



# Start Strong submission to the Comprehensive Review of Expenditure July 2011

## Overview

We welcome the opportunity to make a submission to the Government in relation to the Comprehensive Review of Expenditure.

The Minister for Public Expenditure and Reform has stated that the Comprehensive Review of Expenditure aims to examine not just how the Government can spend less, but how it can do more within the limited resources available, and how it can achieve its objectives differently – “by working smarter”.<sup>1</sup>

If the Government is to fulfil these aims, we believe it must put prevention and early intervention at the heart of its reform agenda.

**A large and growing body of research has demonstrated that prevention and early intervention approaches are both more effective and more cost-effective than remedial interventions in relation to a wide range of social problems.**

Where children’s social, behavioural and educational difficulties are not addressed at an early age, the negative consequences result in higher levels of public expenditure in many areas – in the criminal justice system, in health-care, in remedial education.

We urge the Government to use the Comprehensive Review of Expenditure to refocus public spending towards prevention and early intervention. Prevention and early intervention approaches cut across expenditure decisions in many Government departments. They involve “working smarter”, achieving policy objectives in new ways, and doing much more with limited resources.

## Key principles

We believe the following principles should apply at two levels: at a cross-Departmental level; and within those Departments which impact directly on children, in particular the Departments of Children and Youth Affairs, Health, and Education and Skills.

Firstly, **prevention and early intervention approaches are more effective and more**

**cost-effective than remedial interventions.**

This is particularly true of interventions in very early childhood, given what we now know about brain development in children’s earliest years.<sup>2</sup> Investing in high quality services and supports for children in their early years can save public funds many times over in areas such as the criminal justice system, public health-care, and remedial education.

Secondly, **services that form part of effective prevention and early intervention strategies should be delivered on what the OECD terms a “cascading” model.**<sup>3</sup> That implies a base of universal services, allowing effective access and referral routes to more intensive, targeted supports for those children and families with additional needs. The delivery of high quality services on a universal basis to all young children provides a non-stigmatising prevention mechanism, averting the need for additional supports for many children and families. Universal services also provide an effective means of identifying children with additional needs who require more intensive supports, helping to ensure effective targeting. This model of cascading services is reflected in the *Agenda for Children’s Services*.<sup>4</sup>

## Why refocus towards prevention and early intervention?

Cost-benefit analyses of early childhood interventions in the US have found returns of up to \$16 for every dollar invested.<sup>5</sup> While there are differences between the US and Ireland in the social context and in the services and supports provided, recent research in England and Northern Ireland points to significant, widespread benefits from investment in early childhood services.<sup>6</sup>

Our call for refocusing priorities fits well the Government’s approach to health policy. At the recent Public Health Conference, the Minister for Health, Dr James Reilly TD, stated that “one of the key principles of this Government’s health policy” is to “treat everything at the lowest possible level of complexity. That allows for a strong focus on prevention”.<sup>7</sup>

Our call for preventative spending also reflects



a growing consensus among economists and is backed up an increasing number of inquiries into the effective use of public finances:

- In July 2011, Graham Allen MP published the 2<sup>nd</sup> report from his independent Review of Early Intervention, commissioned by the UK Government. Graham Allen advocated early intervention strategies, to achieve “massive savings in public expenditure”. He pointed specifically at the relevance to Comprehensive Spending Reviews:

*“I recommend that government, when planning the next Comprehensive Spending Review, should consider making Early Intervention its theme, and that work undertaken by a Treasury-led team should signal a decisive rebalancing of central government spending from late intervention to investing in Early Intervention. I believe that steady and incremental migration of funding – I would propose by 1% – per annum would signal government’s commitment to do this.”<sup>8</sup>*

