

# **The double dividend: Childcare that's affordable and high quality**

Submission on review of funding schemes  
for early care and education, June 2014



# Recommendations

## Link public money to quality

- Reduce costs to parents through extending subsidised places in services, making public funding conditional on quality.
- Merge funding schemes (CCS, CETS, Free Pre-School Year) into a single National Early Care and Education Access Fund, with the same quality requirements across the schemes, regardless of the age of the child.
- Develop a financial model that provides a transparent basis for levels of public funding. Funding should include non-contact time, to provide for continuing professional development for staff, for family support work, and for administration.

## Services for all children

- Retain the pre-school year as universal and free. Continue improving quality, putting in place the building blocks for a Second Free Pre-School Year.
- Provide higher rates of funding when a service needs additional support for a child with special needs or language difficulties.
- Provide higher rates of funding to services in disadvantaged communities (like the DEIS initiative in schools).

## Lower costs for families

- Make subsidised places available in all areas of the country, through extending CCS to privately run early years services.
- To facilitate access in rural areas, and for families who prefer home settings, open up funding schemes to registered childminders who meet quality standards.
- Change administrative procedures so that families can take up subsidised places at any time of the year.
- To help struggling families, introduce a new 100% subsidy for families with high identified levels of need, with access on the basis of referral, and linked to the Child and Family Agency's Local Area Pathways.

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**Start Strong welcomes the opportunity to make a submission to the Government on the review of funding schemes for early care and education. Start Strong is a coalition of organisations and individuals seeking to advance high quality early care and education for young children in Ireland.**

**Our recommendations in this submission draw from research evidence on the impact of policies on outcomes for children, and from a consultation Start Strong carried out with supporter organisations.<sup>1</sup> Later in the year, we will publish more detailed recommendations, following completion of a research project on ensuring quality in a mixed market system.**

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<sup>1</sup> Start Strong's Supporters currently comprise 60 organisations and 58 individuals. A full listing is available at <http://www.startstrong.ie/our-supporters>.



## Summary

Outside the Free Pre-School Year, the fees that parents pay for early care and education services in Ireland are among the highest in all EU and OECD countries. But services do not cost more to deliver here than elsewhere. Instead, the reason parents pay so much in Ireland is that there is so little public investment.

In fact, the cost of delivering services will need to rise if we are to have high quality services for all children.

The quality of early care and education services in Ireland is very variable. This matters because the evidence shows that children only benefit if services are of high quality – and low quality services can be harmful to children. But, while the quality of services needs to rise, parents cannot pay any more.

The most effective way to make early care and education services more affordable – while at the same time raising the quality of services – is through supply-side subsidies. That means directly subsidising services on a capitation grant model. The international evidence shows that tax credits – or other demand-side subsidies – are less effective in ensuring quality.

Our recommendations therefore propose the reform and further development of the existing supply-side subsidies – the Community Childcare Subvention (CCS), the Childcare Employment and Training Support (CETS), and the Free Pre-School Year – including movement towards a Second Free Pre-School Year.

### Link public money to quality

To achieve the “double dividend” of affordability and quality, public funding should be closely tied to the quality of services. Funding must be sufficient to deliver high quality services. And funding should be used as a lever to improve quality, with higher capitation levels where quality is higher, and withdrawal of funding where standards are not met.

- Reduce costs to parents through extending subsidised places in services, making public funding conditional on quality.

- Merge funding schemes (CCS, CETS, Free Pre-School Year) into a single National Early Care and Education Access Fund, with the same quality requirements across the schemes, regardless of the age of the child.
- Develop a financial model that provides a transparent basis for levels of public funding. Funding should include non-contact time, to provide for continuing professional development for staff, for family support work, and for administration.

### Services for all children

Research shows that high quality early care and education benefits all children from the age of 2-3 onwards, and that the benefits are greatest for children from disadvantaged backgrounds. So high quality services should be universal – affordable and accessible to all children – with a Second Free Pre-School Year. Children and families with additional needs require additional supports, which can be provided within universal pre-school provision.

- Retain the Pre-School Year as universal and free. Continue improving quality, putting in place the building blocks for a Second Free Pre-School Year.
- Provide higher rates of funding when a service needs additional support for a child with special needs or language difficulties.
- Provide higher rates of funding to services in disadvantaged communities (like the DEIS initiative in schools).

### Lower costs for families

The high fees parents pay for early care and education services are a barrier to children’s participation and to parental employment, contributing to child poverty. Families with low incomes need additional support to help them get out of poverty.

- Make subsidised places available in all areas of the country, through extending CCS to privately run early years services.

- To facilitate access in rural areas, and for families who prefer home settings, open up funding schemes to registered childminders who meet quality standards.
- Change administrative procedures so that families can take up subsidised places at any time of the year.
- To help struggling families, introduce a new 100% subsidy for families with high identified levels of need, with access on the basis of referral, and linked to the Child and Family Agency's Local Area Pathways

**Linked issues: parental leave and work-life balance**

In addition, we call on the Government to help families combine work with the care of young children through extending paid parental leave and work-life balance policies. The forthcoming Family Leave Bill provides the Government with an opportunity to reform and extend provision for paid parental leave and work-life balance measures. Start Strong will be making more detailed recommendations on these policy areas later in the year.

