Early Learning and Care and School-Age Childcare

Towards a New Funding Model

Overview of Phase 2 and 3 of Stakeholder Engagement and Consultation by Frontier Economics

Early Years Policy and Strategy Unit

Department of Children, Equality, Disability, Integration and Youth

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1. Overview

The Expert Group designed their consultation on the new funding model to have three phases. In Phase 1, the Expert Group engaged in a widespread programme of stakeholder consultation including written submissions, an IPSOS MRBI poll of parents, an initial series of thematic online consultation events with providers[1], practitioners[2], and parents,[3] facilitated by the Change Exploratory. Phase 2 and 3 comprised of online events with representatives of the Early Learning and Childcare Stakeholder Forum, facilitated by Frontier Economics. Reports on all of these consultations have been published. Summaries of the research papers and consultation reports have been published too.[4]

This document summarises Phase 2 and 3 of Stakeholder Engagement and Consultation, which were both facilitated by Frontier Economics, compiling the Executive Summaries for each report in one document.

Phase 2 aimed to develop deeper understanding of key issues and generate proposals for analysis. Phase 2 consisted of four workshops as follows:

- Workshop 1: Addressing disadvantage
- Workshop 2: Staff pay and quality
- Workshop 3: Parental Affordability
- Workshop 4: Partnership between the State and services to provide for sustainability & accountability

Phase 3 aimed to test proposals generated in Phase 2, for example through presenting 'Strawman proposals' and challenge panels. Phase 3 consisted of two workshops, outlined below.

[1] We use the term 'providers' throughout the report to indicate those providing private for-profit and not-for-profit ELC and SAC.
[2] We use the term 'practitioner' throughout the report to indicate all ELC and SAC staff working with children.
[3] We use the term 'parent' throughout the report to indicate all adults acting in a parental capacity.
[4] https://first5fundingmodel.gov.ie/ Frontier Economics Research Papers and Stakeholder Engagement and Consultation. Available at https://first5fundingmodel.gov.ie/publications-2/

2. Phase 2 of Stakeholder Engagement and Consultation

2.1 Workshop 1: Addressing disadvantage

Context

Frontier Economics are carrying out a programme of stakeholder engagement with the Early Learning and Childcare Stakeholder Forum (ELCSF) on behalf of the Department of Children, Equality, Disability, Integration and Youth (DCEDIY) and the Expert Group. The Expert Group have been asked to develop a new funding model for early learning and care (ELC) and school aged childcare (SAC) in Ireland to recommend to the Minister and Government. The Expert Group's Terms of Reference[5] include proposing a new Funding Model for ELC / SAC. In delivering on these Terms, the Expert Group is **not** asked to propose changes to the current model of delivery (i.e. privately-operated provision). Therefore the proposed new funding model will take the current delivery model as given and seek to achieve policy objectives of quality, affordability, accessibility and contributing to addressing disadvantage in a privately-operated market through increased public funding and public management.

This stage of stakeholder engagement is focused on generating proposals for a new funding model to feed into the Expert Group's work.

Priority areas

The first Phase 2 workshop focused on addressing disadvantage. The four key questions where we wanted stakeholders to provide input were:

- What additional needs do children at risk of disadvantage have?
- How could additional resources allow settings to effectively address disadvantage?
- How should a model be designed to identify settings for additional support?
- What are the potential gaps associated with the development of approaches to address disadvantage?

We have summarised the key areas of consensus and disagreement immediately below. More detailed conclusions from the workshop then follows.

[5] https://first5fundingmodel.gov.ie/wp-content/uploads/2020/01/Terms-of-Reference-1.pdf

Areas of Consensus:

- The additional child-centric needs associated with disadvantage vary considerably from child to child due to the multi-faceted nature of disadvantage.
- Additional needs can manifest themselves in a variety of ways (inability to access services, more intensive service provision required at the setting level, more specialist input required).
- Participants felt that a hub model could be used to allow multiple settings to access expertise or specialist resources. The hubs could provide home liaison staff, occupational therapists or specialised pedagogical resources.
- Participants proposed that a pure geographic targeting model is fundamentally unsuited to identifying settings in need of disadvantage related supports.

There was a strong consensus amongst stakeholders that there needs to be a mechanism whereby settings can reach out and call for additional resources.

Areas of Disagreement:

- Staff training was proposed as a potentially helpful additional form of support in this context by multiple participants. Others felt that this would not represent an effective use of resources as training ELC and SAC staff cannot substitute for the additional specialist resources that were needed to tackle disadvantage.
- The majority of participants did suggest that there is a need for some sort of targeting to help settings that are disproportionately catering for disadvantaged children and families. However, this view was not universal, and some stakeholders were uncomfortable with offering additional services to some settings and not others. We were told by some stakeholders that a DEIS type model would not be sufficiently ambitious and is risks "papering over the cracks".

Some stakeholders suggested that there may be an underlying tension between dealing with disadvantage and for-profit provision. This was not a universally held view.