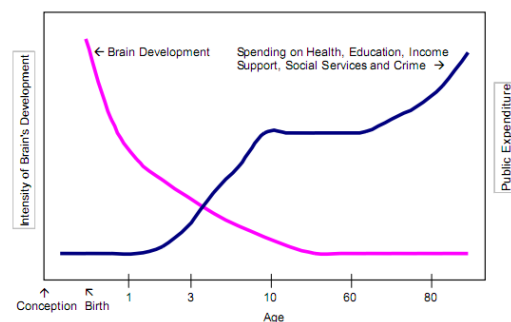
- In January 2011, the Scottish Parliament’s Finance Committee issued a report at the end of a major inquiry into preventative spending. The committee concluded that:

*“Early intervention ... can significantly help to prevent or reduce the likelihood of children developing future social problems that may otherwise have necessitated an intervention by the state. The approach has the potential to save relevant public bodies significant sums of money as the number of interventions that they have to provide is thereby significantly reduced.”<sup>9</sup>*

- Also in January 2011, the Northern Ireland Assembly commissioned a research review of preventative spending, which concluded:

*“A body of evidence as presented in this paper suggests that our current allocation of resources into expensive short term treatments when there are cost-effective long-term solutions is dynamically inefficient. This evidence also outlines that preventative spending programmes when targeted at the early years age group are some of the most effective in delivering long-term savings.”<sup>10</sup>*

The review reproduced a graph prepared by Professor Melhuish of the University of London, showing the mismatch between the age at which Governments spend most money on children and the age at which children’s brains develop the fastest:

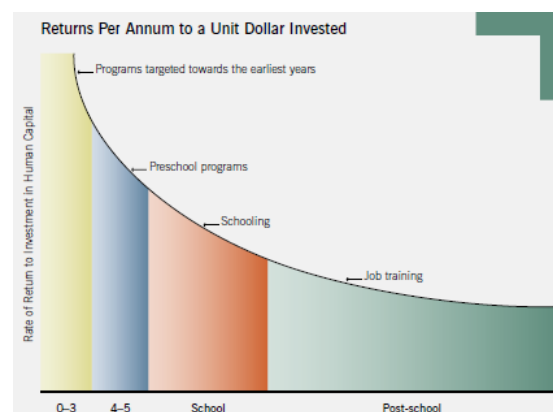


Source: Northern Ireland Assembly (2011) Research Paper: Preventative Spending, p.14

- The Nobel prize-winning economist Professor James Heckman summarised the findings of international research on human capital as follows:

*“The economic return to early intervention is high. The return to later intervention is lower. The reason for this relationship is the technology of skill formation. Skill begets skill and early skill makes later skill acquisition easier. Remedial programs in the adolescent and young adult years are much more costly in producing the same level of skill attainment in adulthood.”<sup>11</sup>*

The following chart summarises Professor Heckman’s research, showing the rate of return to investment in educational and developmental resources to be much higher for children aged 0-5 than at a later stage:



Source: [www.heckmanequation.org/content/resource/heckman-equation-brochure](http://www.heckmanequation.org/content/resource/heckman-equation-brochure)

- The OECD’s 2010 report *Doing Better for Children* argued that public spending on services for children should be front-loaded on children’s early years (0-5):

*“Countries should invest more resources early when outcomes are more malleable and foundations for future success are laid. If well designed, universal interventions concentrated*



*early in the life cycle can enhance both social efficiency and social equity. All children may be aided, but benefits may be greater for those who are most disadvantaged in the first place. Concentrating investment early means that it is also most likely to be effective in breaking the dependence of children's outcomes on those of their parents – inter-generational inequality.”<sup>12</sup>*

- At the May 2011 meeting of Education Ministers, the EU Council of Ministers called on Member States to invest in children's early care and education “as a long-term growth-enhancing measure”:

*“If solid foundations are laid during a child's formative years, later learning becomes more effective and more likely to continue throughout life, increasing the equity of educational outcomes and lowering the costs for society in terms of lost talent and public spending on welfare, health and even justice... [I]nvesting efficiently in quality early years education is much more effective than intervening later and brings considerable returns throughout the lifecycle, particularly for the disadvantaged.”<sup>13</sup>*

