Start Strong
Pre-Budget Submission 2015
July 2014

Start Strong welcomes the opportunity to make a Pre-Budget Submission to the Government in relation to Budget 2015. Start Strong is a coalition of organisations and individuals seeking to advance high quality early care and education for young children in Ireland. Our advocacy is built on evidence of the benefits this brings for children, for society, and for the economy.

As we face yet another austerity Budget, the cost of early care and education is a large burden on many families, especially families with low incomes. For Budget 2015 we propose a series of measures to help public funding achieve a "double dividend": making services more affordable *and* higher quality.

Budget 2015 must also look to the future. Now is the time for the Government to plan for recovery, making a commitment now to increase public investment in early years services and supports over the years ahead, to make possible the implementation of the National Early Years Strategy.

High quality early care and education is good for children, good for society, and good for the economy. Cost-benefit analyses offer a clear economic rationale for public investment in early childhood.

The level of public investment in Ireland is well below the OECD average – Ireland currently invests 0.4% of GDP in early years services, well below the OECD average of 0.7% and a long way from the international quality benchmark of 1%. When the Free Pre-School Year was introduced in 2010, the Government cut €320 million from the early years budget. If that sum were reinvested in early years services, investment would come near the international average. We should accept no less.

Key recommendations

Short-term: For Budget 2015

a) "The Double Dividend": policies to make services more affordable *and* higher quality:
   - Make childcare more affordable through extending subsidised places – not tax credits.
   - Make CCS places available in all areas.
   - Enable families to take up subsidised places at any time of year.
   - Introduce a new 100% subsidy band for families with high identified levels of need.

b) Carry out an audit of the quality of early years services.
c) Make public funding conditional on quality: withdraw funding where standards are not met.
d) Increase resources for the Early Years Inspectorate.
e) Retain the Free Pre-School Year as universal and free.
f) Maintain the rate of Child Benefit at its current level.

Estimated additional cost in 2015 = € 79.9m

Medium-term: As the economy recovers
- Invest in the early years workforce.
- Provide sufficient public funding for high quality provision, including paid non-contact time.
- Increase capitation levels for children and communities with additional needs.
- Introduce a Second Free Pre-School Year when quality improvements are in place.

Longer-term: Over the next 5-10 years
- Increase public investment in early years services from the current 0.4% GDP to achieve the OECD average (0.7% GDP) within 5 years, and the international benchmark of 1% GDP within 10 years.

Short-term: For Budget 2015

a) "The Double Dividend": Policies to make services more affordable *and* higher quality

OECD figures[1] show that the fees paid by a low-income, dual-earner family in Ireland with two young children take up 35% of the family's net income. For a lone-parent family on the average wage, the fees amount to 40% of income. In contrast, average fees across the EU are just 10 – 13% of family income. A new report published by Eurostat/Eurydice confirms that the fees paid by parents in Ireland for early years services are among the highest in Europe, because of the lack of public subsidy.[2]

The high fees that parents pay amount to a second mortgage for many families. For some, they are prohibitive, preventing children's participation and keeping some parents out of work who would otherwise seek employment, thus raising the level of child poverty. However, any action to make services more affordable must be linked to quality-raising measures, if children are to benefit.

Make childcare more affordable through extending subsidised places – not tax credits

To achieve the "double dividend" of affordability *and* high quality, the Government should extend the existing schemes of subsidised places – rather than introducing tax credits for childcare. International evidence from the OECD[3] shows it is easier to lever quality improvements when public funding is channelled directly to services to subsidise the cost of places 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.

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 and would do nothing to improve quality in services.

There is a simple alternative. The approach we propose puts children's interest first – and is in line with OECD recommendations on improving quality at the same time as affordability. We recommend the Government extend the current supply-side approach, through reforming and extending existing funding schemes (CCS, CETS and the Free Pre-School Year), while making funding conditional on quality. We present detailed recommendations in *The Double Dividend*, our recent submission to the Minister for Children and Youth Affairs on the review of funding schemes for early years services.[4] Our key recommendations for Budget 2015 are:

- ***Make CCS places available in all areas***

  Estimated cost: € 50m, of which a proportion would be recouped through higher tax revenue resulting from increased labour market participation.

Outside the Free Pre-School Year, the main subsidy for early years services is the Community Childcare Subvention (CCS). However, many families who should be eligible for CCS-subsidised places cannot access them.