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## Current status of funding schemes

Outside the Free Pre-School Year, early care and education services in Ireland remain among the most costly to parents in all EU and OECD countries. OECD figures indicate that fees for a family with two children aged 2–3 amount to between 24% and 35% of the net income of a typical dual-earner family and 40% of the net income of a lone-parent family with average income. In contrast, the average cost across the EU for early care and education services for comparable families is between 10% and 13% – for both dual-earner and lone parent families.<sup>2</sup>

The high cost to parents in Ireland reflects the lack of public investment. According to the OECD, Ireland invests only 0.4% of GDP annually in early care and education services, compared to the OECD average of 0.7% of GDP. Internationally, 1% of GDP is regarded as a benchmark for the level of annual investment required to achieve a high-quality system of early care and education services. Expenditure is just over 1% of GDP in New Zealand, and ranges from 1.1% (Finland) to 1.7% (Iceland) amongst Nordic countries.

There are currently three main public funding schemes that reduce fees to parents in Ireland: the Free Pre-School Year, the Community Childcare Subvention, and the CETS scheme.

### Free Pre-School Year

The Free Pre-School Year was a milestone in the development of Ireland's early care and education system. The scheme's very high uptake (95% – about 68,000 children per year) indicates widespread support for it, as well as the potential to extend this universal service to a second year with strong public backing.

However, the degree to which the Free Pre-School Year makes early care and education services affordable is limited. It is only available for one year, from – at the very earliest – the age of 3 years and 2 months. A significant proportion of children do not begin the

scheme until they are 4 years old. During that single year, it is only available for 38 weeks of the year, for 3 hours per day.

The limitation on hours per day and weeks per year means that parents in employment must complement the scheme with additional care arrangements at full-cost during the course of the Free Pre-School Year, as it cannot currently be combined with other subsidy schemes.

### Community Childcare Subvention (CCS)

A proportion of low-income families receive some assistance with fees (including for school-age childcare) through the Community Childcare Subvention (CCS) scheme. In total, CCS subsidises approximately 25,000 places.<sup>3</sup> There are currently three subsidy-bands within CCS. Eligibility to CCS-subsidised places depends on parents' receipt of social welfare payments or participation in employment schemes in conjunction with a Medical Card, or possession of a Medical Card or GP Visit Card.

To support parents on low incomes to enter and remain in employment, recipients of Family Income Supplement (FIS) are entitled to support at the highest rate of subsidy (Band A), if they have a Medical Card.

However, CCS places are only available in participating community-based services. In some areas of the country, there are no community providers and therefore no financial support for families receiving social welfare payments (including FIS) who wish to use early years or after-school services. For example, there are no CCS community providers in Swords, which has a population of more than 30,000.

Also, the level of subsidy is limited. The largest subsidy is €95 per week for a full-time place, considerably less than the cost of delivery. Parents have to pay the shortfall. According to Pobal's most recent survey of early years services, the average fee for a full-time place in a community service is €158 per week, with higher fees in urban areas.<sup>4</sup> Taking the average fee in community services, a parent on Band A of the CCS –

<sup>2</sup> OECD (2014) *Benefits and Wages: Statistics*, Paris: OECD, <http://www.oecd.org/els/benefitsandwagesstatistics.htm>.

<sup>3</sup> Response by Minister for Children and Youth Affairs to written question in the Dáil 14017/14, 27 March 2014.

<sup>4</sup> Pobal (2013) *Annual Survey of the Early Years Sector*. Dublin: Pobal, p.35–37.

who might be in receipt of a social welfare payment and a Medical Card – would still have to pay €63 per week.

Given funding shortfalls, particularly because many parents in receipt of social welfare payments are not able to pay €63 per week for care, some community services rely on workers on CE schemes to be financially sustainable.

### **Childcare Employment and Training Support (CETS) scheme**

The Childcare Employment and Training Support scheme (CETS) provides subsidised places where the main carer of a child is on an eligible training course (through Solas or the Education and Training Boards) or a Community Employment scheme, or avails of after-school care and moves from unemployment into employment or onto one of a range of employment schemes. In total, there are nearly 5,000 places subsidised through the three different strands of the CETS scheme.<sup>5</sup>

Here too there is a shortfall in the level of public subsidy provided, as a full-time CETS place receives a public subsidy of €145 per week. Services may charge parents for the shortfall, but there is a maximum price cap for parental contributions of €25 per week.

