

Time for Giant Leaps

Toward Quality, Sustainability
and Affordability in Irish Childcare

Budget 2017 Submission



Executive Summary

To date, the level of State investment in the early care and education (ECE) sector in Ireland has been consistently poor and fragmented. Successive budgets have delivered a series of first steps in a multi-annual childcare investment programme. But, in Budget 2017, nothing short of a leap in investment will suffice if we are to move toward a model of childcare in Ireland that can deliver:

1. The best **quality** care and education provision for children in the most formative years of their development;
2. Viability and **sustainability** for both early childhood services and their staff;
3. Access and **affordability** for parents to childcare facilities and services.

Early Childhood Ireland calls on the Government to take the necessary leap and make a minimum additional investment of **€115 million¹** for new improvement measures and policies in Budget 2017. While reference is made to measures belonging to other Government Departments in this Budget Submission, ECI's recommended €115 million additional spend focuses exclusively on the Department of Children and Youth Affairs (DCYA) budget.

In this regard, ECI notes that many of the changes introduced in Budget 2016 come into effect from September 2016 and that the first €85 million of funding provided in Budget 2017 is already required to meet their full year costs. **It is important to stress that ECI's asks for Budget 2017 are required to fund new improvement measures and policies in the sector and as such, they do not include the €85 million DCYA needs to fund existing measures.**

Breakdown of costs for DCYA:

1 €61 million

to increase the level of capitation paid to services operating the ECCE programme to €75 per week per child at the standard capitation rate and €85 per week per child at the higher rate, on the basis of a 41 week programme.

2 €31 million

to extend the ECCE programme contract by three weeks to 41 weeks to support the payment of non-contact time and holiday time for service providers and staff.

3 €3 million

to create a new permanent and comprehensive system for supporting learners to access further education and training in Early Childhood Education that builds on the existing 'Learner Fund' model, caters for all levels and will lead to the provision of a minimum of 3 CPD days per year for Early Years educators.

4 €20 million

to introduce a Childcare Subsidy to support parents with the full year childcare costs for under 3's in 2017, where the State pays the provider or registered childminder directly to subsidise the real cost of childcare.

¹ While reference is made to measures belonging to other Government Departments in this Budget Submission, ECI's recommended €115 million additional spend focuses exclusively on the Department of Children and Youth Affairs budget.

Additional recommendations:

- >> ECI urges the Minister for Social Protection to act on the Programme for Partnership Government commitment to introduce an improved PRSI scheme and provide a supportive tax regime for the self-employed.
- >> ECI calls on the Minister for Social Protection to prioritise parental leave in his budget considerations. We recommend the introduction of two weeks paid parental leave in 2017. This would be a significant step towards the medium-term goal of 12 months paid parental leave in the child's critical first year, which can be shared by parents and follow maternity and paternity leave entitlements. The cost of this measure in 2017 is an estimated €20.5 million.
- >> ECI urges the Minister for Children and Youth Affairs to tackle issues that are particular to community childcare providers, in conjunction with her colleagues the Minister for Housing, Planning, Community and Local Government and the Minister for Social Protection. These include a focus on supporting good governance, providing additional funds to support families encountering difficulties, dealing with bad debts and tackling staffing needs relating to the move away from the use of Community Employment.
- >> ECI calls on the Minister for Public Expenditure and Reform to play his part in a whole-of-government approach to ensuring the sustainability of the ECE sector by abolishing commercial rates for **all** ECE settings.

Despite the improvement in investment, Ireland is spiralling further into a two pronged childcare crises. A crisis in sustainability for the ECE sector and a crisis in affordability for parents.

Introducton

Early Childhood Ireland (ECI) acknowledges the improvement in State spending on childcare in recent years. In 2015, the Government provided approximately €260 million in funding with the vast bulk, approximately €246 million, invested directly into three State subsidised early care and education (ECE) support programmes: the Early Childhood Care and Education (ECCE) programme; the Community Childcare Subvention (CCS) programme, and the Training and Employment Childcare (TEC) programmes. This progress must however be viewed against that fact that prior to 2010 the State invested almost nothing in the care and education of pre-school aged children in Ireland. As such, the level of investment is continuously playing catch up and, as reflected by the statistics, the ECE sector remains chronically under resourced. At 0.3% of GDP², Ireland's investment in childcare falls well short of the 0.8% average investment across the OECD, and the UNICEF international benchmark for ECE sector investment of 1% of GDP.

