

Report of Inter-Departmental Working Group: Future Investment in Childcare in Ireland

To identify and assess policies and future options for increasing the quality, accessibility (including supply) & affordability of early years and school-age care and education services in Ireland

22nd July 2015



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CHILDCARE PROGRAMMES**

Abbreviations

ECCE Early Childhood Care and Education programme

CCS Community Childcare Subvention programme

TEC Training and Employment Childcare programmes

CB Child Benefit

CCC City/County Childcare Committee

VCO Voluntary Childcare Organisation

CPD Continuous professional development

Introduction

Introduction and Executive Summary

Background

In January 2015, the Minister for Children and Youth Affairs announced the establishment of an Inter-Departmental Group (IDG) on Future Investment in Early Years and School-Age Care and Education. The purpose of this Group is to identify and assess policies and future options for increasing the affordability, quality and supply of early years and school-age care and education services in Ireland. The full Terms of Reference for the IDG can be found in Appendix 1.

The work of the IDG is grounded in *Better Outcomes, Brighter Futures*, the whole-of-Government policy framework, which sets out *how we can best achieve optimum outcomes and bright futures for all children and their families* (DCYA, 2014).

Methodology

The Group met in session on five occasions. Members of the Group also participated in an Open Policy Debate hosted by the Department of Children and Youth Affairs. In addition, a number of bilateral discussions were held with individual departments and the Department of Children and Youth Affairs on specific topics. Bilateral meetings were also held with the Departments of Health and Arts, Heritage and Gaeltacht.

The Group considered a contextual paper prepared by the Department of Children and Youth Affairs which included international evidence as well as an examination of current provision and investment. This material was also made available in a primer document as an aid to the consultation processes. Material from the primer is also included in the report.

A public consultation process aimed at providers, practitioners, academics, advocates and parents was conducted on an on-line basis (launched on the 18th of April, 2015). A separate consultation process aimed directly at parents was also conducted (launched on 20th of April, 2015). All of these inputs are reflected in the final report and informed the options selected and recommendations made to the Group.

In light of the short time frame, the Department obtained the assistance of a number of organisations to assist in developing estimated costs of different options (based on existing work) and in facilitating and analysing outputs from the Open Policy Debate and the consultation processes. The assistance of the Centre for Effective Services and Start Strong is greatly appreciated in this regard. Thanks also to John Bowman who chaired the Open Policy Debate on

behalf of the Department and to Pobal, the Central Statistics Office (CSO) and Early Childhood Ireland who provided data used in this Report.

Members of the Inter-Departmental Group

Dr. Fergal Lynch, Department of Children & Youth Affairs (Chair)

Ms. Judith Brady, Department of Public Expenditure & Reform

Dr. Anne-Marie Brooks, Department of Children & Youth Affairs

Ms. Elizabeth Canavan, Department of Children & Youth Affairs

Dr. Maresa Duignan, Department of Education & Skills

Mr. Eamonn Gallagher, Department of Jobs, Enterprise & Innovation

Ms. Bernie McNally, Department of Children & Youth Affairs

Mr. Tony Monks, Department of Children & Youth Affairs (Secretary)

Mr. John O'Callaghan, Department of Justice & Equality

Ms. Simonetta Ryan, Department of Social Protection

Mr. John Shaw, Department of An Taoiseach

Ms. Laura Weymes, Department of Finance

Individual members were also assisted by other officials from their respective Departments.

Executive Summary

The Report as a starting point for further work

The Inter-Departmental Group began its work in late January. The timeframe for the development of the Report has been particularly challenging. With that in mind, the Group is anxious to emphasise that the Report provides, at this point, a discussion document for a proposed platform for investment. Subject to the views of Government, each of the individual options, the pace of their implementation and the transition from existing arrangements will need considerable additional work in order to prepare detailed plans for implementation, specific rules for the schemes and more detailed costings.

The drivers for change

The Group also wish to emphasise that determining and generating consensus for the principles/policy objectives which should inform investment decisions in this area is complex. The Terms of Reference of the IDG indicate that Government acknowledges that there have been dual drivers of reform to date, namely:

- Recognition of the value of early years provision in ensuring that children get the best start, alongside
- Recognition that the availability of affordable childcare is either a barrier to or incentive for labour market participation.

There are a number of explicit aims of the Government's current investment in early years:

- To promote optimal development for all children and to narrow the gap in attainment between more and less advantaged children, through the provision of quality early childhood care and education services. This is pursued at present, for example, through the Early Childhood Care and Education (ECCE) programme;
- To enable parents to prepare for a return to paid employment by participating in training, education and other activation measures. At present this is pursued under the suite of Training and Education Childcare (TEC) Programmes; and
- To support families, particularly those in low paid employment, in making work pay. Currently the Community Childcare Subvention (CCS) programme aims to do this.

Implicit in these objectives is a further objective of poverty reduction. Many of these programmes work in conjunction with other income support measures (both universal such as Child Benefit and targeted such as job seekers, family

income supplement and lone parents' payments) and are being utilised to leverage labour market activation and reduce the reliance on income supports.

The IDG is of the view that these four objectives are all valid and are interrelated. There is some argument for suggesting that children's developmental outcomes, from a societal point of view, should be first among equals in these objectives. The IDG is of the view that these objectives can and should work in a complementary way. However, there is an inherent potential for tension between them. The work of the IDG has been focused on ensuring that these objectives can be held in balance and the possible trade-offs between different policy options are kept to a minimum in assessing and making recommendations on possible future investment options.

Key messages: evidence and consultation processes

There is a multiplicity of evidence that investment in early years improves outcomes for children and families. This not only brings specific developmental benefits to children but also compensates, to a degree, for other factors relating to disadvantage and parental income.

Affordability must be a policy priority. Availability and affordability of childcare remain critical barriers to seeking employment for many parents. Costs of childcare in Ireland are high and are not offset, as in some other countries, by benefits in the form of subsidies, direct payments etc. Parents tell us that affordability of childcare is a barrier to employment and is resulting in restricted working hours; turning down or leaving work; or being prevented from looking for work.

Embedded in research and increasingly a focus of Government and international initiatives is the importance of quality. Both parents and the wider public highlight the need for greater regulation and inspection. Professionalisation of the workforce is a key proxy for quality in terms of the international evidence. The need for a better recognised and qualified workforce was a common theme across the parental and public consultation processes.

Parents want choice and flexibility. This means looking at a wide range of options to support them, including extended parental leave benefits; and greater work place flexibility in respect of career breaks and job-sharing to enable them additional choice to remain at home. Evidence from international review highlights more extensive provision both of leave and paid benefits to parents, particularly in the very early years from infancy.

Accessibility of services was also a theme. The fragmented nature of provision in Ireland and the fact that there are a diverse and wide range of providers is clear. Also, the lack of a clear model of provision, especially for school-age childcare was highlighted. Both consultations pointed to the need to improve access and reduce the requirement for transportation by parents. They emphasised the need

to establish links both to make services practically accessible for parents, and to ensure children have a positive experience of services. Continuity of approach and smooth transitions between services (both school and non-school) was seen as important.

How to invest is the subject of a number of international reviews. Most jurisdictions use more than one mechanism to support parents with a mixture of operational funding; fee subsidies; benefits and other tax based measures. On balance, there is a shift towards supply side measures which are seen as more optimal in terms of driving reform and quality improvement. Parents and the public had less homogenous views here but it is clear that the universal provision of subsidised pre-school year was seen as a key strength in terms of existing investments due to its universal provision and contribution to affordability.

Finally, there was a very strong focus on the need for inclusive provision. Again, both parents and the wider public consultations emphasised the need to ensure that services are fully accessible to children with additional needs, and that providers are well-equipped to provide the best possible service. This is seen as essential in order to ensure that children with additional needs can reap the full benefits of provision. While parents saw jobless and low income parents as a priority, the most popular priority overall was children with disabilities.

Policy objectives for future investment

Goals and Objectives

The IDG proposes that two high-level primary goals are agreed:

Supporting children's outcomes

Supporting children's outcomes in early years care and education and after-school care is about having the right kind of care options and services which are good for children, available when and where children need them and delivered to a quality standard. This means identifying the right models (including for those families and children who have particular needs) and putting in place the various levers for good governance, quality and regulation which support effective implementation of the model of support.

Objectives include:

- Identifying Inclusive Models of Care that Deliver Good Outcomes for All Children
- Ensuring Supply and Demand are Aligned
- Building Quality Capacity in Provision and the Profession
- Developing Governance and Regulation for Continuous Improvement

Supporting families in raising their children to reach their full potential

There are a number of ways in which families can promote good outcomes for children. Parents are the primary educators of their children, and their interaction

with them provides the most important protective factor for a child's longer term outcomes. Parents' own economic security, education level and approach to parenting all have a potentially significant impact on a child's development. Parents need to be supported to make choices which are good for children, such as being able to take on the role of primary caregiver when that it is best (under the age of 1); and having the possibility of flexible patterns of work when their children are young.

As children grow, parents' opportunity to participate in the workplace provides an important protective factor against child poverty and related child outcomes. This means it is critical for parents to have access to services that respond to their needs when they choose to work, removing barriers to employment and career progression. Finally, supporting families is about giving parents confidence in their understanding of the best options for their children and their family and what good quality services look like.

Objectives include:

- Supporting parental choice and removing barriers to work
- Making services affordable and responsive to the needs of parents
- Building parents understanding of and demand for quality

Table 1: Chapter 7 - Summary of Options

Option	Description/Comment	Estimated Additional Cost
<p>7.1.1 Introduce paid parental leave (Parental Benefit) for parents of children under age one as an extension to Maternity Benefit provision.</p>	<p>Additional paid parental leave (which can be taken by either parent) to immediately follow paid maternity leave.</p> <p>The period of additional paid parental leave should increase incrementally over time and, as resources allow, result in one year of paid parental care for children under one.</p> <p>Costs are based on current Maternity Benefit rate.</p> <p>Currently, many employers, including the State as an employer, provide a 'top-up' to employees on Maternity Benefit. In the public sector the cost of the top-up is estimated at around €11.5 million per week based on the current cost of Maternity Benefit top up. There is no statutory requirement to top-up and the provision of this additional benefit does not necessarily involve a top-up. This would have to be considered separately and the Group is not proposing any automatic assumption that top-up would apply in the case of additional parental leave/benefit. For the public sector replacement costs would also impact in certain front-line public services and this would have to be costed separately.</p>	<p style="text-align: right;">For each additional:</p> <p>Week: €10.5m</p> <p>Month: €42m</p> <p>6 Months: €273m</p>

7.1.2 Extension of pre-school provision (the Early Childhood Care and Education (ECCE) programme) for all children	<p>Extended ECCE provision to children from:</p> <ul style="list-style-type: none"> • age three, or • age three and a half, <p>and until they transition to primary school <u>or</u> reach five and a half years.</p> <p>Enrolment would be open from September–June , depending on the child’s month of birth and school starting age:</p> <ul style="list-style-type: none"> • Eligibility from age three means that the range of entitlement is: <ul style="list-style-type: none"> – 33 weeks for children born in September who start school <u>aged four</u>; – 95 weeks for children born in January who start school <u>aged five</u>. • Eligibility from age three and a half means that the range of entitlement is: <ul style="list-style-type: none"> – 15 weeks for children born in September who start school <u>aged four</u>; – 76 weeks for children born in January who start school <u>aged five</u>. <p>Parents can choose the point of entry (and therefore the level of benefit) having regard to their child’s month of birth and their own preference regarding primary school starting age. This is subject to an outside parameter of a child starting school no later than 5 years and 6 months.</p> <p>Costs include the scope for some funded non-contact time (i.e. one hour per week) and are based on various capitation rates as follows:</p> <ul style="list-style-type: none"> • Existing weekly rate i.e. basic: €62.50; higher: €73 • Restored weekly rate i.e. basic: €64.50; higher: €75 • New weekly rate i.e. basic: €67.50; higher: €82.50 	Capitation rate	Age 3: cost pa	Age 3.5: cost pa
		Existing rates		
		Exc. non-contact time	€121m	€72m
		Inc. non-contact time	€141m	€88m
		Restored rates		
		Exc. non-contact time	€130m	€79m
		Inc. non-contact time	€150m	€96m
		New rates		
		Exc. non-contact time	€150m	€96m
		Inc. non-contact time	€171m	€114m

7.1.3 Subvented child care provision for children of for children aged up to 12	<p>1) A single childcare subvention scheme (to replace CCS and TEC) for parents who need childcare in order to participate in education, training or work.</p> <p>2) Subvented provision would also be given where there is a concern for a child’s welfare and childcare has been identified as a necessary family support for families not otherwise eligible.</p> <p>3) The programme would be open to both community /not-for-profit and private providers.</p> <p>In general, the subvention would be available for up to 40 hours a week, less the time spent in ECCE or school, eg:</p> <ul style="list-style-type: none"> • For pre-school children: up to 25 hours per week during the ECCE term, and up to 40 hours outside of term time; • For school age children: up to 20 hours per week during the school term, and up to 40 hours outside of term time; <p>Four options with different maximum hourly parental contributions in four low income Bands (i.e. Bands A-D) are costed. Options are also included in relation to a fifth band (Band E) which would include all working parents above those thresholds.</p> <table border="0" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="width: 60%;"></th> <th style="width: 20%; text-align: center;">Lower rate</th> <th style="width: 20%; text-align: center;">Higher rate</th> </tr> </thead> <tbody> <tr> <td>• Band A (lowest income group)</td> <td style="text-align: center;">€0.75</td> <td style="text-align: center;">€1.00</td> </tr> <tr> <td>• Band B</td> <td style="text-align: center;">€1.50</td> <td style="text-align: center;">€2.00</td> </tr> <tr> <td>• Band C</td> <td style="text-align: center;">€2.25</td> <td style="text-align: center;">€3.00</td> </tr> <tr> <td>• Band D</td> <td style="text-align: center;">€3.00</td> <td style="text-align: center;">€4.00</td> </tr> <tr> <td>• Band E (All other parents price cap only)</td> <td style="text-align: center;">€4.25</td> <td style="text-align: center;">€4.50</td> </tr> <tr> <td>• Band E (All other parents with subvention)</td> <td style="text-align: center;">€4.00</td> <td style="text-align: center;">€3.75</td> </tr> </tbody> </table> <p>Each option is costed based on two different fee structures.</p> <ul style="list-style-type: none"> • <i>Stage 1</i> costings are based on Band A to D with <u>no subvention or price cap</u> for Band E. • <i>Stage 2</i> costings are based on <u>extending support to all families</u> i.e. including Band E 		Lower rate	Higher rate	• Band A (lowest income group)	€0.75	€1.00	• Band B	€1.50	€2.00	• Band C	€2.25	€3.00	• Band D	€3.00	€4.00	• Band E (All other parents price cap only)	€4.25	€4.50	• Band E (All other parents with subvention)	€4.00	€3.75	Option	Stage1	Stage 2
			Lower rate	Higher rate																					
		• Band A (lowest income group)	€0.75	€1.00																					
		• Band B	€1.50	€2.00																					
		• Band C	€2.25	€3.00																					
		• Band D	€3.00	€4.00																					
		• Band E (All other parents price cap only)	€4.25	€4.50																					
		• Band E (All other parents with subvention)	€4.00	€3.75																					
		1	€79m	€86m																					
2	€118m	€124m																							
3		€166m																							
4		€174m																							
5	€97m	€106m																							
6	€135m	€144m																							
7		€200m																							
8		€208m																							

<p>7.2.1 Assessing future demand for places and available infrastructure</p>	<p>A range of recommended actions include:</p> <ul style="list-style-type: none"> • Cross-departmental work to develop a planning system to predict and assess demand for and supply of childcare. This will have regard to existing investment infrastructure, and potential for displacement while also taking note of Competition Authority advice • DCYA and DECLG to consider the need for any revisions to the planning guidelines • DES to carry out an initial survey of schools on the current provision of after-school services on school premises and the willingness of schools to consider future after-school provision. • DCYA to explore the role of youth sector in future after-school provision • A once-off capital fund to be introduced to support development of after-school services using school facilities with community and private partner providers 	<p>€3m (for capital funding)</p>
<p>7.2.2 Ensuring development of appropriate after-school services for school-aged children</p>	<p>A range of actions for DCYA, including:</p> <ul style="list-style-type: none"> • The development of a model of care having regard to available models of provision for this age group in Ireland and international models and standards of delivery • Introduce a system of self-assessed quality standards for afterschool provision • Develop regulation/inspection • Commissioned research on views of children re their after-school preferences 	<p>€300k €1m €20k (once-off)</p>

7.3.1-7.3.4 Embedding quality in the sector	<p>A range of new / extended quality initiatives, including:</p> <ul style="list-style-type: none"> • Audit of Quality in Early Years settings • Resource development to support professional practice • Extended Learner Fund to support CPD and professionalisation • Expansion of <i>Better Start</i> • Professionalisation of centre-based early years workers • Capacity building of CCC and VCO to carry out mentoring activity including with non-formal childcare sector • Introduction of a self-evaluation process in 10% of early years settings - Síolta Quality Assurance Programme (QAP) • Introduction of quality standards and regulation for the childminding sector • Enhancing existing inspection processes • Supporting parents in assessing and demanding quality 	<p>€50k (develop tool)/ €400k triennially €200k per annum €5m per annum for five years €1m per annum €10m €1m €800k per annum €750k per annum (Tusla) €750k per annum (DES) €100k (once-off)</p>
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Part 1: Evidence, Context and Consultation

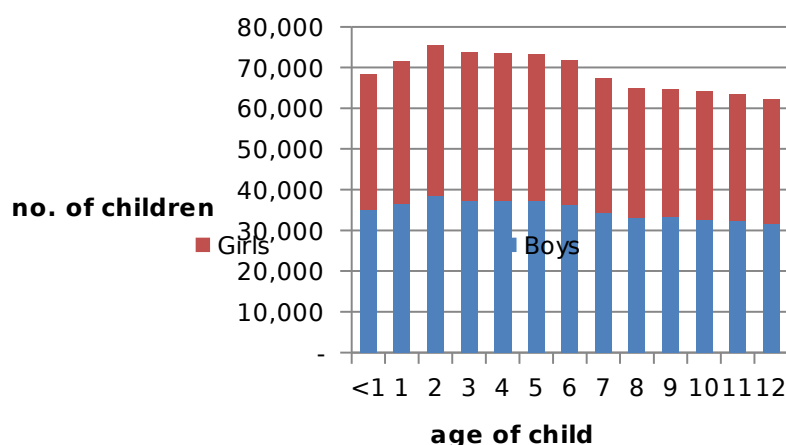
1. Key data, evidence and international modalities of support

1.1 Statistics and evidence regarding child outcomes

Key statistics on children

In 2014, there were an estimated 435,747 children aged 0-5 years and 458,665 children aged 6-12 years living in Ireland. Drawing on data from the Census of the Population in 2011, 18.3% of these children are estimated to live in a lone parent household and 5.8% have a disability.

Figure 1: Children aged 0-12, by age and gender (April 2014)



Source: CSO Population and Migration Estimates, April 2014

Data from the Survey on Income and Living Conditions (SILC¹) shows that children have a higher risk and experience of poverty than adults. The official measure of poverty in Ireland is 'consistent poverty'. The definition of consistent poverty combines two different measures: a person must have both a) a low income and b) be unable to afford basic necessities. Consistent poverty has risen over recent years and CSO analysis of trends has identified increasing deprivation as the key driver.

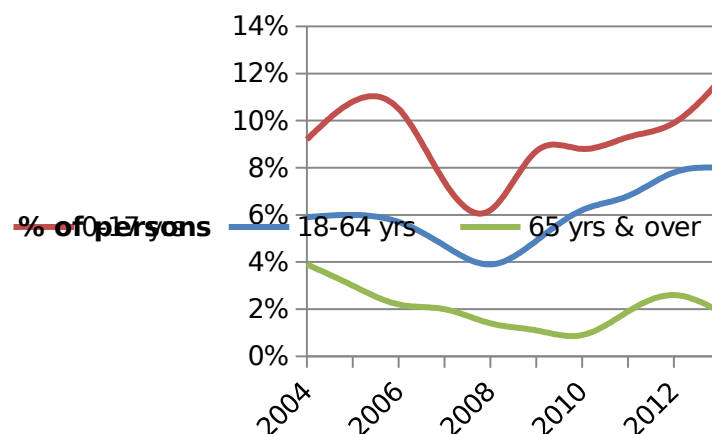
Figure 2 below shows that consistent poverty was on a downward trajectory for children and working age adults until 2008 (until 2010 in the case of older

¹ It should be noted that a Report prepared by Maître, Russell and Whelan (2014) on behalf of the Department of Social Protection questions the adequacy of EU-SILC survey data to capture all working households in Ireland. It has been suggested that level of at-risk-of-poverty may be understated between 1% and 2%.

people). However, the increase in deprivation has seen consistent poverty rates for children and working age adults rise since then, in contrast to the trend for adults aged over 65. About 1 in every 14 (7%) children aged 0-5 were living in consistent poverty in 2013, while for children aged 5-11 the consistent poverty rate was 11% - about one in nine children in this age group.

Better Outcomes, Brighter Futures: the National Policy Framework for Children and Young People (2014-2020) has set a target of lifting at least 70,000 of these children out of poverty by 2020.

Figure 2: Persons in consistent poverty



Source: CSO (various years) Survey on Income and Living Conditions

CSO analysis of rates finds that consistent poverty is highest among people who are unemployed, and lowest among retired people; the consistent poverty rate was lowest for people in work at 2% in 2013. Looking at the population of people in consistent poverty, about three-quarters are households with children aged under 18.

What's best for children?

It is now well-established that investment in the early years improves outcomes for children and families. Research has demonstrated that such investment can support children in benefiting more from school as well as compensating, to a degree, for inequalities in other factors related to disadvantage and parental income. Considering the 'private' and the 'public' benefits - these could be described as follows:

- *Private success:* better health, higher income, better employment attributes;
- *Public externalities:* lower crime, less social interventions, greater civic contribution as well as economic benefits of a more skilled workforce, higher productivity and direct employment effects.

There is evidence to suggest that the timing of early years provision must be considered. Research suggests, for example, that children benefit from parental

care in the first year of life. Indeed, according to the Marmot Review (2010) *“sensitive and responsive parent-child relationships are associated with stronger cognitive skills in young children and enhanced social competence and work skills later in school. It is therefore important that we create the conditions to enable parents to develop this relationship during the child’s critical first year ... Paid parental leave is associated with better maternal and child health with studies finding an association with lower rates of maternal depression, lower rates of infant mortality, fewer low birth-weight babies, more breast-feeding and more use of preventative health care”* (Marmot Review, 2010, p. 98).

Research also indicates that *“from the age of 2-3 onwards children do better in high quality care and education services than if they remain at home”* and that *“vulnerable children in families experiencing high levels of disadvantage or with complex needs....benefit from early care and education services at a younger age, provided the services are high quality”* (Melhuish 2004, cited Start Strong, 2014, p.9).

Research on the impact of early years provision on children’s developmental outcomes does vary for different groups of children but the literature is very clear *“that gains from quality childcare are largest for low-income or immigrant households and those with less educated parents”* (Gambaro et al., 2014).

Notwithstanding this evidence, the amount of time spent in centre-based care must be considered. Evidence suggests that prolonged periods in centre-based care can have a negative impact on children’s outcomes, particularly for younger children (UNICEF, 2008).

Quality

Embedded within the research, and increasingly a focus of government and international initiatives, is the importance of quality. The European Commission has said *“although access is a key issue, access without quality may even be detrimental to children”* (Rand Europe, 2014). The literature on quality reiterates this:

- *“poor quality provision harms children’s future prospects”* (McCartney, 2004)
- *“Poor quality care may harm children, and depress their educational and social learning; and conversely, high quality care offers some kind of protective and social educational boost, especially for vulnerable children”* (Leseman, 2009).

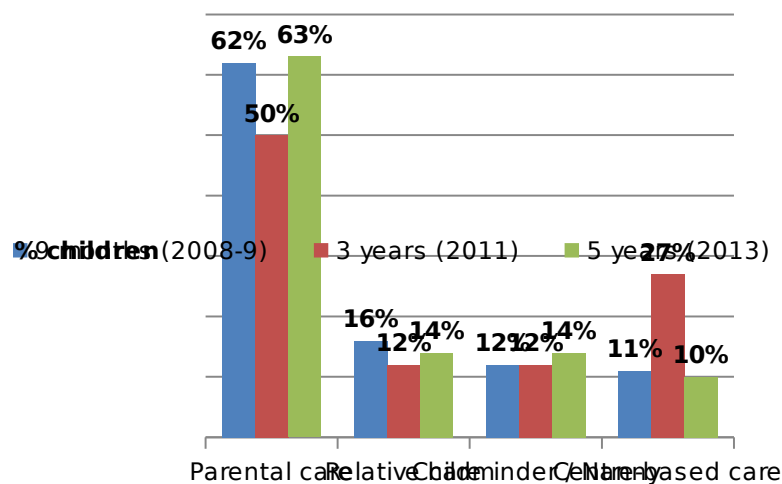
Patterns of Parental, Formal and/or Informal Care in Ireland

Pre-school children: Data on the main childcare arrangements for pre-school children are presented in Figure 3. These data are drawn from the *Growing Up in Ireland* survey and relate to data collection with the infant cohort at three

different ages (i.e. at ages nine months, three years and five years) and at three different points in time (i.e. 2008/9, 2011 and 2013).

At nine months of age, 62% of children were cared for at home by a parent and just 11% were in centre-based settings (i.e. formal care). By age 3, the percentage cared for at home by a parent fell to 50% while the percentage in centre-based settings rose to 27%. By five years of age, the majority of children in the infant cohort (who had not yet started primary school) were cared for at home by a parent (i.e. 63%) and 10% were in centre-based care. The increase in the use of centre-based care at age three relates, in part, to participation in the Early Childhood Care and Education programme (ECCE). The proportion of pre-school children in informal childcare arrangements (i.e. with a Childminder or a relative) remained fairly stable. Approximately one in four children at nine months, three years and five years were in such informal childcare arrangements.

Figure 3: Main childcare arrangements for pre-school children

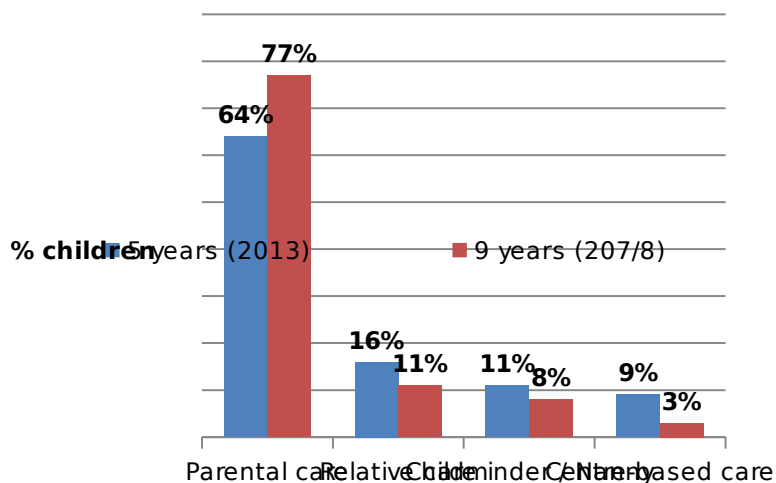


Source: *Growing Up in Ireland*

Primary-school children: Data on the main after-school childcare arrangements for primary-school children are presented in Figure 4. These data are also drawn from the *Growing Up in Ireland* survey and relate to data collection with the infant cohort (at age 5), conducted in 2013 and with the child cohort (at age 9), conducted in 2007 and 2008.

At five years of age, 64% of the infant cohort (who had started primary school) was cared for at home by a parent after-school, 27% were in informal after-school childcare arrangements and 9% were in centre-based settings. At nine years of age, the percentage of primary school children cared for at home by a parent after-school was 77%, while the percentages in informal and formal after-school care arrangements were 19% and 3% respectively.