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<sup>5</sup> DCYA (2014) <http://www.dcy.gov.ie/viewdoc.asp?fn=%2Fdocuments%2Fchildcare%2FCETSMainPage.htm&mn=chig&nID=4>



## Link public money to quality

### Recommendations:

- **Reduce costs to parents through extending subsidised places in services, making public funding conditional on quality.**
- **Merge funding schemes (CCS, CETS, Free Pre-School Year) into a single National Early Care and Education Access Fund, with the same quality requirements across the schemes, regardless of the age of the child.**
- **Develop a financial model that provides a transparent basis for levels of public funding. Funding should include non-contact time, to provide for continuing professional development for staff, for family support work, and for administration.**

Quality and affordability should go hand-in-hand, as the research evidence shows clearly that children only benefit from early care and education services if they are of high quality. Low quality services can be harmful to children. According to the OECD's most recent (2012) summary report on early childhood care and education:

*"A growing body of research recognises that early childhood education and care (ECEC) brings a wide range of benefits... But all these benefits are conditional on 'quality'. Expanding access to services without attention to quality will not deliver good outcomes for children or the long-term productivity benefits for society. Furthermore, research has shown that if quality is low, it can have long-lasting detrimental effects on child development, instead of bringing positive effects."*<sup>6</sup>

Measures to make early care and education services more accessible and more affordable must therefore be linked to – and conditional upon – measures to improve quality.

We know that there is good practice in early care and education services in Ireland, but we also know there are poor practices in some services. The Prime Time investigation A Breach of Trust highlighted examples of such bad practice. While the Prime Time investigation focused on three full-day crèches, it made clear that the causes and risks are systemic. The mistreatment of children shown in the documentary reflects structural problems in our system of early care and education, as well as insufficient investment. At the same time, it showed that public funds have gone into services where quality standards are low or questionable, including through the Free Pre-School Year.

Referring to the Prime Time investigation and to other evidence – including qualification and training levels across the sector – the Expert Advisory Group on the National Early Years Strategy wrote in October 2013 that "Ensuring high quality is the foremost policy challenge in early care and education today." The Expert Advisory Group recommended that the Early Years Strategy should have as an explicit aim ensuring that "no child is in a low-quality early care and education service". (Recommendation 21)

It is critical that we put the quality of care at the heart of all public funding – otherwise we risk encouraging further practice of the type revealed in the Prime Time investigation.

### Subsidise places – instead of introducing tax credits

International evidence shows it is easier to lever quality improvements when public funding is channelled directly to services to subsidise the cost of places – which gives the State "steering control" over quality through a direct contractual relationship with the service provider – than when public funding is provided indirectly through mechanisms such as tax credits, which rely on the market and on regulatory minimum standards to promote quality.

In 2006, the OECD published a systematic review of early years systems in 20 developed countries, including Ireland, which concluded that:

<sup>6</sup> OECD (2012) *Starting Strong III: A Quality Toolbox for Early Childhood Education and Care*, Paris: OECD, p.9.

*"...[t]he OECD reviews suggest that direct public funding of services brings, in the majority of countries reviewed, more effective control, advantages of scale, better national quality, more effective training for educators and a higher degree of equity in access and participation than consumer subsidy models."*<sup>7</sup>

*"When public funding to the child care system takes the form of subsidies paid directly to parents, the steering capacity of governments [over] services is considerably weaker than in funding-to-services systems. Tax rebates and parent subsidies do not support system co-ordination or universal provision or even necessarily improve in-service training and salaries for staff."*<sup>8</sup>

The combination of high quality and universal, affordable services is characteristic of countries with "supply-side" funding, such as the Nordic countries and New Zealand. Countries where "demand-side" funding has predominated, such as Canada, the UK and the US, are regularly judged to have lower quality (UNICEF) and less affordable (OECD) services.<sup>9</sup>

There have recently been many calls in the media for Ireland to address the affordability of early years services. Often the suggestion is made that this should be done through tax credits, even though this might not benefit families who are in employment but below the tax threshold.

However, there is a simple alternative which puts children's interest first – in line with OECD recommendations on improving quality at the same time as affordability – which is to extend the current supply-side approach, through reforming and extending the provision of CCS, CETS and the Free Pre-School Year, while making public funding conditional on quality.

### **Merge funding schemes, applying same quality standards to all**

There is no evidence base for having lower quality standards for children aged less than 3. Indeed, much evidence points to the particular importance of children's experiences in their first three years.<sup>10</sup> In spite of this,

the most recent Pobal survey of the early years sector provides evidence that the least qualified staff tend to work with the youngest children.<sup>11</sup>

To help ensure consistent quality standards across all funding strands, and to make it easier to introduce future extension of supports, we recommend that the Government merge all three schemes (CCS, CETS and also the Free Pre-School Year) into a single National Early Care and Education Access Fund, based on a capitation grant funding model.

Nearly all children would then take part in the scheme, with most children benefiting only from the universal elements (currently the Free Pre-School Year, with a Second Free Pre-School Year at a later date), and some children and families benefiting from extended subsidised places within the scheme. In so doing, both CETS and the Free Pre-School Year could in effect be made new "bands" within the CCS scheme, with the Free Pre-School Year a 100% funded band for the hours it is available.