ECI also acknowledges the significant package of childcare measures worth €85 million as part of Budget 2016. Many of the changes introduced in Budget 2016 come into effect from September 2016³ and we know that the first €85 million of funding provided in Budget 2017 is already required by DCYA to meet the full year costs of implementing these measures.

ECI's recommendations for Budget 2017 are required to fund new improvement measures and policies in the sector and, as such, they do not include the €85 million DCYA needs to fund existing measures.

Despite the improvement in investment, Ireland is spiralling further into a two pronged childcare crises. A crisis in sustainability for the ECE sector and a crisis in affordability for parents.

The situation at a glance for the sector

The sector is beset by a number of interrelated and interdependent problems. Well qualified staff are essential for the delivery of a quality ECE service. The difficulty faced by services 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 models that also support sustainable business models for childcare provision. The viability of services depends on such funding models and ultimately, there can be no positive progression in any of these areas without significant investment by Government.

The situation at a glance for parents

Across the EU and OECD childcare costs between 10-13% of a family's income. In Ireland the average cost of childcare accounts for a massive 35% of household income. This rises to 40% for a lone parent on an average wage. Even for higher earners the percentage is 24% and still double the OECD average.⁴ According to the European Commission (2016), as a percentage of wages, net childcare costs in Ireland are among the highest in the EU, the second highest for couples and the highest for single parents. The cost of childcare is unaffordable for many parents and given the parallel crisis in the housing and private rental market, families are struggling to cope.

² When expenditure for young children in primary school education is excluded.

³ The expansion of the ECCE programme to two 'free preschool years', which will be taken up by an estimated 127,000 children per programme year, the restoration of the ECCE capitation fee to pre-2012 levels (i.e. €64.50 standard capitation fee and €75 higher capitation fee per child per week), as well as demographic changes.

⁴ Chambers Ireland (April, 2015) 'Submission to the Low Pay Commission'.

ECI's Budget 2017 Asks

The investment to date can only be viewed as a series of first steps in a multi-annual childcare investment programme. Nothing short of a leap in State investment in Budget 2017 will suffice if we are to move toward a model of childcare in Ireland that can deliver:

1. The best **quality** care and education provision for children in the most formative years of their development;
2. Viability and **sustainability** for both early childhood services and their staff;
3. Access and **affordability** for parents to childcare facilities and services.

ECI calls on the Government to take the necessary first leap and make a minimum additional investment of **€115 million**⁵ for new improvement measures and policies in Budget 2017.

1. Quality

We know that early childhood care and education matters to children and communities and that investment in early years is a cost effective way of promoting economic growth. We also know that there are no returns on investment if quality in early childhood services is not maintained.⁶

The ECE workforce is one of the most influential determinants of quality in the ECE sector.⁷ It is the quality of relationships, the nature of the interactions and the ability of the adult to support children's early learning that matter and impact on children's social, emotional and cognitive outcomes. High quality adult-child interactions are most often found where the people working with children are highly qualified and where wages are sufficiently high to minimise staff turnover and to reward staff for the investment they make in their education and training. The qualifications of the whole staff team are key to quality provision.

Staffing and professionalisation

It is Government policy to expand the ECE sector and in order to ensure that expanded programmes can be delivered we must be able to retain the staff we have and attract new staff into the sector. The ECE sector in Ireland employs as many as 25,000 people and, like in many other countries, we experience low staff retention and high turn-over rates. The workforce feels undervalued and underpaid for intellectually, emotionally and physically demanding work.⁸ Our members strive to operate services that provide training for staff, retain well qualified staff, pay fair salaries and provide annual contracts that incorporate non-contact time and Continuous Professional Development (CPD) opportunities. However, the current levels of capitation do not reflect the real cost of quality childcare provision⁹ and the vast majority of services are not in a position to remunerate their staff adequately.