Additional needs associated with disadvantage

There was a strong consensus that disadvantaged children will have their own needs which have to be identified on an individual basis. There was an acknowledgement that disadvantage can lead to greater complexity in ELC / SAC provision. However, the specific needs of children who are experiencing different forms of disadvantage will vary on a case by case basis and this will reflect the diverse and multi-faceted nature of disadvantage. For example, the additional needs of a child from an ethnic minority such as the Travelling Community may be different to a child who is at risk of poverty.

Participants suggested that the issue of disadvantage should be re-framed around inclusion and that term disadvantage may in itself be unhelpful.

While we were told that the needs of any specific child will be unique there are several factors which stakeholders felt were more likely to present themselves in the context of disadvantage. We have categorised these needs into three groups:

1. Additional needs which should be addressed in order to **ensure access** to an ELC/SAC setting. These requirements can include the need to proactively target disadvantaged families for outreach activities.
2. Additional needs which should be addressed **within a service**. These requirements can include greater levels of parental and family engagement, additional staff effort to build a routine with children, provision of meals and spare clothes.
3. Additional needs which should be addressed **outside of a service**. Stakeholders repeatedly emphasised that children experiencing disadvantage may be more likely to need specialist input from other services (e.g. speech and language, physiotherapists and occupational therapists).

Use of extra resources to meet those needs

There was an agreement amongst participants that child centric supports delivered at the setting level can be an effective tool in developing an inclusive ELC and SAC service. Some participants suggested that settings know the needs of their local populations and are best placed to identify families who are at risk of falling through cracks in the system.

We were told that a full suite of additional resources was required at the setting level to cater for the varying needs of children at risk of disadvantage. In particular participants agreed that it was not possible to choose between additional funding and in-kind resources.

Additional staffing resources were the most commonly cited requirement for promoting inclusion. The majority of stakeholders agreed that training for staff to help eliminate barriers to delivery of an inclusive offering could be a positive element of a new funding model. In particular stakeholders emphasised that that funding of this type of training could allow settings to better cater for the needs of all children (including those who are at risk of disadvantage). Participants noted that for this type of support to be beneficial, significant investment in the design of these courses was needed. We were told that it is vital that the content was relevant (in particular participants felt training should focus on helping staff to identify needs and providing them with the skills to cater for all children’s requirements) and high-quality trainers are used.

Some stakeholders did express reservations about the provision of additional training. We were told that many children at risk of disadvantage primarily needed access to specialists. Early years practitioners may not themselves provide these specialisms and providing additional training was not going to replace the need for outside expertise.

Multiple participants proposed a hub or co-operative model which would allow for some pooling of specialist resources between settings that could be used to meet needs associated with disadvantage. These hubs could act as centres of experience and expertise which individual settings who are trying to provide for the needs of disadvantaged children could utilise. These hubs could include dedicated home liaison staff, occupational therapists or specialised pedagogical resources. It was suggested that integration between these hubs and individual services would enable a higher quality of child centred provision.

All stakeholders agreed that all aspects of early years provision needed to be adequately funded for any one part of the system to function effectively. We were told that the ELC and SAC model sector will not realise its potential if other parts of the system are not adequately resourced.

Model design

All stakeholders agreed that there needs to be a large emphasis on universality for any funding or support model. We were told that the aim should be that all providers have access to resources and staff such that they can offer high-quality care. The majority of participants did suggest that there is a need for some sort of targeting to help settings that are catering for children who are in most need of support due to acute disadvantage. This type of targeting was generally seen as an additional layer on top of what should be a universally high level of provision.

The most consistent message that we were told in relation to identification of settings is that a pure geographic model is fundamentally not fit for purpose in this context. Multiple stakeholders independently noted that geographic based approaches will miss many child specific issues and disadvantaged children are based everywhere around the country. The main proposal from participants in this context was that any allocation needs to be child centric rather than geographic. Participants suggested a number of factors that could be used to help identify which settings were in most need of support:

- Family composition metrics.
- Child health and development indicators.
- Deprivation variables.
- Usage of specific services associated with disadvantage; and
- Frequency and types of adverse experiences.

Participants were very keen to avoid any sort of labelling that would classify certain setting as disadvantaged settings and other as non-disadvantaged. Participants suggested that all settings should instead be included within a universal system which allocates resources based on children's needs.

Potential gaps

There was a strong consensus amongst stakeholders that in addition to any centralised targeting of resources there also needs to be a mechanism whereby settings can reach out and call for additional resources. This would be based on evidence that children in their care face additional needs that are not accounted for adequately by the centralised targeting system.

We were told that imperfections in any centralised allocation process were inevitable and could reflect variation in children's backgrounds within a single setting or changes to a settings' intake of children over time. We were told that the crucial element for this application fund is how quickly the settings can access support.

Participants did acknowledge that some level of accountability was needed to ensure that additional resources allocated to settings to mitigate disadvantage were spent appropriately. However, there was a strong impression that the current administrative burden is very high and needs to be simplified.

Some stakeholders advocated for an out of scope model whereby provision was managed by the state. They told us that introducing additional supports in the current sector would amount to “fiddling around the edges”. Other participants noted that there may be an underlying tension between dealing with disadvantage and for-profit provision.