As a universal scheme with additional targeted elements, available equally in all early years settings across the country, this reform would embody the principle of "progressive universalism", advocated by the Minister's Expert Advisory Group on the National Early Years Strategy. The universality would limit any stigma that parents might otherwise feel in signing up for targeted subsidies. Merging the three schemes into a single fund with different subsidy-bands should also facilitate the harmonisation of administrative procedures and quality requirements.

We urge the Government to apply the same quality standards for the CCS and CETS as apply for the Free Pre-School Year, in particular:

- Start Strong welcomed the Minister's announcement in 2013 that minimum qualifications would from 2015 apply to all early years services, regardless of the age of the child. However, whereas Level 6 qualifications will be a requirement for the Leader of the Free Pre-School Year in each service, the requirement for all those working with under-3s will be Level 5. We

<sup>7</sup> OECD (2006) *Starting Strong II: Early Childhood Education and Care*, Paris: OECD, p.114.

<sup>8</sup> OECD (2006) *op. cit.*, p.116.

<sup>9</sup> UNICEF Innocenti Research Centre (2008) *The Child Care Transition: Report Card 8*; OECD (2014) *op. cit.*

<sup>10</sup> Start Strong (2012) *Early Learning: Policies for Children's First 3 Years*, Dublin: Start Strong.

<sup>11</sup> Pobal (2013) *op. cit.*, pp.45-46.

recommend the Government simultaneously extend the requirement that the room Leader should be at Level 6 to all ages of children, with the aim of moving incrementally towards a graduate workforce.

- Similarly, the contractual requirement that services delivering the Free Pre-School Year should use Siolta (the national quality framework) and Aistear (the national curriculum framework) should be extended to any service in receipt of any public funding, including CCS and CETS. Their use is not currently specified in the contract for receipt of CCS and CETS funds. The Siolta and Aistear frameworks are intended to apply to early care and education for children of all ages from 0 to 6, so their use should be a condition of all public funding for early years services, and should also be the basis for inspection of all early years services.
- In the Free Pre-School Year, the Higher Capitation Grant gives a higher payment to services where the leader of the free pre-school year is a qualified graduate, as a means to incentivise the professionalisation of the early years workforce. We recommend that a similar incentive should be introduced into CCS and CETS.

### **Introduce a transparent funding model with paid non-contact time**

Delivering high quality early care and education services is costly. The main reason for this is because quality depends above all on the staff working in services. The research evidence shows that high quality adult-child interactions are most consistently found where educators are highly qualified, and where wages are sufficiently high to reduce staff turnover to a low level and to reward educators for the investment they make in their education and training.<sup>12</sup>

Currently, the wages paid to those working in early years services in Ireland are low, and there are few career development opportunities. Many staff, including those with graduate qualifications, earn little more than the minimum wage, and many are on short-term contracts, often released in the summer months when Free Pre-School Year funding stops.

Measures to make early care and education services more affordable will only deliver quality if there is sufficient funding. Levels of capitation grant / subsidy for the three schemes should therefore be linked to the cost of delivering quality. And in addition, higher payments should be available for higher quality services, to incentivise quality improvements.

For these reasons, we recommend the Government develop a transparent funding model, to provide a clear basis for the levels of capitation grant and subsidy provided. In particular:

- The funding model should appropriately compensate salaries for qualified staff, as well as meeting other costs, e.g. local authority rates and the cost of management and administration. In relation to school-age childcare, the financial model should also ensure that services are adequately compensated for transport costs.
- A salary scale should be developed for those working in early years services, to ensure that those with higher qualifications are appropriately compensated and to incentivise upskilling of the workforce. In the first instance, the salary scale could be made a condition of receipt of the Higher Capitation Grant, to incentivise the recruitment and retention of qualified graduates.
- The funding model should include paid non-contact time, which is currently not available. Without paid non-contact time, staff of early years services have little scope to undertake the routine planning, recording of observations of children's development, teamwork, critical reflection on their own practice, on-going continuing professional development, and engagement with families, all of which are required for the implementation of Siolta and Aistear. Paid non-contact time would also enable staff, especially in small services, to carry out administration – including the administration of public funding schemes – without this administration impacting negatively on the quality of care they can provide for children.

<sup>12</sup> Melhuish, E. (2004) *A Literature Review of the Impact of Early Years Provision on Young Children*, London: National Audit Office, p.55; National Research Council and Institute of Medicine (2000) *From Neurons to Neighborhoods: The Science of Early Childhood Development*, Shonkoff, J., and Phillips, D. (eds.), Washington, DC: National Academy Press, pp.314-8; and Sandra Mathers, Sylva, K., and Joshi, H. (2007) *Quality of Childcare Settings in the Millennium Cohort Study*, London: Department for Education and Skills, pp.7-10.