Figure 4: Main after-school childcare arrangements for primary school children

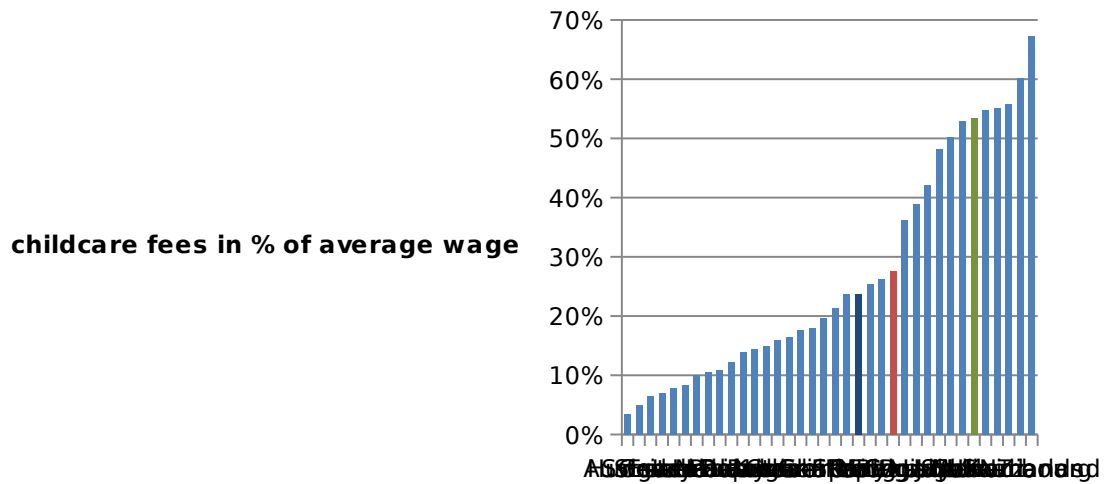


Source: Growing Up in Ireland

Affordability

The choice of childcare arrangements (parental, formal and/or informal care) is influenced by a large number of factors. However, affordability is often cited as among the most relevant. Figure 5 below shows that, across OECD countries, the average ‘typical’ childcare fee paid for a two-year old in full-time care is just over 27% of the average wage. However, there is wide variation across countries. This amount ranges from around 5% of the average wage or less in Hungary and Sweden to above 50% in Japan, Ireland, Luxembourg, the Netherlands, New Zealand, Slovenia, Switzerland and the United Kingdom. The data here represents the ‘typical’ fees charged by accredited childcare centres in the country, and ignores variations in childcare fees by type of care, region/municipality.

Figure 5: Gross childcare fees as a percentage of the average wage per two-year old attending accredited early-years care and education services (2012)

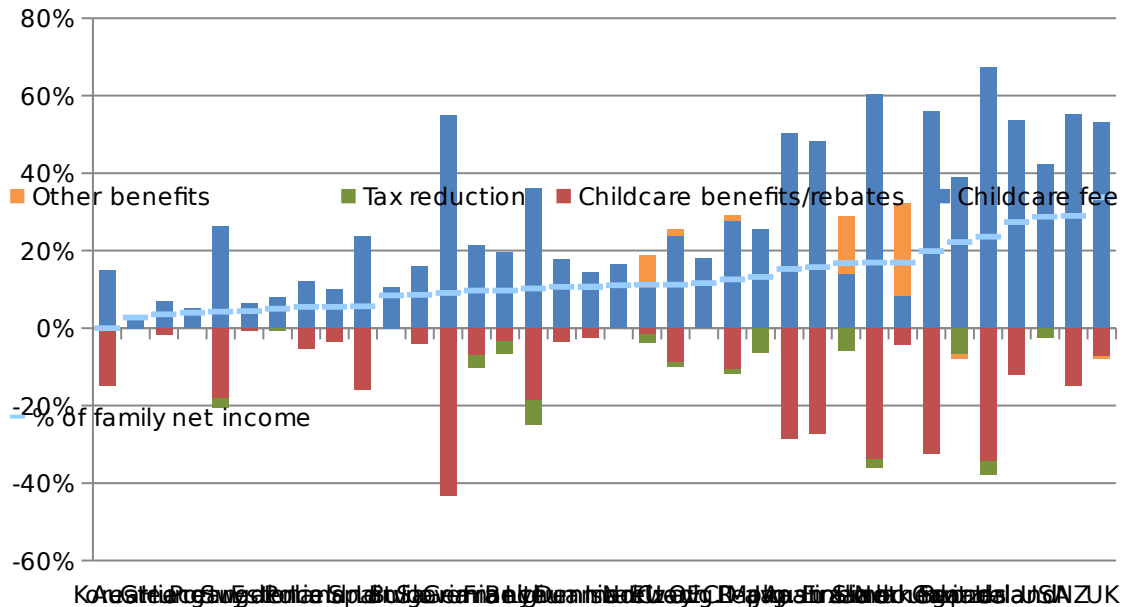


Source: OECD Family Database, PF3.4 Childcare support

Figure 6 below shows the net cost of childcare as a proportion of family income. What can be seen here is that while the fee in Ireland is high; the supports to parents through child-related benefits² are also higher than a number of countries. However, they are not sufficient to offset the high cost of childcare. This means Ireland has the fourth highest net cost of childcare as a percentage of family income. More substantial benefits in countries such as Switzerland, Luxembourg and Slovenia offset high fees in those countries. In Norway, Finland and Sweden investment in other benefits and investment directly into services and low levels of fees reduces cost to parents substantially.

² Childcare benefits/rebates includes: all fee reductions, including free pre-school or childcare for certain age groups

Figure 6: Net cost of childcare as a proportion of dual-earner family income



Source: OECD Family Database, PF3.4 Childcare support

Rand Europe (2014) have remarked that childcare costs are high in most Member States across the European Union but are offset by similarly high childcare benefits, but that this is not the case in the United Kingdom and Ireland. The average fees (including the range), charged by providers in 2014 for a range of different services, are presented in Table 2 below. This data is drawn from the Annual Survey of Early Years Services, conducted by Pobal.

Table 2: Mean fees by childcare service type (2014)

	Community			Private			All		
	Avg.	Min.	Max.	Avg.	Min.	Max.	Avg.	Min.	Max.
Age <1, full-time	€165	€50	€257	€180	€115	€285	€175	€50	€285
Age 1+, full-time	€159	€40	€257	€172	€100	€267	€167	€40	€267
Part-time	€81	€25	€158	€106	€40	€183	€95	€25	€183
Sessional	€60	€20	€125	€68	€40	€150	€66	€20	€150
Breakfast Club	€25	€10	€65	€28	€10	€100	€27	€10	€100
After-school	€64	€12	€128	€85	€20	€153	€77	€12	€153

Source: Pobal Annual Early Years Sector Survey, 2014

Given the wide variation in the highest and lowest rates, additional information on what underlies these averages has been prepared by Pobal (Table 3). This provides details of median fees and trimmed mean (top/bottom trimmed) fees, by type of services and nationally and by community/private provider.

Table 3: Median and Trimmed Mean Fees by service type (2014)

	Median			Trimmed Mean		
	Communi ty	Private	All	Communi ty	Private	All
Age <1, full-time	€160	€175	€170	€164	€178	€172
Age 1+, full-time	€155	€165	€160	€159	€171	€166
Part-time	€80	€100	€92	€81	€106	€94
Sessional	€62	€63	€62	€60	€67	€65
Breakfast Club	€25	€25	€25	€24	€26	€26
After-school	€60	€80	€75	€63	€84	€76

Source: Pobal Annual Early Years Sector Survey, 2014

Women's participation in the labour force and the relationship with childcare provision

The European Union set a target rate for female employment of 60% by 2010. In 2008, there were 921,600 women in employment in Ireland, an employment rate of 60.5%. However, during the economic crisis the figure dropped significantly, falling to 55.2% by 2012. By Quarter 1 of 2015, the rate increased slightly to 56.9%. As regards female unemployment, the rate was as low as 4% during Ireland's boom years but it more than doubled during the crisis to 8.3% in 2009 and rose to a peak of 11.4% in 2013 before falling back to 9.9% in 2014.

Quarterly National Household Survey (QNHS) data indicates that in Quarter 1 of 2015 there were 38,900 persons wanting to work but not seeking employment because "*suitable care services for children are not available or affordable*". This suggests there is a considerable cohort of potential parents that could be potentially attracted back in to the labour force if quality and affordable childcare provisions were improved.

Across member states of the European Union, women who have pre-school children under the mandatory school age and state that they do not work or work only part-time for reasons linked to childcare, do so because childcare is either too expensive (53%), not available (25%), of insufficient quality (4%) or for other reasons (18%). Comparable figures in Ireland reveal that mothers of pre-school children do not work or work only part-time do so because childcare is either too expensive (85%) not available (8%) and, or is of insufficient quality (3%).

Staffing

Staff costs constitute around 80% of the running costs of childcare businesses. Competition and cost efficiency requires these costs to be kept as low as possible (Start Strong, 2013).

In Ireland, qualification levels and requirements are significantly below European standards (saving the United Kingdom) and relative to comparators. 2014 data from Pobal in Table 4 below shows that 86.8% of staff had achieved National Framework of Qualifications (NFQ) Level five or above – the level of qualification required under the forthcoming Childcare Regulations. However, 9.1% had no qualification and this figure rises to 13.3% in community settings.

Table 4: Highest level of childcare education and training award achieved per staff member (2014)

	Community	Private	All
No Childcare Qualification	13.3%	5.7%	9.1%
NFQ Level five or above*	82.4%	90.4%	86.8%
NFQ Level 6 or above*	41.5%	56.7%	49.9%
NFQ (NCVA) Level 4 Award	2.0%	1.2%	1.5%
NFQ (NCVA) Level five Award	40.9%	33.7%	36.9%
NFQ (NCVA) Level 6 Award	31.2%	38.5%	35.2%
NFQ Level 7 Award (Ordinary Degree)	2.9%	6.4%	4.8%
NFQ Level 8 Award (Honours Degree)	6.8%	11.1%	9.2%
NFQ Level 9/10 Award (Masters/PhD)	0.6%	0.8%	0.7%
Primary Teaching Qualification	0.5%	0.4%	0.5%
Accredited Course (Outside ROI)	0.6%	0.8%	0.7%
Non Accredited Childcare Courses	1.2%	1.5%	1.4%

Source: Pobal Annual Early Years Sector Survey, 2014

Also, McGinnity noted, in 2012 “a significant proportion of staff in the childcare sector (13% in 2011) were participants in the government employment schemes. This figure is even higher in community-based providers, where staff participating in these schemes accounted for 23% of all staff. A further 4% of staff in the early years sector were unpaid volunteers. The latest Pobal survey also showed a high level of staff turnover in the sector” (McGinnity et al., 2013).

It is understood that over 3,370 childcare workers and those in related occupations signed on the Live Register during June to August of 2014 representing around 14% of the total workforce, at an estimated cost of €7 million to the Exchequer.

1.2 International modalities of state support

Introduction

In this section of the report, a range of international approaches to improving the affordability of early years care and education services for families is briefly analysed and discussed. It should be noted that relevant literature tends to mainly deal with the provision for children up to school-going age i.e. on average age six.

Composition of early years provision

Across most international jurisdictions the main provision of early years services, whether privately or publicly funded, comprises a mix of pre-schools, full day care centres and childminding. In all jurisdictions, families contribute to the cost, but all governments have additional mechanisms in place to increase the affordability of early childhood services for low-income families. While details vary greatly in most countries, one of the following three approaches are taken to supporting affordability.

- *Operational funding*: a portion of the service's capital or running costs is State funded with the aim of reducing fees for parents. In some instances all service costs are funded to provide universal, free pre-school services.
- *Fee subsidies*: families receive a government contribution to reduce their cost of using a children's service. The fee subsidy may be paid directly to the service on behalf of the family.
- *Tax relief*: some governments provide income tax reductions.

The most frequently used mechanisms are the provision of operational funding and fee subsidies, tax based measures are the least popular internationally.

Operational funding

The use of this model varies across countries. In some such as New Zealand all licensed or registered services receive operational funding depending on the number of hours children attend, the ages of the children, and the type and standard of the service. The highest rate is available to all-day, centre-based services that employ registered teachers only. In other countries operational funding is only offered to certain types of provision and this is the case in Ireland in the (ECCE) programme, (although there are a number of groups who argue that the current funding does not meet the total costs of the provision.) It is worth noting that Early Childhood Ireland suggest that current levels of capitation for this programme are unsustainable (currently €62.50 per week for basic services and €73 for higher capitation services) and states that “a good quality childcare place costs €75 and above to deliver” (ECI, 2015).

In addition to operational funding for a standard universal provision of services, some countries provide additional funding to certain types of early years providers to allow them to provide additional services for target groups of children and families e.g. low income families, children at risk of educational disadvantage. This approach is often referred to as '*progressive universalism*' whereby early years services are funded to support disadvantaged families to a greater degree than the main population e.g. funding lower staff child ratios, outreach programmes or parenting support activities.

Fee subsidies

Fee relief programmes are a feature of provision in many countries. Some of these programmes are universal, so that all eligible families receive a fee subsidy. Some subsidies are flat rate, while others operate on a sliding scale related to family income. Some countries cap the annual national budget for fee subsidies, and when this funding runs out; eligible families are placed on a waiting list to access early years services. Another approach, popular in Nordic countries such as Norway, Denmark and Finland, is to set a cap on the fees that parents have to pay irrespective of income. In Finland for example no parent will pay more than 15% of annual income for early years services.

Fee subsidies are usually administered in one of two ways: they can be paid to parents – either in advance (e.g. voucher schemes) or as a refund on proof of enrolment in an approved service – or to the service provider. Review of international models indicates that direct payment to service providers is the preferred option. This is how subsidies are administered in Ireland under the current Community Childcare Subvention (CCS) and Training and Education Childcare (TEC) programmes.

Tax relief

While operational funding and fee subsidies are employed across a wide range of OECD countries, tax relief for childcare costs is available in only a few. Tax relief goes under different names in different jurisdictions, but a tax credit (as it would be in the Irish tax system) is essentially a type of fee subsidy administered through the taxation system. Unlike the fee subsidies discussed above, tax relief is paid directly to parents rather than to service providers. Another difference is that fee subsidies delivered via tax relief are paid in arrears (i.e. when parents claim childcare expenses for the previous year on their tax return) rather than as an on-going fee reduction. This can be problematic for lower income parents, who may not be able to afford to wait for reimbursement.

In some countries childcare cost tax relief is available universally (i.e., to all parents with a child in a registered service provider). In other countries, it is means-tested and/or conditional (e.g. parents must work for a minimum number of hours per week to be eligible). The amount of tax relief available is often

capped, for example a proportion of childcare expenses up to a maximum amount. France for instance, reimburses 25% of childcare expenses, up to €2,300 per year – this is lower than in the UK, where tax relief is available on up to 70% of costs – it is in addition to a relatively high level of directly subsidised provision.

Tax relief can also be delivered in the form of a tax deduction (i.e. a reduction in the amount of taxable income). For example, in England parents can buy childcare vouchers in advance (up to a maximum amount per tax paying parent) and have their employer deduct the cost from the parents' taxable income monthly. This is similar to the travel tax saver ticket scheme operated in Ireland. The main criticism of such schemes is that parents on high incomes benefit most, since higher incomes attract higher tax rates.

Cost to government

The level and targeting of public investment in early years services affects the costs to families and hence affordability. This review of international approaches indicates that affordability strategies generally used one of the three approaches outlined above, however there is little comparable data on their use across jurisdictions. However it has been suggested that the least costly method is a scaled fee subsidy, targeted at low-income families. The most costly approaches are fully operational subsidies or unscaled tax relief. The policy mix that States choose depends on a range of different considerations, and affordability strategies often combine a number of approaches. Appendix XXX provides a number of country-specific examples (i.e. Norway, Scotland and France), drawn from a wider review published by Scottish Government Social Research in March 2013: *Early Childhood Education and Care Provision: International Review of Policy, Delivery and Funding Final Report* (www.scotland.gov.uk/socialresearch).

2. Review of existing provision and investment

2.1 Direct investment

The Irish Government currently provides approximately €260 million annually to early years and school-age care and education services. The majority of this funding (i.e. approximately €246 million) is directed towards three programmes, which aim to improve accessibility, affordability and quality. These programmes – the Early Childhood Care and Education (ECCE) Programme, the Community Childcare Subvention (CCS) programme, and the Training and Employment Childcare (TEC) programmes are funded by the Department of Children and Youth Affairs and support provision for more than 100,000 children each year. The remaining €14 million funds all City/County Childcare Committees, the National Voluntary Childcare Organisations and various quality development and training initiatives including the Learner Fund, *Better Start*, Childminder Development Grants and Parent and Toddler Group Grants).

Table 5: Early years and school-age care and education programmes³

Programme	Details
Early Childhood Care and Education (ECCE)	<p>The free pre-school year under the ECCE programme was introduced in January 2010. Almost every pre-school service (more than 4,300) in the state is participating, with up to 68,000 children – or 95% of the eligible age cohort – expected to avail of the programme in 2015.</p> <p>The objective of the programme is to make early learning in a formal setting available to eligible children in the year before they commence primary school.</p> <p>This programme represents an annual investment of approximately €175 million. The support is provided through capitation payments paid to services in advance of and during each school term.</p> <p>Participating services currently receive a capitation fee of €62.50 per week per qualifying child attending. A higher capitation fee of €73 a week is available to services with more highly qualified staff.</p>

³ See Tables 16 and 17 on pages 73 & 74 and 75 which show overall the budgets for each programme, the numbers benefiting and the eligibility criteria

Programme	Details
Community Childcare Subvention (CCS)	<p>The CCS programme provides funding to community/not for profit childcare services to enable them to provide quality childcare at reduced rates to disadvantaged and low-income working parents. About 25,000 children are catered for under the CCS each year in almost 900 community childcare services.</p> <p>Parents qualify as disadvantaged or low-income on the basis of means-tested entitlements. In the case of full day care, parents qualifying for the higher rate of subvention under the CCS programme can have up to €95 per week deducted from the overall charge for childcare in the participating childcare service.</p> <p>To ensure that access to subvention funding is not a disincentive for parents to return to employment, the CCS programme allows a parent who is in receipt of the higher level of subvention support, and who secures employment, to retain that level of funding support until the end of that school year in the same service, and also to have a reduced level of funding support for one further school year following that.</p> <p>The programme has an annual budget of €45 million.</p>
Training and Employment Childcare (TEC)	<p>Childcare Education and Training Support (CETS)</p> <p>Under the CETS programme, childcare services are contracted to provide childcare places to qualifying Solas or Education and Training Board (ETB) trainees or students for the duration of their courses.</p> <p>Under the programme €145 per week is provided towards the cost of a full day childcare place and the service is permitted to charge the parent up to a further €25 per week towards the cost of the place. This programme also provides part time and after-school places.</p> <p>The Programme has a budget of €17 million per year and in the region of 8,000 children are catered for annually.</p>
	<p>After-School Childcare (ASCC)</p> <p>The ASCC programme is designed to support low-income and unemployed people to take up a job, increase their days of employment or take up a place on a Department of Social Protection Employment programme. The ASCC provides after-school care for primary school children of eligible parents for a period of 52 weeks.</p> <p>The programme contributes €40 per week for an after-school place or €80 per week in situations where a pick-up service is required to take the child from school to the childcare provider. The programme also provides a full day care rate of €105 per week, for a maximum of 10 weeks, to cater for school holiday periods. In all cases, the maximum fee payable by parents is €15 per week per child.</p> <p>The programme has a funding allocation of €1.32 million in 2015, which will provide between 300 to 500 places, depending on the mix between after-school and after-school with pick-up places.</p>

Programme	Details
Community Employment and Childcare (CEC)	The CEC programme is targeted specifically at participants in the Community Employment (CE) schemes operated by the Department of Social Protection. Under the programme, €80 per week is provided for pre-school places for children up to the age of five and €40 per week for after-school places for primary school children up to the age of 13, with a set charge of €15 per week to the parent in either case. The programme also provides a part time day care rate of €80 per week, for a maximum of 10 weeks, to cater for school holiday periods. Places are approved for 50 weeks. The CEC programme has an annual budget of €7.5 million to provide 2,000 places.

Source: Department of Children and Youth Affairs

2.2 Indirect investment

Universal Child Benefit is paid in respect of all children up to 16 years of age. The payment continues to be paid in respect of children up to their eighteenth birthday who are in full-time education or who have a disability. In Budget 2015, the rate of Child Benefit was increased by €5 to €135 per month. Further details on Child Benefit Monthly Rates are presented below (Table 6).

Table 6: Child Benefit monthly rates (2015)

Number of children	Monthly rate
1 child	€135
2 children	€270
3 children	€405
4 children	€540
5 children	€675
6 children	€810
7 children	€945
8 children	€1,080

Source: Statistical Information on Social Welfare Services

In addition to the universal Child Benefit payment, the social protection system also provides assistance to low-income families with children through the payment of **Qualified Child Increases** (QCIs) on primary social welfare payments.

One-Parent Family Payment (OFP) is a payment for men and women under 66 who are bringing children up without the support of a partner. The payment is means tested and is a taxable source of income. The One-Parent Family Payment rates for 2015 are presented in Table 7.

Table 7: One-Parent Family Payment rates (2015)

€ per week

Personal rate (under 66)	€188.00
Child dependant	€29.80

Source: Statistical Information on Social Welfare Services

In 2011, changes were introduced to One-Parent Family Payments with the aim of promoting labour market participation. These resulted in a gradual reduction in the maximum age of the youngest child for whom payment can be claimed (i.e. from 18 years to seven years by 2014 for new customers and 2015 for existing customers) (see Table 8).

Table 8: One Parent Family Payment - maximum age of the youngest child

Age of youngest child for which payment continues when payment commenced:	2013	2014	2015
Before 27th April 2011	17	16	7
Between 27th April 2011 and 3rd May 2012	12	10	7
After 3rd May 2012	10	7	7

Source: Statistical Information on Social Welfare Services

Single Person Child Carer Credit (SPCCC) is an additional support to single individuals with children. It acts to ensure that such individuals who are employed, do not enter the income tax net until their income exceeds €24,750. Thereafter they have an additional standard rate tax band of €4,000 over and above other single individuals.

Family Income Supplement (FIS) is a weekly tax-free income support payment available to low-earning employees with children. It gives extra financial support to people on low pay. To be eligible, applicants must work a minimum number of hours and have at least one child who normally lives with them or are financially supported by them. The child(ren) must be under 18 years of age or between 18 and 22 years of age and in full-time education. To qualify for FIS, the average weekly family income must be below a certain amount for the family size. The FIS received is 60% of the difference between the average weekly family income and the income limit which applies to the family. The payment effectively preserves the incentive to take up or remain in employment in circumstances where the employee might be marginally better off than if he or she were claiming other social welfare payments.

Back to School Clothing and Footwear Allowance helps meet the cost of uniforms and footwear for children going to school. The parent or guardian must be getting certain social welfare payments or taking part in training, employment or adult education schemes and their child(ren) must be aged between four and seventeen on or before 30th September of the year they apply, or aged between eighteen and twenty-two if in second-level education (in a recognised school or college). In 2014, the allowance paid for each eligible child under age twelve was €100, and for older children it was €200.

Guardian's payment is payable to a person taking care of an orphan. It is not necessary to be a legally appointed guardian. A guardian's payment may be paid if the orphan lives with the person and they are responsible for his or her care. The payment must benefit the orphan. In 2015, the Guardian's Payment (Contributory) is paid at a standard rate of €161 per week and the maximum Guardian's Payment (Non-Contributory) is €161 per week.

Total voted expenditure on these payments is set out in Table 9:

Table 9: Expenditure on child and family related supports by type (2013 & 2014)

	2013 €000	2014 €000
Child Benefit	€1,899,908	€1,902,574
Family Income Supplement	€261,472	€297,707
Back to School Clothing and Footwear Allowance	€47,976	€42,452
School Meals	€36,775	€16,572
Other Vote 37 funded Child Related Payments⁴	€5,373	€5,471
SIF Funded Child Related Payments⁵	€17,293	€16,664
Total	€2,268,797	€2,281,440

Source: Statistical Information on Social Welfare Services

Maternity and parental leave arrangements

Since 2007, women have been entitled to 26 weeks' paid maternity leave, an increase of eight weeks over previous provision, and an additional 16 weeks' unpaid leave, also an increase of eight weeks over previous provision.

Maternity Benefit is a payment for employed and self-employed people who meet the PRSI contribution criteria for the relevant tax year and who are in insurable employment (and covered by the Maternity Protection Act, 1994) immediately before the first day of maternity leave⁶.

Maternity Benefit is paid by the Department of Social Protection, for 26 weeks. At least two weeks, and not more than 16 weeks, leave must be taken before the end of the week in which the baby is due. Rate of payment for claims beginning in January 2015 is €230, which is the standard payment weekly rate. Employers are not required to pay any contribution to employees on maternity leave (either

⁴ Guardian's Payment (Non-Contributory), Widowed Parent / Surviving Civil Partner Grant (Non-Contributory)

⁵ Guardian's Payment (Contributory) Widowed Parent / Surviving Civil Partner Grant (Contributory)

⁶ The last day of work can be within 16 weeks of the end of the week the baby is due

paid or unpaid) although some employers top-up Maternity Benefit payments to match the employees level of pay.

Adoptive Benefit is a payment to an adopting mother or a single male who adopts a child. Adoptive Benefit is paid for a continuous period of 24 weeks from the date of placement of the child at the same rate as Maternity Benefit. Table 10 shows the total cost of each of these benefits.

Table 10: Estimated expenditure on Maternity and Adoptive Benefit, 2013-5

	Maternity Benefit			Adoptive Benefit	
	Expenditure €000	Recipients	Awarded	Expenditure €000	Recipients
2013	€292,597	22,812	45,173	€420	15
2014 (outturn)⁷	€269,497	21,629	44,282	€169	11
2015 (REV)⁸	€254,050	23,660		€110	14

Source: Statistical Information on Social Welfare Services

Parental leave provisions are governed under the Parental Leave Act 1998 (as amended). The age of the child for which parental leave can be taken is from five to eight years. In the case of a child with a disability, parental leave may be taken up to the age of 16 years. Parental leave is available for each child and amounts to a total of 18 working weeks per child. Both parents have equal and separate entitlement to parental leave. If both parents work for the same employer, parental leave entitlements may be transferred between parents with the employer's agreement.

Spend on family benefits versus spend on services

According to OECD data, most countries spend more in cash transfers and tax breaks than they do on services. In comparative terms, Ireland's spending on such measures is high, only the UK and Denmark are higher as seen in Figure 7.

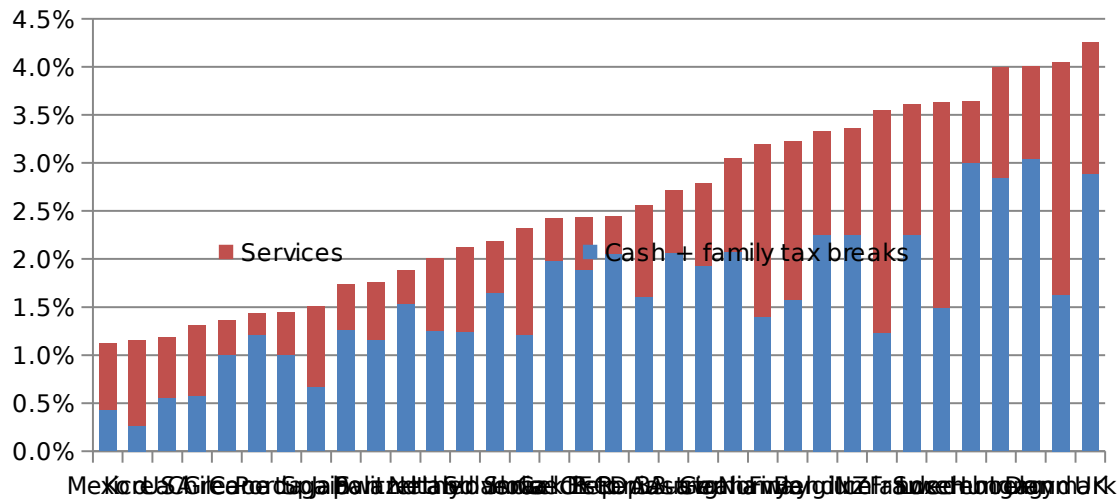
Ireland ranks highest among these countries in the percentage of GDP spent on cash and tax breaks, accounting for about three-quarters of our total expenditure (higher than the UK).

In contrast, Ireland ranks thirteenth out of thirty-three OECD countries in terms of the proportion of GDP spent on services for families. It is notable that in some countries – such as the Scandinavian grouping – the balance is very different. For example, in Finland, Norway, Sweden, Denmark and Iceland, more than half of this expenditure is on services; this grouping of countries is also distinctive in having low rates of child poverty.

