcare i.e. outside of the Access and Inclusion Model (AIM) in ECCE.
   - Be based on year-round supports, and incorporate non-contact time at a minimum of 10% equivalent of contact time and CPD for all staff.
   - Allows parents and providers to interface with a single, accessible and coherent system of supports.

8. **Eliminate disincentives so that providers can offer a full suite of childcare.** Government needs to carefully construct its supports for ECE so that it does not inadvertently create disincentives and barriers to services providing a full suite of childcare for children in their early years and in School Age Childcare.

9. **Recognise all ECE services as educational services and as such exempt from paying commercial rates.** This is important as a matter of principle, whereby the State recognises and values the learning, development and well-being fostered by Early Years Educators in ECE settings. Furthermore, since all community providers and private providers offering ECCE-only services are exempt from paying commercial rates, it is also a clear example of an unintended inducement for struggling private providers to move to an ECCE-only model.

10. **Develop a model of School Age Childcare that is regulated, subsidised and avoids displacement.** The Department of Children and Youth Affairs and the Department of Education and Skills need to be cognisant of the important role School Age Childcare plays for existing childcare services in subsidising the cost of wider childcare provision, particularly for the under 3s. Serious consideration must be given to the negative impact of displacement "to primary school buildings for afterschool care provision"[6] on the viability and sustainability of existing providers in areas where demand for additional School Age Childcare places is not evident.

6 A Programme for Partnership Government, May 2016. p.78.

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