The childcare sector is becoming increasingly professionalised. Under Regulation 9(4) of the Child Care Regulations (2016), all employees working directly with children must have a minimum QQI Level 5 in Early Childhood Care and Education by December 2016.

⁵ While reference is made to measures belonging to other Government Departments in this Budget Submission, ECI's recommended €115 million additional spend focuses exclusively on the Department of Children and Youth Affairs budget.

⁶ Melhuish, E. (2011) 'The Early Years and Later Development-Evidence and Social Policy' Presentation to Growing Up in Ireland Conference. Dublin, December 2011.

⁷ CoRe Report of the European Commission (2011).

⁸ ECI Survey (January 2016) 'Pay Rates in the Irish Early Childhood Care and Education Sector'.

⁹ ECI will publish our own national, representative review of the real cost of childcare in September 2016.

The ECCE contract (2016-2017) stipulates that all staff working with children in a service must hold a certificate for a major award in childcare/early education at a minimum of Level 5 on the National Framework of Qualifications (NFQ) of Ireland or equivalent, all Pre-School Leaders a minimum Level 6 or equivalent, and in order to receive the higher capitation payment, all Pre-School Leaders need a bachelor degree in childhood/early education (minimum of Level 7 on the NFQ or equivalent). Yet, an unacceptable number of highly qualified and dedicated staff find themselves working for less than the living wage throughout the ECCE contract year and relying on Job Seekers Allowance over the summer months.

Of the nearly 25,000 childcare workers, over 3,370, almost 14% of the total workforce, had to sign on the live register in the summer of 2014, a cost of €7.2 million to the exchequer (Pobal, 2014). In the ECI Survey *Pay Rates in the Irish Early Childhood Care and Education Sector* (January 2016) we found that the average rate of pay for an Early Years educator in Ireland is €10.27 per hour. Accordingly, an Early Years educator working in a pre-school service operating a single ECCE session will earn as little as €5,854 per annum and an Early Years educator working in a pre-school service running two ECCE sessions per day will only earn €11,707.

Single ECCE Session per day

15 hours per week x €10.27 per hour x 38 week contract = €5,854 per annum

Two ECCE Sessions per day

30 hours per week x €10.27 per hour x 38 week contract = €11,707 per annum

The lack of paid non-contact time and paid CPD days further exacerbates the sense of frustration within the sector. Early Years educators, even in exclusively sessional pre-school services, are doing considerably more hours per week in unpaid non-contact time. The work done in this time is absolutely essential to the delivery of a quality pre-school experience for children and includes: planning and evaluating curriculum; engaging with the national frameworks Aistear and Síolta; working with parents; participating in staff meetings; completing required recording and documentation, including for inspection purposes; and supporting good governance. With the more recent introduction of the Access and Inclusion Model (AIM), Early Years educators will also be required to work with parents to identify the needs and supports of children with a disability participating in ECCE programmes.

In keeping with the EU recommendation (2011), we are striving for a 60% graduate-led ECCE workforce by 2025.¹⁰ However, only 15% of educators working in Ireland's childcare sector currently hold a degree at Level 7/8 in early childhood education and care (Pobal, 2015). This is hardly surprising when, according to ECI's survey on pay rates in the sector (January 2016), having a third level degree will earn an Early Years educator as little as €1 extra per hour, meaning an annual income of just €6,424 for working a 15 hour ECCE week and €12,848 for working a 30 hour week. According to our survey, the manager of a preschool service is paid an average hourly rate of €13.28, which is only €2 more per hour than an Early Years educator. This is despite the additional work and responsibility attached to the role. Overall, our survey found that in all roles and qualification levels in the ECE sector, the average wage falls far short of the average Irish industrial wage of €21.46 per hour.

It is completely unacceptable that for staff, who are responsible for the youngest and most important children in our society, the ECE sector continues to be characterised by low wages, additional unpaid work, low social status, a heavy workload, a lack of career progression paths and a lack of incentive to professionalise. This inevitably impacts on staff retention and attracting new staff into the sector, which as we have already pointed out is crucial to the expansion of the ECE sector.