⁷ Provisional

⁸ From the published Revised Estimates Volume, 2015

Figure 7: Public spending on family benefits in cash & tax measures, and in services, in % GDP, 2011



Source: OECD Family Database, PF1.1 Public spending on family benefits

As it stands, the annual spend by the Department of Children and Youth Affairs on childcare and early education has been in the region of 0.2% of GDP in recent years.

The OECD, in drawing international comparisons on public expenditure on childcare and early education, adjusts for cross-national differences in the compulsory age of entry into primary school. Therefore, for countries where children enter school at age 5, such as Ireland, expenditure on childcare and early education is adjusted by adding up the expenditure corresponding to children aged five who are enrolled in primary school. When Ireland's expenditure is adjusted in this way, the OECD reports that Ireland actually spends 0.5% of GDP. This compares to the OECD average of 0.8% of GDP and the international benchmark for spending on childcare and early education set by UNICEF at 1% of GDP. Based on current GDP, every 0.1% of GDP increase in public expenditure on childcare and early education in Ireland would require additional investment of over €180 million.

2.3 Conclusion

In considering these different aspects of Ireland's approach to date, relative to other countries, the Group was cognisant that in deciding on a strategic framework for future investment, a variety of modalities of support need to be considered. As identified in Chapter 1 countries with the most affordable provision use a mixture of both direct and indirect measures of support.

3. Feedback from Consultation Processes

3.1 Summary of the consultation process

To inform its work, the IDG invited the views of key stakeholders, interested parties and the general public through a number of consultative processes.

Open Policy Debate

In line with the Civil Service Renewal Programme, the Department of Children and Youth Affairs hosted an Open Policy Debate on 31st March 2015 which explored key questions for early years and school-aged care and education provision in Ireland. Very positive feedback was received from participants on the event, which was attended by some 40 invited representatives, including parents, childcare providers, childcare committees, academics/experts and NGOs.

The event included structured round-table discussions exploring a) key questions in relation to childcare provision, and b) priorities for future investment. A number of overarching themes emerged from these discussions.

The debate emphasised strongly the need to maintain a focus on children's outcomes and what is best for them as a key driver of change. The debate emphasised the need to focus on child development with particular regard to children with additional needs. There was also a discussion on the need for a greater and wider public debate on the value and importance of early years – much in the same way as there is such strong public support and demand for the provision of primary, post-primary and third level education. The debate recognised the importance of access and affordability in order to allow parental choice but there was less emphasis on labour market activation.

This emphasis may have been due to the fact that there is an international narrative emerging that female labour market activation has been the primary objective of internationally set targets on childcare provision. For many experts in the field, there is now a view that this 'blunt' approach has not necessarily led to increased activation or increased affordability. More importantly, evidence on the effectiveness or impact of services on children's outcomes and the relationship with quality has been identified as critical in the next wave of development if the other objectives of investment in early years are to be met.

In relation to the key questions on childcare provision, the following themes emerged:

- There is a desire for public engagement about the purpose of childcare services – both for the early years and for school aged children;
- A clear purpose and rationale for reform of the childcare sector should be agreed and communicated;

- The current structure of the 'childcare market' was regarded as unsustainable;
- Affordability and quality are key concerns, and are inter-related;
- There is a need to encourage up-skilling and professionalisation of the workforce at all levels;
- Greater support and regulation of informal care is needed; and
- Resourcing for children with special needs and from disadvantaged areas are pressing issues which need to be addressed.

In relation to priorities for future investment, the key themes emerging were:

- Review current state-funded programmes, their up-take and effectiveness to direct reform and redistribution of funding;
- Invest in a quality audit to inform policy on increasing quality and provide a benchmark against which to assess progress;
- Restore the cut to the ECCE capitation grant (made in Budget 2013) to support the sustainability of the sector;
- Professionalisation of the sector was seen as a core requirement; incentivisation proposed;
- Increased maternity/parental leave was seen as part of a potential solution to childcare affordability;
- A priority need to resource supports for children with special needs; and
- Most did not favour a further increase in Child Benefit, and a majority felt this would be better invested in childcare.

This report is being published separately.

The Department of Children and Youth Affairs hosted two separate online consultations – an open public consultation and a consultation directed specifically at parents/guardians. Approximately 400 submissions were received as part of the general consultation and almost 1,000 from parents and guardians (these are not representative samples). Detailed reports in respect of both consultation processes have been prepared and will be published separately.

The breakdown of respondents to the open public consultation is not available (as many respondents did not specify their category of main interest). However, in general, it was completed by service providers, experts and academics in the field and smaller numbers of the general public / parents – therefore it is more representative of sector and expert views than the views of the general public.

Similarly, as regards parents, it is important to note that this is a self-selected sample of parents and therefore should not be considered to be fully representative of the views of all parents.

Open public consultation

The open public consultation highlighted a number of key strengths and weaknesses of direct and indirect DCYA investment. Respondents to the public survey highlighted targeted programmes such as CETs and the CCS scheme as strengths of investment due to their support of parents and families and the direct benefit to the child. The provision of the ECCE scheme was identified as the main strength of direct investment. However, the scheme was also criticised for being insufficiently funded to cover running costs and to ensure quality provision. Some key weaknesses of direct investment identified by respondents included insufficient investment overall, variability of quality of services, an under-recognised workforce and inequality of provision particularly for children with additional needs.

Respondents to the public survey highlighted maternity leave (and Maternity Benefit) and Child Benefit as both strengths and weaknesses of indirect investment. These schemes were praised as having positive outcomes for parents and children, such as the option for mothers to remain at home with their infants and the additional support gained from the Child Benefit payment. However, parental leave arrangements were considered insufficient and in need of extension to a full year's provision as well as extended to both parents. Means-tested Child Benefit was recommended in order to counter weaknesses such as families most in need missing out. The potential abuse of direct monetary payment as opposed to a voucher system.

Similar issues were raised in response to priorities for future investment in the immediate term and over the next five years. Some unique priorities were identified for early years care and education due to the particular features of this sector such as the ECCE scheme and maternity leave. Increased investment in and reform of the ECCE scheme was desired, as was its extension to two years. Extended maternity leave and the introduction of shared parental leave were also identified as priorities particular to early years.

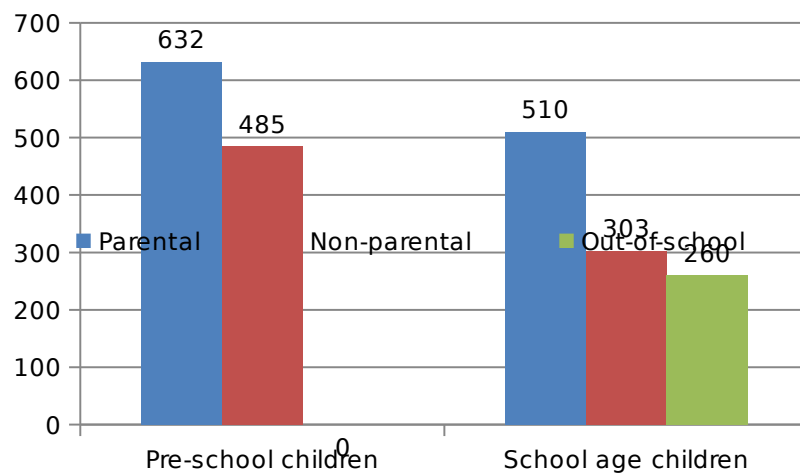
A number of common priorities emerged across all three sectors of early years care and education, school-aged care and education, and care and education for children with additional needs. These included the need to invest directly into improving quality of services and their resources, greater equality of provision – in particular Special Needs Assistants (SNAs) available to all children in need of them, reformed regulation and inspection of all services, up-skilling and training of practitioners, and establishing links between all three sectors to ease transitions. It should be noted there was repetition of priorities for the immediate term and for the next five years in relation to early years, school-aged, and care and education for children with additional needs. Many respondents indicated that this was due to their importance both now and into the future.

Consultation with parents

More than almost a thousand parents from around the country participated in the consultation. Parents were asked to reflect on their experiences of three different types of care and education for their children: early years care and education, school-aged care and education and out-of-school care.

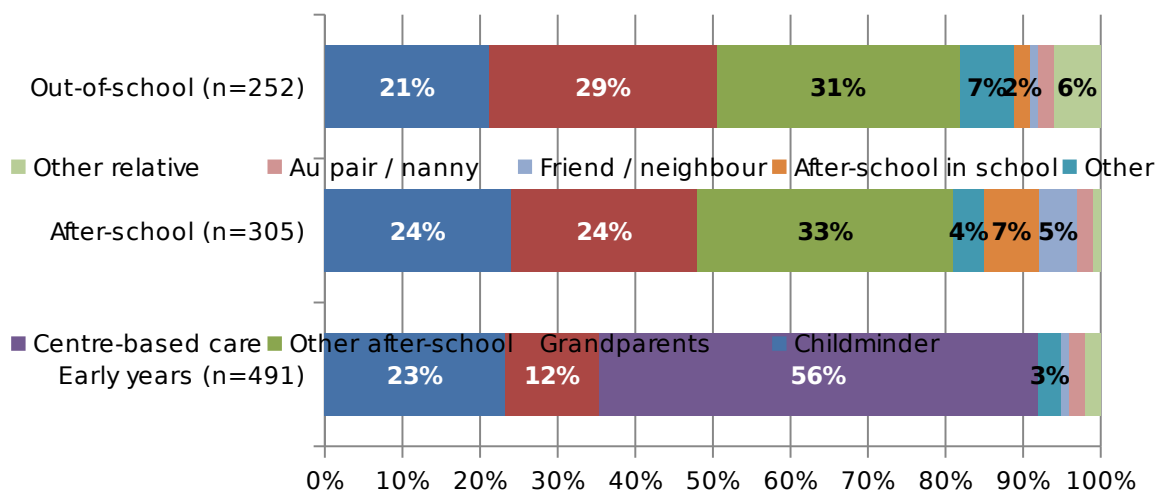
Parents were asked to respond to the questions under each of these themes as relevant to their circumstances. The same themes and issues were explored across all three different types of care, the responses of those who completed this part of the questionnaire are illustrated in Figures 8 and 9.

Figure 8: Parent-reported childcare arrangements



Source: online consultation with parents

Figure 9: Childcare arrangements for each group of children when not in parental care



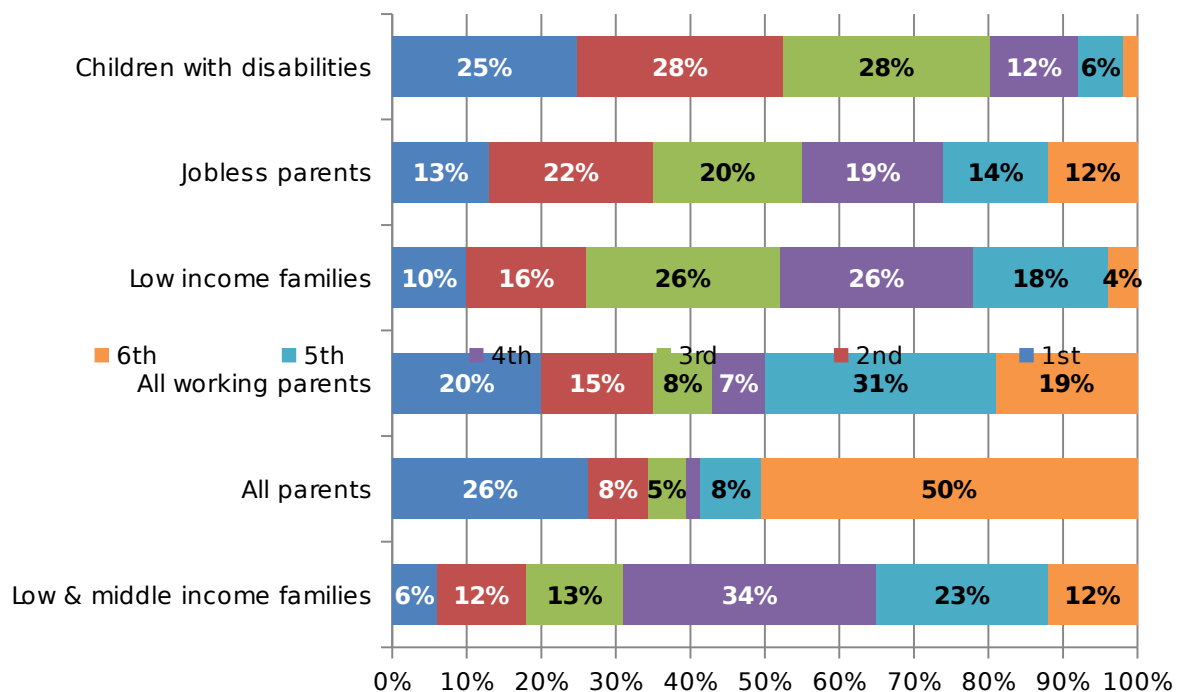
Source: online consultation with parents

Parents identified the restrictions that they experience in accessing employment or training as a result of childcare arrangements. It is clear that childcare is

acting as a barrier to employment for large number of those surveyed who identified restricted working hours; turned down or left a job; or prevented for looking for a job all relating to current accessibility and affordability of childcare.

Parents were also asked to consider priority groups for Government focus on investment. Looking at all priorities ranked in the top three, the most popular priorities were children with disabilities (81% of parents ranked this cohort in their top three priorities); children of jobless parents (55% ranked in their top three); and children of low income families (51% ranked in their top three) – Figure 10.

Figure 10: Ranking of priorities for investment by parents (n=596)



Source: online consultation with parents

In respect of affordability, respondents prioritised tax credits and many linked this to a further priority in respect of the capping of childcare fees. More subsidised childcare was proposed as an alternative to tax credits. Extension of the free pre-school year to a full 12 months and four hours a day was proposed. Parental leave was also prioritised.

3.2 Common themes and suggestions

Parental leave

There was a desire for extended paid maternity leave and the introduction of shared parental leave. Current leave arrangements were identified as both strength and a weakness of current investment in the public consultation. A large number of respondents to both forms proposed maternity leave be

extended to the recommended minimum standard of 12 months. Likewise, greater provision of paternity leave was desired by many. These were classed as immediate priorities for improvement of early years care and education in the public consultation. Likewise, introduction of these changes were highlighted as priorities for improvements to affordability and choice by parents. A number of parents also suggested that maternity pay be increased and exempt from tax. A small number of respondents from both cohorts suggested unpaid maternity leave be extended to a number of years.

Children with additional needs

Children with additional needs were identified as needing greater support and equality, particularly in the early years. Both parents and public respondents were concerned about the lack of access for these children to the ECCE programme. The majority of both sets of respondents suggested that SNAs be provided to all services to allow children with additional needs to attend. This was identified as a weakness in current investment and was a popular priority for improvement in quality, affordability and accessibility, as well as early intervention. A number of respondents to both surveys also proposed a second free pre-school year be automatically provided to these children. A number of parents also highlighted how their child's disability or health meant they had to arrange alternative forms of childcare. Waiting lists for assessments and referral were also highlighted as a weakness by both groups. A number of childcare providers noted the need for investment to improve facilities and access for these children. Likewise, both parents and providers suggested that children with additional needs should attend their local service where possible, to support and enable inclusion.

Professionalisation of the workforce

The need for a better-recognised and qualified workforce and incentivising professionalisation of childcare providers was a common theme across both consultations. A large number of all respondents referred to this workforce as undervalued and underpaid. Access to affordable training and CPD were highlighted in both on-line consultations as necessary for improvement of quality in the sector. A graduate-led workforce through an increase in the Learner Fund was identified as a priority for investment by both cohorts. Raising the minimum qualification level for staff was a shared theme, as was the establishment of a national pay scale to reflect this. However, there was variation in the minimum levels of qualifications proposed across both groups with some respondents suggesting Level 6 at a minimum, while others suggested up to Level 8.

Regulation and inspection

The need for greater regulation and inspection of services and childminders was highlighted in relation to early years by both parents and the public. Investment in a new regulatory framework and inspectorate were priorities for improving quality of services, both in the immediate and longer term. Parents in particular supported regular and unannounced inspections, along with on-line publication of the results. Both groups recommended inspectors be appropriately qualified and have a background in childcare themselves. Garda vetting of staff and childminders was desired by a number of parents. A number of respondents from both groups suggested funding be dependent on the passing of inspections.

Wraparound services

Wraparound services were suggested by both sets of respondents. These were described in terms of improved access and reduced transportation by many parents, with the suggestion that early years and after/school-aged care services be provided on school grounds. The suggestions were, for the most part, made in the context of minimising transportation and movement of children between school and care arrangements. Similarly, establishing links between early years and school-age care and education were suggested by a number of providers in order to ease transitions for children and improve the quality of both services. The issue of links between services seemed to focus on training of staff, information sharing and supporting children's transitions from early years care and education to school for all children, irrespective of any additional needs that children may have.

International examples

With regard to lessons from international examples, a number of respondents to both surveys suggested that the Irish Government should take note of how the early years sector is valued and funded in other countries. The Scandinavian model and New Zealand were often highlighted as examples of international best practice, as these countries demonstrate how a properly funded system that values its workforce can benefit families. However, few submissions made reference to how these models are funded and the contribution made from the public purse.

3.3 Contrasting views

Although a number of similar themes were raised by both the public and parent respondents, there was not complete consensus across the issues raised and the priorities identified. Some areas of difference both within and between the two groups included the following.

Early Childhood Care and Education (ECCE) programme

There was a lack of agreement within both groups whether a second ECCE year should be introduced as soon as possible or whether improvement of the current programme should be considered before extending it. Although the ECCE scheme was highlighted as strength of investment due to its universal provision and affordability, it was also criticised by a number of respondents. Extended hours were desired by many parents, as was provision of care throughout the entire year, including holidays. However, these issues were not raised by many respondents to the public consultation. Inequality for children with additional needs was a concern to both groups. A number of public respondents suggested the age of eligibility be extended for children entering the scheme. This did not feature in the parents consultation.

Direct payments

Tax credits and/or fee subsidies were ranked very highly by parents as a key measure to improving affordability of childcare and thereby, enabling a return to employment. Although a number of respondents in the public consultation were also in support of this, there were alternative views with many respondents suggesting tax relief would benefit more well-off families, discriminate against stay-at-home parents and would do nothing to improve quality of the sector.

Child Benefit

Introduction of means-tested Child Benefit was recommended by a number of public respondents. However, many parents suggested an increase in the Child Benefit allowance overall, with only a small number suggesting it be means-tested.

Aistear and Síolta

A large number of respondents to the public consultation referred to the Aistear and Síolta quality frameworks and the need for their roll-out to improve quality. However, few parents mentioned these frameworks in their responses.

Career breaks

A number of parents recommended the provision of career breaks or opportunities for job sharing in order to enable greater choice around work/family life balance i.e. 'family friendly' options. These were not raised in the public consultation.

Part 2: Policy rationale, discussion and recommendations

4. Policy imperatives

4.1 National drivers for change

National policy

Better Outcomes Brighter Futures, the National Policy Framework for Children and Young People (2014-2020) recognised that the investment in children is in our collective social and economic interest. It sets out a changed approach which focuses on investment in early years care and education and implementation measures to support and regulate improvement in the quality of services.

Two of the seven priorities identified by Government are central to the work of the Group: - (1) Better Support for Parents (including access to affordable quality childcare); and Focus More on Children's Early Years (including a shift to early years investment in quality services and the enhancement and co-ordination of early years services and supports).

Figure 11: Better Outcomes, Brighter Futures

The five National Outcomes for children refers to the children *achieving their full potential in learning and development* which are central to early years provision. However, outcomes in respect of *economic security and opportunity; connected respected and contributing to their world* are also relevant in terms of the availability of appropriate services for school-age children and on inclusion for children with additional needs. In addition, child poverty is linked to the economic security of parents and, in turn, to their ability to participate in the labour market. The impact childcare supports on all of these outcomes are clear.

The transformational goals in the Framework also resonate with the work of the Group and have informed the effort to ensure sufficient breadth and depth has been given to the question of both why and how to provide affordable, accessible, quality childcare supports.

Expert Advisory Group on the Early Years Strategy

In September 2013, the Department of Children and Youth Affairs published *Right from the Start* the Report of the Expert Advisory Group on the Early Years Strategy. The Group identified a number of crucial challenges to be overcome in transforming services for children 0-6. These 'five peaks over five years' included the following, which are very relevant to the work of the IDG:

- **Increasing investment:** Increased investment in early care and education services, with investment rising incrementally each year from the current 0.4% to achieve the international benchmark of 1% of GDP within 10 years. Within the next five years, the strategy should ensure investment reaches the OECD average of 0.7% of GDP. The increased investment is necessary to achieve higher quality, more accessible and more affordable services, particularly through the training and professional development of those working at all levels of the early care and education system.
- **Extending paid parental leave:** A significantly longer period of paid leave for parents, introduced by each year incrementally extending paid parental leave at the end of the present period of paid maternity leave. The aim should be within five years to: (a) achieve one year's paid leave after the birth of each child, and (b) introduce two weeks' paid paternity leave around the birth of a child.
- **Strengthening child and family support:** A dedicated service, led by 'child and family' public health nurses, to provide integrated support for parents and children spanning across the ante-natal period through to the early years, working as part of the new Child and Family Agency, but also integrated and co-located with Primary Care Teams, as envisioned in the Task Force Report (2012). The service should allow for more intensive support for first-time parents and for children and families with more complex needs, and must ensure that all children receive the five core visits at home by public health nurses.
- **Insisting on good governance, accountability and quality in all services:** Too many children have been let down in Ireland by the absence of clear and consistent governance, poor communication and low accountability. The fact that we now have a Cabinet-level Department of Children and Youth Affairs is an opportunity to drive significantly higher standards for all our children. By the end of the strategy's 10 years, no child should be in a low-quality early care and education service, and no public money should be allocated to services that fail to achieve quality standards.
- **Enhancing and extending quality early childhood care and education services:** Subject to achieving significantly higher quality standards, investing in training and mentoring, and professionalising the Early Years workforce, we recommend the extension of the entitlement to free pre-school provision, so that a free part-time place is available from every child's 3rd birthday until such time as they enter primary school. Depending on the age at which a child begins school, many children should then benefit from about two years' free pre-school provision before entering the Junior Infant class of primary school."

(Right from the Start, Department of Children and Youth Affairs, 2013: pp.5)

Public and media discourse

The public narrative more recently has also been focused on the issues of affordability and quality. As regards affordability, simply put, the cost of childcare is creating considerable pressures even in those families where both parents are working; and for those who are not in employment it is considered to be a barrier to returning to employment. This is being further highlighted in the context of an improving economy but where certain groups feel that, even with more potential job opportunities, they are essentially unable to take up these opportunities because of the barrier of the cost of childcare.

In May 2013, RTÉ Prime Time broadcast the RTÉ Investigative Unit report *A Breach of Trust*. The programme raised concerns about the standards of childcare in Ireland and instances of differing degrees of inadequate/in appropriate care and alleged breaches of childcare regulations. For many parents this has brought the question of quality and regulation of the sector to the fore.

Concerns of providers and practitioners

Experts and providers are of the view that there is a strong relationship between the quality of provision; qualification levels of the workforce; pay; and 'churn' of staff. For staff working in the sector, the low levels of pay; the lack of sustained, full-time and secure employment; and the lack of a clear career structure are being raised in a more structured way than in the past.

Practitioners and providers have also been raising issues regarding sustainability of services in the context of the current fee structures for the ECCE, CCS and TEC programmes. They have expressed concerns regarding the fact that providers can set up new services without restriction which they argue is leading to the displacement of existing providers. They have raised issues in respect of the further potential for displacement of services if the school sector was to become involved in providing pre-school or after-school services on a widespread basis.

These are reflected in some of the outputs from the consultation process outlined in Chapter 3.

4.2 International drivers for change

European Commission

Women's participation in the workforce and the recognition of the importance of early education has been acknowledged in recent EU statements and the OECD publications. In March 2000, the European Council's Lisbon Agenda (2000) placed a European Employment Strategy as a centrepiece. Its aims were to raise the overall EU employment rate to 70% and to increase the number of women in

employment to more than 60% by 2010. It recognised the link with accessible⁹ appropriate childcare provision. The 'Barcelona targets'¹⁰ were subsequently set at the Barcelona Summit in 2002. These stated that early education and childcare places should be provided for 33% of children aged under three, and 90% of children three and over. The Education and Training 2020 framework has set an objective of 95% participation for children aged four and over (Council of the European Union, 2011).

More recently, the 2011 communication from the EU Commission on early childhood education and care states:

Europe's future will be based on smart, sustainable and inclusive growth. Improving the quality and effectiveness of education systems across the EU is essential to all three growth dimensions. In this context, Early Childhood Education and Care (ECEC) is the essential foundation for successful lifelong learning, social integration, personal development and later employability. Complementing the central role of the family, ECEC has a profound and long-lasting impact which measures taken at a later stage cannot achieve. (EU Commission, 2011:1).

The European Commission has also raised issues regarding what lies beneath the achievement of the Barcelona targets and noted that, in a number of countries, including Ireland, while the target for three year olds has been achieved, the number of hours provided is significantly below that which is considered necessary to support labour market activation. The Commission have commented that the target should include a minimum number of hours in order to achieve the activation benefits intended. This would require an increase in the current hours available to parents under the ECCE programme and increased provision for a larger cohort of children under three years of age.

United Nations

Early childhood is being universally recognised as a critical time period in human development. The evidence from research and longitudinal studies provides unequivocal support for the economic benefit of investment in basic early years services. This benefit accrues not only to the individual child and family but to all citizens. Early years services provide essential supports for children's cognitive, social and emotional development and well-being; they also enable parents to participate in the workforce and provide valuable employment opportunities for skilled workers. In addition to these universal benefits, evidence from research demonstrates that more intensive and targeted early childhood supports and services have the potential to significantly enhance the life chances of more vulnerable children.

9 In this context 'accessible' includes issues of affordability

Post 2015 is the United Nations initiative to set sustainable development goals (SDGs) to be achieved by all countries over the next 15 years around sustainable environmental, social and economic development. *Post 2015* follows the Millennium Development Goals (MDGs) set in 2000. The *Post 2015* SDGs involve 17 goals and work is expected to culminate this year on the finalisation of the Goals. Currently, early years provision is referred to under Goal 4: Education

“By 2030, ensure that all boys and girls have access to quality early childhood development care and pre-primary education so that they are ready for primary education.”

European Council Semester Process

The European Semester process enables the co-ordination and oversight of the policies being implemented by all EU Member States to achieve national goals for job creation and growth. While, now in its fourth year, 2014 was the first year of Ireland’s participation in the process, having been in a bailout programme until December 2013.

To date, the European Council issued two Country Specific Recommendations to Ireland, in 2014 and 2015.

In 2014, the following recommendation was made:

“Tackle low work intensity of households and address the poverty risk of children through tapered withdrawal of benefits and supplementary payments upon return to employment. Facilitate female labour market participation by improving access to more affordable and full-time childcare, particularly for low income families” (Council Recommendation of 8th July 2014 on the National Reform Programme 2014 of Ireland, and delivering a Council Opinion on the Stability Programme of Ireland, 2014].

The establishment of the Inter-Departmental Group formed a key component of Ireland’s response to the 2014 recommendation.

A second country specific recommendation was issued in 2015:

“Take steps to increase the work-intensity of households and to address the poverty risk of children by tapering the withdrawal of benefits and supplementary payments upon return to employment and through better access to affordable full-time childcare” (Council Recommendation of 13th May on the 2015 National Reform Programme of Ireland, and delivering a Council Opinion the 2015 Stability Programme of Ireland).

To address these policy recommendations Government’s decisions on early childhood care and education and after-school care need to have beneficial impacts on labour supply and support the overall productive capacity of the economy. These recommendations highlight the wider benefits that affordable, accessible and quality childcare and early education can provide. The provision of

affordable childcare, where parents can feel reassured that their children are receiving good quality care appropriate to their children's needs, is a critical component of enabling parents to take advantage of new opportunities from a recovering economy.

Conclusion

There are clear drivers and much evidence to support investment in the area of early childhood care and education and after-school care. Both nationally and internationally, the Government have already made commitments to advancing the dual objectives of improved child outcomes and labour market participation. The IDG is clear that these remain central in any plans for future development and investment.

