



Ireland finally addresses the costs of childcare

ESPN Flash Report 2017/33

MARY DALY – EUROPEAN SOCIAL POLICY NETWORK

MAY 2017

In a context of persistent undersupply of childcare, high costs and deep sensitivity around not undermining childcare by stay-at-home mothers, a new system of streamlining the funding for out-of-home childcare – the Affordable Childcare Scheme – will be introduced in September 2017.

Description

Early Childhood Education and Care (ECEC) provision is an ongoing challenge in Ireland. Supply is low, costs are high and parents generally have to piece together a set of arrangements that is the best possible for them under the circumstances but is often far from optimal. Policy has been trying to adapt to this challenging situation. A significant measure adopted earlier this year is the planned introduction of a single Affordable Childcare Scheme which consists of universal and targeted subsidies to parents and providers from September 2017. The universal part of the subsidy will be paid for all children between the ages of 6 months and 3 years (when the free pre-school year begins) irrespective of income or work status of the parents. The targeted subsidy will be paid for children up to the age of 15 years but qualification and amount for this part are income dependent. The subsidies are channelled through providers and are designed to meet families' full-time ECEC needs, including outside of school hours and during school holiday time. No minimum number of hours for participation in ECEC by the child is set – in fact the subsidy is fixed on an assumption of 40 hours childcare a week – and the subsidy will be paid also to stay-at-home parents.

The scheme will be open to all childcare providers who are registered with the national child and family agency (Tusla) initially, including both centre-based

childcare providers (e.g., crèches, preschools and day-care centres) and child-minders. Hence it has incentives for registration and regularisation (a large proportion of childcare providers in Ireland are child-minders, often sole operators).

Outlook & commentary

ECEC is a complex domain of policy, especially for a country like Ireland which does not have a legacy or tradition of widespread state provision or support for it. The new scheme is a very significant measure by any account. The expected number of children benefiting in 2017 is estimated at 79,000 (some 25,000 of whom will benefit from the universal subsidy). When this is put together with the policy reform in 2016 which extended the free pre-school year, some 140,000 additional children will be included in ECEC from September next.

In terms of spending and investment in the sector, the measure is very significant also. According to the government Budget 2017 saw an increase in spending on ECEC of €121 million, an increase of 35%. However this claim is contested. Early Childhood Ireland (2016a) point out that some of this money will be required to meet the costs of some changes introduced last year and that the "new" money as such is some €35.5 million (or an increase of 10.3%).

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In terms of managing the sensitivity around not penalising stay-at-home parents, the subsidy is to be open to parents who do not need childcare for work or study reasons - a targeted subsidy for up to 15 hours of childcare per week is to be available.

As it is designed the new scheme is intended to encourage labour market activation, through shifting the focus which has existed historically on linking childcare subsidisation to eligibility for social welfare benefits and medical card entitlement to income.

In terms of affordability – if not the core issue in Ireland – one could argue that it is relatively generous. It is certainly the case that low-income families are targeted (hence the measure contributes to addressing child poverty and social exclusion). For parents with one child for example, the net income threshold for the maximum means-tested subsidy is €22,700 per annum (with an upper income cut-off of €47,500 set for any eligibility - the income thresholds increase where there is more than one eligible child in a household). The maximum subsidy per hour ranges from €5.38 for a baby under 12 months to €3.96 for a school age child. The maximum subsidy under the universal part however is much smaller - at €80 a month per child.

Another strength is that the scheme will replace a plethora of existing targeted measures which are inadequate and fragmented.

It is not so clear whether the scheme will significantly address other problems with childcare and ECEC though. One matter is that of availability and supply. There is a gap between demand and supply – and also a mismatch - with parents reporting that they cannot access childcare and fewer than 31% of providers reporting their services to be full or at complement (Interdepartmental Working Group 2015: 59). Worries have been expressed about capacity in the

sector (as the expansion of the free year means an extra 60,000 children into the system (almost doubling the current numbers). Early Childhood Ireland (2016b) point out the need for a capacity plan for the sector which it sees as in the midst of a sustainability crisis with the majority of services operating on a breakeven basis. In their view the level of the new subsidy will not allow sustainability or pay and conditions for staff to be tackled in a satisfactory way.

A second issue is the cost of ECEC in Ireland. Research undertaken by Indecon consultants (2013) estimated the cost of full-time childcare at €16,500 per annum in 2013 (or €317 a week) for a two-child household. Significant shortfalls will therefore remain as the maximum subsidy that a two-child household would get is €280 a week (falling to €249 if the net household income is below €33,697 and further as income climbs). Parents could still be left with serious shortfalls therefore. And there is no effort to control or regulate fees although the Programme for Government includes a commitment to carrying out an independent review of costs.

A third issue is the matter of quality. While considerable effort has been put into improving quality, monitoring and regulation, qualification levels and training requirements in Ireland are significantly below EU standards (saving the United Kingdom) (Inter-departmental Working Group 2015). Early Education Ireland (2016b) suggest that the country needs an Early Education and Care Workforce and Professionalisation Plan. Furthermore, indicators and information exist only for formal ECEC for the younger cohorts which means that little or nothing is known about the type of care and education received by the far larger numbers of young children in informal care.

Finally, a fourth issue is the actual reach of the measure. It is estimated that only some 30% of children in childcare in Ireland are in centre-based care (the main care targeted by the subsidies). Most children are cared for by private child-minders, only 1% of whom are registered with Tusla. At the moment registration is voluntary (unless four or more children are being cared for).

Further reading

Department of Children and Youth Affairs (2016a), Budget 2017, Q&A on Affordable Childcare Scheme, available at:

<https://www.dcy.gov.ie/documents/earlyyears/20161018Budget2017FAQDoc.pdf>

Early Childhood Ireland (2016a), Budget 2017 Analysis, available at: <https://www.earlychildhoodireland.ie/budget-2017-analysis/>

Early Childhood Ireland (2016b), Doing the Sums The Real Cost of Providing Childcare, <https://www.earlychildhoodireland.ie/wp-content/uploads/2016/09/DoingTheSumsReport.pdf>

Indecon (2013), Supporting Working Families: Releasing a Brake on Economic Growth, Dublin: Indecon.

Inter-departmental Working Group (2015), Future Investment in Childcare in Ireland, Dublin: Department of Children and Youth Affairs, 2015, available at: <http://www.dcy.gov.ie/documents/earlyyears/20150722IDGReportonEarlyYrsInvestmentReport.pdf>

McGinnity, F., Murray, A. and McNally, S. (2013), Mothers' Return to Work and Childcare Choices for Infants in Ireland, Dublin: Department of Children and Youth Affairs.

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