¹⁰ Joint Oireachtas Committee on Health and Children (January, 2016) 'Report on Affordable and Quality Childcare.' p.25.

We are particularly concerned that the current ECCE expansion and associated funding does not take adequate account of the numbers of staff available to deliver the programmes. We recommend an immediate audit of the number of Level 5 and 6 students coming out of all training institutions and Education and Training Boards this year and strategic planning to ensure sufficient staff numbers with graduate level training in the sector moving forward.

2. Sustainability

ECI welcomes the Programme for Partnership Government commitment to “conduct and publish 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.” ECI has already undertaken a comprehensive survey of our members to scope the cost of running childcare services of varying sizes and to determine whether the level of income required, within the confines of the existing funding models, is capable of supporting viable and sustainable childcare services. We are currently analysing the data and will publish our national, representative review of the real cost of childcare in September 2016. Upon completion of both reviews, ECI will be calling on the Government to reassess and revise the capitation rates for the ECCE programme. In the interim, it is worth noting that in ECI’s survey on the shortcomings in ECCE (2014) we found that prior to its introduction 43% of services were charging between €65 and €100 per week for a sessional place with €75 per week as the most commonly reported charge.

It is inevitable in a sector as chronically under-resourced as the ECE sector, that the viability and sustainability of many services, both community and private, are in a perilous state. The preliminary findings from our real cost of childcare survey suggest that the cost of operating services by far exceeds State funding and that many services are struggling to survive.

While 70% of total expenditure goes on staff wages in the sector, the current rate of ECCE capitation takes no account of the service providers’ legal obligation to pay its staff holiday pay. In the case of private providers there is no provision for their own paid leave, and many struggle to pay themselves.

Preliminary survey results: private preschool service owner’s salary based on the number of weeks their service operates.

- 38 weeks and less= €12,960
- 39-45 weeks = €14,250
- 46-49 weeks = €18,665
- 50+ weeks = €31,170

The inevitable outcome of this structural problem is that both community and private services struggle to keep afloat over the summer months.

Unlike their staff, self-employed ECE service providers are not eligible for Job Seekers Allowance or other supplementary welfare payments to support them during this period when they have limited or no income. In addition to having no automatic entitlement to social welfare support or any entitlement to invalidity and disability benefit, self-employed members of the sector are subject to much more stringent qualification requirements than employees under the social welfare code.

SELF EMPLOYED

- No Immediate entitlement to benefits
- Fully means tested
- All savings fully assessed
- All Income fully assessed
- Cohabitee income fully assessed
- Value of property, other than family home fully assessed
- Invalidity – Not covered
- Disability – Not covered

EMPLOYEE

- Immediate entitlement to benefits
- No means test
- Personal savings not assessed.
- Other income not assessed.
- Cohabitee income not assessed
- Value of property, other than family home not assessed
- Invalidity – covered
- Disability – covered

Self-employed service providers undertake a considerable amount of risk for a low return and there must be an adequate contingency plan or 'safety net' in place for those who run into difficulties. ECI supports the calls for reform made by IBEC and ISME regarding employers PRSI contributions and welcomes the Programme for Partnership Government commitment to introduce an improved PRSI scheme and provide a supportive tax regime for the self-employed.

Community Providers

While the majority of issues facing the ECE sector apply to both private and community providers, there are particular challenges faced by community providers, including ensuring good governance under the *Charities Act, 2009* and dealing with high levels of bad debts. Community providers work hard to achieve the highest standards in their practice in often difficult circumstances, and provide essential services that meet the needs of vulnerable children living in disadvantaged communities. This work needs to be recognised and supported appropriately, including financially.

For many community providers there is an immediate challenge concerning the staff deploy in their settings that were employed under the Community Employment Scheme (CE). Under new *Child Care Act 1991 (Early Years Services) Regulations 2016*, all childcare staff must hold a qualification in early childhood care and education at a minimum level 5 level on the National Framework of Qualifications or equivalent. While the Learner Fund will help in some instances, there are likely to be some cases where additional funding is needed to ensure the necessary staffing for compliant and viable settings.