## Services for all children

### Recommendations:

- **Retain the pre-school year as universal and free. Continue improving quality, putting in place the building blocks for a Second Free Pre-School Year.**
- **Provide higher rates of funding when a service needs additional support for a child with special needs or language difficulties.**
- **Provide higher rates of funding to services in disadvantaged communities (like the DEIS initiative in schools).**

Discussing approaches to combating child poverty and disadvantage, the OECD's Starting Strong II report – which summarised the OECD's findings from a comprehensive assessment of 20 countries' systems for early care and education – concluded that:

*"Research suggests that inclusion in universal programmes may be the most effective approach to these children and their families, and that successful inclusion requires enhanced funding, low child-staff ratios, specialist staff and well-planned pedagogies.*

*Targeted programmes segregate, may stigmatise and generally fail to provide for many of the children eligible for special programmes."*<sup>13</sup>

The research evidence shows that high quality early care and education benefits all children from the age of 2-3 onwards, and that the benefits are greatest for children from disadvantaged backgrounds.<sup>14</sup> From a children's rights perspective, therefore, high quality services and supports should be universal – they should be affordable and accessible to all children.

Additional benefits of universal provision are that:

- It is an effective way to reach those who experience disadvantage, given the difficulty of identifying and reaching all disadvantaged children through targeted approaches.
- It helps to ensure quality for all, avoiding the risk of a two-tier system.

- The evidence shows that young children do best in services with a mix of children from different social backgrounds, which universal provision helps to achieve.<sup>15</sup>

Of course, there is a need for additional supports for children and families with additional needs, but additional supports are most effectively provided within universal services, e.g. through additional funding for services in disadvantaged communities (like the DEIS scheme in schools), or linked to the needs of individual children (e.g. Pre-School Special Needs Assistants for children with disabilities in mainstream services, or additional language support for children from migrant backgrounds).

This approach – supports for all, with additional supports for those with additional needs – was termed "universal plus" in Start Strong's Children 2020 report,<sup>16</sup> and is termed "progressive universalism" in Right from the Start, the report of the Expert Advisory Group to the National Early Years Strategy.<sup>17</sup>

### Retain the Free Pre-School Year, and continue progress to a Second Year

The Free Pre-School Year was a milestone in the development of Ireland's system of early care and education. It must remain universal given the evidence on the benefits of early care and education for all children.

While the raising of quality standards must be the priority, the research evidence also shows that there is a clear case for extending free pre-school provision to a second, earlier year.

The recent evaluation of the NEYAI and SÍolta QAP, which noted that much of the social gradient in child outcomes is already in place by the beginning of the Free Pre-School Year, concluded that the raising of quality standards and an earlier start to pre-school provision would both be beneficial policy measures.<sup>18</sup>

Introducing a second, earlier free pre-school year would also be in line with the recommendations of the Expert Advisory Group on the National Early Years Strategy, who set out the following as one of the "five peaks" to

<sup>13</sup> OECD (2006), *op. cit.*, p.17.

<sup>14</sup> Melhuish, E. (2004) *op. cit.*; P. Sammons (2010) 'Does pre-school make a difference?' in K. Sylva et al. (2010) *Early Childhood Matters: Evidence from the Effective Pre-School and Primary Education Project*. Oxford: Routledge.

<sup>15</sup> P. Sammons (2010) *op. cit.*, p.105.

<sup>16</sup> Start Strong (2010) *Children 2020: Planning Now, For the Future*. Dublin: Start Strong.

<sup>17</sup> According to *The Agenda for Children's Services*, progressive universalism "combines universalism with the targeting of resources on those that have special needs for support or protection; in other words, help to all and extra help for those who need it most". Office of the Minister for Children (2007) *The Agenda for Children's Services: A Policy Handbook*. Dublin: OMC, p.39.

<sup>18</sup> Pobal (2014) *Evaluation of National Early Years Access Initiative and SÍolta Quality Assurance Programme: A Study of Child Outcomes in Pre-School*. Dublin: Pobal.

prioritise in the National Early Years Strategy:

*"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 2 years' free pre-school provision before entering the Junior Infant class of primary school."*<sup>19</sup>

Extension of pre-school provision could also involve extension of the number of weeks the scheme is available each year beyond 38 weeks, in line with the recommendations of the NESF.<sup>20</sup> This would benefit families directly through reducing the fees they pay, but would also increase quality through allowing the retention of staff. Currently many pre-school staff have to sign on the dole during the summer months, which is a serious impediment to staff recruitment and professionalisation. The cost to the State of extending the number of weeks of the scheme would be offset by reduced social welfare payments for early years staff during those summer months.

### Higher capitation to address additional needs

Progressive universalism – or the “universal plus” approach – involves provision for all, with additional supports for those with additional needs. Currently, there is no system to ensure that services are adequately compensated for the additional costs of supporting children and families with additional needs, including services operating in disadvantaged areas. Services face additional staffing requirements where they are helping to support families with complex needs, or where some of the children in the service have a disability or other need for additional support.

Services operating in disadvantaged communities face particular challenges. At school level, the DEIS initiative offers a range of additional funding and supports to schools in disadvantaged communities – offering

additional supports within the context of the universal provision of primary school – to help promote equality of outcomes for children from all backgrounds. For the same reasons, there is a strong case for offering additional funding and support for early years services operating in disadvantaged communities, through higher rates of funding within universal funding schemes.

