



Start Strong

Submission to the Review of Child Income Supports

March 2010

Start Strong welcomes the opportunity to make a submission to the review of child income support policies and programmes, being led by the Department of Social and Family Affairs. The review's terms of reference indicate that the review will include an examination both of the objectives of child income supports, and of whether those objectives could be achieved more effectively through alternative policies and programmes.

Start Strong works to promote informed policy development and increased investment in young children. We are committed to advancing high quality care and education as a right for all young children in Ireland. Our advocacy is built on clear evidence of the benefits this brings for children, for the economy and for society.¹ Start Strong was formally launched in November 2009 by the Minister for Children and Youth Affairs.

Start Strong believes that:

1. The overall level of investment in child income supports should not be reduced as a short-term, cost-saving measure.
2. The review of child income supports should be broad in scope, given the multiple objectives of such supports.
3. The review of child income supports should form part of a wider debate around the need for a full range of supports for children and their families – a debate that would encompass services for children and families.

1. Investment in children is a priority

Child income supports are an investment in children by the Government, involving recognition of the value that our society places on children. In particular, the fact that Child Benefit is a universal payment reflects the value of all children. Child income supports

also involve recognition of the additional costs that children bring to families. For young children, these costs include the cost of early care and education services.

Substantial cuts have already been made to the level of investment in children within the last 12 months, and we believe that no further cuts should be made. The cut to Child Benefit announced in Budget 2010 came on top of the ending of the Early Childcare Supplement in December 2009, which alone led to a net reduction of €310 million per annum in the level of public investment in children.

While the replacement of the Early Childcare Supplement by the Free Pre-School Year was a positive move, which Start Strong welcomed, only 35% of the funding previously allocated to the Early Childcare Supplement (€170 million out of €480 million) was reinvested in the Free Pre-School Year.² The opportunity was not taken to reinvest the remainder of the savings in other supports for children and families.

2. The review should be broad in scope

Child income supports serve multiple, diverse objectives, and we therefore believe that the current review of child income supports should be broad in scope. In its 2007 research paper on child income supports,³ the National Economic and Social Council (NESC) notes that three distinct objectives have been used to justify Child Benefit, which accounts for approximately 80% of child income support in Ireland:

1. Reducing poverty in a way that minimises employment disincentives.
2. Supporting working parents with the cost of childcare.
3. Recognising the value of women's work caring for children in the home.

For example, in the December 2000 Budget speech which introduced the first of a series of major increases in Child Benefit, Charlie McCreevy TD stated that,



*'The House will be well aware of the great diversity of views that are held in relation to addressing the childcare issue. The Government's core objective is to provide support which will offer real choice to parents and will benefit all our children. This we can do through Child Benefit... This unprecedented increase will help all parents with the costs of caring for their children and will represent a major move towards achieving the goal of ending child poverty in this country.'*⁴

In this regard, it is important that child income supports should not be seen in isolation, as other policy areas are also relevant to the objectives listed above. This point was stressed in the reviews of child income supports carried out by both the ESRI and NESC. The ESRI argued that child income supports should be seen in a broader context of income supports for adults (e.g. social welfare payments) and welfare state expenditure.⁵ NESC argued that child income supports should be examined alongside services for children.⁶

3. Services matter too

NESC has argued that Ireland's 'developmental welfare state' comprises three overlapping areas of activity: income supports, services, and activist/innovative measures. While arguing that all three spheres are essential and interconnected, NESC pointed to the 'radical development of services as the single most important route to improving social protection'.⁷

The provision of services for children and families in Ireland – especially care and education services for young children – is limited by international standards. According to the OECD Family Database, Ireland's spending on services for families (which includes direct subsidies for childcare and early education facilities, for family services, and for home help services for families in need) is among the lowest in the OECD, at 0.27% of GDP, compared to an OECD average of 0.82%.⁸

In relation to young children, Start Strong believes that a significant increase in public investment in care and education services could have a significant impact both on the objective of 'reducing poverty in a way that minimises employment disincentives' (3.1

below) and on the objective of 'supporting parents with the cost of childcare' (3.2). (Start Strong believes the objective of making such services affordable should relate to *all* parents, not just working parents, as the evidence shows that all children benefit from quality care and education in early childhood.⁹)

3.1 Combating poverty

Affordable, quality care and education services for young children make a major contribution to the objective of reducing poverty, both because of their benefits for children's development and because their absence constitutes a major barrier to employment for parents, especially lone parents.