In addition, the role of community childcare settings as hubs for family support must be recognised, and in particular the key worker system with Tusla whereby a child is assigned to a particular member of staff to ensure continuity of care between home and the childcare setting.

Early Childhood Ireland believes that a proactive and problem-solving approach needs to be taken and that additional financial supports should be provided where needed in order to retain this vital support for many families.

Commercial rates

The abolition of commercial rates for community and not-for-profit ECE services under the *Valuation (Amendment) (No 2) Act, 2015* was a welcome step.¹¹ However, ECI maintains the firm position that commercial rates must be abolished for all ECE services. Private providers are under serious financial pressure and their sustainability is further jeopardised by the continued imposition of commercial rates, which are levied unequally, unfairly, and inconsistently across the private ECE sector.

¹¹ This change was effected through an amendment to Schedule 4 of the Valuation Act 2001 and, according to the former Minister for Public Expenditure and Reform, Brendan Howlin TD, "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".

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). From the preliminary findings of our real cost of childcare survey, of the respondents who recorded paying rates, 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.

All crèches and preschools should be recognised as educational settings and thus exempt from commercial rates, whether they are operated by community or private providers. ECI calls on the Minister for Public Expenditure and Reform to play his part in a whole-of-government approach to ensuring the sustainability of the ECE sector in Ireland.

Pension time bomb

All those employed in ECE services, including the self-employed, have access to the State Pension. However, Ireland is sitting on a pensions time bomb. According to CSO projections, by 2046 there will be just over two people of working age for every pensioner and an estimated 1.41 million pensioners.¹² It is highly unlikely that people will be able to survive on the State Pension alone in future years and is thus imperative that people are actively encouraged to save independently for their post retirement income. In order to do so, people need sufficient pay and money to set aside. Knowing the extent of the pay crisis in the sector, ECI conducted a survey of service owners in 2014 to ascertain the extent of pension provision in the sector. The results are alarming:

- >> 92% of respondents had no exit strategy in place for retiring from their business;
- >> While 30% of respondents hoped to have an income of 50-80% of their current salary in retirement, 80% had no pension plan in place;
- >> 47% of respondents did not understand the statutory requirements for providing access to a PRSA salary deduction for their employees and only 20% of respondents actually had the scheme in place;
- >> 85% of respondents either didn't know or believed they would be entitled to the full State pension in retirement.

¹² CSO Population and Labour Force Projections, 2016-2046.

3. Affordability

As previously discussed, the cost of childcare in Ireland is unaffordable for most parents. Recalling the survey of parents conducted by the Irish Independent in January 2015, it costs up to €1,150 a month for a crèche place for a baby. For both a baby and toddler the cost can increase to as much as €2,035 per month. To meet the monthly expense for two children a parent would need to earn €30,000 a year, which after tax leaves €2,071 a month, or virtually nothing once the childcare costs are paid. This is not just a problem for Irish parents but for Irish society and our national economic well-being. The European Commission's analysis of the Irish economy and the structural challenges that must be addressed to sustain Ireland's economic recovery consistently identifies access to affordable childcare as a priority issue, in particular for women and low income families.¹³ Parents can receive partial reductions in childcare fees through a variety of State sponsored early years and school-age care and education programmes. However, the majority of the schemes are targeted to disadvantaged and low-income working parents, for example CCS, CCSP, TEC and After-School Childcare.

The ECCE free pre-school programme, while universal, still covers only 38 weeks per year and is available exclusively to children aged three to five and a half years. As such, the vast majority of parents in Ireland pay the full cost of childcare for under 3's, which is among the most expensive in the EU (OECD, 2014). The affordability crisis is further exacerbated by the fact that Ireland has the fourth shortest period of paid family leave in Europe and the gap between the end of paid leave (a maximum of six months given that two weeks of maternity leave must be taken prior to the child's birth) and the beginning of subsidised preschool under the ECCE programme is approximately 138 weeks, depending on when during the ECCE programme year a child turns three years old.¹⁴

ECI welcomes the Programme for Partnership Government commitment to supporting "the introduction of a robust model for subsidised high quality childcare for children aged 9-36 months in order for children and families to truly reap the benefits of greater investment". We believe this subsidy can best be rolled out as part of the 'Single Affordable Childcare Scheme' (SACS) announced in Budget 2016 and currently under development.