Firstly, the CCS is only available in community-based services, and not even in all of those. While community services are concentrated in disadvantaged communities, many areas have no service in the scheme, and many disadvantaged families do not live in disadvantaged communities. A clear policy solution is to extend CCS to all areas, through making it also available in privately run services. 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 as giving Government greater steering control over the quality of services. It also has the benefit of continuity with existing policy: the CCS is already in place, and there are good precedents for making subsidised places available in both private and community services, as already happens in both the Free Pre-School Year and CETS.[5]

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[1] OECD (2014) *OECD Family Database.*

[2] Eurostat/Eurydice (2014) *Key Data on Early Childhood Education and Care in Europe.*

[3] OECD (2006) *Starting Strong II: Early Childhood Education and Care*, Paris: OECD, p.114-6.

[4] Start Strong (2014) *The Double Dividend: Childcare that's Affordable and High Quality, Submission on Review of Funding Schemes for Early Care and Education*, June 2014. Dublin: Start Strong.

[5] The Childcare Employment and Training Support scheme (CETS) provides subsidised places where the main carer of a child is on an eligible training course 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.

Secondly, neither CCS nor CETS are open to childminders.[6] This limits access, particularly in more rural areas where the population cannot support centre-based services. It also prevents some families from choosing home-based settings for the care of their children, which is the preference for many families in Ireland, particularly for children under the age of 3. We therefore recommend extension of both CCS and CETS to childminders who meet quality standards. In doing so, it will be important that childminders who join the public funding schemes meet quality standards equivalent to those required of centre-based services.

- ***Enable families to take up subsidised places at any time of year***
  Estimated additional cost: € 10m

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 early care and education for families in crisis situations, or for families needing early care and education to participate in short-term courses.

As a consequence of the annual basis of CCS funding, and the lack of short-term support, many families who in principle should be eligible to benefit from CCS places cannot access places. We therefore call on the Government to revise administrative procedures so that families can take up – and leave – subsidised places at any time of year, as their needs change.

- ***Introduce a new 100% subsidy band for families with high levels of need***
  Estimated additional cost: € 18m

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 – 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.

To support families with very low income levels and/or an identified need for a high level of support (whether temporary to cope with a crisis situation, or longer-term 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 should be on the basis of referral from a range of sources (e.g. GPs, Public Health Nurses, Social Workers).

b) Carry out an audit of the quality of early years services
Estimated additional cost: € .4m

The Government should carry out an audit of the quality of early care and education services immediately – as recommended by the Expert Advisory Group on the National Early Years Strategy.[7] This should involve assessment of quality in a representative sample of services, using internationally recognised tools for measuring quality. The audit should inform Government priorities for quality-raising measures, and also provide a baseline for assessing the impact of the National Early Years Strategy.

c) Make public funding conditional on quality: withdraw funding where standards are not met

The Prime Time investigations in 2013 and 2014 highlighted examples of poor practice in services that have received significant public funding, including through the Free Pre-School Year. The Government must make more use of the lever provided by public funding to influence the quality of services provided

[6] '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.
[7] DCYA (2013) *Right from the Start: Report of the Expert Advisory Group on the National Early Years Strategy*, p.19.

by independent operators (whether private or community sector). It should be a powerful lever, as many services are financially reliant on public funds, especially the Free Pre-School Year.

Sanctions for low quality services should include not just bigger fines or de-registration, but also a mechanism to withdraw public funding. While the contract for participation in the Free Pre-School Year already refers to the need for a 'satisfactory level of compliance' with the Regulations, mechanisms must be developed and used to ensure that low quality standards result in the withdrawal of public funding unless standards are raised within a given time-frame.

d) Increase resources for the Early Years Inspectorate

Estimated additional cost = € 1.5m

A major feature of the Prime Time investigation in 2013 was evidence of widespread breaches of regulations, lack of follow-through, and the limited range of questions addressed by the inspection system. The Prime Time follow-up programme in June 2014 highlighted continuing gaps in the coverage of the Early Years Inspectorate, in spite of a recruitment process in late 2013 / early 2014.

In addition, there continues to be a major problem in the nature of the inspections and the types of inspectors recruited. Most of the Pre-School Regulations are concerned with 'structural' dimensions of quality, such as adult-child ratios, and health and safety requirements. There is much less focus on the quality of interactions between adults and children. Linked to this, those who carry out inspections are Public Health Nurses and Environmental Health Officers. They are not required to be trained or qualified in early childhood care and education.