International research suggests that quality care and education for young children can be one of the most effective means of prevention and early intervention, helping children to break the inter-generational cycle of social exclusion and poverty. In this regard, 'services for children' should be seen as including not only early care and education services outside the home, but also supports for families, given the evidence that the home learning environment is one of the most important factors in determining children's development.¹⁰

Furthermore, where early care and education services are not adequately subsidised, their cost is a significant disincentive to work for families with young children, which contributes to maintaining families in poverty. The cost of such services in Ireland is one of the central reasons for the high child poverty rate – 6.3% of children lived in 'consistent poverty' in 2008, compared to 3.9% of adults of working age.¹¹

3.2 Supporting families with the cost of early care and education services

According to the CSO, 60% of households in Ireland say they do not have access to high quality, affordable childcare in their community.¹² Quality care and education services remain unaffordable for many families with young children.

The cost of childcare in Ireland is among the highest in the EU and OECD. Typical costs in Ireland amount to 35% of the net income of a dual-earner family with two young children where each parent earns two-thirds of the average wage, and more than 50% of the net

income of a lone parent who earns two-thirds of the average wage.¹³

The Early Childcare Supplement, introduced in 2006, was a failed attempt to support families with the cost of early care and education services. Its replacement by the Free Pre-School Year was a positive step, which Start Strong welcomed. However, the overall impact of the Free Pre-School Year on affordability was limited.

Because the Free Pre-School Year only provides support for one year immediately before school entry, and only gives a capitation grant of up to €75 for a maximum of 15 free hours per week – and in many cases for only 38 weeks per year – it only goes a modest way to meeting the level of support that is needed for families with young children:

- a) Young children's need for quality care and education starts long before the age of 3 or 4, which is when they become eligible for the Free Pre-School Year.
- b) Many children need full-time care outside the home (not just 15 hours per week) and need it 48 weeks or more per year.
- c) The evidence shows that care and education services only benefit young children where they are of sufficient quality, and international evidence shows that quality in young children's care and education depends on sufficient funding to support the training and remuneration of a graduate-led workforce.

Further public investment in care and education services for young children is essential if we are to provide effective help for families with the cost of early care and education services.

Conclusion: Need for a wider debate

While in the short-term the policy priority must be maintaining public investment in children, we believe that child income supports should form part of a wider debate around the need for a full range of supports for children and their families.

We believe this wider debate is relevant to the current review of child income supports, but Start Strong also believes it must form part of a discussion about the shape of a National Plan

for Early Childhood (which we are calling *Children 2020*), for which there is a pressing need.

As part of Start Strong's efforts to stimulate a national debate on the need for – and content of – a National Plan for Early Childhood, we will be carrying out a consultation process during spring and summer 2010 with a wide range of stakeholders. We intend to present the results of the consultation process later in the year.

¹ Start Strong (2009) *Why Early Care and Education?* Dublin: Start Strong.

² Expenditure on the Early Childcare Supplement in 2008 was €480 million. In 2010, €170 million has been allocated to the Free Pre-School Year.

³ NESCC (2007) *Ireland's Child Income Supports: the Case for a New Form of Targeting*, Dublin: NESCC, p.49.

⁴ <http://historical-debates.oireachtas.ie/D/0527/D.0527.200012060019.html>, accessed 12 March 2010.

⁵ ESRI (2006) 'Child Poverty and Child Income Supports: Ireland in Comparative Perspective', in *Budget Perspectives 2007*, Dublin: ESRI, pp.27-29.

⁶ '[T]he route to essential services for children's development cannot be via higher household incomes, as though the norm were that families have access to quality services for their children only when they are in a position to pay for them. If anything, the perspective should be that the route to higher household incomes is via access by all children to services of the range and quality they need. This perspective is particularly important with respect to the speed and success with which Ireland develops its infrastructure of child care.' NESCC (2007) *Ireland's Child Income Supports: the Case for a New Form of Targeting*, Dublin: NESCC, p.12.

⁷ NESCC (2005) *The Developmental Welfare State*, Dublin: NESCC, p.xix.

⁸ www.oecd.org/els/social/family/database, Table PF1.1, accessed 2 March 2010.

⁹ Kathy Sylva *et al.* (2008) *EPPE 3-11: Final Report from the Primary Phase*, London: Institute of Education.

¹⁰ *Ibid.*

¹¹ CSO (2009) *Survey on Income and Living Conditions (SILC) 2008*, Dublin: Stationery Office, p.78.

¹² CSO (2009) *Quarterly National Household Survey: Childcare, Quarter 4, 2007*, Dublin: CSO.

¹³ OECD (2007) *Benefits and Wages 2007: OECD Indicators*, Paris: OECD, pp.129-130.