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## Background Note on the National Childcare Scheme

### Overview of the National Childcare Scheme:

The National Childcare Scheme (NCS), previously known as the Affordable Childcare Scheme, is a national Scheme of financial support to help parents with the cost of their childcare. The National Childcare Scheme opened on the 20th November. It is being opened on a phased basis, with the online application system now available and a postal application system available from early 2020. There has been a very high volume of applications since the Scheme opened for online applications. Over 11,200 applications, relating to nearly 16,000 children, have already been successfully submitted.<sup>1</sup>

The Scheme's objectives are to:

- improve outcomes for children,
- reduce poverty,
- facilitate labour activation,
- tangibly reduce the cost of childcare for tens of thousands of families, and
- establish a sustainable platform for investment in the Irish childcare sector for decades to come.

### The Scheme will:

- Streamline the existing targeted childcare schemes to make them more accessible for both parents and childcare service providers,
- Provide a fair and consistent system of progressive financial support towards the cost of childcare, with a particular focus on low income families but also incorporating universal supports, and
- Provide a robust and flexible platform for future investment in childcare in Ireland.

### Who benefits:

- Parents with children under the age of 3 (or over 3 and not yet qualified for the ECCE scheme), using registered childcare, will qualify for a universal subsidy of €1040 per annum ( for full time childcare or part thereof) (Estimated 17,500 children)
- Parents with children under the age of 15, using registered childcare, who have a reckonable income of under €60,000 per annum (similar to NET household income) will qualify for targeted subsidies at the end of October (estimated 70,000 children)
- Many parents availing of current targeted early learning and care and school age childcare schemes will be better off under the new NCS and able to access higher levels of subsidisation. Many others will qualify for financial support for the first time.

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<sup>1</sup> Figures accurate as of 06/12/19

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The Scheme has two types of subsidies:

- A **universal subsidy** is payable for children between the ages of 24 weeks and 36 months (or until the child qualifies for the Early Childhood Care and Education programme if later) who are availing of childcare services from an approved childcare service provider or childminder. The universal subsidy is not means-tested and is available to all qualifying families of any income level.
- An **income-related subsidy** is payable for children from 24 weeks to 15 years of age who are availing of childcare services from an approved childcare service provider or childminder. The level of subsidy payable is determined by the family's reckonable income (i.e. gross income minus tax, PRSI and other deductibles and minus any applicable multiple child discount).

The table below is a helpful guide which shows the hourly subsidy rate payable based on reckonable family income and the age and educational stage of a child. The maximum subsidy rates are payable where the reckonable income is €26,000 per annum or less, and the rates decrease on a sliding scale as reckonable income increases up to the Scheme's maximum threshold of €60,000.

**Table 1: Hourly Rates at Different Income Thresholds**

Reckonable Income (i.e. Net household Income less Multiple Child Deduction)	Rate per hour if your child is 0-1 years old	Rate per hour if your child is 1-3 years old	Rate per hour if your child is over 3 and not yet in school	Rate per hour if your child is School Age
€26,000	€5.10	€4.35	€3.95	€3.75
€27,500	€4.90	€4.18	€3.78	€3.58
€32,500	€4.22	€3.61	€3.19	€3.03
€37,500	€3.54	€3.05	€2.61	€2.48
€42,500	€2.87	€2.48	€2.03	€1.93
€47,500	€2.19	€1.92	€1.45	€1.38
€52,500	€1.51	€1.35	€0.87	€0.83
€57,500	€0.84	€0.78	€0.33	€0.33

A person can apply for the subsidy online or by post (early 2020). When applying for an income-related subsidy, the person can choose to have their income automatically

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assessed through data transfer arrangements with the Revenue Commissioners and the Department of Employment Affairs and Social Protection. This approach will reduce the paperwork for parents and significantly speed up the process of application and award.

In creating a system of progressive financial support towards the cost of childcare, childcare will be made more accessible to families all over Ireland. By providing financial assistance towards the cost of childcare and by moving towards an income-based system for subsidies, the NCS will support employment and labour market participation nationally. As such, it is intended to have a positive impact on gender equality with reference to labour market participation and employment opportunities.

