



# Start Strong Pre-Budget Submission November 2009

Start Strong welcomes the opportunity to make a submission to the Minister for Finance in relation to Budget 2010. Start Strong was established in 2004 as the Irish Childcare Policy Network (ICPN), which 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 early care and education. In 2008 ICPN was awarded a grant from Atlantic Philanthropies to progress this work, and in November 2009 Start Strong will be formally launched by the Minister for Children and Youth Affairs.

The Government should increase investment in young children over the coming years as part of a strategy for national recovery and to help to build the 'smart economy' of the future. Cost-benefit analyses of early childhood supports in the US have found lifetime returns of up to \$16 for every dollar invested.

This process should be advanced in 2010 through the development of a national 10-year plan to secure the policies and supports for a comprehensive and sustainable system of early care and education in Ireland. In the short term, as a minimum we recommend that there should be no further cuts to the level of investment in young children, which has already been significantly cut:

- Child Benefit should not be reduced.
- The Family and Community Services Resource Centre (FRC) Programme should be maintained.
- The Government must press ahead with implementation of the Free Pre-School Year in 2010, with a view to building further on the scheme in the years ahead.
- Within the National Childcare Investment Programme, any cuts to current spending should not impact on the extent or quality of services provided for young children.

## Overview

Although the current state of the public finances is a major constraint on public spending, investment in early care and education is particularly important during a recession, as it lays the foundations for a strong economy. Cost-benefit analyses of early childhood supports in the US have found lifetime returns of up to \$16 for every dollar invested. Public investment in young children is the most cost-effective means of increasing Ireland's human capital and helping to build the 'smart economy' of the future.

The recent social report on Ireland by the National Economic and Social Council (NESC) argues that early care and education remains one of the main policy priorities facing Ireland in the recession:

*The provision of a more comprehensive system of early childhood care and education should remain a priority as it impacts on the well-being of children and their families and communities in both the short-term and the long-term. It is also a good long-term investment for the state and a sound basis for the move towards a knowledge-based economy.<sup>1</sup>*

Similarly, the National Competitiveness Council earlier this year observed that '[i]nternational evidence suggests that Ireland is under-investing in services for younger children'. Referring to the effects of quality care and education on educational attainment and productivity in the economy, the National Competitiveness Council argued that: 'While this is a time of considerable difficulty in the public finances, the case for targeting expenditure where returns are greatest remains strong'.<sup>2</sup>

For the longer term, we believe the Government should increase investment in young children over the coming years as part of a strategy for national recovery. This process should be advanced in 2010 through



the development of a national 10-year plan to secure the policies and supports for a comprehensive and sustainable system of early care and education in Ireland. In this 10-year plan, the Government should set out its ambition to increase investment in early care and education over the course of the decade ahead.

In the short term, as a minimum we recommend that there should be no further cuts to the level of investment in young children, an area which has already been significantly cut. In particular, we recommend that Child Benefit should not be reduced, and that any administrative savings sought in relation to the programmes managed by the Family Support Agency (FSA) and the Office of the Minister for Children and Youth Affairs (OMCYA) should not result in cuts to the services they support for young children or the quality of those services. We are concerned that some of the recommendations made in the McCarthy Report in relation to these benefits and programmes would be damaging to young children and to the future of our country,<sup>3</sup> and we believe there are alternative ways of addressing the budget deficit open to the Government.

### **Why early care and education?**

High quality early care and education matters because it works:<sup>4</sup>

***For children.*** The early years are crucial for children's development, and the benefits of quality early care and education last a lifetime.

***For the economy.*** Early care and education is an investment in human capital and lays the foundations for a strong economy. While public investment at all levels of education is valuable, the returns are highest for education and supports in the earliest years.

***For society.*** Quality care and education for young children helps break the inter-generational cycle of social exclusion, reduce child poverty, and strengthen equality.

There is growing international recognition of the importance of policies and supports for quality care and education for young children. While there have been significant investments and policy initiatives in recent years, Ireland still lags behind most other EU and OECD

countries. According to the NESC, 'the recent review of childcare by UNICEF shows that Ireland performs very poorly across 10 benchmarks of early childhood care and education'.<sup>5</sup>

### **Policy and budgetary context**

In the last few years there have been a number of positive policy developments in early care and education in Ireland. Positive developments have included the Free Pre-School Year, the extension of paid maternity leave to 26 weeks, the Siolta national quality framework, the Aistear curriculum framework, national and local initiatives to bring childminders into the formal sector, and moves towards the preparation of a Workforce Development Plan. We welcome the progress that these developments have brought, and we are aware that the implementation of each has budgetary implications.