In addition, both private and community services often face additional staffing requirements when they provide for children with disabilities / special needs. However, the availability of Pre-School Special Needs Assistants is ad hoc and varies considerably across the country.<sup>21</sup>

We therefore recommend that the financial model should incorporate higher capitation where services face additional costs as a result of helping families or children with additional needs. Two types of “equity funding” should be available:

- Firstly, a higher level of capitation should be available for services that operate in disadvantaged communities, as many community services do, drawing on the DEIS model in schools.
- Secondly, a higher level of capitation should be available in both community and private services for children with disabilities or additional needs, as well as for migrant children who need language supports, so that those services can afford to provide additional supports for those children.

This additional “equity funding” – combined with a new 100% subvention band (see below) – would significantly improve the financial sustainability of those community services that support a large number of families with high levels of need in disadvantaged communities.

Measures such as this are necessary to ensure the continued existence of such services, as their closure would prevent some of the most disadvantaged children from accessing early care and education services.

Improved financial sustainability for community services is also important to reduce the financial reliance of some services on CE workers, which in turn would support the professionalisation of the early years workforce and the raising of quality standards.

<sup>19</sup> Department of Children and Youth Affairs (2013) *Right from the Start: Report of the Expert Advisory Group on the National Early Years Strategy*, p.5.

<sup>20</sup> The NESF called for a free pre-school year to be available for 48 weeks. NESF (2005) *Early Childhood Care and Education*, Report No.31, Dublin: NESF, p.78

<sup>21</sup> Moloney, M. and McCarthy, E. (2010) *Development of a Framework for Action for the Inclusion of Children with Special Needs in Early Childhood Education Settings*, Dublin: Dept. of Education and Skills.



## Lower costs for families

### Recommendations:

- **Make subsidised places available in all areas of the country, through extending CCS to privately run early years services.**
- **To facilitate access in rural areas, and for families who prefer home settings, open up funding schemes to registered childminders who meet quality standards.**
- **Change administrative procedures so that families can take up subsidised places at any time of the year.**
- **To help struggling families, introduce a new 100% subsidy for families with high identified levels of need, with access on the basis of referral, and linked to the Child and Family Agency's Local Area Pathways.**

As noted above, the fees that parents pay for early care and education services in Ireland are among the highest in the world, because of the lack of public subsidy. The recent report by Indecon Economic Consultants rightly identified the high fees as a major barrier for many families seeking to take up employment as a means of getting out of poverty.<sup>22</sup>

Growing up in poverty has a negative impact on child outcomes – research in the UK has found that by the age of 5, children from the poorest fifth of homes are already nearly a year behind children from middle-income households in developmental outcomes.<sup>23</sup> Unsubsidised early care and education contributes to child poverty through preventing some parents from returning to work who would otherwise choose to do so. Public subsidy for high quality early years services can help families get out of poverty through employment.

The research evidence also shows that vulnerable children in families experiencing high levels of disadvantage or with complex needs, including families with issues such as drug and alcohol addiction, benefit from early care and education services at a younger age, provided the services are of high quality.<sup>24</sup>

Quality early years services can play an important role in family support, especially when they work together with health and parenting supports, and offer a gateway to early intervention.

### Through extending CCS to private services

The Indecon report points out that a major weakness of CCS is that it is not available in all areas of the country.<sup>25</sup> The CCS is only available in community-based services, and not even in all of those. Many families who should be eligible for CCS-subsidised places cannot access them. While community services are concentrated in disadvantaged communities, many areas of the country have no community service taking part in the scheme, and in addition many disadvantaged families do not live in disadvantaged communities.

A clear policy solution to this problem is to extend the availability of CCS to all areas of the country, through making it available in private services. If made fully accessible everywhere in the country, the CCS would reduce the cost barrier for many more families seeking to enter and remain in employment as a route out of poverty.<sup>26</sup>

The strong advantage of this approach is that it involves the supply-side subsidy of services, which – as noted above – is advocated by the OECD on the basis of international experience as giving Government greater steering control over the quality of services.

This approach also has the benefit of continuity with existing policy. The CCS scheme is already in place. And there are already clear precedents for making subsidised places available on equal terms in both private and community services, as this already happens in both the Free Pre-School Year and CETS schemes. This proposal is also fully in line with the Expert Advisory Group on the National Early Years Strategy (Recommendation 17).<sup>27</sup>

22 Indecon (2013) *Supporting Working Families – Releasing a Brake on Economic Growth*, Report for Donegal County Childcare Committee.

23 Economic and Social Research Council (2012) *Evidence Briefing: Child Poverty Casts a Long Shadow Over Social Mobility*.

24 Melhuish, E. (2004) *op. cit.*

25 Indecon (2013) *op. cit.*, pp.33-34.

26 Where it is available and when CCS administrative rules fit with family situations, the CCS scheme does support families to enter employment. For example, low-income families who are in employment and in receipt of Family Income Supplement (and a Medical Card) are eligible for the highest band of subsidised places under CCS. In addition, families with Medical Cards, who are eligible for CCS places, can retain a Medical Card for 3 years after taking up employment even if their income rises above the Medical Card threshold.