### Hours Subsidised<sup>2</sup>

Where a parent is not engaged in work or study (or qualifying under certain other criteria), they will still be entitled to avail of a standard hours subsidy of 15 hours per week for a child not attending pre-school or school, and for 15 hours per week for school age children in non-term time.

This is in line with its design to support lifelong learning and the return to employment, make work pay and reduce child poverty. It is also designed to have a positive impact on gender equality in relation to labour market participation and employment opportunities.

In line with the above objectives, parents who are working, studying, transitioning in and out of work or study, or who meet certain other specified criteria will qualify for the maximum subsidised hours under the Scheme (40 hours).

### Interaction with ECCE and later educational provision<sup>3</sup>

The maximum hours also vary based on the education stage. The given hours “wrap around” other provisions as described in the table below.

Childs Educational Stage	Term Time Hours	Non-Term Time Hours
Preschool	25	40
Junior to Senior Infants	17	40
1st to 6th Class	12	40
Post Primary School up to 15 years old	10	40

<sup>2</sup> The 15 “standard” hours limit will increase to 20 hours from September 2020 and the 40 “enhanced” hours limit will increase to 45 hours

<sup>3</sup> From September 2020 these hours will be increased by 5 hours.

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If the child is in preschool or school and the standard (15) hours apply, families can only use these hours for non-term time childcare.

In practice what this means is that where a childcare provider is providing both ECCE and NCS subsidised childcare then the provider may be paid for ECCE for 15 hours and up to 25 hours for wrap around.

The example below is not untypical.

*A 3 year old child attends a childcare provider from 9 to 4 every day. The family meet the work/study criteria for enhanced hours. For 38 weeks of the year the child avails of ECCE. Subject to the respective criteria for both schemes, the childcare provider will receive payment for 3 hours of that day in respect of ECCE and for 4 hours per day in respect of NCS. Out of term the provider will be paid a subsidy towards 7 hours per day in respect of NCS.*

This is a departure from the pre-arrangements where (with some small exceptions) children could be not on ECCE and other scheme at the same time. Providers would register the child for the pre-NCS schemes during non-term and de-register them at the end of the non-term period.

The move to the National Childcare Scheme also meant that the NCS would managed through a newly developed Early Year Platform and that subsidised childcare is now on a statutory basis. Work is currently ongoing to bring ECCE in its current form on to the same platform.

In the longer term, the Department will be seeking to place pre-school education on a statutory footing. It is anticipated that work on this project will commence as we exit the NCS project.

#### Basis for Income Thresholds<sup>4</sup>

In setting the base and maximum income-thresholds, a number of factors were considered:

- The proposed base income threshold, coupled with the multiple child deduction, is set at a level that ensures all families with incomes below these poverty lines (60% of median income - which is used to measure both the at-risk-of-poverty rate and the consistent poverty rate,) are eligible to receive the maximum rate of subsidy.
- A key consideration in setting income thresholds was the current income distribution, and the aim to make available at least some level of subsidy to all low-income families.
- The rate at which the subsidy is withdrawn as income rises determines the degree to which the scheme will act as a disincentive to parents to increase their employment

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<sup>4</sup> Policy Paper on the Development of a new Single Affordable Childcare Scheme, September 2016

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- Continuity with current targeted childcare schemes
- The overall cost of the scheme and for the cost-effectiveness of the scheme in achieving its objectives

#### Basis for subsidy rates<sup>5</sup>

The original policy paper discusses in detail the basis for the subsidy rates. There was some movement subsequently in these rates but the paper considered a number of factors in setting subsidy rates including:

- the maximum rates within existing schemes
- improving affordability, through limiting parental co-payments
- average fees charged in respect of children of different ages, so as to ensure that parents receive a similar subsidy as a proportion of fees regardless of the age of the child

#### Response to change

The development of the scheme included the parallel development of a monitoring and evaluation framework. This framework, supported by electronic analysis and reporting functions, will support informed policy-making. In particular, it will support the review of the Scheme which will take place 12 months after the first payments are made, as well as the three year evaluation of the Scheme.

The Scheme is designed to be flexible, allowing income thresholds, maximum hours and subsidy rates to be adjusted in line with Government decisions and as more investment becomes available.

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<sup>5</sup> Policy Paper on the Development of a new Single Affordable Childcare Scheme, September 2016