5. Vision, principles, goals and objectives

5.1 Underpinning rationale for future development

One message which emerged from the Open Policy Debate was the desire, across parents, practitioners, academics and providers for a clear purpose and rationale for reforms to be agreed and communicated.

The Terms of Reference of the Group describe the objectives of the review as follows:

- Improved outcomes for children, including those with special needs, in terms of their learning, wellbeing and development by ensuring access to high quality early years services;
- Support for parents to care for their children;
- Contribution towards improvements in social inclusion and poverty reduction;
- Support for parents' participation in education, training and employment.

They also specifically required the Group to examine options having regard to:

- The developmental benefits of quality education and care in the early years for children;
- The verifiable impact of the policy option on labour supply, the overall productive capacity of the economy and long-term benefits for the public finances.

It is clear that, for some, there is an inherent tension between the objectives relating solely to child development, as compared with those that relate solely to the issue of affordability and activation. Certainly, taken to their limits both of these overarching objectives have the potential to have contra-indications for the other. For example, cheap childcare in a deregulated system might support easier access to and affordability of childcare but could have detrimental effect on children as poor quality and low levels of qualifications have been shown to have negative effects on children's development outcomes. Similarly, rapid introduction of a very high bar of qualifications for pre-school education could have a very positive effect on child outcomes but is likely to increase cost, tighten supply and reduce accessibility and affordability for many parents.

The IDG is conscious that this is a dilemma faced by almost all countries within Europe. There is an integral tension between these two objectives but that does not mean that they are 'competing' per se. However, **it requires that Government, in making decisions, be highly sensitive to the required balance i.e. measures should be examined as a 'package' with sufficient balance to each of the objectives.**

With these factors in mind, the proposed framework for decisions on future investment is set out below.

5.2 Vision

The vision to be realised through future investment is captured in *Better Outcomes Brighter Futures* the National Policy Framework for Children and Young People (DCYA, 2014):

Our vision is to make Ireland the best small country in the world in which to grow up and raise a family, and where the rights of all children and young people are respected, protected and fulfilled; where their voices are heard and where they are supported to realise their maximum potential now and in the future.

This reflects the focus on children but also on supporting their parents in raising their children; it is inclusive, recognising the different potentials of children and young people; it recognises both the 'present' of being a child as well as the longer term benefits and potential of children as citizens in the future.

5.3 Principles

A set of guiding principles were set out in *Better Outcomes Brighter Futures*. These are:

- **Children's rights:** The development of policies and services take into account the needs, rights and best interests of children and young people. Efforts are made to involve children and young people in policy and decision-making processes.
- **Family-oriented:** External interventions support and empower families within the community.
- **Equality:** Inequalities are addressed and all children have equality of access to, and participation in, a range of quality public services.
- **Evidence-informed and outcomes focused:** Policies and services for children, young people and their families are based on identified need; informed by evidence from knowledge, practice and research; and focused on achieving results to agreed standards and timeframes in a targeted and cost effective manner.
- **Accountability and resource efficiency:** All Government departments and agencies accept responsibility for ensuring the most efficient and cost-effective use of resources to secure better outcomes and demonstrate a commitment to evidence-based strategies for improvement.

The Inter-Departmental Group has adopted these principles for the purposes of its Report to Government and its appraisal of options.

5.4 Goals and objectives

The IDG proposes that two high-level primary goals are agreed:

Supporting children's outcomes

Supporting children's outcomes in early years care and education and after-school care is about having the right kind of care options and services which are good for children, available when and where children need them and delivered to a quality standard. This means identifying the right models (including for those families and children who have particular needs) and putting in place the various levers in respect of governance, quality and regulation which support effective implementation of the model of support.

Objectives include:

- Identifying inclusive models of care that deliver good outcomes for all children
- Ensuring supply and demand are aligned
- Building quality capacity in provision and the profession
- Developing Governance and regulation for continuous improvement

Supporting families in raising their children to reach their full potential

There are a number of ways in which families can promote good outcomes for children. Parents are the primary educators of their children, and their interaction with them provides the most important protective factor for a child's longer term outcomes. Parents' own economic security, education level and approach to parenting all have a potentially significant impact on a child's development. Parents need to be supported to make choices which are good for children, such as being able to take on the role of primary caregiver when that is best (under the age of 1); and having the possibility of flexible patterns of work when their children are young.

As children grow, parents' opportunity to participate in the workplace provides an important protective factor against child poverty and related child outcomes. This means it is critical for parents to have access to services that respond to their needs when they choose to work, removing barriers to employment and career progression. Finally, supporting families is about giving parents confidence in their understanding of the best options for their children and their family and what good quality services look like.

Objectives include:

- Supporting parental choice and removing barriers to work
- Making services affordable and responsive to the demands of parents
- Building parents' understanding of and demand for quality

6. Discussion on a platform for strategic investment

6.1 Identifying inclusive models of care that deliver good outcomes for all children

Children under one year: parental care options

Chapter 1 set out evidence regarding the importance of the first year of life for infants and the vital role that parents play at this stage of children's development. In that context, the opportunity to provide sufficient parental choice to be the primary care-giver during that first year of life is considered to be a very important policy option which should be considered.

Chapter 2 refers to current provision for maternity leave/benefit including the most recent changes. It is clear from the public consultation process and the views of experts that there is strong support for improving current provision. However, the issue is complex.

As a response to issues of affordability, the option to take extended maternity or parental leave would have to include a paid benefit. The full costs of any significant increase in existing paid provision would be substantial and therefore, would have to be considered as part of a longer term strategy.

A second issue is whether such benefit should be additional to that already provided to mothers or should be provided to fathers as well. Certainly, there is a recognition of and calls for better supports for fathers to be engaged with young infants.

A number of countries have opted for more extended parental leave benefits which are shared between both parents including incentives (additional weeks' paid benefit) when a minimum of sharing by both parents occurs.

In the Irish context, the general view is that the existing provisions for mothers should be the minimum available and that fathers should also have some post-birth minimum entitlement. Finally there is a view that any additional weeks should be available on a 'shared' basis so that parents can make the optimal choice according to their individual circumstances.

The introduction of Paid Parental Leave/Benefit – including an option for sharing between parents is a complex matter. The potential benefits in terms of contributing to the availability of a parent to be the primary care-giver are as follows:

- It would support the development of the “sensitive and responsive parent-child relationship” identified as being so important in the Marmot Review (2010);
- It would relieve pressure on parents to return to work during this critical period of the child’s life;
- It would assist in ensuring that very young infants do not spend lengthy periods in centre-based care which is not optimal, particularly in the first year of life; and
- It would (to a degree at least) shift this cohort out of centre-based care. This is currently very high cost provision because of ratio requirements and providers have stated it is contributing to overall costs and other care provision is ‘cross-subsidising’ the care of babies.

Challenges include:

- Potential impact on employers costs (who frequently ‘top up’ State payments – including for the public service - where such top ups are provided in respect of paid maternity leave);
- Any costs of replacement on employers;
- Potential impact on employment and career prospects of women of child-bearing age if their period out of the work place in respect of pregnancy is lengthened (i.e. should fathers not avail of any portion of the leave).

There are also substantial technical issues arising from the introduction of such a measure which would necessitate a considerable lead in time.

Conclusion

Given the strength of the evidence in terms of outcomes for children and notwithstanding the issues outlined above, the IDG is of the view that the Government should consider the introduction of paid parental leave (to provide, in combination with Maternity Leave/Benefit for the option of parental care for the first year of child’s life) over an extended period.

A full assessment of the potential costs and implementation requirements will require a detailed examination of feasibility, a fuller elucidation of the benefits and possible unintended consequences of this policy approach along with the development of a realistic plan over a period of at least five years.

Models of education and care for pre-school children

Ireland has a good model for formal pre-school provision. The model derives in part from the development of the Síolta Quality Framework and the Aistear Curriculum, which are highly regarded, but is underpinned by the linking of these

quality frameworks to the universal provision of the ECCE programme to children of pre-school age.

All children have access to this model of care and while full implementation of Síolta and Aistear need continued support over the period (see quality measures below), for this cohort the model is clearly framed. Síolta and Aistear have applicability outside of the ECCE scheme. However, it is important to note the vast difference in the use of formal centre-based care between the ECCE cohort and younger cohorts. This means that for many children, care is not being delivered by a parent or a relative and yet, is unregulated and not subject to any assessment as to quality, appropriateness or safety.

An issue for consideration is whether, and to what extent, policy should either incentivise a shift to formal centre-based care for some other cohorts of children, and/or should draw a wider variety of providers of non-formal services into quality and regulatory regimes. In terms of outcomes for children, it is clear that for all children there are benefits to be derived from participation in a quality setting outside of the home, particularly for those over the age of 2. Evidence also supports the provision of formal centre-based care for children (even those under 1) whose families experience particular difficulties in terms of family functioning or where the challenges of poverty are combined with parental challenges such as addiction, domestic violence, disability, mental health and other related difficulties.

Conclusion

The Programme for Government, *Better Outcomes Brighter Futures* and *Right from the Start* all support the introduction of a second pre-school year (the running assumption is that this would be on the same basis as the first year i.e. a set provision of hours, universally available and cost-free to parents). This would move Ireland closer to European models of provision and would have a significant impact on overall affordability for parents who choose to use formal centre-based care.

While a 'simple' option on the face of it, it is costly. In considering extending free pre-school provision to a wider cohort, attention might also be given to the effectiveness of the existing universal scheme and, in particular, concerns regarding the level of entitlement (hours) and the levels of subvention (which do not include any non-contact time and were reduced over the course of the recession).

Models of care for pre-school children with disabilities

The current National Disability Strategy Implementation Plan (NDSIP), which runs from 2013 to 2015, is a whole-of-Government approach to advancing the social inclusion of people with disabilities. The high level goals are very relevant to

children and their opportunity to participate in and derive the maximum benefits from early years provision:

- **Equal Citizens:** have equal access to publicly provided services;
- **Independence and Choice:** get the quality supports and services they need to be independent;
- **Participation:** live in and are part of the mainstream community; and can enjoy friendships, relationships and a good social life with their peer group; and
- **Maximise potential:** get the education and training that enables them to reach their potential.

It is well recognised that the co-ordination and provision of appropriate supports for pre-school children with special needs is not satisfactory. From the information available it seems clear that many children with special needs are not getting the supports they require at pre-school age to enable their participation in mainstream settings. Some cannot access pre-school services, and some, while attending a pre-school, are not achieving their potential due to lack of appropriate supports. While some supports are in place, there is inconsistency in service provision across the country.

The early years are critical for all children but especially so for children with special needs. The State has funded the ECCE Programme at an annual cost of €175m in recognition of the importance of early childhood care and education. There is strong evidence of the importance of early intervention for children with special needs, but sufficient supports are not currently available to optimise each child's development and potential. Early years practitioners, the majority of whom are private providers, have highlighted the problems they face in accepting children with special needs into their services without additional supports.

Various practical efforts can be made to support main-streamed provision and some of these already have. These include: more flexible rules regarding the pre-school year, the provision on a limited ad hoc basis by the HSE of funding towards the cost of pre-school support assistants in some areas, elective modules on special needs in mandatory courses for early years practitioners, and the support of the *Better Start* mentoring team to providers who need expert advice and guidance. In addition, the on-going reorganisation of disability therapy services into multidisciplinary geographic-based teams by the HSE under the *Progressing Disability Services* Programme and the early intervention and support that reconfigured teams provide is of importance in the context of mainstreaming. Nevertheless, there are clear deficits in provision and a lack of clarity across Government Departments regarding leadership, co-ordination and development of best services for children who require extra supports at preschool level.

The Ombudsman for Children has highlighted concerns in this area. In 2010, a Working Group on the Inclusion of Children with Disabilities in Mainstream Pre-

School Settings was established. Chaired by the Office of Disability and Mental Health, it included representatives from the Office of the Minister for Children and Youth Affairs (OMCYA) and the Department of Education and Skills (DES). The Group's *Policy Framework* contained agreement on the policy approach to mainstreaming, but not in relation to the provision of supports.

Further work has been done on the matter between the Department of Children and Youth Affairs, Department of Education and Skills and Department of Health and their agencies, and while some progress was made over 2013/2014 there was no agreement on the responsibility for providing supports, or clarity about the exact type of support that should be provided.

The current situation needs to be addressed without further delay so that children with special needs can be supported to participate in preschool settings and reach their potential. This should be possible in the vast majority of cases; separate provision outside mainstreamed facilities should arise in only a small number of very specialised cases.

Since the commencement of the work of this IDG, further work has been advanced in parallel. DCYA has agreed the following with partners in the Departments of Health and Education and Skills:

- DCYA will lead on the issue, with full and active support from Department of Education and Skills and Department of Health (and their respective agencies) in development and implementation. In line with the identification of this as a priority issue under *Better Outcomes, Brighter Futures*, DCYA will develop a *logic model* (with support from DES and the Department of Health) on the process for developing a way forward for service provision.
- DCYA will lead on the development of a detailed service delivery model with support from the other two Departments/sectors. The process will include consultation. A report will be available in September.
- The agreed model will be the subject of a cross-departmentally supported proposal for resources as part of the budgetary process. The allocation of resources to the sectors will depend on the agreed model, and where the support services are to be provided.

Conclusion

As a first step, agreement needs to be reached between the three sectors (children, education, and health) on the most appropriate, workable model for supports to be provided to pre-school children with special needs. This will be followed by very close co-operation between the sectors in defining/developing the model and in making an agreed cross-departmentally supported proposal for the resources required to implement it.

Immediate investment also needs to be considered in order to facilitate providers who are supporting children with additional needs. This is to assist providers in ensuring that such children can access their services and participate fully in the universal free pre-school year.

Towards an appropriate model for after-school provision

The upturn in the economy and certain labour market activation measures have brought the issue of affordable school-age childcare places more to the fore. As efforts continue to increase female labour force participation, the availability and affordability of after-school services will continue to affect the participation of women in the workforce and the nature of their participation. It is worth noting that in the consultation process, parents referred to the need for increased options for after-school services, with some indicating that existing options are quite limited. Issues raised included the skills sets of staff for the age group and the provision of meals and breakfast clubs.

School-age childcare is not currently regulated in Ireland; there are no specified learning outcomes and staff are not required to have any qualifications. There is no clear vision or strategy for after-school services covering their purpose (for example childcare or social and academic enrichment), content (for example, sports, art and music, free time), staff qualifications (for example, childcare, youth work, education) or physical environment.

Another issue is that there is no data available on children's views of what they would like to see in an after-school service (whether for example, a school environment is appropriate).

There is limited national and international evidence regarding school-aged care in comparison with early years. Nevertheless, in general terms, a growing body of evidence suggests the value in having people adequately trained in providing services under a quality framework.

Evidence from Ireland

A group called *Quality Development Out of Schools Services* (QDOSS) has completed some work relating to the themes, questions and priorities with respect to quality out-of-school services. This work is focused to a degree on educational disadvantage and how out-of-school services can influence and enable positive educational outcomes. Nevertheless, it is helpful in underlining the role of a multi-disciplinary approach and emphasises the emotional and behaviour supports that are important in terms of the older cohort of children. While preventing early school leaving and supporting children at risk of educational disadvantage is an important aim, the IDG is of the view that a more universal model is required which extends across various forms of formal centre-based care for this age group.

Ireland has invested significantly in improving the quality of childcare in recent years but the focus has been predominantly on early years, the cohort of children who were deemed at higher risk. The IDG believes that the after-school cohort may be perceived as 'less vulnerable' and hence have not received priority attention. The IDG was limited in how much it could examine this area due to lack of attention and research in the area to date. Hence the IDG has identified a range of basic actions that are required in the short and medium term to enable Ireland to develop a robust, high quality after-school model that meets the needs of both children and parents. As mentioned, there is very little data available to draw on currently in the Irish context, but some information was made available to the IDG:

- Between 2010 and 2012, 22 DEIS schools in Limerick received dormant accounts funding to provide school-age childcare and other programmes of activities for the community. There is no data available on the number of children who availed of the out-of-school programme or on the qualification profile of the people who ran the out-of-school programme. The Department of Education and Skills' regional office in Limerick will however be carrying out a follow up survey of these 22 schools on the programme content, qualifications of staff and governance/provider details. The IDG believes the outcome of this work will help to inform future policy in the area.
- The ESRI is due to publish a report on a Review of the Schools Completion Programme in July 2015. This will be relevant to future policy.
- While data exists on the number of childcare services offering after-school care, there is no reliable data available to indicate the number of schools or other community or youth services offering this service. Anecdotally the IDG is aware that individual schools have decided to provide such a service and that some franchise type services use school facilities to provide a standard model of after-school care. While costings of after-school services from childcare providers registered with Pobal were available to the IDG, no costings for these other services were available. We understand, again anecdotally, that some schools have generated small amounts of income from these services.

International experience of after-school provision

Looking internationally, New Zealand currently operates what are known as OSCAR (Out of School Care and Recreation) programmes for around 80,000 children aged between five to 14 years throughout the country. This is a flexible model of care which recognises a variety of models of provision. There are no mandatory legal requirements for OSCAR programmes to meet any childcare regulations or standards of care. Many OSCAR programmes, however, have undertaken an Approval Assessment by the Department of Child, Youth and Family Services (CYF) which sets minimum operating standards. They are assessed by CYF every two years to ensure they continue to meet the Standards.

The *Work and Income OSCAR Subsidy* helps with the costs of this care (includes before and after-school care, and care during school holiday programmes for school children aged between five to 14 years). The subsidy is part of the *Working for Families* package which is delivered by Work and Income and Inland Revenue. Again, the subsidy is only available if the child is attending a service that has CYF Approval for OSCAR Services.

Development of quality standards for after-school

Ireland has a range of quality standard frameworks to support out-of-school care including *Síolta* which encompasses the ages of 0-8 and the Youth Work Quality Standards Framework which is aimed at youth work provision for ages 10-21. The IDG believes that Ireland should move to a fully regulated after-school model, but, in the short term, a set of quality standards should be agreed for the area and a framework put in place, initially for self-assessment.

Services who receive any subsidisation of after-school costs should be required to demonstrate, as a minimum initially, a self-assessed declaration against these standards. Ultimately a system of regulation would include a full compliance / inspection regime as is in place for 0-6 year olds currently. Payment of State subsidies for after-school services is currently targeted (i.e. through the CCS and TEC programmes) and would likely remain so into medium term. However, in time, in line with existing schemes and other proposals elsewhere in this Report, subsidies should be available to a wider range of providers (including community, private and youth work agencies) and quality requirements should apply to all of these on an evolving basis as subsidisation is introduced. The potential to extend payment for after-school provision beyond the existing 'childcare' providers and to improve accessibility and options for parents would be welcomed, but displacement concerns must also be considered. Measures to improve sustainability of the childcare sector are addressed elsewhere in this Report.

The physical location of the delivery of after-school services is dealt with separately in this Report. Opening up provision to a wider range of providers, as well as offering additionality, may also tap into the existing arrangements many youth work providers have for access to state-built or funded facilities such as community, sports and school facilities and other purpose-built youth work facilities.

Conclusion

Whilst data shows some current over-supply of after-school services in Ireland, particularly in rural areas, increased supply may well be required over the next five years due to a growing primary school population until 2019 and improving labour market participation. There are three key issues to be considered:

- ***Ensuring availability:*** Parents and children require choices. Consideration needs to be given to expanding the current types and locations of provision. This may mean taking advantage of all available infrastructure in the childcare, school and community (including sport and youth sector) - in particular, state owned or built infrastructure.
- ***Ensuring quality:*** It is critical that an appropriate model is developed which is of a standard and which is responsive to what children want and what parents need. This will require some further research with current services, children, and representatives of youth work services, community groups, schools etc.
- ***Ensuring it is affordable:*** this is linked to the first two issues. If overheads can be minimised by the sharing, co-locating of services or tendering out of services, this will reduce cost. In addition, if the model can be built to integrate existing state sponsoring of school, community, youth and sports activities and consider the involvement of parents themselves in delivery, this could have the added bonus of social value benefits.

Issues in respect of availability and affordability are dealt with further below. If the State is to invest further in after-school, proposals need to include a commitment to devise an appropriate model of service delivery to meet the needs of children (appropriate content and flexibility allowing for a child-led approach) and their parents (flexible and responsive in terms of location/working arrangements).

6.2 Ensuring supply and demand are aligned for all age groups

Assessing supply and demand

What we know about supply and demand

According to the Annual Survey of Early Years Services (which was conducted by Pobal in 2014 and achieved a response rate of 63.9% of all services), less than one-third (31%) of providers reported their services to be 'full' (Table 11). The proportion of community-based providers reporting that they are full was 28% and among private providers it was 32%.

Table 11: Services that report being 'full' by service type and geographic location (2014)

	All	Service type		Geographic location	
		Community	Private	Urban	Rural
Number	788	217	571	382	406
Percentage	31%	28%	32%	37%	27%

Source: Pobal Annual Early Years Sector Survey, 2014

Waiting lists

Services that reported being full were then asked how many (if any) children were on waiting lists for places required immediately in their facilities (as distinct from those waiting for places at a later date). Data regarding waiting lists must be interpreted with some caution as the same child may be on waiting lists for more than one service at any point in time.

Table 12 shows a total of 4,396 children were reported to be on waiting lists, an average of 1.6 children per service. As this figure comes from 63.6% of all services, it can be extrapolated that, nationally, there may be around 6,900 children on waiting lists. Of the total number on waiting lists, 38.9% (1,709) are on waiting lists for sessional places. This is followed by part-time places (26.2%; 1,153). Those waiting for school-age places make up the smallest category (12.6%; 555).

62.0% (2,725) of those on waiting lists are waiting for a place in an urban-based childcare service. In terms of the community/private distribution, over half of all children on waiting lists (54.1%) are waiting for a place in a community service; this despite the fact that private services outnumber community services by two to one among respondents.

The spread of numbers on waiting lists also varies considerably between community and private settings; 54% (1,089) of those waiting for places in

private services are seeking a sessional place, whereas in community services, those awaiting places are more evenly spread across the different service types (sessional, full time and part time). Once again, this is at least partly explained by the fact that far more community services offer, for example, part time places than is the case among private providers.

Table 12: Number of children on a waiting list for each type of childcare, by service type and geographic location (2014)

	All		Service type		Geographic location	
	Number	Percentage	Community	Private	Urban	Rural
Full-Time	979	22%	564	415	652	327
Part-Time	1,153	26%	856	297	749	404
Sessional	1,709	39%	620	1,089	1,028	681
After-school	555	13%	340	215	296	259
Total	4,396	100%	2,380	2,016	2,725	1,671
Percentage			54%	46%	62%	38%

Source: Pobal Annual Early Years Sector Survey, 2014

Vacancies

The (1,769) services that reported being 'not full' were then asked to give a breakdown of the numbers (if any) of vacancies they had, broken down by childcare type. The figures are shown in Table 13 below. Services reported a total of 19,809 vacant childcare places. This represents an on-going and significant level of over-supply of childcare places within the sector, even more significant when it is considered that this represents only 63.6% of the sector. An extrapolation would suggest that nationally there could be around 31,150 vacant childcare places.

Over two-thirds (70.3%; 13,931) of these vacant places are in private childcare services and 62.7% (12,419) of all vacancies are in rural areas. Approximately half (50.5%; 10,009) of all vacant childcare places are sessional places. The remainder are spread relatively evenly across full-time, part-time and school-age services.

Table 13: Number of vacancies for each type of childcare, by service type and geographic location (2014)

	All		Service type		Geographic location	
	Number	Percentage	Community	Private	Urban	Rural
Full-Time	3,254	16%	728	2,526	1,611	1,643
Part-Time	3,150	16%	1,328	1,822	1,344	1,806
Sessional	10,009	51%	2,666	7,343	3,245	6,764
After-school	3,396	17%	1,156	2,240	1,190	2,206
Total	19,809	100%	5,878	13,931	7,390	12,419
Percentage			30%	70%	37%	63%

Source: Pobal Annual Early Years Sector Survey, 2014

In summary, the data suggests that at the end of 2014, there remained significant on-going challenges facing some parts of the childcare sector as a result of the economic downturn and reduced family incomes translating into reduced demand for centre-based childcare.

Infrastructural planning

Planning for the future physical infrastructural needs of child and school-aged care requires accurate data relating to current and future demand and supply. Data on current supply of child and after-school care is available from a number of sources including the DCYA, Pobal, the CSO and the Growing Up in Ireland study. Future demand is less easy to predict, but again the CSO and Departments such as Children and Youth Affairs, Education and Skills and Social Protection can predict demand with some accuracy. Good planning also requires knowledge and analysis of policy developments.

Population change

The Department of Education and Skills (DES) working with the CSO and other partners has published projections of full-time enrolment in first and second level schools up to 2032. The projections make various migration and fertility assumptions. Although six scenarios are published, the DES has chosen the scenario which encompasses a medium migration assumption and an assumption of gradually declining fertility, as the most likely outcome:

In summary DES projects that primary school enrolment will be as follows:

Table 14: Project primary school enrolments (2013-2020)

Year	Enrolment No.	+ / - year on year
2013	536,317	
2014	544,762	+ 8,445
2015	554,641	+ 9,879
2016	562,908	+ 8,267
2017	569,456	+ 6,548
2018	573,777	+ 4,321
<i>Cumulative total to 2018</i>		+ 37,460
2019	573,259	- 518
2020	568,070	- 5,189

Source: Department of Education and Skills

The DES data suggests that demand for all preschool services has peaked, although the 'bubble' from the 2008 /2009 peak in fertility has yet to work its way through the primary and secondary school sector. The data also suggests that demand for after-school services should peak in 2019, for population reasons alone (even without possible additional demand from increased labour market participation, continued economic recovery and related inward migration).

Development of infrastructure and availability of existing infrastructure

Planning guidelines on childcare facilities

The current *Planning Guidelines for Childcare Facilities* were published by the Department of the Environment, Community and Local Government in June 2001. The Guidelines recognised Government policy at the time was to increase the number of childcare places and facilities and to improve the quality of childcare services. They provided a framework to guide local authorities in preparing development plans and assessing applications for planning permission. They also assisted developers and childcare providers in formulating development proposals. They sought to ensure a consistency of approach throughout the country to the treatment of applications for planning permission.

The Guidelines state that planning authorities should, in their Development Plans and Local Area Plans, encourage the development of a broad range of childcare facilities (i.e. part-time, full day-care, after-school care etc.) and identify appropriate locations for the provision of childcare facilities, including in residential areas, in employment areas, in the vicinity of schools and in city, town, district and neighbourhood centres.

The Guidelines state that planning authorities should require the provision of childcare facilities in larger new housing developments unless there are significant reasons to the contrary. The threshold for provision should be established having regard to the existing geographical distribution of childcare

and the emerging demographic profile of areas. An average of one childcare facility for each 75 dwellings is recommended. The Guidelines recommend that sessional or after-school care facilities may be considered in any residential area as ancillary to the main residential use subject to agreed criteria. They also recommend the use of school premises to cater for after-school and encourage school authorities to examine how they can help with this demand.

Local authorities should consult with City and County Childcare Committees and Local Community Developments Committees when making decisions on planning matters as they relate to childcare issues.

Availability of school premises for the provision of pre-school and after-school services

There has been some public discussion regarding the value to be gained in using existing school facilities for 1) pre-school services and 2) after-school services. Arguments in favour of this include good, accessible locations for parents, and reduced overhead costs which can be passed on to families. Arguments against include the 'schoolification' of children and the displacement of other services who have invested in setting up their business and providing a public service. Before discussing the use of school facilities for either pre-school or after-school services, the issue of school ownership must be addressed.

School ownership affects the extent to which the State can influence how schools use or do not use any additional facilities or space they may have. The vast majority of primary school buildings in the country are in private ownership. Of the 3,278 primary schools in 2014, only 190 (6%) are in the ownership of the Minister for Education and Skills¹¹. The remaining 94% of primary schools are in private ownership. School Patrons who are the owners of school sites have the power to decide whether to accommodate out of school childcare services on their own property. The Department of Education and Skills' general position is that the use of school resources and facilities is a matter for the Board of Management of a school. However, the Department did issue a Circular in 2005 to Boards of Management which was intended to specify requirements for the use of school facilities such as school halls, rooms and playing pitches outside of school hours. While encouraging the sharing of facilities with community interests, the Circular requests Trustees and Boards to ensure that a number of specific criteria are met.