### **Implications for public expenditure priorities in Ireland**

Refocusing priorities towards prevention and early intervention has major implications for public expenditure in Ireland:

- It implies shifting the focus of public expenditure, e.g. away from the imprisonment and treatment of offenders towards strategies that reduce the likelihood of criminal activity in the first place, such as early childhood interventions.<sup>14</sup>
- It implies a re-think of traditional spending priorities. For example, pre-school has always been the least resourced stage of the education system, but what happens later in the education system is dependent on what happens at this first stage. This was recognised in the 2010 Oireachtas Committee report on early school leaving, which concluded: “*Solutions to the problem of early school leaving and associated issues should prioritise a preventative approach that begins early in the child's life and will often involve his or her family.*”<sup>15</sup>

Without doubt, refocusing spending towards prevention and early intervention will require the Government to make difficult decisions. We believe, however, that the Comprehensive

Review of Expenditure provides the ideal opportunity for the Government to push forward this radical shift in priorities.

Of course, the returns to investment in prevention and early intervention strategies take time. Public investment now in quality services and supports for young children will transform the life-chances of those children as they grow older and become adults. But expenditure in those areas will not fall in the short-term. It is because the benefits of prevention and early intervention last a lifetime that much of the return to this investment is not realised for some years.<sup>16</sup>

For this reason, in the current Budgetary climate, when the Government is seeking ways to make immediate cuts in public spending, there may be limited appetite for additional investment in early childhood, even if we know it will lead to significant savings in public expenditure in the medium to long-term. Nevertheless, the case for prevention and early intervention remains convincing and relevant.

At the very least, **for the upcoming Budget:**

- The Government should maintain current levels of public expenditure on prevention and early intervention approaches, particularly on services and supports for young children. In looking for ways to reduce current spending, the Government must avoid cuts that would lead to a long-term *increase* in public spending, as would surely happen if the Government were to cut spending on prevention and early intervention services and supports.

For example, it is essential that the Government maintains its commitment to the Free Pre-School Year and continues to provide it free to all parents, to maintain the very high take-up rate and ensure that it is an effective prevention policy.<sup>17</sup> Similarly, in the health sector, the work of Public Health Nurses with mothers and young children must be prioritised, as part of the new Government's strategy of health promotion and primary health-care.

- The Government should avoid new investment in areas of expenditure – such as the Thornton Hall prison – that could be averted by more cost-effective investments in prevention and early intervention.

**In the medium-term**, as resources permit, the Government should seek opportunities to



make strategic additional investments in prevention and early intervention approaches. To ensure this refocusing of public spending is well-planned and effective, the Government should move now to begin developing a strategy on prevention and early intervention expenditure.

The newly established Department of Children and Youth Affairs is well-positioned to play a pivotal role in guiding the Government towards prevention and early intervention approaches.

In announcing the formation of the new Department, the Minister stated that prevention and early intervention will be one of the “core principles” underpinning the new Department, and that the Department’s work will include driving coordinated action across sectors, including health and education.<sup>18</sup> Start Strong urges the Minister for Children and Youth Affairs to act on these principles by making early years interventions a central feature of her Department’s contribution to the reform of public services.

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<sup>1</sup> Speech by Minister for Public Expenditure and Reform, Mr Brendan Howlin TD, to the Leinster Society of Chartered Accountants, 25 May 2011, <http://per.gov.ie/2011/05/25/speech-by-minister-for-public-expenditure-and-reform-at-the-leinster-society-of-chartered-accountants-annual-lunch/>

<sup>2</sup> “[T]he maximal capacity of the immature brain to grow and change means that the early childhood years offer the ideal time to provide experiences that shape healthy brain circuits.” Harvard University, Center on the Developing Child (2007) *A Science-Based Framework for Early Childhood Policy: Using Evidence to Improve Outcomes in Learning, Behaviour, and Health for Vulnerable Children*, p.6.