At the same time, more than 50% of the OMCYA's budget for early care and education has already been cut since the October 2008 budget, so the OMCYA has already contributed more than its fair share to the Government's efforts to reduce public expenditure. The OMCYA's savings have been made through:

- a) Cutting the Early Childcare Supplement, which will save the Exchequer €480 million in 2010 compared to expenditure in 2008.<sup>6</sup> This saving has made possible the introduction of the Free Pre-School Year in 2010, which Start Strong / ICPN welcomed when it was announced.<sup>7</sup> The annual budget for the Free Pre-School Year is only €170 million, so the changes announced will generate a net annual saving of €310 million.
- b) Closing to new applicants the capital programme within the National Childcare Investment Programme, which had involved expenditure in excess of €100 million per year.

The Government's budgetary situation has also led to the following concerns in relation to potential future budget cuts:

- a) The Minister for Finance in April 2009 announced his intention to either means-test or tax Child Benefit.



- b) The McCarthy report has called for a 20% cut to Child Benefit, for the discontinuation of the FSA and most of its programmes, and for savings to be made from current expenditure within the National Childcare Investment Programme (eliminating Band C and transitional arrangements in the Community Childcare Subvention Scheme, and rationalising the City / County Childcare Committees).
- c) A number of new initiatives that are only now becoming operational may have little funding for their implementation. In particular, Sólta, Aistear and the forthcoming Workforce Development Plan are all excellent initiatives in principle, but are likely to have little impact if there are insufficient resources to support their implementation nationally.

## Specific recommendations

### 1. Child Benefit

**We recommend that Child Benefit should not be reduced in Budget 2010. We urge the Minister for Finance to go back on his announced plan to means-test or tax Child Benefit, and to reject the McCarthy report's recommendation of flat-rate cuts.** If the Government goes ahead with some form of cut, it should ensure that any savings that result are directed towards programmes and services for children, including early care and education.

Child Benefit is an investment in children by the Government, involving recognition of the value that our society places on children. The fact that it is a universal payment reflects the value of all children. Child Benefit also involves recognition of the additional costs that children bring to families. For young children, these costs include the cost of early care and education services.

The cost of early care and education services in Ireland is among the highest of all EU and OECD countries, amounting to more than 50% of the net income of some families.<sup>8</sup> Child Benefit is now the principal way in which the Irish Government helps families to meet this cost, in the absence of general Government subsidies for such services in Ireland,<sup>9</sup> and following the abolition at the end of 2009 of the Early Childcare Supplement. It should also be

noted that, even though the Consumer Price Index fell 6.5% in the 12 months to September 2009, the cost of 'childcare' actually increased by 6.4% over the same 12 months,<sup>10</sup> further increasing the need for State assistance for families facing this cost.

The cost of early care and education impacts on child poverty. The child poverty rate in Ireland is higher than the adult poverty rate, partly because of the high cost of early care and education services in Ireland and the barrier that this creates to employment for parents, especially lone parents. 7.4% of children lived in 'consistent poverty' in 2007, compared to 4.7% of adults of working age.<sup>11</sup> A cut to Child Benefit will push more children into poverty.

In addition, while a proportion of families in receipt of social welfare payments receive some assistance with the cost of early care and education services through the Community Childcare Subvention Scheme (if they live close to a service participating in the scheme), families right across the income distribution are affected by the high cost of such services, so the universality of Child Benefit is important. Indeed, the cost is prohibitive to many families, who cannot afford to use the quality early care and education services that would benefit their children. According to recent survey data from the CSO, 60% of households in Ireland state that they do not 'have access to high quality, affordable childcare' in their community.<sup>12</sup> If Child Benefit is cut, the number of families who cannot afford early care and education services will increase.

### 2. Family Resource Centres

**We recommend that the Family and Community Services Resource Centre (FRC) Programme should be maintained in Budget 2010. We urge the Government to reject the recommendation made in the McCarthy Report that the FSA and most of its programmes should be discontinued.**

The FRC programme provides core funding to the 107 FRCs, 60 of which also provide early care and education services in disadvantaged areas.