Where a school is in the ownership of the Minister for Education and Skills, in general the building is leased to the Patron and the new school lease specifies that: *"Subject to the prioritisation needs of the school, the Patron may make such arrangements as to make the Demised Premises available to the local community for recreational purposes only and in so doing to ensure that the*

interests of the Minister in the Demised Premises is fully protected. The provisos are similar to the criteria set for schools not owned by the State.

Appropriateness of the use of schools for pre-school services

The Department of Education and Skills estimates that over 500 schools currently provide pre-school services on site. Some advantages and disadvantages have been mentioned already. The presence of younger, pre-school children on what is often a quite restricted site, simultaneously to older children, can create some challenges for health and safety. On the contrary, their attendance in the school environment can ease transition to primary school, and if an appropriate play based curriculum is delivered, as per the Síolta and Aistear quality framework across the 3-8 age-group, continuity for children and parents can be a major benefit. Claims have been made that schools are giving unfair admission preference to children enrolled in pre-school services on their grounds. It is understood that the new admissions policy should address these concerns.

This sample of arguments for and against demonstrates the mixed and sometimes quite emotive opinion on the matter. It is clear that more needs to be done in the education sector to explore this option formally. Some research is required which should then be followed by the development of guidance to assist individual schools in their decision making, to support good governance, to clarify their objective in providing or contracting out the service, to consider the needs of the pre-school children and primary schools students, the needs of parents and the community, the displacement of other local services and the sustainability of the service. The existing Early Years Advisory Group should be of some assistance in the matter.

Appropriateness of the use of schools for after-school services

The provision of after-school services in primary schools is being put forward as one solution to meet future demand and encourage labour market participation. As stated already, we do not know how many after-school services exist on the grounds of primary schools. Again, as with pre-school services, there are advantages and disadvantages to this model. It would seem that more needs to be done in the education sector to explore this option formally. Rather than schools continuing to develop services in an ad hoc manner (although there may indeed be value in individual schools doing so), there would be value in some research, leading to guidance to School Principals and Boards of Management.

It is important that a model of after-school provision is developed and that it meets the dual requirements of ensuring the wellbeing of the child and making after-school care accessible and affordable for parents. (Further discussion of the specifics of after-school provision is dealt with later in the report.)

Issues regarding displacement of existing services

The issue of displacement is highly contentious. Some private childcare providers have expressed concern about the absence of controls to manage over-supply generally, but they are particularly critical of the increasing use of school facilities, claiming unfair competitive advantage. They point in particular, to instances where no tendering process was conducted. Complaints have been made to the Competition Authority although the outcome of these complaints is not known at this point.

The DCYA is considering displacement issues generally and has sought advice from the Competition Authority on the matter. In the interim, it is advisable that where a school wishes to provide such a service and wishes to contract it out, this should be done in a fair and transparent manner that accords with good procurement practice.

Conclusions

While the number of children under six has peaked according to DES projections, increasing labour market participation and economic recovery should, at very least, maintain the level of demand for childcare, and possibly, increase it. Demand for after-school care should continue to rise until 2019 for population growth reasons alone, but may also increase further due to the same labour market participation and economic recovery reasons.

Looking at the available data it appears that despite some level of vacancy, the current infrastructure is not meeting demand in all areas. Similarly, it appears that not all services are offering the flexibility of provision that parents / children want in terms of part-time/sessional places. It is clear that this mix of demand within the day, the week and over time are very difficult to predict for providers and it may explain the difficulties in terms of responsiveness (for parents) and sustainability (for providers).

It is important to note that any significant changes in policy will affect supply and demand, for example, expanding the ECCE programme would dramatically increase demand, while further paid maternity/paternity leave could reduce demand for infant care. Any increased subsidisation of after-school care could also increase demand.

- **In broad terms, the IDG considers, at this juncture, that there are benefits to be derived from a mixed model of diverse provision which includes public, other state-funded, community/voluntary and private providers in both pre-school and school-age childcare. At this stage, there is no indication that it is necessary to shift from the existing diverse mix.**
- **However, it is essential that a robust system is in place to monitor demand and supply. The DCYA will continue to rely on CCCs and other**

resources to assist with this. Assessment of emerging pressures and vacancies should also consider any issues arising from displacement and how these might be avoided. At the same time, meeting increasing demands for capacity also needs to have regard to the potential development and business opportunities. Consideration needs to be given to how providers can have sufficient practical business supports to become more sustainable consider further investment in childcare provision.

- Suitable arrangements need to be put in place to ensure that planners have the necessary information to take appropriate measures to increase, reduce or maintain the number and capacity of childcare services in the same way as we plan for schools.
- In addition, we need to plan specifically for after-school provision as a discrete, albeit integrated, element of service. Any long-term proposals should address these issues and ensure that State investment or subsidisation of costs should leverage the introduction of an agreed model of after-school provision, and the introduction of standards / regulation. In the shorter term, consideration should be given to maximising the potential use of existing state infrastructure, including youth facilities and schools to expand options for parents. Incentivisation should be considered and community, voluntary and private providers should have equal opportunity to take advantage of such incentives.
- Formal consideration needs to be given to the use of school and other state owned or state built buildings (both existing and planned) as a potentially efficient and effective means of expanding access to supply.

6.3 Building Quality Capacity in Provision and the Profession

Existing quality initiatives

During the past decade, the rapid expansion of early years provision in Ireland has been accompanied by increasing demands for regulation, standard and curriculum development as well as professionalisation of the early years workforce.

The development of *Síolta* and *Aistear* were important developments in establishing quality and curriculum for the early years which went beyond the basic regulatory framework set in the Child Care Regulations under the Child Care Act, 1991.

Funding for the ECCE programme has also, since 2010, incentivised the development of a higher education graduate cohort in the early years workforce by offering a higher capitation grant to services where the lead staff have achieved a bachelor degree in early Childhood Care and Education or equivalent. Today 28% of services on contract to deliver the ECCE programme receive higher capitation grant. Given the recent evidence emerging from the *Growing Up in Ireland* longitudinal study that children attending higher capitation funded ECCE settings are achieving better cognitive outcomes (McGinnity (forthcoming)), it will be important that future investment in the early years sector supports the further development of a graduate-led workforce.

In 2014 the DCYA established a Learner Fund of €3m for the period 2014-2015 to support the up-skilling of the existing workforce to achieve minimum mandatory qualifications at NFQ level five and NFQ level 6 on the National Framework for Qualifications. A continued investment in an early years Learner Fund will need to form part of the future investment.

In addition to ensuring that initial professional education meets the demands of the challenging role of delivering high quality early years provision, it is also necessary to ensure that staff in early years settings have the capacity to implement on-going change in practice in terms of continuous professional development, mentoring and the availability of resource materials.

It is also important to note that the primary focus of current initiatives relates to formal centre-based care. Given the level of non-formal provision by non-relative carers in Ireland, there is a need to expand thinking to a wider range of providers in order to ensure minimum standards for all non-relative childcare. While this is challenging given the range and type of non-relative carers, it is important that the quality of provision for children, especially more vulnerable children, is safe, appropriate and meeting their needs. There have been some tentative efforts to

draw childminders into a process of self-selected quality training but supports in this regard have diminished in recent years.

In summary, existing initiatives include:

- Development of the Síolta and Aistear curriculum and quality framework;
- Forthcoming childcare regulations in 2015 requiring, for example, services to be registered and better qualified staff (building on the previous 2006 regulations and the current Tusla inspection process);
- A new education focused inspection regime;
- Provision of the *Better Start* mentoring, advice and support service to early years providers.
- Learner funding to support early years practitioners to complete NFQ Level 5 and 6 training.
- Provision of higher capitation rates to providers with higher qualifications.
- A Community Employment Scheme in Childcare providing NFQ Level five training to all participants.

A number of quality initiatives have been identified to build on the work done in recent years. These are based on:

- embedding existing quality initiatives and frameworks and compliance with them;
- bringing professional qualification levels in Ireland closer to international standards; and
- extending the demand for quality standards beyond centre-based care to the informal childminding sector.

Audit of quality in early years settings

Investment in well-structured evaluation and monitoring processes are an essential feature of high quality early years provision and practice. There is a need to sustain the momentum, but also to be able to map the gaps and chart the needs as we continue to evolve and expand the demand for quality standards across the sector. That involves assessing the base line, and supporting the sector in terms of preparedness for future regulation.

A comprehensive audit is required in order to benchmark progress and to ensure that over time we can fully assess the impact of improved quality provision on outcomes for children. Based upon Aistear and Síolta, and the Tusla and DES Quality Standards, an audit tool could allow for a triennial review of quality in early years settings across Ireland.

Resource development to support professional practice

An Aistear and Síolta Practice Guide has been developed by the National Council for Curriculum and Assessment (NCCA). Resources to date to support early years activity have been provided by the Department of Education and Skills (DES) and

the Department of Children and Youth Affairs (DCYA). Examples of areas of practice that will require further development include:

- The National Literacy and Numeracy Strategy (DES, 2011) outlined the need for development of resources. These include supporting partnership with parents, cross agency cooperation in relation to promoting family literacy, establishing cooperation and positive transitions between early years settings and primary schools to promote continuity of early years experiences.
- Standard resource materials for use throughout the country in seminars/workshops delivered by trained tutors drawn from Voluntary Childcare Organisations or the City and County Childcare Committees.
- Modules to support social inclusion and special needs education within the early years sector.

Continuous professional development (CPD) for early years workforce

Investment in CPD is critical for any profession. It keeps practitioners up to date, challenges them and enables them to network, learn from others and gain support where necessary. A programme of annual investment is required to encourage and enable participation in appropriate activities. This is required for both staff in centre-based settings and for childminders.

Better Start

Better Start provides a valuable mentoring, advice and support service to early years services through the Early Years Specialist Service. It also has a national coordination role over existing investment (€13 million in 2014/15) to CCCS and NVCOs. The capacity of *Better Start* to undertake this wide range of activities in addition to delivery of continuing professional education and support and promotion of self-evaluation processes is challenging. It will be contingent on the continued investment by Government beyond its current three year lifespan and the provision of additional capacity in terms of expertise and financial resources. *Better Start* has been hugely welcomed by the sector as a very practical resource to assist practitioners and services. Its positive supporting role works well in parallel with the inspection regimes. Its participation on an Operational Alignment Group chaired by the DCYA, with membership also including Tusla's Early Years Inspectorate, the DES Inspectorate and Pobal, ensures its activity is coordinated / integrated with other quality improvement initiatives.

Professionalisation of the workforce

The CoRe report commissioned by the European Commission (2011) indicates an international benchmark of 60% graduates (i.e. qualified to Level 7 or above) for early years settings. According to the latest data from the Pobal Annual Early

Years Survey (2014), 14.7% of early years staff in formal centre-based care are currently qualified to this Level (Table 15).

Table 15: Highest level of childcare education and training awards achieved per staff member (2014)

	Community	Private	All
No Childcare Qualification	13.3%	5.7%	9.1%
NFQ Level 4 Award	2.0%	1.2%	1.5%
NFQ Level five Award	40.9%	33.7%	36.9%
NFQ Level 6 Award	31.2%	38.5%	35.2%
NFQ Level 7 Award (Ordinary Degree)	2.9%	6.4%	4.8%
NFQ Level 8 Award (Honours Degree)	6.8%	11.1%	9.2%
NFQ Level 9/10 Award (Masters/PhD)	0.6%	0.8%	0.7%
Primary Teaching Qualification	0.5%	0.4%	0.5%
Accredited Course (Outside ROI)	0.6%	0.8%	0.7%
Non Accredited Childcare Courses	1.2%	1.5%	1.4%

Source: Pobal Annual Early Years Sector Survey, 2014

There is no comparable data for the child minding sector where there are an estimated 20,000 childminders in the pre-school sector alone. The unit cost for an individual looking to gain a BA in Early Childhood Care and Education (i.e. NFQ Level 7) is estimated to be the region of €7,605 (Goodbody Economic Consultants, 2011). In excess of 20 third level institutions provide Level 7 or 8 graduates each year. This will steadily increase the level of qualification in the sector.

Capacity building of City and County Childcare Committees (CCC) and Voluntary Childcare Organisations (VCO) to carry out mentoring activity

The CCC and VCO network has been funded since 2000 to support the implementation of national policies relating to the expansion and quality improvement of early years services in Ireland. These organisations have carried out a wide range of actions including administration of funding schemes, data collection and management, as well as a diverse offer of professional support for practitioners in early years settings. Harnessing this expertise in a coordinated manner would ensure more equitable access by all early years settings to expert support for quality improvement. *Better Start* is tasked with assisting in this role and is currently developing a strategic plan in this regard.

Their role in mentoring and supporting the childminding sector in a structured way on a pathway towards the introduction of quality standards, and ultimately regulation, is also critical and requires continued investment.

The Síolta Quality Assurance Programme (QAP) and a process of self-evaluation

The Síolta QAP was devised in 2008 by the Centre for Early Childhood Development and Education (CECDE) to allow early years settings to engage in supported self-evaluation processes which could then be documented and externally validated. The main features of the QAP are mentored quality improvement, preparation of a quality portfolio and external validation / accreditation by experts in the field. Currently, some VCO are engaged in the delivery of the Síolta QAP and a total of 100 early years settings have completed the programme. There is benefit in rolling this out further.

Conclusion

In order to continue the necessary quality improvement demanded by the evidence a concerted effort is required to further develop and coalesce quality initiatives within and across the sector in both the formal and non-formal sector (where the majority of children continue to receive care). This should include:

- **A comprehensive audit of quality to benchmark progress and to ensure that over time the impact of improved quality provision on outcomes for children can be assessed;**
- **Continued investment in the existing workforce to increase qualification levels;**
- **Development of resource tools to support professional practice;**
- **Investment in continuous professional development;**
- **Expansion of *Better Start*;**
- **Capacity building of CCCs and VCOs to carry out mentoring activity;**
- **Enhanced evaluation and monitoring.**

While the initial focus is on the formal sector, plans should include the roll-out of enhanced supports, incentives and ultimately evaluation and monitoring of the informal sector also - in particular childminders.

6.4 Developing Governance and Regulation for Continuous Improvement

Regulation/Inspection

Child Care Act provisions and the role of the Tusla Early Years Inspectorate

Part 12 of the Child and Family Agency Act 2013 amended Part VII of the Child Care Act 1991 (Supervision of Pre-School Services) by the substitution of Part VIIA (Supervision of Early Years Services). This Part provides for:

- The inclusion of school-age services within the remit of the Early Years Inspectors;
- The registration of early years services;
- New powers for the Early Years Inspectorate in relation to registering a provider of early years services, removing a provider from the register, or attaching conditions to a registration;
- Increased sanctions for contraventions of the Statutory requirements;
- The making of Regulations for the purpose of securing the health, safety and welfare and promoting the development of children attending early years services; and the making of Regulations to:
 - Prescribe requirements as to the heating, lighting, ventilation, cleanliness, repair and maintenance of premises in which early years services are carried on and as to the equipment and facilities to be provided;
 - Provide for the enforcement and execution of the regulations by the Child and Family Agency;
 - Prescribe the fees to be paid to the Agency by persons carrying on prescribed early years services;
 - Prescribe the minimum levels of qualifications for any class or classes of persons working in an early years service; and
 - Prescribe any additional particulars and details required in relation to the register.

Regulations are currently being drafted in accordance with this legislation by the Office of the Parliamentary Council. In the interim, Tusla continues to inspect services and satisfy itself that services meet existing regulations.

Education-focused inspections

Education-focused inspections have been established by the DES with the support of DCYA to support a stronger focus on the quality of early years educational provision. The DES Inspectorate will work with services to acknowledge good educational practice and to identify poor practice, or practice in need of improvement. The DES team will encourage the development of

professional self-evaluation processes guided by Aistear and Síolta. In its initial phase, 2015/16, this new inspection system will focus on the quality of provision in the ECCE programme. The current cost for the early years education focused inspections is €600,000. This will allow for approximately 10 - 20% of the 4,165 early years settings delivering the ECCE programme to be inspected in year one. This will further assist in ensuring that the various goals of pre-school provision are being met as regards the appropriate delivery of the Síolta and Aistear frameworks.

The DCYA chairs a group comprising the DES and Tusla Inspection Teams, Pobal and *Better Start* to reduce any unnecessary burden on providers, to minimise duplication and to coordinate inspection / compliance visits. It is likely that the regulation, inspection and compliance regime will continue to evolve as the sector develops.

Again, while the initial focus is on the formal sector, future plans as regards regulation should include the informal pre-school sector (in particular childminders) as well as after-school provision.

Governance

The alignment of various inspections, compliance and other governance processes is important in ensuring a strategic streamlined and accountable system of governance controls. Inevitably, with the incremental evolution of schemes, programmes and inspection processes, there are a number of loci of effort. To drive compliance with the various standards set, effective processes and protocols need to be developed between DCYA, Tusla and DES to ensure that there are effective interconnecting levers and sanctions to promote and demand quality (of care and educational provision) and accountability for public funds.

In terms of financial governance, DCYA manage existing State schemes with some assistance from Pobal. The development of an IT system, the Programmes Integration Platform (PIP), is a very important development in streamlining arrangements for applications, registration for schemes, payments and well as compliance. The use of this platform also provides an important opportunity to develop more sophisticated management information tools which should inform planning and which can be used to commence new initiatives on a streamlined basis.

Conclusion

Further steps need to be taken to draw the non-formal sector closer to the standards and requirements for the formal sector. A stepped programme of reforms migrating from voluntary through to mandatory requirements should be developed.

The future developments in respect of both regulation and inspection will need to have regard to emerging models for provision of services

for children with disabilities, after-school provision for school-aged care and the further extension of quality initiatives to the non-formal sector.

To support an integrated approach to accountability for individual providers, DCYA, DES and Tusla, should develop an integrated framework for communicating and responding to matters identified in the various compliance, evaluation and inspection systems.

Continued support of the Programmes Implementation Platform¹² initiative by DCYA is critical to improve overall governance and to reduce the administrative burden on the Department and allow for an increased focus on policy, regulation etc.

¹² Pobal supported ICT platform to integrate and streamline the processing of applications and payments for existing schemes.

6.5 Supporting parental choice and removing barriers to work / Making services affordable and responsive to the demands of parents

Universal and targeted schemes

As outlined in Chapter 2, there are a range of supports already in place to support parents in the care of their children in both pre-school and school settings. This includes both universal and targeted provision. Much targeted provision is focused on those on low income and those who are seeking work or in training.

Summary of Targeted Schemes

A summary of the provisions including eligibility and rates of subsidy are set out in Tables 16 and 17 below. While the supports offered by these schemes are significant, there are a series of challenges:

- Schemes are complex and often difficult for parents to navigate their entitlement.
- Many eligible parents cannot currently access the Community Childcare Subvention programme (CCS). Provision of this scheme is currently limited to community providers and the spread of such providers is limited and based on historical data on deprivation. So for some eligible families there is no local provider of the scheme, or if there is, the service is full.
- The CCS programme also operates on an annual ‘snapshot’ of eligibility vis-à-vis available places which means that there is no access to the scheme outside of the snapshot date.
- The level of subvention within and between the schemes varies significantly and the level of contribution from parents can still be a barrier for some families.
- Some programmes are capped (e.g. after-school childcare).

Table 16: Targeted childcare programmes

	Community Childcare Subvention (CCS)	Training and Employment Childcare (TEC) Programmes			
		Childcare Education & Training Support (CETS)	After-School Child Care (ASCC)	Community Employment Childcare (CEC)	Community Employment After-school Childcare (CEAS)
Age of child	Less than 15	Less than 13			
Eligibili	See Table 17	Eligibility for TEC Programmes is determined by the			

Criteria	Community Childcare Subvention (CCS)	Training and Employment Childcare (TEC) Programmes			
		Childcare Education & Training Support (CETS)	After-School Child Care (ASCC)	Community Employment Childcare (CEC)	Community Employment After-school Childcare (CEAS)
Departmental criteria		Department of Education ETB/Solas (for CETS) and by the Department of Social Protection (for ASCC, CEC and CEAS)			
No. childcare places	25,000	2,500	300-500	1,200	800
No. service providers	901	1,644	1,376	1,357	1,366
Duration of programme	No time limit	48 weeks	52 weeks	50 weeks	50 weeks
	To ensure that access to subvention funding is not a disincentive for parents to return to employment, there is a tapered withdrawal of subvention. More specifically, the CCS allows a parent who is in receipt of subvention support, and who secures employment, to retain that level of funding support until the end of that school year in the same service, and also to have a reduced level of funding support for one further school year following that.	This includes up to 10 weeks holiday allowance at the rate of 145, no pickup included. N - m	Once only, can be spread over years. This includes up to 10 weeks holiday allowance at the rate of 105, no pickup included	May reapply for more, depending on availability	May reapply for more, depending on availability. This includes up to 10 weeks holiday allowance at the rate of 80, no pickup included
Total Budget (2015)	45,000,000	17,400,000	1,323,000	4,800,000	1,920,000
Full day, (5+ hours) per week	<ul style="list-style-type: none"> • Band A (with Medical Card):€95 • Band Aj (with Medical Card): €50 • Band B: €50 	€145	-	-	-

	Community Childcare Subvention (CCS)	Training and Employment Childcare (TEC) Programmes			
		Childcare Education & Training Support (CETS)	After-School Child Care (ASCC)	Community Employment Childcare (CEC)	Community Employment After-school Childcare (CEAS)
Part-time (3½-5 hours), per week	<ul style="list-style-type: none"> • Band A (with Medical Card): €47.50 • Band AJ (with Medical Card): €47.50 • Band B: €25 	€80	-	€80	-
Sessional (2¼-3½ hours), per week	<ul style="list-style-type: none"> • Band A (with Medical Card): €31.35 • Band AJ (with Medical Card): €31.35 • Band B: €17 	-	-	-	-
Half-session (1-2¼ hours), per week	<ul style="list-style-type: none"> • Band A (with Medical Card): €15.20 • Band AJ (with Medical Card): €15.20 • Band B: €8.50 	-	-	-	-
After-School	-	€45	€40	-	€40
After-School + Pickup	-	€80	€80	-	-
Maximum Parental Contribution	Subvention and the parental contribution combined cannot exceed the cost of the place as notified in the fee payment policy of the service	<ul style="list-style-type: none"> • Full-Day: €25 • Part-time: €15 • After-School: €5 • After-School + Pickup: €15 	€15	€15	€15

The table below outlines the weekly subvention rates for Bands A, AJ or B, based on the type of service the child is availing of (the list of payments under Band A

in the table is not exhaustive. A Medical Card is required with Band A and Band AJ payments).

Table 17: Community Childcare Subvention Band eligibility

Band A (with Medical Card)	Band AJ (with Medical Card)¹³	Band B
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13 Parents who qualify for Band AJ (with Medical Card) e.g. a parent in receipt of Jobseekers Benefit / Allowance (JB/JA) and with a Medical Card qualify for subvented childcare to a maximum of €50 subvention for full day-care per week (Band AJ). This cap applies where a child attends from three to five full days per week. Parents in receipt of Jobseekers Benefit / Allowance (JB/JA) and do not have a Medical Card qualify for subvented childcare under Band B. No Band is automatically applied to those parents partaking in a Springboard course and/or a National Internship Programme (NIP/JobBridge), or in receipt of the ETB/SOLAS Training Allowance. The appropriate Band is decided on a case by case basis, based on the allowance received immediately prior to the course/programme/training.

-
- One Parent Family Payment
 - Widows/Widowers Pension
 - Guardian's Payment
 - Back to Work Enterprise / Education Allowance
 - Community Employment / Rural Social Scheme
 - Family Income Supplement (FIS)
 - Farm Assist
 - Pre-Retirement Allowance
 - State Pension
 - Carer's Benefit/ Allowance
 - Disability Allowance
 - Blind Pension
 - Illness/Injury Benefit¹⁴
 - Domiciliary Care Allowance
 - Secondary School students
 - Invalidity Pension
 - Disablement Pension

Referrals from Tusla Referrals do not require a Medical Card

- Jobseekers Benefit/ Allowance
- Supplementary Welfare Allowance¹⁵
- Tús
- Part-time Job Incentive Scheme
- Gateway

- Medical Card
- GP Visit Card
- Parents who are in receipt of Social Welfare payments listed under Band A/AJ but have no medical card
- Parents who no longer qualify for Band A/AJ this year but who were verified as being on Band A/AJ at the end of the previous school year

14 Parents on Disability/Illness/Occupational Injury Benefit are reviewed during the course of the academic year ('DB Review'). If the relevant Benefit no longer applies at the review, the band will be amended accordingly. A parent may appeal the assigned Band with evidence of receipt of a different eligible social welfare payment during the DB Review period. Please see below some examples of the different Band entitlements: Parent receiving Family Income Supplement (FIS) without a Medical Card: Band B subvention

- Parent receiving One Parent Family & holds a Medical Card: Band A subvention
- Parent on Tús programme: Band B subvention
- Parent in receipt of Job Seekers Benefit: Band B subvention
- Parent in receipt of Job Seekers Allowance & holds a Medical Card: Band A subvention

- Parent receiving Domiciliary Care and holds a Medical Card: Band A subvention
However, if the parent does not hold a Medical Card, but the child does, only that child receives the Band A subvention rate. Any other children of that family receive Band B.

15 A similar cap applies to basic payments under the Supplementary Welfare Allowance scheme, as many of those in receipt of such payments are awaiting a decision on a Jobseekers Benefit/Allowance claim. In the event that this payment concludes with a successful claim which attracts a full rate Band A eligibility, with a Medical Card (e.g. One Parent Family Payment) then the eligibility for that payment can be back-dated to the September of that given academic year for which the basic payment applied. However, the successful claim must be appealed as part of the CCS Appeals Process.

Targeted schemes were introduced on a piecemeal basis at different points in time when different market conditions prevailed. As a result they are poorly integrated and people can be eligible for more than one scheme at a time.

A wide range of proposed changes to the schemes emerged from the consultation processes, including improving access to the scheme for both parents and providers, increasing rates of subvention and reducing parental contributions.

Introduction of a tax credit

A tax credit for parents in respect of monies paid on childcare is one option which has been considered by the IDG. In addition to the general appraisal approach, the Department of Finance Report on Tax Expenditures requires that prior to the introduction of new tax expenditure; an ex-ante evaluation must be conducted. For the purposes of this Report, a full ex-ante evaluation has not been undertaken. However, preliminary analyses in line with the five key questions to be addressed (in line with DoF requirements) have been considered. The full detail is contained in Appendix 3 to the Report. A summary is included here.

What objective does the tax expenditure aim to achieve?

The primary objective of a tax credit in respect of the costs of childcare is to assist parents in accessing childcare by ensuring that it is more affordable. The premise is that such a tax expenditure can offset the high cost of childcare in Ireland, therefore ensuring that parents can afford to utilise childcare, whether for the purposes of accessing early years for their children or freeing them up to take up employment or extend their employment commitment.

At the same time, in the case of policy options in respect of childcare costs, there is increasingly a recognition that we need to strike a balance between the objectives of labour market activation and child development outcomes in the provision of such care. This is particularly the case as regards pre-school care where there is strong evidence that poor quality pre-school care and education can be harmful to children.

Improved outcomes for children and a contribution towards improvements in social inclusion and poverty reduction can only be achieved if we can be sure that the incentive works to encourage parents to return to the labour market, to increase their work commitment or to enter education training or employment. The value to parents is only beneficial to those with sufficient earnings which enable them to absorb the benefits.

To affect quality – a key issue within the sector – the scheme would have to be utilised in such a way as to link access to the incentive to improved regulation of the currently, largely unregulated part of the sector. This makes the proposed objectives of the tax expenditure extremely complex.

In addition, to avoid capitalisation, such measures have worked best in combination with other measures including price capping for services.

Market Weaknesses

One of the issues that has been identified is market weaknesses within the childcare sector. The economic argument suggests that the market will resolve the quality issue through competition but in reality this has not happened in the sector either here or in other countries. Start Strong have reviewed this economic theory of the market and they make the following comments:

- *“A market implies that there is a direct relationship between supply and demand, so that if there is a high demand for particular goods or services, the market will expand quickly and flexibly to deal with it, and vice versa ...”*
- *The presumption is that “competition between providers drives down prices and leads to better quality products – it will sort itself out more efficiently than any regulatory intervention.”*

However, it is clear that there can be justifiable reasons to intervene in the market. Start Strong identify the following difficulties with this analysis of childcare provision as a market:

- The supply of childcare increases in relation to demand, but demand itself is irregular, it fluctuates considerably according to circumstances.
- Both large and small childcare business may be characterised by volatility of ownership (Kershaw et al 2005). The low end of the market (i.e. smaller and informal providers) is characterised by small entrepreneurs, who often operate at the border of profitability, only breaking even or even making a loss.