<sup>3</sup> The 2011 OECD report, *Doing Better for Families* (p.60), argues that “cascading” is one of “the three Cs of efficient service delivery” (along with co-operation and co-location): “Cascaded services are services that are delivered in the first instance as universal, and then focused on families in need at later stages. In the case of pre-natal checks during pregnancy for example, all mothers can benefit from health checks with mid-wives or obstetricians... However, some mothers may require additional treatment because of complications during pregnancy or risks related to do with under-nutrition and/or health behaviours. The first universal stage is efficient insofar as it provides the standard intervention whilst screening for risks that benefit from early intervention.”

<sup>4</sup> Office of the Minister for Children (2007) *The Agenda for Children’s Services: A Policy Handbook*, p.23.

<sup>5</sup> Lynn Karoly et al. (2005) *Early Childhood Interventions: Proven Results, Future Promise*, Santa Monica, CA: RAND Corporation.

<sup>6</sup> The EPPE (Effective Pre-school and Primary Education) project has been tracking the

development of 2,800 three year olds in England since 1997 (Kathy Sylva et al., 2008, *EPPE 3-11: Final Report from the Primary Phase*, London: Institute of Education). The EPPNI project is a linked study of 800 children in Northern Ireland (Edward Melhuish et al., 2006, *EPPNI Summary Report*, Bangor, Co. Down: Department of Education, Northern Ireland).

<sup>7</sup> Address by Dr James Reilly, Minister for Health at Public Health Conference, Royal College of Physicians, June 13th 2011. <http://healthupdate.gov.ie/minister-james-reilly/speech-by-dr-james-reilly-minister-for-health-at-public-health-conference.html>

<sup>8</sup> Graham Allen MP (2011) *Early Intervention: Smart Investment, Massive Savings*. London: HM Government, p.xix.

<sup>9</sup> Scottish Parliament Finance Committee (2011) *Report on Preventative Spending*, SP Paper 555.

<sup>10</sup> Northern Ireland Assembly (2011) *Research Paper: Preventative Spending*, p.26.

<sup>11</sup> James Heckman (2006) *The Economics of Investing in Children*, Dublin: UCD Geary Institute, Policy Briefing No.1.

<sup>12</sup> OECD (2010) *Doing Better for Children*, Paris: OECD, p.16.

<sup>13</sup> Council of the European Union (2011) *Council conclusions on early childhood education and care: providing all our children with the best start for the world of tomorrow*. 3090th EDUCATION, YOUTH, CULTURE and SPORT Council meeting, Brussels, 19 and 20 May 2011.

<sup>14</sup> Candy Murphy (2010) *From Justice to Welfare: The Case for Investment in Prevention and Early Intervention*, Dublin: Irish Penal Reform Trust, Barnardos and the Irish Association of Young People in Care.

<sup>15</sup> Houses of the Oireachtas, Joint Committee on Education and Skills (2010) *Staying in Education: A New Way Forward – School and Out-of-School Factors Protecting Against Early School Leaving*, p.256. According to the report: “The research has shown conclusively that early, quality intervention is the most effective in reducing early school leaving and other undesirable outcomes such as poor literacy levels and crime.” p.138

<sup>16</sup> Given the large economic returns, and the timescale involved in achieving them, a recent UK report called for additional investment in early childhood services to be funded through annual bond issues with 10-year maturities. Action for Children and the New Economics Foundation (2009) *Backing the Future: Why Investing in Children is Good for us All*.

<sup>17</sup> In only its second year of operation, the take-up rate of the Free Pre-School Year is already 94%, which is very high by international standards, especially for a non-compulsory scheme.

<sup>18</sup> Department of Children and Youth Affairs (2011), press release, 3 June 2011. See also <http://www.dcyv.gov.ie/viewdoc.asp?fn=%2Fdocuments%2FAboutus%2FIntro.htm>.