We believe the FRC programme should be maintained because there is a real risk that if



this core funding were substantially reduced, the financial sustainability of FRC early care and education services would be put at risk and some might be forced to close down. If this were to happen, it would be a significant loss for the children and families that use those services, many of whom are from very disadvantaged backgrounds. Many of these children might be unable to access alternative services, or might only have access to unsubsidised places outside the Community Childcare Subvention Scheme.

The FRCs provide integrated services for families in disadvantaged communities and, rather than being cut back, we believe that this model of local, integrated children's services is something that could be built on in future. FRCs provide a range of services for children and families that complement early care and education services, and they also provide linkages to other agencies' services. The integration of children's services is advocated by the Government itself in *The Agenda for Children's Services*.<sup>13</sup>

### **3. Programmes supported by the OMCYA**

**While we recognise the need for financial savings to be made in all Government departments – including the OMCYA – we urge caution, and in particular we recommend that no cuts should be made that will make services provided to young children financially unsustainable or that would reduce the quality of those services.**

We accept that administrative savings may be sought. At all times, however, the principle should be maintained that cuts should not impact negatively on young children. We also note that substantial savings have already been achieved from cuts to OMCYA budget lines since October 2008.

It is essential for the Government to press ahead with implementation of the Free Pre-School Year in 2010, in line with the commitment in the Renewed Programme for Government, with a view to building further on the scheme in the years ahead. The €170 million budget for this scheme is substantially less than the €480 million previously spent on the Early Childcare Supplement, and the successful implementation of the scheme will depend on no further cuts being made.

Within the National Childcare Investment Programme, substantial savings have already been made in capital spending, and we recommend that any cuts to current spending should not impact on the extent or quality of services provided to young children and should not reverse the progress made in recent years. In relation to the Community Childcare Subvention Scheme, care must be taken to avoid damaging the financial sustainability of community providers, many of which have already seen their financial situation affected by the recession. In relation to the infrastructure that supports quality in early care and education – including the City/County Childcare Committees and the National Voluntary Childcare Organisations – care must be taken to avoid weakening the quality supports they provide, and to ensure that there is sufficient capacity to support the implementation of new policy initiatives such as *Síolta*, *Aistear* and the forthcoming Workforce Development Plan.

<sup>1</sup> National Economic and Social Council (2009) *Well-being Matters: a Social Report for Ireland*, Dublin: NESCC, vol.1, p.160.

<sup>2</sup> National Competitiveness Council (2009) *Statement on Education and Training*, Dublin: Forfás, pp.19-20.

<sup>3</sup> *Report of the Special Group on Public Service Numbers and Expenditure Programmes* (2009) Dublin: Stationery Office.

<sup>4</sup> For a more detailed summary of these issues, see Start Strong (2009) *Why Early Care and Education?* Dublin: Start Strong.

<sup>5</sup> National Economic and Social Council (2009) *Well-being Matters: a Social Report for Ireland*, Dublin: NESCC, vol.2, p.34.

<sup>6</sup> A series of changes to the Early Childcare Supplement were announced in October 2008, February 2009 and April 2009, which will end in its full removal in December 2009.

<sup>7</sup> Start Strong / ICPN (2009) *Budget Analysis, Supplementary Budget, April 2009*, Dublin: Start Strong.

<sup>8</sup> OECD (2007). *Benefits and Wages 2007: OECD Indicators*. Paris: OECD, pp.129-130.

<sup>9</sup> The Free Pre-School Year will reduce costs to parents for a single year immediately before school entry (for children aged between 3 years 3 months and 4 years 6 months on the 1<sup>st</sup> September each year), but it will only provide between 11¼ and 15 free hours per week, and it will provide no financial assistance for the care and education of younger children.

<sup>10</sup> Central Statistics Office (2009) *Consumer Price Index, Detailed Sub-Indices Release, September 2009*, p.12

<sup>11</sup> Central Statistics Office (2008) *Survey on Income and Living Conditions (SILC) in Ireland 2007*, Dublin: Stationery Office.

<sup>12</sup> Central Statistics Office (2009) *Quarterly National Household Survey, Special Module on Childcare, 2007*, Dublin: Stationery Office.

<sup>13</sup> Office of the Minister for Children (2007) *The Agenda for Children's Services: A Policy Handbook*, Dublin: Stationery Office.