(Start Strong, ibid)

Is tax expenditure the best approach to address a perceived market failure?

The question is whether tax relief might mitigate the effect of market failure and at the same time, support the policy objectives of providing state-sponsored early childhood education and care or after-school care.

- There are serious concerns about cost and questions as to whether the rate of subsidy is effective in supporting affordability, labour market activation and economic growth.
- Given the potential scale of the cost, it will be necessary to limit the scheme in some way. This will give rise to significant administrative complexity, adding significantly to the transaction costs.
- A further issue relates to the question of equity. The relief would not be available to the substantial portion of those currently outside of the income tax net (39% of income earners). Inevitably, even if capped, this is regressive by nature as only those who pay taxes qualify and those with greatest income benefit most.

- There is also considerable uncertainty as to who would benefit from a tax credit in the medium term (i.e. the pass through from care providers to parents is not assured). In fact, previous incentives of a similar nature indicate that such reliefs can often be fully absorbed or capitalised into cost.
- There is a significant challenge in achieving arrangements which can leverage quality objectives when using demand side measures such as tax credits.
- Assuming a best case scenario (i.e. that the credit is not absorbed or capitalised), it is difficult to assess whether a €34¹⁶ per week tax relief would meaningfully alter a parent's choice to join or return to the labour market, particularly for those attempting to re-enter employment; part-time employers and those in low-paid employment.
- Another question is whether this type of expenditure is superior to other forms of intervention such as direct subvention. As set out above, to have the desired impact, the scheme would need to lock more firmly into the other objectives of the Government in the childcare area, including return to work, training or employment and much needed quality improvements. From that point of view, a complex scheme (with the requisite administrative overhead) would be required for this expenditure to have a chance of having the desired economic impact of boosting parental participation rates in the labour force.

How much is it expected to cost?

The IDG has made some initial estimates based on available data. Tentative costings based on Indecon estimates of average childcare costs per pre/primary school childcare place were applied to DSP figures on the numbers of children in receipt of Child Benefit in this cohort. If tax credit were provided in respect of even half of these children at the standard rate of 20%, it would involve a cost to the Exchequer upwards of €290 and €592 million per annum. The variation depends on the rate of take-up which is very difficult to estimate. It assumed that all paid childcare would be covered by the relief (i.e. not just centre-based care).

Table 18 shows the value and cost of tax relief based on Pobal data from 2014 on the median cost of childcare. For children under 6, the median cost of full time care is used (i.e. €160 per week) and for children aged 6-12, the median cost of part-time childcare is used (i.e. €92 per week). A take-up rate of 50% of all eligible children aged up to 12 is assumed.

Table 18: Value to parents and cost of tax relief assuming 50% take-up

	No. children receiving	No. eligible for	Average cost of childcare	Average tax relief due (i.e. 20% of cost)
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¹⁶ Tax relief at the standard rate based on median cost of childcare of €170 per week

	Child Benefit	childcare tax relief (i.e. 50%)	per annum	per week	per annum	per week
Under 6	489,500	244,750	€8,320	€160	€1,664	€32
Aged 6-12	385,600	192,800	€4,784	€92	€957	€18
Total					€592	

Table 19 shows the value and cost of tax relief assuming take-up is around 35% of the total number of eligible children (- the percentage currently known to be in some type of non-parental care). For children under 6, it is assumed that 25% use full-time care, 50% use part-time care and 25% use sessional care. For children age 6-12, it is assumed that 50% use part-time care and 50% use sessional care based on current usage levels.

Table 19: Value to parents and cost of tax relief assuming 35% take-up

	Under 6		Aged 6-12	
No. children receiving Child Benefit	489,500		385,600	
No. eligible for childcare tax relief (i.e. 35%), of whom:	171,325		134,960	
• Full-time	42,831		n/a	
• Part-time	85,663		67,480	
• Sessional	42,831		67,480	
Average childcare cost:	<i>Per annum</i>	<i>Per week</i>	<i>Per annum</i>	<i>Per week</i>
• Full-time	€8,320	€160	n/a	n/a
• Part-time	€4,784	€92	€4,784	€92
• Sessional	€3,224	€62	€3,224	€62
Average tax relief (i.e. 20%)				
• Full-time	€1,664	€32	n/a	n/a
• Part-time	€957	€18	€957	€18
• Sessional	€645	€12	€645	€12
Total cost of tax relief €m				
• Full-time	€71.3	€1.4	n/a	n/a
• Part-time	€82	€1.6	€64.6	€0.8
• Sessional	€27.6	€0.5	€43.5	€0.8
Total	€180.9	€3.5	€108.1	€1.7

Total for All Children Up to Age 12				€289
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How does such a measure impact on objectives?

Outcomes / Objectives	
<i>Inclusive models of care that deliver good outcomes for children</i>	A tax credit measure only benefits working parents and in that regard is regressive.
<i>Ensuring accessibility in terms of supply</i>	n/a
<i>Building quality capacity in provision and the profession</i>	While theoretically the measure could be limited to regulated settings meeting certain standards, in likelihood it would be necessary to extend the provision to currently unregulated childminder sector given the levels of non-parental care which is paid for in this sector.
<i>Developing governance and regulation for continuous improvement</i>	n/a
<i>Supporting parents' choices & removing barriers to work</i>	This measure would support working parents only whose earnings bring them within the tax net. No benefit working parents outside of the tax net. If assessed in arrears, unlikely to trigger re-entry to labour market but might help avoid exits.
<i>Making services affordable & responsive to the needs of parents in work or training</i>	There is a concern that the value of any credit would be capitalised into the price of childcare. Given providers views that current levels of state subvention are insufficient and that pay levels within the sector are low, there is an existing upward pressure on price, if it was considered parents could bear it.
<i>Building parents' understanding of & demand for quality</i>	n/a

Conclusion

The IDG has considered both supply and demand side measures in terms of supporting parents by removing barriers including the specific issue of affordability. The Group has been particularly mindful of the views expressed in the consultation with parents regarding the possible introduction of a tax credit.

Looking at the current mix of universal and targeted schemes and having considered the option of a tax credit, the Group has concluded that investment in supply side measures is strategically optimal in achieving the combined objectives of affordability, accessibility and quality. In comparison with other measures, the introduction of a tax credit does not bring sufficient impact to the policy objectives. Primarily, this is due to the possible deadweight associated with such a

measure. In particular, the Group is concerned that the purpose of proposed measures is to support affordability. There is considerable risk that a tax credit measure would not necessarily achieve that purpose. There is better evidence internationally that we can have more confidence that supply side measures can have a verifiable impact, can support durable increases in supply and support quality within a more cost-contained framework.

The view is that there should be (i) alternative universal measures which benefit all working parents and (ii) a single targeted scheme which is simple to navigate for parents and would provide a platform for further investment as funds become available.

This two pronged approach provides the soundest, evidence-informed foundation for a future programme of investment. As regards a single targeted scheme measures we will need to consider:

- Transitions from existing targeted schemes given the differing levels of support, subvention and contribution currently available under them.**
 - Mechanisms for controlling demand and cost of the programme of investment. A subvented model, which prizes centre-based or regulated settings, might change current parental choice away from current reliance on parental, unpaid relative and unregulated non-parental care.**
 - Having appropriate mechanisms to ensure the value of subventions cannot be capitalised into costs for core services over time.**
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6.6 Building parents' understanding of and demand for quality

International evidence demonstrates that parents often have limited understanding of how to assess quality. Parents are often informed by their observations from visits to centres, from word of mouth in their local community or social media. Affordability and accessibility are often primary considerations. The literature suggests that parents should have access to comprehensive and objective information when making choices about childcare.

The DCYA provides €13m annually to 31 City and County Childcare Committees (CCCs) and a number of National Childcare Voluntary Organisations (NVCOs) to perform a range of activities, including the provision of information to parents. The Child and Family Agency, Tusla, conducts inspections of childcare facilities for children aged 0-6 and publishes these reports. The Department of Education and Skills, in association with the DCYA, is about to commence an education focussed inspection regime and its reports will also be published. The Síolta and Aistear curriculum framework for early years has been developed by the DES and a small number of services have applied for and received accreditation against the framework. A positive accreditation result is a very objective mark of quality.

Conclusion

DCYA, in conjunction with the DES, should lead out on an initiative with CCCs and NVCOs to agree what information on quality parents need and to provide this information nationally in a standardised and objective and easily accessible manner.

7. Recommendations on options for future investment

The work of the Group has been to develop a strategic platform for the medium to longer term while recognising the immediate issues of affordability, accessibility and quality which are affecting parents and families today. As stated earlier the challenge has been to ensure the objectives of supporting children's outcomes and supporting parents in terms of parental choice of care and removing barriers to work are met. Based on the analysis, the Group recommends that Government policy should take an approach, over a number of years, which focuses on three strands:

1. Incremental investment in fee subsidisation through existing and new programmes
2. Ensuring adequate supply to meet future demand
3. Embedding quality in the sector

Measures under each of these strands are proposed below. It should be noted that each of these has been assessed and costed based on static assumptions (including population, employment, patterns of usage and labour costs) and should be taken as indicative.

In particular, it should be noted that assumptions used do not take account of possible behavioural response in terms of parental choice which could put an upward pressure on costs if patterns of usage were to change significantly. Neither does it take account of pressures which might arise from increased professionalisation of the workforce.

More detailed work on costing of individual measures and optional elements will be undertaken following the Government's consideration of the Group's Report.

7.1 Incremental investment in universal and targeted measures which benefit all parents who are in education, training, or work. working

Overall description of the approach

One of the issues faced by the Group has been how to devise a model for incremental investment which is progressive in approach, affordable to the State and good for both children and their parents. A two pronged approach is proposed aimed at (i) extending some universal provision and (ii) introducing new arrangements for targeted provision.

All parents

At the moment, the ECCE scheme is universally available for one year's free pre-school provision. It is the only universal provision of subsidised services. It applies to a single cohort of children. Maternity benefit is the only universally available direct subsidy to working parents in respect of their parental status and their need to balance childcare responsibilities with work.

In summary, the Group propose extending these two key benefits to all children by:

1. extending free pre-school provision to a wider cohort of children so that all parents have the option of reducing their dependence on non-parental care; and
2. extending the benefits of state income support in the first year of life for all working parents through enhanced maternity/parental leave/benefit provisions.

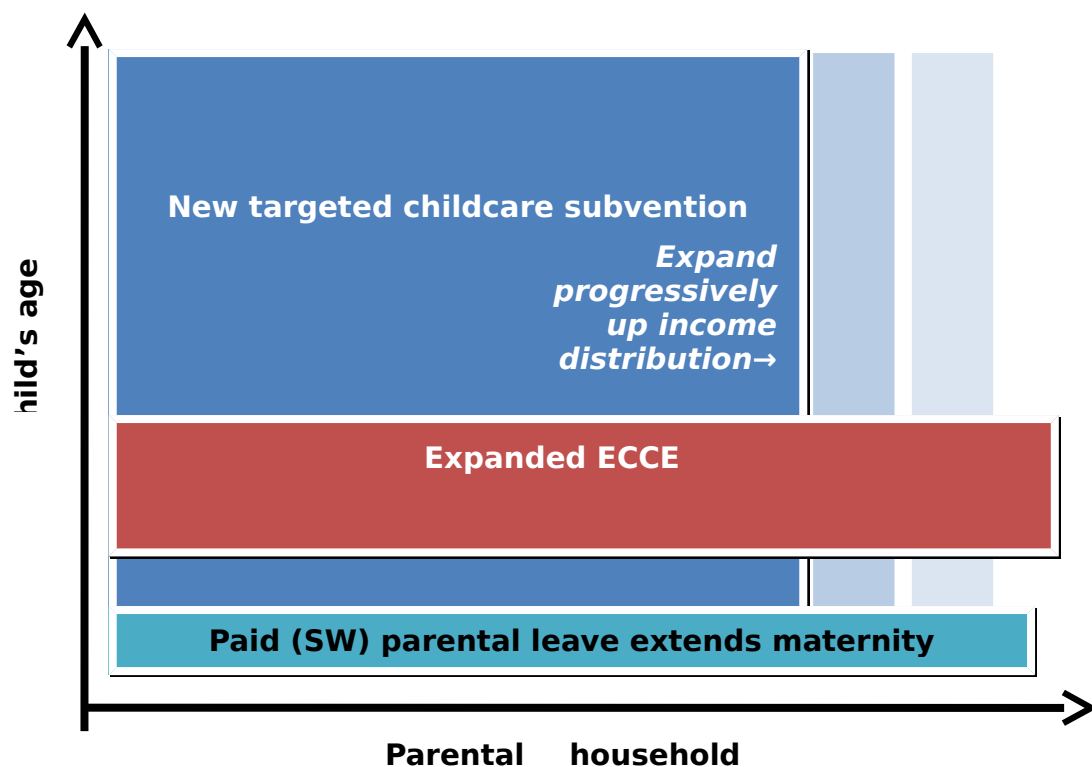
Low income parents

As regards targeted schemes, it is acknowledged that the existing provision of CCS and TEC programmes are complex in terms of eligibility and inadequate in terms of accessibility. They were developed incrementally on an ad hoc basis and together do not provide a sound basis for incremental investment. What is proposed is a changed approach from the existing mix of schemes/eligibility to a single targeted scheme. This approach would simplify eligibility to an income basis. It would provide for the subsidisation of fees on a scaled basis for all other childcare requirements of parents up to the end of primary school. This new scheme can then be expanded incrementally subject to resources and would offer eligible parents subvented childcare:

- Between age of one and time before children start pre-school;
- After pre-school for the cohort benefiting from the universal free pre-school provision (which covers three hours per day only);
- After-school for children in primary school; and
- Out-of school care outside of term times (i.e. school holidays) for pre-school and primary school children.

This overarching model will provide a better platform for incremental investment, subject to available resources, over the coming years.

Figure 12: Universal and targeted measures to support all parents



Both the extended ECCE and new targeted scheme have the advantage that direct subventions to services ensure investment is spent on the Government's policy objectives and provide for a leveraging of the quality agenda. The flexibility of provision under this model means that for eligible working parents

the subvention is responsive to the different and changing needs of parents. Using income as a determinant of the rate of subvention supports those on lowest incomes most making it a progressive measure.

It is acknowledged that the introduction of any one of these measures will take time and will need to be phased. However, if adopted, the intention is that the three measures, taken together, have the potential to provide a continuum of support for parents. This support has universal and targeted elements. Targeting can begin with those parents who need most support, expanding that support progressively as resources allows, rather than introducing piece-meal schemes with complex and overlapping eligibility criteria as we currently have.

7.1.1 Introduction of a paid parental leave scheme for parents of children aged under one

In line with evidence in respect of children under 1, the proposal is to increase parental choice to remain as the primary care-giver of their child in the first year of life and to provide as much support as possible to the developing relationship between the parents and their child. The proposal is for the conversion of existing unpaid maternity leave to paid parental leave with the option for some sharing of the additional paid element between both parents.

Description of scheme and assumptions

The scheme would provide for additional weeks of paid benefit for mothers or fathers in addition to, and to follow consecutively, from existing maternity leave provision.

It would include a minimum additional amount of paid leave/benefit for mothers (an extension of the existing maternity leave scheme) as well as additional weeks to be taken by either parent.

The recommendation is that this leave would be increased incrementally over time to provide for as close as possible to one year of parental care to children in the first year of life, obviating the need for non-parental paid childcare in that period.

The number of births in 2013 was 68,930 (and the number is falling). It is assumed that the take up for paid parental leave would be similar to the take-up of Maternity Benefit in 2013, which was approximately 45,500 (i.e. 66%).

The Group proposes that extension to leave/benefit arrangements for parents should be based on the following parameters:

- Benefit entitlement based on the PRSI contributions of the claimant.
- PRSI contribution conditions should be the same as Maternity Benefit.
- Benefit should be for a specific duration within a specified period (before age of one of the child).

- Benefit will cease if the claimant engages in insurable employment.
- Application period needs to be specified. Claims must be initiated by claimant in a specified period (to be determined).
- Rate should be the same as Maternity Benefit (€230 per week).
- Conditions of benefit should be the same (taxable, not subject to PRSI, etc.).
- Proposed Parental Benefit would only be payable to one parent at a time for any given period and would not be payable to the father concurrently with Maternity Benefit being paid to the mother.
- Not payable outside the State/EU.

Issues:

- Accurate costings for the potential measure will be difficult without further information on employer behaviour as this could affect take-up rates e.g. whether and to what degree top ups would be paid meaning a net cost to employers above the State contribution.
- Apart from the question of a 'top-up' the precise impact of paid parental level on employers will need to be further assessed and considered e.g. the overhead cost of recruiting, training and replacing staff for the duration of the leave.
- There are considerable resource/administrative issues for Department of Social Protection including:
 - Significant administrative challenge of devising an effective system to streamline linked payments for two workers.
 - Technical issues on how payments are triggered for fathers who have linked/'follow-on' applications for mothers.
 - Staffing.

Options

Options in respect of this recommendation include:

1. **Provision of six months' paid parental benefit/leave**, for children aged 6-12 months, to follow paid maternity leave, provisionally estimated as **€273m** (this is the cost to the State and excludes top-up or any other costs to employers).
2. Introduce the provision incrementally, one month at a time = **€42m for each 4 weeks of paid parental leave, €273 million for the full additional 26 weeks** or one week at a time = **€10.5m for each week of paid parental leave.**

Table 19: Cost of introducing paid parental leave

	€m
Per week	€10.5
Per month	€42
Total cost of six month's additional provision	€273

Currently, many employers, including the State as an employer, provide a 'top-up' to employees on Maternity Benefit. In the public sector the cost of the top-up is estimated at around €11.5 million per week based on the current cost of Maternity Benefit top up. There is no statutory requirement to top-up and the provision of this additional benefit does not necessarily involve a top-up. This would have to be considered separately and the Group is not proposing any automatic assumption that top-up would apply in the case of additional parental leave/benefit. For the public sector replacement costs would also impact in certain front-line public services and this would have to be costed separately.

Next Steps

- The Departments of Justice and Equality (DJE) and Social Protection (DSP) with input from the Department of Jobs, Enterprise and Innovation (DJEI) and DCYA should prepare a feasibility report for Government on the introduction of additional shared weeks of paid parental leave over a 10 year period. This will examine the phased introduction of additional weeks on a shared basis; will examine and provide for the development of the requisite ICT and administrative capability; and with input from the DJEI will include consideration of employer readiness.
- The DJE (in consultation with DJEI) should also consider the introduction of statutory entitlements to request more flexible patterns of working for parents of children aged 1-12 years.

Appraisal against objectives

Outcomes / Objectives	Pre-school	After-School
<i>Inclusive models of care that deliver good outcomes for children</i>	Based on evidence, very positive impact on outcomes for all children of working parents, particularly beneficial for children with additional needs. Likely to have longer term gains in terms of family functioning.	n/a
<i>Ensuring accessibility in terms of supply</i>	Introduction of paid parental leave/benefit will reduce the demand on 'baby' places in centre-based services over time is seen positively as these are the most expensive places for centres to provide and effectively have to be cross-subsidised by other provision currently.	n/a
<i>Building quality capacity in provision and the profession</i>	n/a	n/a
<i>Developing governance and regulation for continuous improvement</i>	n/a	n/a

Outcomes / Objectives	Pre-school	After-School
<i>Supporting parents' choices & removing barriers to work</i>	Introduction of paid parental leave supports a wide choice for all working parents on when to return to work having regard to the needs of their child - allowing substantial subsidised provision.	n/a
<i>Making services affordable & responsive to the needs of parents in work or training</i>	Both proposals benefits all working parents who do not benefit from existing targeted schemes such as CCS or TEC but there are substantial benefits to be derived over time for parents who choose to opt to take full advantage of an increased paid parental leave/benefit provision.	n/a
<i>Building parents' understanding of & demand for quality</i>	n/a	n/a

7.1.2 Extension of pre-school provision for all children

Primary schooling in Ireland comprises an eight year continuum of education provision. Traditionally the majority of children are enrolled in primary school by their fifth birthday and therefore transition into post primary school at a maximum of age 13 years. Research has demonstrated that children who commence school closer to four years of age are in some instances up to a full year younger than their class mates and are often at a disadvantage in relation to benefitting fully from the educational offer in primary school due to disparities in physical, cognitive, social and emotional maturity. Irish research has shown that the reason most parents send children to primary school at four years is financial, i.e. to reduce the cost of childcare. The offer of up to two years of free preschool education will greatly ease pressure on parents, particularly those under greater financial constraints. All children would then be more likely to be ready to benefit from their primary school experience.

Description of scheme and assumptions

The proposal is in line with evidence which emphasises the benefits of pre-school for all children aged three years or more and the particular benefits to be gained for children from disadvantaged backgrounds.

Currently, children can enter the ECCE scheme at any time from age three years and two months but are eligible for only one year of pre-school.

- This option would change the entry point for eligibility to (i) three years of age (ii) three years, six months but allow children, at whatever time on or after that point which they enter, to have sufficient pre-school provision until such time as they start school.

- Entry would not be restricted to September (i.e. school year) which would allow children to benefit as soon as they reach three years or three years six months.
- It would provide for sustained provision to allow parents to start their children in pre-school and be assured of a continuity of provision right through to infant classes of primary school. It also allows for parental choice, as parents can choose to send their children to pre-school at different times having regard to their birth date and their planned entry into formal schooling.

Clearly, the date of birth of a child and the single point of entry to the school system means that choice is different for individual parents. The extended scheme is designed to allow for multiple points of entry to a pre-school setting, but, in line with the evidence regarding school start and the importance of children being in an age-appropriate peer group, access to the scheme would be restricted to the point of entry to primary school or age five and six months whichever is sooner (this assumes that children would exit pre-school setting at the time of the 'summer holidays' and be no more than five years six months in the following September).

We know from the existing scheme that 95% of parents will opt for at least one full year in advance of the start of primary school. The full range of parental choice/eligibility is set out in Appendix 4.

- The estimates for school starting age have been drawn from the 2014/15 Primary Pupil Online Database - 60% start school in their 5th year and 40% start at age five or over. The estimates assume that the school starting age will not change. However, it can be anticipated that, certainly for parents with children born in the summer months, they may choose to delay entry until the child is five or over. The costs in Table 18 do not reflect that possible change in behaviour. Table 27 in Appendix 4 provides costs based on an estimate of likely shifts in behaviour.
- The estimates assume that the number of children attending basic and higher capitation services remains at 67% and 33% respectively. Given the promotion of the quality agenda, training initiatives including the learner fund, and the advent of regulations regarding minimum training standards, it can be anticipated that this proportion will change on an incremental basis in favour of higher capitation fairly rapidly in the coming years.
- The scheme would operate as presently - i.e. on the basis of a given number of hours per week for a capped fee, paid directly to providers in respect of each registered child with any extras, including extra hours met directly by parents.

Issues:

The lead-in time and the start date for the new initiative will impact on what the first year cost would be. What is provided here is a full year cost based on a January 2016 start date and the profile of children at that point.

It will likely take some time for bedding in of the pattern of usage by parents as the full extent of the scheme is implemented.

This period of transition will allow for some gearing up of services for the additional demand, but it may well cause undersupply in some areas. So, while currently, there is evidence of some oversupply/vacancies in some areas across pre-school and after-school, there could be supply problems in some areas. Further mapping of this will be required as part of the lead in process.

As outlined above, there are existing issues regarding children with disabilities having the opportunity to access and gain the maximum benefit of the free pre-school year. Currently, DCYA is leading an initiative with the Departments of Education and Skills and Health to fully assess the most appropriate model for the inclusion of children with disabilities in ECCE. This will be advanced on a tripartite basis and all three departments will support the need for proper resourcing so that the requisite funding for the relevant Vote or Votes is acquired, once a model has been agreed.

Options

A number of options are set out below. The first option is to provide the extended service from age three years six months or from three years. [NB: While the current scheme allows a child to enter at three years two months, the maximum benefit is one year (38 weeks)].

The introduction of the scheme has a number of optional elements to deal with other issues including (1) a restoration of the capitation fee/introduction of a new capitation fee which was reduced over the course of the recession¹⁷ and (2) to allow for some non-contact time¹⁸ for providers. It is acknowledged that the current rates of subvention have limited margin for the majority of providers and that salaries are comparatively low for this sector.

The table below (Table 21) sets out a number of alternative incremental options:

17 The Minister for Children and Youth Affairs has indicated that restoring the rate of capitation would be considered if the State were in a financial position to do so.

18 Non-contact time: Current capitation makes no provision for time spent planning ECCE sessions, administration (including engagement with compliance, regulatory and other inspection processes required of scheme); on-site training or planning; or time spent engaging with parents regarding individual children's needs. This proposal includes an option for one hour of contact time per child per week to take account of such requirements exclusive of direct contact time with children.

- *Option 1:* Introduce access from age three for all children up to entry to school (a) based on existing capitation¹⁹ (b) based on restored capitation²⁰ (c) new higher capitation²¹ .
- *Option 2:* Introduce access from age three for all children up to entry to school (a) based on existing capitation (b) based on restored capitation (c) new higher capitation and include allowance for non-contact time (i.e one hour per week).
- *Option 3:* Introduce access from age 3.5 for all children up to entry to school (a) based on existing capitation (b) based on restored capitation (c) new higher capitation.
- *Option 4:* Introduce access from age 3.5 for all children up to entry to school (a) based on existing capitation (b) based on restored capitation (c) new higher capitation and include allowance for non-contact time. (i.e one hour per week).

NB: Access to the ECCE scheme currently is from age three years and two months but parents only have access to 38 week provision. This measure would shift eligibility either earlier (from age 3) or later (from age three years and six months) but allow for up to two 38 week periods of entitlement for all children (i.e. 76 weeks in total).

While this measure is a positive one for children, Options 3 and 4 may be viewed less favourably by parents as they do not reduce parents' exposure to childcare costs before the child begins pre-school as it may merely delay entry to primary school. For this reason, Options 1 and 2 are seen to be more effective in supporting both child and parent focused objectives.

It is worth noting that while increased access to ECCE is beneficial for children and will assist parents; to optimise this measure as a support to labour market participation, ideally, it would be advanced along with a model of subvention for the costs of childcare outside of basic ECCE hours.

In relation to options 3 and 4, the costs range from €72 million based on existing capitation for children from age three and six months, to €96 million with a new higher rate of capitation. Including one hour of contact time per week would increase that from €88 million to €114 million.

19 Existing capitation is €62.5 per week for basic capitation and €73 per week for those on higher capitation

20 Restored capitation is €64.5 per week for basic capitation and €75 per week for those on higher capitation

21 New higher capitation is €67.5 per week for basic capitation and €82.5 per week for those on higher capitation

For options 1 and 2, the costs range from €121 million based on existing capitation for children from age three to €150 million with a new higher rate of capitation. Including one hour of contact time per week would increase that from €141 million to €171 million.

A preliminary analysis of possible shifts in parents' choice regarding later school entry would add around €10 million to each of these options. The basis for this is set out in Appendix 5.

Further costings could also look at demographic trends anticipated year on year to give greater precision.

The costs are net of the existing provision for ECCE in the DCYA Vote of €172.4 million and also include a proportionate cost in respect of administration based on existing costs.

Table 20: Estimated cost of extending ECCE provision (€m)

	Age 3	+ 1hr pw non-contact time	Age 3½	+ 1hr pw non-contact time
Existing Capitation	€294	€313	€244	€260
•Net Additional	€121	€141	€72	€88
Restored Capitation	€303	€323	€251	€268
•Net Additional	€130	€150	€79	€96
New Capitation	€322	€344	€268	€286
•Net Additional	€150	€171	€96	€114

Next Steps

- DCYA to develop finalised costings based on preferred option.
- DCYA to prepare a project plan for the introduction of the revised arrangements and any necessary transitional measures.
- As outlined above, DCYA will continue with the initiative with the Departments of Education and Skills and Health to fully assess the most appropriate model for the provision of these services for children with disabilities. The intention is that this process will complete in time for consideration of an initial phase of investment in 2016 subject to the Estimates process.