27 "Ensure that income-related subsidies for early care and education services reduce the cost barrier facing families, particularly those with low incomes or experiencing poverty. Reform of the existing subsidy schemes (e.g. Community Childcare Subvention and Childcare Education and Training Support Programme) should ensure that subsidised places are equally accessible in all areas of the country."



## Through childminders

A second limitation of the current funding schemes is that they are not open to childminders.<sup>28</sup> This limits access to the schemes, particularly in more remote rural areas that cannot support centre-based services. It also prevents some families from choosing home-based settings for the care of their children, which are the preference for many families in Ireland, particularly for children under the age of 3. We therefore recommend the extension of both the CCS and CETS schemes to childminders who meet quality standards.

In doing so, it will be important that childminders who join the public funding schemes meet quality standards that are equivalent to those required of centre-based services. For children to benefit, quality matters in all settings – in the homes of childminders as much as in centre-based services. Solely requiring registration of childminders is insufficient as it offers little guarantee of the quality of early care and education provided by childminders.

Given quality and training requirements, it is possible that few childminders would participate in the funding schemes initially. However, the prospect of public funding would provide a positive incentive for childminders to meet regulatory requirements and to engage in training. Supports and training will need to be made available to enable childminders to register and then to engage in relevant training.

## For families whose needs change during the year

A further limitation of the current schemes is that the annual basis of funding does not match families' needs. Many families' situations change during the course of the year, with families starting and ending both jobs and courses (some of which are short-term) at different points in the year. The CCS is not currently organised in such a way as to accommodate fluctuating numbers over the course of a year – a problem compounded by delays in appeals procedures relating to eligibility for the scheme.

In addition, there is no financial support for emergency childcare support for families in crisis situations, or for families needing childcare support to participate in short-term courses, such as parenting programmes.

As a consequence of the annual basis of CCS funding, and the lack of short-term supports, many families who in principle should be eligible to benefit from CCS funding do not in practice benefit from it. See the box for an example of families who could not access CCS places because they are on short-term courses.

### Case study – Lone parents on short-term courses unable to access CCS

In one service that took part in our consultation process, 36 children have parents who receive the One Parent Family Payment – and who should therefore be eligible for CCS places – but only 2 of those children currently have CCS-subsidised places. The reason for this is that most of the parents are on short-term training courses. As a result, their children were not in the service during the reference week in October used for administrative purposes for CCS funding, so they could not access CCS-funded places.

Other services in our consultation process cited numerous examples of families with high levels of need who were excluded from the CCS because their situation changed after the designated week in October for CCS funding applications. (See box below.)

### Case studies – Parents whose needs changed during the year

A number of anonymous case studies were provided to us by services in receipt of CCS funding. The case studies below are of cases where families ought to be accessing places subsidised by CCS funding but cannot do so because of the annual basis of CCS funding. Places are only funded on the basis of families' situations in a designated week in October each year:

#### Parent A

3 children: 2 in school, 1 under 2 years. Complex family situation. The family is known to social workers – with homelessness an issue as RAS scheme landlord pulling out – and required input from Vincent de Paul to support communion/Christmas. Looking for care for youngest in afternoon to allow quality parent time with vulnerable older child. Cheapest rate within community setting in

<sup>28</sup> "Childminders" here refers to paid, non-relative childminders who are self-employed, working in their own homes, minding other families' children for pay on a daily basis.

area is €45 for afternoon part-time session, as past the 'snap shot' week in October for CCS eligibility. To help the family, the service is offering this rate despite not getting matched subvention. CCS allows no flexibility to offer such a place legitimately whilst exploring additional support from the Child and Family Agency.

#### **Parent B**

Mother with addiction issues. During the 'snap shot' week in October the service submitted all details but the child was rejected as not qualifying. At the appeals stage the mother was in rehab, and the grandmother was looking after the four children. The grandmother did not want to ask the mother about her Medical Card as feared the mother would think she was after the benefits associated with having (unofficial) custody of the children (child benefit etc). The service couldn't get the letter re mother's lone parent status and is currently getting no subvention for the child.

#### **Parent C**

Father unemployed but works some weeks when work available. Signs on and off the dole. Mother unemployed. 2 children in service. Father was working on week in October when CCS form completed. Has only been working on and off since. Struggling to pay fees. No CCS subvention granted.

#### **Parent D**

Parent lost job just before Christmas, still unemployed. Circumstances radically changed, but can't get any subvention payment. No CCS Subvention.

#### **Parent E**

Moved to this area in November. Poor circumstances. Child referred to the service by Public Health Nurse. No CCS available for this child or any of the other children taken on by the service since October. Given the parents' financial difficulties, the service is only able to charge the parents reduced fees on the same basis as if the CCS were available.

#### **Parent F**

Child (with health issues) referred in January to service. Lone parent (on her own) with younger child. No CCS available. Community Welfare Officer rejected application for any Crèche Supplement because they think the service should be able to get CCS. No CCS available.