Budget 2015 should provide additional resources to recruit more inspectors, to provide full national coverage. Inspectors should be trained and qualified in early childhood care and education.

e) Retain the Free Pre-School Year as universal and free

We welcome the Government's continued support for the Free Pre-School Year, which was a milestone in the development of Ireland's system of early care and education. It must remain universal as the research evidence shows that high quality early care and education benefits *all* children from the age of 2-3 onwards.[8] 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.[9]

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 (see below).

f) Maintain the rate of Child Benefit at its current level

As the End Child Poverty Coalition (of which Start Strong is a member[10]) has argued in its *Pre-Budget Submission 2015*, the austerity measures taken in recent Budgets have exacerbated poverty levels, with the rate of consistent poverty among children rising from 6.3% in 2008 to 9.9% in 2012.[11] Austerity measures have included a series of cuts to Child Benefit that have put additional pressures on families whose incomes are already stretched as a result of the recession. Child Benefit has been cut from a peak of €166 - € 203 per month per child to the current rates of € 130 - € 140. As a result, more families are struggling to make ends meet, and more children are growing up in poverty. We urge the Government to maintain the rate of Child Benefit at its current level in Budget 2015.

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[8] 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.

[9] P. Sammons (2010) op. cit., p.105.

[10] The members of the End Child Poverty Coalition are: Barnardos, the Children's Rights Alliance, Focus Ireland, the National Youth Council of Ireland, OPEN, Pavee Point, the Society of St. Vincent de Paul, and Start Strong.

[11] http://endchildpoverty.ie/publications/documents/ECPC-PBS2015_0614.pdf

Medium-term: As the economy recovers

a) Invest in the early years workforce

- A significant increase in investment will be needed to achieve a graduate-led workforce in early years services, with mentoring supports that reach all services:
  - The European CoRe report set a benchmark that 60% of the early years workforce should be graduates. In Ireland the proportion is currently 12%.[12] Minimum qualifications are coming in by September 2015, but only at Level 5, which is low by international standards.
  - A National Quality Support Service is being established in 2014 to provide mentoring for early years services. Its establishment is welcome, but with only 30 mentors for 4,500 services, mentors either will have unmanageable caseloads, or will have to work with only a small proportion of services. Either way, their impact is likely to be small.
- The additional investment needed for workforce training could be partially covered by EU Structural Funds, as Start Strong argued in our recent submission to the Department of Public Expenditure and Reform on the 2014-2020 round of Structural Funds.[13]

b) Provide sufficient public funding for high quality provision

- To enable quality improvements, levels of capitation grant / subsidy should be linked to the cost of delivering quality, and higher payments should go to higher quality services.
- The Government should introduce a transparent funding model to fully compensate salaries, and to provide paid non-contact time for staff.
- A salary scale should be introduced, to help recruit and retain qualified staff.

c) Increase capitation levels for children and communities with additional needs

- Higher capitation should be given to services that operate in disadvantaged communities, as many community services do, drawing on the DEIS model in schools.
- Higher 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.

d) Introduce a Second Free Pre-School Year when quality improvements are in place

- While the raising of quality standards must be the priority, the Free Pre-School Year should be extended to a second, earlier year, so that all children from the age of 2-3 onwards can benefit from early care and education services.

Longer-term: Over the next 5-10 years

There is a compelling economic case for public investment in services and supports for young children.[14] Currently, the level of investment in early care and education in Ireland is well below international standards.

In line with the recommendations of the Expert Advisory Group on the National Early Years Strategy,[15] we call on the Government to increase public investment in early years services incrementally each year, to move from the current level of 0.4% GDP to achieve the OECD average of 0.7% GDP within 5 years, and the international benchmark of 1% GDP within 10 years.

Start Strong

Start Strong is a coalition of organisations and individuals seeking to advance children's early care and education in Ireland. Start Strong is supported by the Katharine Howard Foundation, the Community Foundation for Ireland, and The Atlantic Philanthropies. policy@startstrong.ie www.startstrong.ie

[12] Pobal (2013) *Annual Survey of the Early Years Sector, 2012*. Dublin: Pobal.
[13] http://www.startstrong.ie/files/Start_Strong_submission_to_DPER_on_Partnership_Agreement_with_E.pdf
[14] Department of Children and Youth Affairs (2014) *Better Outcomes, Brighter Futures: The National Policy Framework for Children and Young People 2014-2020*, p.15.
[15] DCYA (2013) *Right from the Start: Report of the Expert Advisory Group on the National Early Years Strategy*, p.5.