Appraisal against objectives

Outcomes / Objectives	Pre-school	After-School
<i>Inclusive models of care that deliver good outcomes for children</i>	Very positive impact on outcomes for all children, particularly beneficial for children with additional needs and those from more vulnerable families	n/a
<i>Ensuring accessibility in terms of supply</i>	Should improve viability / sustainability of existing centre-based services	n/a
<i>Building quality capacity in provision and the profession</i>	ECCE currently well regulated and this would support further leverage of key quality improvement initiatives	n/a
<i>Developing governance and regulation for continuous improvement</i>		n/a
<i>Supporting parents' choices & removing barriers to work</i>	Supports a wide choice for all parents in when to commence provision having regard to the needs of their child – allowing substantial free provision.	n/a
<i>Making services affordable & responsive to the needs of parents in work or training</i>	Introduces substantial subsidisation for cohort below school-age where costs highest. <u>Increased benefits for all parents who do not benefit from existing targeted schemes</u>	n/a
<i>Building parents' understanding of & demand for quality</i>		n/a

7.1.3 Subvented childcare provision for children aged up to twelve

[Child up to 12 requiring after pre-school / after-school/ Out-of-School/Holiday care.]

This subvented scheme for all other childcare provision for all children 1-12 would 'wrap-around' the universal ECCE provision. Beginning with a targeted cohort, based on income, this could be expanded over time subject to available resources.

This programme would be open to community/not-for-profit and provider providers.

Description and Assumptions

Stage 1: A progressive approach

The IDG proposes a new initiative to provide for greater accessibility to a single targeted programme with a simplified eligibility based on income. All existing targeted schemes would cease. To the degree that resources allow, each of these options will include a reduction in contributions for those families most in need, and include, over time, a wider cohort of families.

To be eligible for subvented childcare, parents must need non-parental care because two parents (or one in the case of lone parent households) are working, studying or on an approved training course. Subvented provision will also be given where there is a concern for the child's welfare.

Childcare services which provide childcare under the subvented childcare programme will agree to charge a set hourly fee for childcare. The options considered and costed here are based on two possible fee structures:

- *Fee Structure 1:* This is the restored rate of capitation.
 - €4.25 per hour, if the service meets minimum staff qualifications requirements;
 - €5.00 per hour, if the service meets higher qualification requirements i.e. where each room leader in the service holds a NFQ Level 7 Qualification or higher.
- *Fee Structure 2:* This is a new higher rate of capitation.
 - €4.50 per hour, if the service meets minimum staff qualifications requirements;
 - €5.50 per hour, if the service meets higher qualification requirements i.e. where each room leader in the service holds a NFQ Level 7 Qualification or higher.

Eligibility for subvented childcare would be based on family income. Families on the lowest incomes would be distributed across four subvention bands (i.e. Band A – Band D), representing the lowest to highest incomes. The State subsidy and

the parental contribution for childcare would depend on which subvention band the family falls into.

See Table 21 which sets out the proposed maximum parental contributions. The State would pay the balance based on Fee Structure 1 or 2 as set out above.

Depending on work/training patterns:

- Parents with children of pre-school age could get childcare subvention for up to 40 hours a week. Parents whose pre-school children are enrolled in the ECCE Programme would not get any subsidy for the ECCE hours (i.e. 15 hours per week) but can get subvention for up to 25 hours during the ECCE term. In addition, they could get subvention for up to 40 hours outside the ECCE term (i.e. during the summer holidays).
- Parents with children of school-going age could get childcare subvention for up to 20 hours a week during the school term. In addition, they could get subvention for up to 40 hours outside the school term (i.e. during the summer holidays).

Stage 2: Moving to a Universal Subvention of Fees

In time, the proposal is that all families could benefit from subvention. There are two possible approaches:

- A first step might be to add a fifth Band, which could include all other families. This would be for other families availing of centre-based care but not otherwise eligible (on an income basis) for the State subsidy. For these families, a price cap could be examined. In other words, the service providing childcare under the subvented childcare programme would agree to charge all families (not just those eligible under the subvented childcare programme) no more than the set hourly fee(s) described above. Families would only be required to pay the maximum hourly basic fee (i.e. €4.25/ €4.50 per hour) regardless of whether their child is attending a service that meets minimum or higher qualification requirements. To incentivise higher quality and professionalisation of the early years workforce, the State could pay the difference between the basic and higher fee if the child attends a service that meets the higher qualification requirement.
- An alternative approach or second step would be to allow a further tapered level of subvention for Band E - once a family is subvented, a price cap would also apply and services could only charge for extras such as extra hours (at the agreed hourly rate), pick-up and other additional services.

Table 21: Indicative maximum parental contributions to childcare cost

Band	Maximum parental contribution to childcare cost, per hour	
	Basic capitation rate	Higher capitation rate
A: lowest income group	€0.75	€1.00

B	€1.50	€2.00
C	€2.25	€3.00
D:	€3.00	€4.00
E: all other parents with price cap	€4.25	€4.50
E: all other parents subvented	€3.75	€4.00

Assumptions

Various options (set out in Table 23 below) are costed. These options are underpinned by the following assumptions:

- 15% of children of pre-school age and 10% of children of school-going age are in centre-based non-parental care (these proportions are likely to increase as centre-based care becomes more affordable); and
- 85% of children are in basic capitation services and the remainder in higher capitation services (these proportions are also likely to change given the increasing professionalisation of the early years sector).

The number of childcare hours required by parents for their children is also estimated. These estimates are based on the current usage levels in CCS and TEC programmes (see Appendix 6).

For the purpose of these estimates, EU-SILC (2013) data is used. Specifically, the number of children assigned to Bands A, B, C, D and E represent the number of children at or below 60%, 70%, 80%, 90% and more than 90% of the median equivalised disposable nominal household income respectively.

An administrative cost of running the scheme is also included at 1.5% of the overall cost.

The ultimate data source and the income thresholds for this programme would need further analysis in advance of a final decision. The limitations of EU-SILC data is referred to earlier. Therefore, this data is not proposed as the data source/model for setting appropriate income thresholds at this point - further exploration of this and other possible data sources is required. Ultimately, thresholds will be tailored according to available resources and the Government's views on the extent of support to be provided.

Issues:

This approach involves moving to a simple income-based eligibility criteria based on income taking account of family type and family size. A similar on-line application process has been implemented recently in the context of third level education grants through SUSI. Although feasible, there would be a lead in time required to develop the system. While this may give rise to short term concerns

in terms of moving to implementation, there is no doubt that an income based assessment system would provide a far better platform for access to any proposed childcare fee subsidies over time, subject to available resources.

Clearly, there will be a requirement to achieve a transition from existing schemes and probably the need for a transitional 'saver' clause for those already eligible under CCS and TEC including, in some cases, at a higher level of subvention.

An income based approach which requires a parent to be working, in training or education does not take account of a smaller group of children for whom quality childcare would be considered a child welfare/family support measure. It is proposed that there will be access to certain families where the parent/parents are not working, training or in education but this should be restricted to those in the highest level of need and where this is a child welfare response. Determining the appropriate trigger for access to such a scheme needs to be considered further.

Introducing a price cap for parents who are not otherwise eligible for a subvention will require further consideration in terms of (i) feasibility and (ii) how a realistic cap could be set given the wide divergence in cost of centre-based care currently.

In addition, it is important to note that the introduction of a price cap is intended to set an overall maximum fee. There are currently wide variations in fees across the country. It is important that measures are considered to avoid services raising prices to this cap where fees are lower than that currently.

The ultimate income measure used, either gross or net, needs further consideration. Gross income is used in the context of SUSI and is administratively more straightforward and less intrusive for applicants in terms of determining eligibility. It is also less likely to be affected by other changes in reliefs which might be perpetuated in this scheme if net income were to be utilised. On the other hand, using net income provides greater certainty that unanticipated unemployment or poverty traps can be avoided, thereby supporting better transitions from welfare to work.

Options

Table 22 below sets out a number of options that include different proposed hourly fee structures and/or different maximum hourly parental contributions. In option 1-4 the hourly fee structure is €4.25 for basic services or €5.00 for services meeting higher qualification requirements. In options 5-8 the hourly fee structure is €4.50 for basic services and €5.50 for services meeting higher qualification requirements.

Table 22: Indicative fees and parental contributions

	Fee Charged	Maximum Hourly Parental Contribution
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	Basic Capitatio n	Higher Capitatio n	Band A	Band B	Band C	Band D	Band E
Fee structure 1:							
Option 1	€4.25	€5.00	€1.00	€2.00	€3.00	€4.00	€4.25
Option 2	€4.25	€5.00	€0.75	€1.50	€2.25	€3.00	€4.25
Option 3	€4.25	€5.00	€0.75	€1.50	€2.25	€3.00	€4.00
Option 4	€4.25	€5.00	€0.75	€1.50	€2.25	€3.00	€3.75
Fee structure 2:							
Option 5	€4.50	€5.50	€1.00	€2.00	€3.00	€4.00	€4.50
Option 6	€4.50	€5.50	€0.75	€1.50	€2.25	€3.00	€4.50
Option 7	€4.50	€5.50	€0.75	€1.50	€2.25	€3.00	€4.00
Option 8	€4.50	€5.50	€0.75	€1.50	€2.25	€3.00	€3.75

Table 23 sets out the cost of each of these options based on Stage 1 (targeted and tapered provision) and Stage 2 (tapered but some subvention for all families) for each of the above options.

Stage 1:

- *Option 1:* has a tapered contribution from parents in Bands A-D starting at €1 per hour to €4 per hour.
- *Option 2:* has a tapered contribution from parents in Bands A-D starting at €0.75 per hour to €3 per hour.

Options 5-6 set out similar parental contributions with a higher fee structure Fee Structure 2.

Stage 2:

- *Option 1:* has a tapered contribution from parents in Bands A-D starting at €1 per hour to €4 per hour. Band E parents pay the full basic rate i.e. price cap but no subvention.
- *Option 2:* has a tapered contribution from parents in Bands A-D starting at €0.75 per hour to €3 per hour. Band E parents pay the full basic rate i.e. price cap but no subvention.
- *Option 3:* has a tapered contribution from parents in Bands A-D starting at €0.75 per hour to €3 per hour. Band E paying €4.00 per hour (i.e. €0.25 per hour subvention and price cap).
- *Option 4:* has a tapered contribution from parents in Bands A-D starting at €0.75 per hour to €3 per hour. Band E paying €3.75 per hour (i.e. €0.50 per hour subvention and price cap).

Options 5-8 set out similar parental contributions with a higher fee structure Fee Structure 2.

Table 23: Costs of each option

	Bands A-D (Stage 1) €m		Bands A-E (Stage 2) €m	
	Total Cost	Additional Cost	Total Cost	Additional Cost
Option 1	€150	€79	€156	€86
Option 2	€188	€118	€195	€124
Option 3			€236	€166
Option 4			€244	€174
Option 5	€167	€97	€176	€106
Option 6	€206	€135	€214	€144
Option 7			€271	€200
Option 8			€279	€208

Note that costs indicated include administration costs

Important Note:

In the event of centre-based services being subvented it is highly likely that more parents would choose formal centre-based care. The costs here are based on the usage levels of 15% of pre-school children and 10% of primary school children availing of services. Any shift in usage would have major implications for the longer term costs of the programme and a full costing taking account of a level of shift would need to be undertaken in a further exploration of this proposal.

While these costs include children under one year of age, in the longer term it is proposed that children under one would be excluded from the scheme (if working parents have access to maternity/parental leave benefits up to age one as recommended above). This recognises that parental care ('primary caregiver') in the first year of life is preferable to centre-based care except for a small number of vulnerable families. In terms of cumulative costs, this means that there is some double count between the costs estimated for this measure and that given above for the introduction of paid parental benefit/leave.

Next Steps

- DCYA to develop finalised costings based on preferred option. This will include exploration of the most effective and fairest method for the setting of thresholds including consideration of using the SWITCH model.
- DCYA to prepare a project plan for the introduction of the revised arrangements and any necessary transitional measures (including any legislative requirements and essential IT support).

Appraisal against objectives

Outcomes/Objectives	Pre-School	After-School
<i>Inclusive models of care that deliver good outcomes for children</i>	Taking a progressive approach, this option would ultimately benefit a wider and wider cohort of children, beginning with those most in need. Any provision which increases the participation of children in more formalised / regulated settings over the age of two can be considered beneficial for children and especially beneficial for children with additional needs. It significantly simplifies current CCS and TEC arrangements for parents.	
<i>Ensuring accessibility in terms of supply</i>	This approach would remove the current cap on CCS and TEC places and allow a free choice of community and private providers for parents.	
<i>Building quality capacity in provision and the profession</i>	Registration/regulation and quality standards of settings would be a feature of the scheme thereby leveraging quality and capacity within the current provision.	
<i>Developing governance and regulation for continuous improvement</i>	The leverage of a subsidised system based as ECCE currently is, provides a good platform for the introduction of a model of care and, in due course, regulation of childminder and after-school provision.	
<i>Supporting parents' choices & removing barriers to work</i>	For parents with children of school-going age, this would be a significant support albeit it may not meet all costs (e.g. all parents would make a contribution and hours in excess of 40/25/20 would have to be paid for). However, similar to other schemes, for entry to the scheme, it is anticipated that providers would be required to agree an overall cap for fees aside from agreed extras outside of the scheme.	
<i>Making services affordable & responsive to the needs of parents in work or training</i>	As above.	
<i>Building parents' understanding of & demand for quality</i>	May help enable parents to choose more formal care settings which have specified standards of quality/regulation and inspection improving chance that children get quality of services needed to achieve the benefits of early childhood care; as well as to drive new standards around a model of provision in respect of after-school services.	

7.2 Ensuring supply and demand are aligned

Accessibility of childcare has been raised as an issue by some parents and is critical to support labour activation. Both under-supply and over-supply create problems for parents, providers and the State; hence a healthy equilibrium must be the goal.

7.2.1 Assessing Future Demand for Places and Available Infrastructure

- The DCYA, in collaboration with the Departments of Education and Skills, Environment, community and Local Government, Social Protection, CSO, Pobal and the City / County Childcare Committees will work to develop a planning system to predict and assess demand for child-care. This system should collate data on current population, population predictions, and supply and demand for childcare services to inform policy and be in place by end 2015.
- Planning for increased supply should have regard to existing investment infrastructure, the potential for displacement and Competition Authority advice.
- Following an assessment of supply / demand, the DCYA should work with the Department of the Environment, Community and Local Government to consider whether a revision of the Planning Guidelines is required to promote developments where supply is likely to be limited.
- In addition, the Department of Jobs, Enterprise and Innovation will ensure access to local enterprise business supports are promoted for childcare providers.
- As part of DCYA's development of a policy framework for the provision of after-school care in a diverse range of appropriate settings, the Department of Education and Skills will carry out an initial survey of schools on the current provision of after-school services on school premises and the willingness of schools to consider future provision in this area where required or appropriate. Results from the Limerick DEIS initiative should be considered. This is to assist in determining what guidance the DES might develop to assist schools in their decision making regarding services on school sites.
- Through the youth sector, the DCYA should explore the potential role of the youth sector in after-school provision and their current access to existing infrastructure for the location of such services.
- In the interim, to expand the range of options parents and children have for after-school services, a small capital grant should be made available to support a range of providers (public, private, voluntary) to develop additional, innovative, high quality after-school services. Such investment should only be provided where need has been established. Priority should be given to using

existing State infrastructure, for example schools, or community facilities close to schools.

Costs

A one-off capital fund of €3m could support the development of a consortium of community interests and providers, to make childcare services available in existing educational and community facilities.

Next Steps

The DCYA will arrange bilateral meetings with relevant Departments and agencies to plan for implementation of recommendations above which do not require additional funding.

Appraisal against objectives

Outcomes/Objectives	Pre-School	After-School
<i>Inclusive models of care that deliver good outcomes for children</i>	Supports all-inclusive approaches to care and strong links to existing school and community settings. Robust data gathering will be relevant to all children 0-12 including children with special needs.	
<i>Ensuring accessibility in terms of supply</i>	Ensures adequate planning measures to anticipate supply and to maximise use of existing available infrastructure within the childcare, education and community sector	
<i>Building quality capacity in provision and the profession</i>	Good planning would assist with the sustainability of the sector which in turn will benefit quality. Innovative solutions to after-school needs will enhance quality for the older cohort of children.	
<i>Developing governance and regulation for continuous improvement</i>	Good planning and improved sustainability are foundations to governance and regulation.	
<i>Supporting parents' choices & removing barriers to work</i>	Would create additional options for parents and children. May eliminate the need to be transported from one service to another removing a barrier for some parents in both urban and rural settings.	
<i>Making services affordable & responsive to the needs of parents in work or training</i>	Leveraging existing infrastructure could reduce overall overheads for both community and private providers which could reduce the cost of provision – this might not reduce cost to parents but would stem upward trends in costs.	
<i>Building parents' understanding of and demand for quality</i>		

7.2.2 Ensuring the development of appropriate after-school services for school-aged children

- DCYA should, with relevant partners, develop a model for after-school care including a quality standards framework (drawing on existing models and based on any available international practice).
- DCYA should plan for the phased introduction of self-assessment against the quality framework (which would be linked to State subsidisation of after-school and other out-of-school care). Quality standards should be published and consultation / training events held nationally for the sector.
- In due course, consideration should also be given to the regulation of such provision in respect of physical environment, location, qualifications of staff and the quality framework.
- DCYA should commission research to ascertain the views of children with regard to their preference for after-school care.

Costs

Table 24: Costs of development of model for after-school and introduction of quality standards

Option	Cost €m
Develop a model of care having regard to available models of provision for this age group in Ireland and international models and standards of delivery	
Introduce a system of self-assessed quality standards for afterschool provision	€0.3
Develop regulation/inspection	€1
Research on views of children on model of after-school care	€0.02

Next Steps

DCYA will consider membership of a group to agree a model for after-school care including a quality framework.

Appraisal against objectives

Outcomes/Objectives	After-School
<i>Inclusive models of care that deliver good outcomes for children</i>	Supports the development of an appropriate model for after-school which is considered to be falling short of children's needs and preferences currently.
<i>Ensuring accessibility in terms of supply</i>	Potential to support a formalisation of the sector attracting a wider cohort of potential providers and users
<i>Building quality capacity in provision and the profession</i>	Would support improved quality for primary school-age children.
<i>Developing governance and regulation for continuous improvement</i>	Would provide a better framework for the development of governance and regulation for this area of provision.
<i>Supporting parents' choices & removing barriers to work</i>	Should increase options.
<i>Making services affordable & responsive to the needs of parents in work or training</i>	Should encourage innovative thinking and use of existing State infrastructure lessening costs. Would create greater flexibility for working parents.
<i>Building parents' understanding of and demand for quality</i>	Provides the opportunity to support and help parents to make good choices for their school-age children in terms of the best kinds of care and support.

7.3 Embedding Quality in the Sector

It is proposed that any measures taken regarding affordability are complemented by a menu of quality initiatives aimed at improving quality and embedding a culture of continuous improvement, not only as regards centre-based care but also non-formal care settings. Achieving buy-in to the reforms to schemes will be essential to achieving all of the value of investment. Measures to assess quality are much in demand from providers, advocates and parents and can be used to leverage support for change.

In order to continue the necessary quality improvement demanded by the evidence, a concerted effort must be maintained to further develop and coalesce quality initiatives within and across the sector in both the formal and non-formal sector (where the majority of children continue to receive care).

7.3.1 Information and resources

A comprehensive audit of quality in early years settings should be undertaken in order to benchmark progress and to ensure that over time we can fully assess the impact of improved quality provision on outcomes for children. Based upon Aistear and Síolta, and the Tusla and DES Standards, an audit tool should be developed to allow for a triennial review of quality in early years settings across Ireland. This tool will be developed in 2015 for implementation in 2016.

DES and DCYA should continue development and maintenance of critical resources, including additional professional information and resources relating to curriculum and quality in practice.

7.3.2 Education and training

The Learner Fund could be extended to support CPD and to enable a proportion of the existing (formal and non-formal) workforce to up-skill. This could include a programme of CPD on the Aistear Síolta Practice Guide.

7.3.3 Intensive supports and mentoring

Better Start should be placed on a permanent footing and expanded to provide for additional quantum of supports. It will continue to be a necessary resource for the early years sector (Staff are currently midway through three year contracts).

An expansion of *Better Start* would enable it to fulfil a role in coordinating and maximising the role of the CCCs and NVCOs. These organisations should work with the DCYA and *Better Start* to review their roles and to agree how they might optimise the service they provide in light of policy developments.

Services should be encouraged to participate in Síolta/Aistear accreditation. The development of a self-assessment process should be considered as this would allow roll out across the sector in a shorter timeframe than full accreditation.

7.3.4 Improvement of quality standards and regulation for the childminding sector

The Child and Family Agency inspection regime should be enhanced to enable timely inspection and registration of new services and regular re-inspection.

The DES Inspectorate should aim to increase from 10 to 20 inspectors over the next three years in order to expand coverage.

A stepped programme of reforms migrating from voluntary, through to mandatory requirements, should be developed for childminders and other parts of the non-formal sector. This might also include the re-introduction of a childminding advisory service.

An information resource should be developed to support parents in accessing published inspections for the regulated sector and to support them to ask the right questions in choosing their childcare provider.

Summary of Costs

Table 25: Costs of proposed quality initiatives

	Cost
Audit of quality in early years settings	€50,000 (once-off) €400,000 every three years
Resource development to support professional practice	€200,000 per annum
Extended Learner Fund to support CPD and professionalisation	Annual investment of €5 million
Expansion of <i>Better Start</i>	€1.0 million
Professionalisation of centre-based early years workers	€10 million to get from 20% of existing centre-based early years workforce staff to NFQ level 7 or above
Capacity building of CCC and VCO to carry out mentoring activity including with non-formal childcare sector	€1m
Introduction of a self-evaluation process in early years settings - Síolta Quality Assurance Programme (QAP)	€800,000 per annum (based on 10% of settings availing each year)
Introduction of quality standards and regulation for the childminding sector	Annual investment of €2 million to build quality improvements including an advisory service
Enhancing existing inspection processes	€750,000 per annum (Tusla) €750,000 per annum (DES)

Supporting parents in assessing and demanding quality

€100,000 (once-off)

Next Steps

DCYA will continue to work with the organisations listed to progress many of the initiatives listed as far as is practicable.

Appraisal against objectives

Outcomes/Objectives	Pre-School	After-School
<i>Inclusive models of care that deliver good outcomes for children</i>	Any initiatives in respect of quality should impact significantly on the quality of care and the impact of the care, which in turn should have a positive impact on the children's outcomes	
<i>Ensuring accessibility in terms of supply</i>	n/a	
<i>Building quality capacity in provision and the profession</i>	Any of the above initiatives have the capacity to create a culture of quality within the sector and the support and promote increasing professionalisation of the workforce which is considered to be the best proxy for quality of services	
<i>Developing governance and regulation for continuous improvement</i>	Increased investment in quality initiatives and opportunities for development within the sector will promote a move towards increased regulation, including those providers currently outside of all regulation and quality initiatives	
<i>Supporting parents' choices & removing barriers to work</i>	Improved and verifiable quality would support parents' confidence and trust in services if they are relying on non-relative care when re-entering the workforce or extending their work commitment.	
<i>Making services affordable & responsive to the needs of parents in work or training</i>	n/a	
<i>Building parents' understanding of and demand for quality</i>	Developments in quality and inspection capacity will have the indirect benefit of supporting parents understanding of quality and their ability to assess and demand quality in the settings they choose for their children.	

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Appendix 1: Terms of Reference

Purpose

To identify and assess policies and future options for increasing the quality, accessibility (including supply) and affordability of early years and school-age (out of school) care and education services:

- Assessing the returns that can accrue from investing in early years from supporting children's early cognitive, social and emotional development and generating long term returns to the State and society;
- Facilitating parents' participation in the workforce.

Background

The work of the group will take account of other recent policy initiatives, including the commitments contained in Better Outcomes, Brighter Futures – The National Policy Framework for Children and Young People, the development of the National Early Years Strategy, the report 'Right from the Start' produced by the Expert Advisory group, and the establishment by the Minister for Education of an Early Years Education Advisory Group.

Under the European Semester process, to which Ireland is subject, the European Council issued advice in the form of a Country Specific Recommendation (CSR) in 2014 requiring Ireland to make improvements in facilitating female labour market participation, through improved access to more affordable full time childcare facilities. To address this requirement the policy recommendation must have beneficial impacts on labour supply and support the overall productive capacity of the economy. The 2014 CSR required Ireland to update on progress in this regard by the first quarter of 2015. The enclosed terms of reference support compliance with this milestone.

Specific Task

The work of the group will focus on:

- Identifying policy objectives to guide investment, including
- Improved outcomes for children, including those with special needs, in terms of their learning, wellbeing and development by ensuring access to high quality early years services.
- Support for parents to care for their children
- Contribution towards improvements in social inclusion and poverty reduction
- Support for parents' participation in education, training and employment

Reviewing the current state of play with a view to:

- Quantifying current key investment vehicles that support early years care and education provision across all departments, through both direct and indirect investment in terms of both supply and demand side measures;
- Identifying gaps in provision;
- Identifying duplication of effort;
- Examining the fit between the various investment vehicles;
- Identifying any other supports which have an impact on supporting parents with childcare responsibilities; and
- Workforce development.
- Analysing evidence and best practice in relation to the modalities of support by governments internationally.

Identifying and assessing options for investment in early years and school-age care and, specifying the costs and benefits of each option. In each case, this should include:

- The developmental benefits of quality education and care in the early years for children;
- The verifiable impact of the policy option on labour supply, the overall productive capacity of the economy and long-term benefits for the public finances will also be examined.
- Making recommendations regarding:
 - Principles that should underpin State investment
 - Streamlining of existing policies and programmes to create a coherent investment policy
 - Priorities in respect of future investment

Meetings

Meetings will be organised and chaired by DCYA

Initial topics for the agenda will be generated by DCYA

Papers and minutes required for meetings will be circulated in advance

DCYA will provide the secretariat for the group.

Appendix 2: Country Examples²²

Norway overview

Norway has a fully integrated, universal Early Childhood Education and Care (ECEC) system for all children age one to compulsory school age (six years) that is predominantly state-funded with low parental fees, and thus supports parental employment. There is policy coordination across leave and ECEC, leaving no 'care gap' between the end of parental leave and a child's entitlement to an ECEC place.

- In 2011, 83% of mothers with children age one to two were in employment, of which 44% worked full-time, 27% part-time and 13% were on leave.
- In 2007, about 1% of GDP was devoted to ECEC services.
- Pregnancy leave and birth leave are funded at either 100% or 80% of earnings.
- Private sector provision constitutes roughly half of ECEC provision. In 2010, 54% of all kindergartens were privately provided and 46% of all children attending kindergarten were in private institutions. Private provision is publicly subsidized to the same extent as public ECEC.
- Public financing of kindergartens in Norway is substantial. Parental fees cover 15% of running costs in municipal kindergartens and 18% of the costs in private kindergartens. Parents usually pay a monthly fee, which is capped by the government, for their child's kindergarten place. The maximum fee is decided annually by the Parliament in the annual national budget. In 2012, parent fees have been set at NOK 2,330 (£252) per month and NOK 25,630 (£2,769) per year.
- 89.6% of all children age one to five attended formal ECEC in 2010.
- In 2011, 10% of the ECEC workforce was male. There is an explicit target to increase the proportion of men working in ECEC settings to 20% as part of the aim to educate/socialise children into a gender equal society.

Informal care is very uncommon in Norway, and the main reasons parents give for their child not attending kindergarten are a shortage of places or the financial situation of the parents. Immigrant families, in particular, often prefer the cash benefit to a kindergarten place, as it offers a key source of income.

²² Source document for all country examples: *Early Childhood Education and care provision – international review of policy, delivery, and funding. Final Report.* Scottish Government Social Research March 2013 (www.scotland.gov.uk/socialresearch)

All Norwegian children age one to five are entitled to a kindergarten place, and kindergarten attendance is very high. Paid parental leave constitutes almost one year, so few infants are placed in an ECEC setting before this time. 89.6% of all children age one to five attended formal ECEC in 2010. Attendance is highest among five year olds (98%) and lowest among one year olds (65%). On average, 96% of three to five year olds and 79% of one to two year olds were enrolled in kindergartens. The majority of children age one to five (87%) attend kindergarten full-time (41 hours or more per week), but most children have an actual participation between 25 and 41 hours per week. On average, preschool children (one to five year olds) spend 35 hours per week in kindergartens.