#### **Parent G**

Children of family on social welfare where there is an addiction issue. Children referred to the service by Home School Liaison and PHN, and need the support of the service. No money for fees. (This applies in several cases)

The purpose of allowing multiple entry points during the year would be to meet the varied needs of children and families, but it would also have the benefit of reducing administrative logjams at certain points of the year. This in turn would minimise the current problem experienced by many community services, which at certain times of the year are waiting for appeals simultaneously on a large proportion of families using their service, creating acute short-term financial difficulties.

The reform of administrative procedures so that children can take up subsidised places at different times of the year should also extend to the Free Pre-School provision. This is an implication of the report of the Expert Advisory Group on the National Early Years Strategy, which called for a break away from the current alignment of pre-school provision with the school academic year. The Expert Advisory Group called on the Government to extend 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" (Recommendation 26) [emphasis added].

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Administrative procedures should also be changed so that a family can benefit from both the Free Pre-School Year and the CCS. This is currently not possible, even though the Free Pre-School Year is only available for 15 hours per week over 38 weeks. A family on Band A of the CCS whose child enters the Free Pre-School Year but continues to require year-round full day-care may therefore have to pay more in child-care costs when benefiting from the Free Pre-School Year than they did in the previous year. As the rationales for the two schemes are different, families who are eligible for both schemes should benefit from both schemes. For eligible families, it would then be possible to receive 15 free hours per week, with additional hours subsidised according to the CCS funding formula.

### **100% subsidy for families with high levels of need**

The highest level of subsidy available in the CCS is €95 per week for full day-care, and some families cannot afford the resulting parental fees. On average, the parental contribution for a family eligible for a Band A place within CCS is €63 per week (see above) – an unrealistic sum for many families living on social welfare payments – with significantly higher fees in urban areas.

A small number of services supporting very disadvantaged families have in the past received part-funding from the HSE, but there have been large cuts to this funding.

Evidence from our consultation indicates that many community services are forced to waive parental fees or accept reduced parental contributions, which results in those services operating at a loss – with serious implications for their financial sustainability – or relying on Community Employment (CE) participants to meet the adult-child ratios required by Regulations. In other cases, families have had no choice but to withdraw their children from services, in spite of the benefits to the children from continued participation.

To support families with very low income levels, and families with an identified need for a high level of support for their children to participate in early years services (whether on a temporary basis to cope with a crisis situation, or on a longer-term basis, e.g. as part of a set of supports for a family with addiction issues), we recommend introducing a new higher subvention band, in which 100% of the cost of a place would be covered through public funding.

Access to this higher band should be on the basis of referral from a range of sources (e.g. GPs, Public Health Nurses, Social Workers), and could also be linked to the Local Area Pathways for family support introduced by the Child and Family Agency.

## Linked issues: parental leave and work-life balance

The challenge of combining work with the care of young children is a major problem for many families. Making high quality early care and education services more affordable is part of the solution, but we also need to extend paid parental leave and work-life balance policies.

Children's primary educators are their families – their parents, guardians, grandparents and other family members. Children's own homes play a highly significant role in their overall early care and education, shaping their well-being, health, emotional development and early learning.

Where parents are stressed or have no choice but to work long hours, the quality of children's early experiences can be diminished. That is why work-life balance policies and paid leave entitlements can be so valuable for young children.

In particular, research indicates children benefit when parents can take paid parental leave right through a child's first year. According to the Marmot Review, commissioned by the UK Government to examine solutions to health inequalities in England:

*"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 preventive health care."*<sup>29</sup>

The Marmot Review recommended "paid parental leave for the whole of the first year". Similarly, one of UNICEF's 10 "minimum standards" for early childhood services is the provision of at least 1 year of paid parental leave at 50% of salary or more.<sup>30</sup>

When parents work outside the home, they should have family-friendly work environments which support them to meet their children's needs. Measures may include reduced hours, flexible work arrangements such as job-sharing, flexitime, term-time working, and working from home. Such arrangements are particularly important for very young children, as there is evidence to suggest that long hours in centre-based services can have a negative impact on some very young children.<sup>31</sup>

The forthcoming Family Leave Bill provides the Government with an opportunity to reform and extend provision for paid parental leave and work-life balance measures. Start Strong will be making more detailed recommendations on these policy areas later in the year.

<sup>29</sup> Marmot Review (2010) *Fair Society, Healthy Lives: The Strategic Review of Health Inequalities in England Post-2010*, p.98.

<sup>30</sup> UNICEF Innocenti Research Centre (2008) *op. cit.*

<sup>31</sup> D. Lowe Vandell et al. (2010) 'Do Effects of Early Child Care Extend to Age 15 Years? Results From the NICHD Study of Early Child Care and Youth Development', in *Child Development*, vol.81, no.3; E. Melhuish (2010) 'Why children, parents and home learning are important', in Kathy Sylva et al. (2010) *op. cit.*, pp.54-55.



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