Paid parental leave

There is growing research evidence on the beneficial outcomes, for a child, of being cared for by a parent for at least the first 12 months of life and ECI strongly advocates this position. Until the introduction of two weeks paid paternity leave, effective from September 2016, Ireland remains one of only nine European countries that has no paid paternity leave. Once introduced and together with the provision of 26 weeks paid maternity leave, Ireland will now offer a total of only 28 weeks paid leave compared to the average of 76 weeks paid leave for parents across Europe.¹⁵ Mindful that UNICEF recommends 12 months' paid leave as a minimum, ECI welcomes the 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".

¹³ European Commission "Country Report Ireland 2016."

¹⁴ Oireachtas Library and Research Service (2016) 'Mind the gap: parenting, leave and childcare in Europe' in Research Matters for the 32nd Dáil and 25th Seanad. p.17.

¹⁵ Public Affairs Ireland (April, 2015) 'Current Developments in Family Leave'.

Our Asks

As part of an ongoing commitment to support quality for children and sustainability for services and staff in the ECE sector and affordability for parents, ECI calls on the Government to allocate **€115 million** of the DCYA budget in 2017 to the following areas:

1 Until the outcome of both the ECI and DCYA commissioned independent review on the real cost of childcare can be fully considered, to increase the level of capitation paid to services operating the ECCE programme to €75 per week per child at the standard capitation rate and €85 per week per child at the higher rate. The cost of this increased capitation in 2017 is an estimated **€61 million**. ECI urges the Government to develop a ring-fencing mechanism to ensure that 50% of the money is linked to staff wages and 50% to improving the sustainability of services;

2 Extend the ECCE programme contract by three weeks to 41 weeks to support the payment of non-contact time and holiday time for service providers and staff. The cost of a three week extension in 2017 is an estimated **€31 million**.

3 Create a new permanent and comprehensive system for supporting learners to access further education and training in Early Childhood Education that builds on the existing 'Learner Fund' model, caters for all levels and will lead to the provision of a minimum of 3 CPD days per year for Early Years educators. ECI recommends an initial investment of **€3 million** to this end.

4 Introduce a Childcare Subsidy to support parents with the full year childcare costs for under 3's in 2017 where the State pays the provider or registered childminder directly to subsidise the real cost of childcare. ECI recommends an initial **€20 million** investment. This should be rolled out under the planned Single Affordable Childcare Scheme. ECI will seek an annual increase in this amount over the Government's term.

Additional recommendations:

- >> ECI urges the Minister for Social Protection to act on the Programme for Partnership Government commitment to introduce an improved PRSI scheme and provide a supportive tax regime for the self-employed.

- >> ECI calls on the Minister for Social Protection to prioritise parental leave in his budget considerations. We recommend the introduction of two weeks paid parental leave in 2017. This would be a significant step towards the medium-term goal of 12 months paid parental leave in the child's critical first year, which can be shared by parents and follow maternity and paternity leave entitlements. The cost of this measure in 2017 is an estimated €20.5 million.

- >> ECI urges the Minister for Children and Youth Affairs to tackle issues that are particular to community childcare providers, in conjunction with her colleagues the Minister for Housing, Planning, Community and Local Government and the Minister for Social Protection. These include a focus on supporting good governance, providing additional funds to support families encountering difficulties, dealing with bad debts and tackling staffing needs relating to the move away from the use of Community Employment.

- >> ECI calls on the Minister for Public Expenditure and Reform to play his part in a whole-of-government approach to ensuring the sustainability of the ECE sector by abolishing commercial rates for **all** ECE settings.

Conclusion

The EU Council recommendation on the 2016 National Reform Programme of Ireland spells out what we all agree Ireland needs to do, 'improve the provision of quality, affordable full-time childcare'. ECI recognises the steps that have been taken over recent years but we firmly believe that a significant leap in State investment in Budget 2017 is imperative to achieving this end.