ECEC provision

The main form of ECEC for preschool age children is the kindergarten, a preschool institution which provides half- or full-day early childhood education and care. These kindergartens may be divided into age groups (either zero to two years or three to five years) or may consist of mixed age groups for children age zero to five years. The formal kindergarten year begins in August, along with the primary school year, but kindergartens may continue to operate during winter and summer holidays. They are usually open at least 41 hours per week Monday – Friday; opening at about 7.00 or 8.00 a.m. and closing at 17.00 or 18.00. Some children, usually under the age of three years, receive ECEC in a childminding setting, called a family kindergarten. It is organised in a private residence, with a smaller number of children and an assistant under the supervision of a preschool teacher who may be responsible for several homes. There are also ‘open kindergartens’ or drop-in centres where parents may accompany their children, primarily for socialisation purposes. Kindergartens may be provided by the municipality or by private groups such as firms, commercial providers, parent groups and non-profit organisations. Children of school-age may attend out-of-school care called SFOs, which are leisure time activities provided before and after-school

Municipalities are responsible for the supervision and approval of both public and private kindergartens. Private sector provision constitutes roughly half of ECEC provision. In 2010, 54% of all kindergartens were privately provided and 46% of all children attending kindergarten were in private institutions

Funding

Public financing of kindergartens in Norway is substantial. Kindergartens are primarily financed through grants from the Ministry of Local Government and Regional Development. Parental fees cover 15% of running costs in municipal kindergartens and 18% of the costs in private kindergartens. In 2008, 17% of municipal kindergarten costs were covered by parental fees, 52% by central state funding and 31% by local municipal assets. Financing is administered by municipalities. All kindergartens (public and private) must be approved by municipalities and may receive grants to cover part of their operating costs. In

2003, a law was passed requiring equal treatment of public and private providers with regard to public funding. Previously municipalities were not obliged to fund private providers, so fees were higher for parents using these services. From 2004, a maximum fee was introduced for all ECEC settings, making private providers dependent on public funding. Beginning in January 2011, state grants earmarked specifically for kindergartens were replaced with general block grants to the municipalities.

Scotland: overview

ECEC is integrated in terms of overall ministerial responsibility, but with different sub-departments for education and for childcare services. Not all early years services follow the educational framework. Education and regulation of childcare is a devolved matter. ECEC is not integrated with parental and other leave.

ECEC policy is split between the UK government and the devolved governments of Scotland, Wales and Northern Ireland. While Scotland has responsibility for the provision of education and social services, including early education and childcare, and aspects of workforce qualifications and development, the Westminster Government retains responsibility for other ECEC-related areas such as leave policies and the tax system.

Across the UK, public expenditure on social protection makes up 28% of GDP. In 2007, 3.6% of GDP was directed towards family benefits. 0.7% of GDP was spent on preschool education and 0.4% on childcare, for a total of about 1.1% of GDP.

With the transition to Universal Credit, the UK benefit system is currently undergoing a period of reform. From 2013, the Universal Credit replaced child tax credits and housing benefits previously available to families with children.

- Parental leave in Scotland is unpaid.
- Curriculum for Excellence is Scotland's integrated curriculum for children and young people age three to eighteen.
- 96.1% of three to four year olds receive some free early education.
- Early education and childcare in Scotland encompasses a wide range of services. Formal provision includes nurseries (day nurseries, nursery schools, and nursery classes), playgroups, children or family centres and registered childminding. Many children are also looked after informally by grandparents, friends and neighbours, nannies or other home carers.
- Childcare costs in Scotland are among the highest in Britain for part-time places; parents pay nearly as much as parents in Southern England, but on lower incomes.

- Two separate agencies are responsible for the regulation and inspection of ECEC services in Scotland – Education Scotland for education services and the Care Inspectorate for childcare services.
- ECEC is a mixed economy financed by the state (18%) and by private individuals (70%). Much childcare is provided informally.

ECEC Provision

A funded preschool entitlement is available for all three and four year olds. It is generally delivered on a part-time basis of 2.5 hour sessions per day, morning or afternoon (12.5 hours/ week or 475 hours/ year) and is available in different types of settings: nurseries, playgroups or children’s centres.⁴⁰ In settings where full-day provision is offered, the preschool entitlement can be combined with the purchasing of additional hours (usually on a full-day or half-day basis).

Of all formal ECEC service providers, including childminders, playgroups, out-of school care, children/family centres and nurseries, the vast majority (70%) run on a commercial or for-profit basis, compared to 12% run on a private not-for-profit basis and 18% which are run publicly. Excluding childminders, nearly half of ECEC services are operated by local authorities (45%). This percentage has increased slightly since 2008. Commercially run services make up 29% of services (excluding childminders) and have also been increasing slightly since 2008. 27% are not-for-profit services, which have been on the decline. Of nurseries specifically, the majority are public (62%); 30% are for-profit and 8% non-profit. 52% of nurseries in Scotland offer a part-time service only.

Funding

Local authorities decide how the overall grant from the Scottish Government is spent, which may include funding their own preschool centres or commissioning places from private or voluntary centres. Some local authorities also provide free transport to facilitate access to ECEC in rural areas, although they are not required to do so.

Public funding for ECEC is intended to ensure the provision of a free part-time preschool education for all three and four year olds as well as to assist local authorities with additional provision, such as services for children with particular need. Local authorities may charge reduced fees or provide free care for children on child protection registers, those with disabilities, or those whose families are on low incomes. Parents may also purchase ECEC from public, private or voluntary providers in addition to what is statutorily provided. While the education system is devolved entirely to the Scottish Government, the UK welfare system provides subsidies for ECEC through the tax system to families in all UK nations. Depending on household income, under the childcare element of the Working Tax Credit parents can claim up to 70% (previously 80%) of a maximum of £175 of childcare expenses per week for one child and £300 per week for two or more children. This means that the maximum amount of assistance a family with one

child could receive per week is £122.50, while a family with two or more children could receive a maximum of £210 of assistance per week (Changing to a Universal Tax credit system in 2013).

Employers may also offer their employees childcare vouchers in exchange for a reduction in tax liability through Income Tax and National Insurance contributions exemptions. Until 2011, all parents were entitled to exemptions up to £55 per week, but this has been reduced for higher-rate taxpayers since 2013.

It is noteworthy that whilst UK-wide spending on ECEC is high, the UK continues to have some of the highest costs to parents particularly for very young children.

France: overview

France has a universal and yet fragmented system of ECEC displaying a combination of subsidised centre-based and home-based arrangements. The French family benefit system is complex and includes a wide range of components.

- 0.63% of GDP is spent on pre-primary education and 0.4% is spent on childcare.
- Both parents can take parental leave until the child is three years old.
- ECEC in France is split by age group, with a universal state system of early education for children between three to six years (when compulsory schooling begins), and a variety of childcare services for children under three years. 85% of early education for children between three to six years (école maternelles) is provided directly by the state, with the remainder mostly provided by non-profit organisations, largely Catholic, which are contracted and subsidised by the state. École maternelles are publicly funded and provided free of charge to parents (other than meals, which are subsidised for families in need). Almost all children attend full-day preschool education from the age of three (between 97-100% depending on the local area) although it is not compulsory. 8.7% of under-threes attended some form of formal ECEC.
- Parents pay an estimated 27% of the costs of centre-based childcare. OECD data from 2008 estimates that after benefits, childcare costs take up 10% of the average family's income.
- ECEC settings are monitored through regular inspection. The national agency Protection maternelle et infantile (or PMI) inspects childcare services and education inspectors are responsible for monitoring preschools. Informal care is common in France, particularly for the under-threes.

ECEC Provision

85% of early education (école maternelles) is provided directly by the state, with the remainder mostly provided by non-profit organisations, largely Catholic, which are contracted and subsidised by the state. 36% of crèches and 12% of 'multi-access centres' are run privately, mostly by non-profit organisations or the CAF. Since 2003, the provision of childcare is open to for-profit providers in line with the government's attempt to expand the availability of ECEC. There have also been initiatives of employers setting up workplace crèches; today there are 500 such crèches in France representing around 2.7% of places available in collective childcare. Local authorities in France do not have any legal obligation to provide childcare for children under three years, but they are encouraged to do so under the CNAF subsidy system. The proportion of ECEC delivered by non-profit organisations has increased over time, to more than 40%, and often includes both paid professionals, volunteers from the community and parents. Crèches run by parent associations are highly subsidised and form part of the local childcare networks. Childcare for under-threes is dominated by childminders. Childminders in France are private individuals paid by parents (who receive tax benefits) but are considered to be providing a 'semi-public service' and are regulated accordingly. 53% of the out of school leisure centres are operated by non-profit associations, 42% by the local authority and 5% by businesses, the CAF or individuals.

Funding

Preschool education is publicly funded and provided free of charge to parents (other than meals, which are subsidised for families in need). Childcare is partly financed by the national family allowance fund Caisse Nationale des Allocations Familiales (CNAF) and the decentralised Caisses des Allocations Familiales (CAFs). CAFs distribute family allowances and subsidies for childcare. The funding system for childcare is complicated, with several allowances to help parents pay for care.

Data from 2008 estimates that after benefits, childcare costs take up 10% of the average family's income. In 2010 the total amount of funding to the ECEC system by various public actors was €27 billion. In 2009, the annual cost of a place in an école maternelle was calculated to be on average €5,374 (£4,314). The costs of a place in any of the other collective care facilities was €12,504 (£10,036.92); €7.76 (£6.23) per hour. The difference in costs stems from different opening hours (école maternelles close at 16.30 while crèche and other care centres usually are open until 18.00; école maternelles have school breaks, while the care services operate on an all-year basis; there are also differences in staff to child ratios).

Appendix 3: Preliminary ex-ante evaluation of tax credits in respect of childcare

What objective does the tax expenditure aim to achieve?

The IDG has been asked to identify the key objectives for the provision of high quality childcare. These have been the subject of discussion as part of a multifaceted consultation process and include the following:

- Improved outcomes for children, including those with special needs, in terms of their learning, wellbeing and development by ensuring access to high quality early years services.
- Support for parents to care for their children.
- Contribution towards improvements in social inclusion and poverty reduction.
- Support for parents' participation in education, training and employment.

The primary objective of a tax credit in respect of the costs of childcare is to assist parents in accessing childcare by ensuring that it is more affordable. The premise is that such a tax expenditure can offset the high cost of childcare in Ireland, therefore ensuring that parents can afford to utilise childcare, whether for the purposes of accessing early years for their children or freeing them up to take up employment or extend their employment commitment.

The concept of a tax credit towards 'reasonable' costs is well established. For example, it has been used for decades in the case of private health insurance and, although scaled back in recent years, it can still be seen as a contribution by the State towards something that would otherwise be difficult to afford for some of the population. Tax credits are easily understood, do not require a separate administrative mechanism beyond the tax system (although the administrative burden associated with the measure can be non-trivial), and can be varied according to available resources and the priorities set by Government.

At the same time, in the case of childcare costs, there is increasingly a recognition that we need to strike a balance between the objectives of labour market activation and child development outcomes in the provision of such care. This is particularly the case as regards pre-school care where there is strong evidence that poor quality pre-school care and education can be harmful to children.

Improved outcomes for children and a contribution towards improvements in social inclusion and poverty reduction can only be achieved if we can be sure that the incentive works to encourage parents to return to the labour market, to increase their work commitment or to enter education training or employment.

The value to parents is only beneficial to those with sufficient earnings which enable them to absorb the benefits.

To affect quality - a key issue within the sector - the scheme would have to be utilised in such a way as to link access to the incentive to improved regulation of the currently, largely unregulated part of the sector. This makes the proposed objectives of the tax expenditure extremely complex.

In addition, to avoid capitalisation, such measures have worked best in combination with other measures including price capping for services.

What perceived market failure is being addressed?

In theory, the market failure being addressed is that of an under provision of childcare at affordable prices.

It is important to note that unlike primary, post-primary and third level education, there is very little public provision of pre-school education and care. While the objectives of early years provision are broader than educational outcomes alone, the cognitive, social and emotional developments that it assists are highly relevant to longer term educational outcomes and employability.

In addition, after-school provision is poorly developed in Ireland and operates on a largely ad hoc basis as compared with a number of other European countries. Lack of availability and affordability creates significant pressures on working parents in terms of their employment options and the trade-off between the costs of after-school care versus the earnings that can be achieved in work. It is also seen as a significant barrier for job seekers and those currently out of work.

Market weaknesses are evident within the pre-school and after-school care sector. The reason for this is complex but relates to a number of market features:

- One is that the market is provided by a mixture of private, community providers, sole traders (childminders) augmented by care by parents, grandparents and other relatives.
- A second is that the current structure of the formal market is mixed and while standard quality and curriculum have been developed for the pre-school elements, these are not implemented fully even in the formal sector. As regards the after-school sector there are no specific quality standards or identified objectives of provision. This means that, for parents, their ability to judge quality is very limited. The presence of informational asymmetries between the 'buyer' and the provider can generally be regarded as a form of market failure. Affordability of services is the primary reason for choice of provision. Therefore the normal market factors where price, quality and value for money interact are not operating effectively.
- A third factor which has influenced the development of the market is the fact that there is a wide range of qualified and unqualified professionals operating in the field. This means that wages are low within the sector and

there is little scope for 'squeezing' more value in terms of the principal cost for providers in providing care. It is therefore difficult, within the formal sector at least, to differentiate much in terms of price around core provision.

- Finally, it is clear that Government funding for the ECCE scheme (free pre-school year) is an intervention into the market which, in the context of the recession, has likely saved a number of services from closing, but has also encouraged the development of services which operate only for purpose of the ECCE scheme. Subsidisation has supported maintaining supply and helped to keep costs down. However, the cost cap can also have the effect of suppressing opportunity for competition except at the margins of add-on provision.

It is notable that countries have taken differing approaches to the expansion of early childhood education and care services. In a number of European countries the focus has been on increasing public provision over extended periods and these are some of the countries which have now met the EU Barcelona targets. Other countries such as Ireland, UK and Australia have looked to the private sector in order to deliver a fast build-up of physical infrastructure as well as service provision. Both the Equal Opportunities Childcare Programme (EOCP) and National Childcare Investment Programme initially provided for considerable private sector involvement. The primary objective was to deliver a larger quantum of services quickly in order to meet with the demands of labour market activation of women (hence the Equal Opportunities Childcare Programme). However, in Ireland, and in other countries with a similar trajectory the educational or childcare perspective was less of a focus (i.e. the impact on activation was the primary focus rather than an impact on children's outcomes).

The economic argument suggests that the market will resolve the quality issue through competition but in reality this has not happened in the sector either here or in other countries. Start Strong have reviewed this economic theory of the market and they make the following comments:

- *"A market implies that there is a direct relationship between supply and demand, so that if there is a high demand for particular goods or services, the market will expand quickly and flexibly to deal with it, and vice versa ..."*
- The presumption is that *"competition between providers drives down prices and leads to better quality products - it will sort itself out more efficiently than any regulatory intervention."*

However, it is clear that there can be justifiable reasons to intervene in the market. Start Strong identify the following difficulties with this analysis of childcare provision as a market:

- The supply of childcare increases in relation to demand, but demand itself is irregular ... it fluctuates considerably according to circumstances

- Both large and small childcare business may be characterized by volatility of ownership (Kershaw et al, 2005). The low end of the market (i.e. smaller and informal providers) ... is characterised by small entrepreneurs, who often operate at the border of profitability, only breaking even or even making a loss.

(Start Strong, ibid)

In Ireland that there remains inadequate supply in some areas and the assumed flexibility of the private sector to respond to these gaps is not happening. In fact during the recession, the introduction of the free pre-school year, in providing for a steady guarantee of state income, probably saved a significant number of businesses from collapse. While the tide is beginning to turn, the available evidence suggests that market forces do not operate sufficiently to balance supply and demand at an affordable price in this sector. This is particularly the case in those areas where parents can only afford the minimum of service and are not in a position to or are unwilling to pay for the considerable 'extras' which are what makes many childcare providers more financially viable. Such extras include additional hours of provision; meals; pick up services and at the top end of the market some 'enhanced' provision in terms of educational or other structured inputs, more elaborate facilities or equipment and/or the inclusion of more exclusive excursions. The question of what constitutes 'core' provision for the purposes of a tax credit would also require specific consideration.

What this means is that those who can pay more are more likely to have access to a local service and they are more likely to achieve better quality than parents living in more deprived areas where the demand and expectation of services may be lower. These individuals are also less likely to need subsidisation by the State.

It is also worth noting that the childcare market is a not a fully regulated one in terms of basic quality provision. Large parts of the market are unregulated i.e. provision outside of centre-based care. As referred to above, demand for services in specific areas has ebbs and flows and many parents choose unregulated provision instead of higher quality provision.

Is tax expenditure the best approach to address the market failure?

All of the above suggests that the market is limited in the way in which it can react to demand. The normal levers of a higher quality product achieving a higher price are not operating. The weak position of a large number of very small businesses in the formal sector means that the availability of finance for investment and expansion of services is very limited. Economies of scale are limited by certain regulatory requirements regarding ratios of staff to children; and increasingly there is pressure - certainly in respect of early childhood care and education - to ensure standard minimum qualifications for all staff. This will

not bring an increase in the rate of subvention, unless the pre-school leader exceeds those minimum standards.

The question is whether tax relief might mitigate the effect of market failure and at the same time, support the policy objectives of providing state-sponsored early childhood education and care or after-school care.

There is no doubt that a system of tax credits is seen as an alternative way of supporting parents in terms of income transfer from the generality of tax payers to those who have young children and, in theory, the specific objectives of Government in terms of children's outcomes and labour market activation. It is a system in use in the UK and is set to continue albeit in a simplified form.

By their nature, tax credits are broad and untargeted. It might be possible to provide a platform for the introduction of credits to small cohort with a subsequent building of eligibility to further groups over time. Nevertheless, in attempting to take a progressive approach, given the number of low income earners who are outside of the tax net, such measures are inevitably regressive.

In summary, there are a number of concerns:

- There are serious concerns about cost and questions as to whether the rate of subsidy is effective in supporting affordability, labour market activation and economic growth. This is examined further below.
- Given the potential scale of the cost, it will be necessary to limit the scheme in some way. This will give rise to significant administrative complexity, adding significantly to the transaction costs. It is also worth noting that complex entitlements in the UK have led to both over-claiming and under-claiming of entitlements. The House of Lords *Report on Affordable Childcare* said "there is evidence that the design of the current subsidy is confusing, leading to erroneous claims and under-claiming by those whom the policy was designed to support" [pg 7]. The UK is currently moving to a much simplified scheme. This resonates with complaints in Ireland regarding the current subvention schemes where both parents and providers have identified them as confusing and difficult to understand.
- A further issue relates to the question of equity. The relief would not be available to the substantial portion of those currently outside of the income tax net (39% of income earners). Inevitably, even if capped, this is regressive by nature as only those who pay taxes qualify and those with greatest income benefit most.
- In addition, while the State heavily supports centre-based care through the subsidisation of the pre-school year and other programmes, the sector argues that this part of their provision is underfunded and needs to be subsidised by other elements of the business. In addition, the rates of pay to those working in the sector are relatively low. This is at a time when, for the regulated part of the sector (i.e. centre-based care) a statutory requirement for higher qualifications is being introduced (from September 2016) and

there are already incentives in subvention rates for those with higher than the proposed minimum qualifications. In that scenario, there is also considerable uncertainty as to who would benefit from a tax credit in the medium term (i.e. the pass through from care providers to parents is not assured). In fact, previous incentives of a similar nature indicate that such reliefs can often be fully absorbed or capitalised into cost.

- Finally, such demand-side subsidies have limited if any scope to leverage the other objectives of state-supported childcare. Given the growing body of evidence on the importance of quality and the shift, in every jurisdiction, to the need to link quality to investment, it is essential that any investment has some capacity to support the quality agenda. There is a significant challenge in achieving arrangements which can leverage quality objectives when using demand side measures. Again, the UK experience resonates with that found in *Growing Up in Ireland* data in respect of quality - “*parents do not prioritise child development over other factors when seeking childcare..... Since the market will not deliver this, the Government needs to use the levers at its disposal to drive up quality across the PVI (Private, Voluntary and Independent) sector*” [pg 11]

What economic impact is the tax expenditure likely to have?

Assuming a best case scenario (i.e. that the credit is not absorbed or capitalised), it is difficult to assess whether a €34²³ per week tax relief would meaningfully alter a parent’s choice to join or return to the labour market. This is particularly the case if the tax credit is claimed at year end. Even if this were the sole objective of the measure, its achievement is not assured. The House of Lords Report on Affordable Childcare (2015, pp.7) states “*there is insufficient data to judge whether demand-side subsidies for childcare have had an impact on parental and especially maternal employment rates. There are indications that childcare costs, while important, are not the only factor influencing work decisions: quality, availability and flexibility of childcare is important; as is the availability of part-time and flexible work opportunities for parents to take up*”.

Interestingly, the same report states that “*the Department of Work and Pensions conceded that specific estimates of the impact of the Universal Credit on maternal employment rates had not been made*” and cites the written evidence provided by the HM Revenue and Customs: “*no reliable quantitative evidence exists on the overall impact of the childcare element of Working Tax Credits (WTC) on employment. The childcare element of WTC is an integral part of the tax credit system and it is difficult to isolate the impact... relative to other elements which comprise the total tax credit award ...*” (pp.66)

23 Tax relief at the standard rate based on median cost of childcare of €170 per week

Another question is whether this type of expenditure is superior to other forms of intervention such as direct subvention. As set out above, to have the desired impact, the scheme would need to lock more firmly into the other objectives of the Government in the childcare area, including return to work, training or employment and much needed quality improvements. From that point of view, a complex scheme (with the requisite administrative overhead) would be required for this expenditure to have a chance of having the desired economic impact of boosting parental participation rates in the labour force.

How much is it expected to cost?

The IDG has made some initial estimates based on available data. Tentative costings based on Indecon estimates of average childcare costs per pre/primary school childcare place were applied to DSP figures on the numbers of children in receipt of Child Benefit in this cohort. If tax credit were provided in respect of even half of these children at the standard rate of 20%, it would involve considerable cost to the Exchequer.

This estimate is preliminary but it illustrates the extent of the potential cost arising. It could be very difficult to place an effective limit on its cost and contrasts with the control that can be exercised through a programme of direct subsidies. The Department of Finance Report also states that in terms of transparency and accountability *“the automatic nature of tax expenditures is not conducive to control mechanisms or accountability”*.

An alternative would be to limit the benefit to certain types of provider and to certain cohorts of children, targeting these and incorporating an overall cap to contain costs.

According to the new guidelines from the Department of Finance, such expenditure would require a full ex-ante Cost Benefit Analysis. Such a credit would also require a pilot scheme and involve considerable administrative overhead in putting in place the arrangements to collate the necessary data for on-going scheme monitoring and ex post evaluation.

Other Issues

Given the fiscal constraints imposed by the need to comply with fiscal rules over the medium term, tax reliefs must be funded by revenues or expenditure cuts. This is an extremely costly option vis-a-vis other possible options to support parents.

It is also notable that there are other pre-existing tax expenditure incentives in this area. Currently, full tax relief of up to €15,000 per annum is available for people minding up to three children (who are not their own) in their own home. This measure was introduced in 2006 to ensure on-going provision of this type of care and to draw providers into a registration arrangement. Anecdotally, low take

up has been ascribed to a number of factors, including the requirement to register as a provider and the reluctance to affect the tax relationship of the primary breadwinner in the home where earnings were close to the upper limit for relief.

A tax relief on a wide scale would likely include a requirement for parents to utilise registered providers who meet certain minimum regulatory standards. Such a requirement could have the unintended consequences of driving certain providers out of the market altogether. The majority of care provision is outside of centre-based care so this is a significant potential downside to the relief as it could have the opposite effect of tightening supply.

Appendix 4: ECCE entitlements under IDG proposals

Table 26: Average number of ECCE weeks each child will get if born in certain month and starts school at either four or 5

	Month of birth	No. children in 2013 cohort starting school age 4 and 5	% children in 2013 cohort starting school age 4 and 5	Average no. ECCE weeks
starting school age 4	January	5,272	91%	59
	February	4,317	84%	55
	March	4,344	77%	51
	April	3,453	62%	47
	May	2,617	45%	43
	June	1,591	30%	39
	July	714	12%	38
	August	522	9%	38
	September	198	3%	35
	October	5,964	98%	69
	November	5,455	97%	65
	December	5,424	96%	62
starting school age 5	January	541	9%	97
	February	834	16%	93
	March	1,335	24%	89
	April	2,098	38%	85
	May	3,251	55%	81
	June	3,730	70%	77
	July	5,272	91%	76
	August	4,317	84%	76
	September	4,344	77%	73
	October	3,453	62%	107
	November	2,617	45%	103
	December	1,591	30%	100

Appendix 5: Extension of ECCE programme

Table 27: Average school starting age and estimated shifts in starting age by month of birth

Month of birth	Starting school age 4		% currently starting at age 4	% starting at age 4 after reform	Starting school age 5		% currently starting at age 5	% starting at age five after reform
	Years	Months			Years	Months		
January	4	8	91%	90%	5	8	9%	10%
February	4	7	84%	80%	5	7	16%	20%
March	4	6	77%	75%	5	6	24%	25%
April	4	5	62%	50%	5	5	38%	50%
May	4	4	45%	30%	5	4	55%	70%
June	4	3	30%	15%	5	3	70%	85%
July	4	2	12%	5%	5	2	88%	95%
August	4	1	9%	5%	5	1	91%	95%
September	4	0	3%	0%	5	0	97%	100%
October	4	11	98%	100%	5	11	2%	0%
November	4	10	97%	100%	5	10	3%	0%
December	4	9	96%	100%	5	9	5%	0%

Table 28: Estimated costs with no changes to school starting age

	Age 3	+ 1 hour per week non-contact time	Age 3½	+ 1 hour per week non-contact time
Existing Capitation	€294	€313	€244	€260
• Net Additional	€121	€141	€72	€88
Restored Capitation	€303	€323	€251	€268
• Net Additional	€130	€150	€79	€96
New Capitation	€322	€344	€268	€286
• Net Additional	€150	€171	€96	€114

Table 29: Estimated costs with changes to school starting age after reform

	Age 3	+ 1 hour per week non-contact time	Age 3½	+ 1 hour per week non-contact time
Existing Capitation	€302	€322	€253	€270
• Net Additional	€130	€150	€81	€98
Restored Capitation	€311	€332	€261	€278
• Net Additional	€139	€160	€88	€106
New Capitation	€332	€354	€278	€297
• Net Additional	€159	€182	€106	€124

Appendix 6: Current patterns of use under Community Childcare Subvention and Training and Employment Childcare programmes

Table 30: Patterns of use of targeted childcare programmes

	Registrations approved 1 st September 2014 to date						Provisional registrations approved 1 st September 2014 to date					
	5 da ys	4 da ys	3 da ys	2 da ys	1 da y	Tot al	5 da ys	4 da ys	3 da ys	2 da ys	1 da y	Tot al
CETS												
Full day	2,073	59	69	39	20	2,260	25	1	2	1	0	29
Part time	194	38	77	93	28	430	4	2	1	3	0	10
After-school	235	21	12	11	7	286	7	0	0	1	0	8
Top up after-school	1,213	93	55	66	23	1,450	11	2	4	2	0	19
Top up after school w/pick up	41	13	3	10	5	72	1	0	0	4	1	6
ASCC												
ASCC	54	7	33	3	0	97	0	1	2	1	0	4
ASCC with pick up	231	17	49	8	1	306	5	0	1	1	0	7
Top up ASCC	16	0	7	3	0	26	0	0	0	0	0	0
Top up ASCC with pick up	49	23	36	13	11	132	0	0	0	0	0	0
ASCC with pick up 50% split	4	0	0	0	0	4	0	0	0	0	0	0
CEC												
CEC PS	1,201	44	113	29	5	1,392	27	1	3	1	0	32
CEC AS	440	50	123	50	17	680	15	0	4	5	0	24
Top-Up CEC AS	87	41	45	37	19	229	7	0	0	0	1	8