

ICPN, Pre-budget Analysis, Supplementary Budget, April 2009.



The Irish Childcare Policy Network (ICPN) was established in 2004 and brought together people and organisations concerned with childcare and early learning in Ireland, to influence and advocate for policy development and appropriate investment in children's care and education. ICPN has recently received a grant from Atlantic Philanthropies to progress this work. While we acknowledge the very difficult budgetary situation and the need for widespread cuts, we believe that investment in young children is an essential ingredient of a long-term plan for economic recovery and growth.

Summary

The crisis in our public finances creates an opportunity for the Government to commit to a thorough review of Ireland's approach to investing in young children. Even without additional expenditure, Government funds can be used more effectively and more efficiently by reinvesting existing resources. For this to happen, the ICPN believes the **Government should make a commitment to develop a comprehensive strategy for early childhood education and care**. Building on the experience of our network's members, we believe the ICPN is well placed to contribute to the development of this strategy.

If such a commitment from the Government is to be meaningful, however, it is important that **expenditure on young children should be reduced as little as possible in the April 2009 Budget**. If any cuts are made, the savings should be ring-fenced for reinvestment in a comprehensive strategy for young children. Substantial cuts have already been made. ICPN is concerned that further short-term cuts will make it harder to put in place the long-term investment that young children in Ireland need.

In framing the April 2009 Budget, the Government faces the challenge of balancing the need to restore stability to the public finances with the need to put the economy back on a growth-path. While much attention has focused on the need for short-term fiscal tightening, in *Building Ireland's Smart Economy* the Government rightly argued that economic recovery also requires targeted measures aimed at positioning the economy for longer-term growth. Investment in young children now, will generate economic returns and benefits in the long-term.

Context

Recent forecasts indicate that GDP will fall between 4% and 5% in 2009.¹ The economic slowdown has been accompanied by a rapid deterioration in the Government's budgetary position, requiring cuts in public expenditure across many budget headings if the Government is to remain close to a borrowing requirement of 9.5% of GDP in 2009.

In relation to services and supports for young children, significant cuts have already been made as a result of the October 2008 Budget and the additional measures announced in February 2009:

- The upper threshold for receiving the Early Childcare Supplement has changed from 6 to 5 years old, and the annual payment has been cut from €1,104 to €996 – the combined effect being to reduce the level of investment from €506 million in 2008 to approximately €340 million in 2009.
- Capital investment in childcare places has been cut by 41% from €102 million in 2008 to €60 million in 2009, reducing the total budget for the National Childcare Investment Programme in 2009 to €134 million.

The benefits of investment in young children

Because of the economic crisis, the case for investing in young children is now stronger than ever before, given the very high economic returns to such investment. International evidence has led to a consensus view among both researchers (including the Nobel prize-winning economist Professor James Heckman) and expert policy advisory bodies (including the OECD and the NESF) that public investment in young children is one of the most cost-effective means of increasing a country's human capital. Most recently, the National Competitiveness Council has given a strong endorsement of this argument:

*'Due to the cumulative nature of education, the NCC believes that serious consideration should be given towards the long term development of a formal pre-primary education system in Ireland, mirroring the bold steps Ireland has taken in recent decades in the development of primary, secondary, tertiary, and more recently fourth level education. While this is a time of considerable difficulty in the public finances, the case for targeting expenditure where returns are greatest remains strong.'*²

While investment at all levels of the education system is essential for human capital, the returns to investment are highest for early years education and supports. Professor Heckman and others have demonstrated that the benefits of investment in education and supports are cumulative over the life-course. Those who receive quality early years education and supports make the most effective use of primary,

¹ Dept of Finance, *Monthly Economic Bulletin: March 2009*, p.2.

² National Competitiveness Council (2009), *Statement on Education and Training*, p.20.

secondary and tertiary education. By contrast, those who suffer from poor quality care and education in their early years may require much more costly interventions later in life.

International evidence shows that the benefits of quality early years services and supports are greatest for disadvantaged children. Investment in young children can therefore also make a significant contribution to other Government policy aims such as the promotion of social inclusion and the reduction of child poverty.

The OECD has argued that the benefits of early childhood education and care can only be achieved if there is substantial public investment. In its latest international study of early childhood education and care, the OECD carried out a survey of research on the returns to investment in young children. Their conclusion from a wide range of cost-benefit studies was that there is 'an overwhelming case for strong government investment in early childhood services'.³

Using the budget more effectively and more efficiently

Given the potentially very high economic returns to investment in young children, it is vital that the Government seek ways to use existing budgets more effectively, in order to increase the accessibility, affordability and quality of early childhood education and care.

A number of Government budget headings currently contribute to early childhood education and care in Ireland, including the Early Childcare Supplement. ICPN believes that Government funds could be used more effectively and more efficiently through reinvesting parts of these budgets into more targeted provision of quality, child-centred, universal pre-school services and supports for parents and families. As the OECD has argued, it is the quality of provision that is critical in achieving high returns to investment in young children.

An opportunity for reform

The Government has an opportunity in the forthcoming April Budget to commit to a major review of expenditure on young children and to development of a comprehensive strategy for quality early childhood education and care. A commitment to such a review would send a strong signal that the Government intends to lay the foundations for the 'Smart Economy' of the future by investing effectively in the human capital of future generations.

If such a commitment from the Government is to be meaningful, however, it is important that expenditure on young children should be reduced as little as possible in the April 2009 budget. If any cuts are made, the savings should be ring-fenced for reinvestment in a comprehensive strategy for young children. Substantial cuts have

³ OECD (2006), *Starting Strong II: Early Childhood Education and Care*, p.251.

already been made. Further short-term cuts will make it harder to put in place the long-term investment that young children in Ireland need.

The ICPN believes that, even in this very difficult economic climate, significant steps can be taken to move services and supports for young children in the direction advocated by the National Competitiveness Council, the OECD and the NESF – without incurring additional expenditure. Investing in young children is a smart investment and one that is vital to the future development of our country.

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