2.2 Workshop 2: Staff pay and quality

Context

Frontier Economics are carrying out a programme of stakeholder engagement with the Early Learning and Childcare Stakeholder Forum (ELCSF) on behalf of the Department of Children, Equality, Disability, Integration and Youth (DCEDIY) and the Expert Group. The Expert Group have been asked to develop a new funding model for early learning and care (ELC) and school aged childcare (SAC) in Ireland to recommend to the Minister and Government. The Expert Group's Terms of Reference[6] include proposing a new Funding Model for ELC / SAC. In delivering on these Terms, the Expert Group is **not** asked to propose changes to the current model of delivery (i.e. privately-operated provision). Therefore the proposed new funding model will take the current delivery model as given and seek to achieve policy objectives of quality, affordability, accessibility and contributing to addressing disadvantage in a privately-operated sector through increased public funding and public management.

This stage of stakeholder engagement is focused on generating proposals for a new funding model to feed into the Expert Group's work.

Priority areas

The second Phase 2 workshop focused on increasing the quality of provision via improved staff pay. The three key questions where we wanted stakeholders to provide input were:

How a funding model could either support better pay rates decided elsewhere, or drive improved pay, given that currently the State is not an employer in this sector?

How Government could ensure extra funding delivers higher pay?

How resourcing should be allocated / distributed to support better pay?

We have summarised the key areas of consensus and disagreement immediately below. More detailed conclusions from the workshop then follows.

Areas of Consensus:

- Current rates of staff pay are too low.
- Prevailing conditions in the sector are having a detrimental impact on quality.

[6] https://first5fundingmodel.gov.ie/wp-content/uploads/2020/01/Terms-of-Reference-1.pdf

- Government needs to support higher pay in the sector.
- Additional funding needs to provide stability to both settings and staff.
- A new staff payment was preferable to expanding existing subsidy schemes.

Areas of Disagreement:

- Some stakeholders felt that the government should primarily be a funder and setter of policy in this context. Others felt government had to play a more active role in driving better pay while a third group felt that a move towards an entirely public model was warranted.
- Some participants felt that any staff payments should be explicitly tied to quality outcomes whereas other participants felt that they should only be linked to actual wages.

Participants agreed that improving pay is central to driving quality ELC and SAC provision

There was a broad consensus across all stakeholders that pay was crucial in driving quality and that current levels of pay are too low. We were told that the wider societal contribution made by ELC and SAC staff often goes unnoticed and is not currently reflected in the pay and conditions within the sector. This viewpoint suggests that currently pay in the sector is below societally optimal levels.

Stakeholders suggested a number of mechanisms via which poor pay and conditions can undermine quality:

- Low pay can hamper **staff training and development** which in turn limits employees' ability to work with children and deliver a high-quality service.
- Low pay leads to high rates of **staff turnover** which leads to a loss of talent from the sector. Turnover also necessitates a constant cycle of upskilling new staff which is a challenge when trying to build relationships with children.
- Low pay can lead to **low morale** and reduces the effectiveness of provision if workers are stressed or feel unsupported.

Increases in pay may need to be accompanied by wider improvements in working conditions

Other important non-pay working conditions were identified as relevant for high-quality provision. Some representatives highlighted that ensuring full-time work can be guaranteed would help with stability of employment and would boost staff morale. Children and employer representative specifically mentioned that paying staff hourly (and only paying for contact hours) is problematic in this regard.

Some representatives highlighted that ensuring full-time work can be guaranteed would help with stability of employment and would boost staff morale. Children and employer representative specifically mentioned that paying staff hourly (and only paying for contact hours) is problematic in this regard. Other stakeholders questioned the affordability of providing this type of benefits.

There was a diversity of opinions regarding Government's role in driving higher pay

There was a view expressed by multiple stakeholders that currently the only way to increase staff wages independent of any change from Government was to increase fees. Stakeholders noted that there is not always scope to do this as families may be already spending considerable amounts on childcare. There was therefore widespread agreement that greater levels of Government funding was needed in this context which itself would be a significant departure from the current model.

Multiple stakeholders felt that government should have also have an active role in setting wage rates as well as funding improved pay.

Another significant group of stakeholders from different groups felt as though a move towards the State directly paying the wages of staff in the sector was appropriate. Stakeholders suggested that the new funding model represents a potentially once in a generation opportunity to re-imagine the sector and consider whether the State could play a far more active role (the primary school sector was used as an example by stakeholders in this context). This group of stakeholders felt not-for-profit settings tended to offer higher quality care than for profit settings.

Direct staffing subsidies or grants were supported by many stakeholders

Participants across all stakeholder groups generally concluded that if settings were to be supported to improve staff pay via the new funding model it made sense to design a new stream of funding which would be given directly to providers. This was seen as the preferred option relative to increasing existing subsidies to providers. Expanding existing subsidies was seen as complex and potentially unwieldy and it could be hard to ring-fence funding for staff through these schemes. Multiple stakeholders noted that existing subsidies such as Early

Childhood Care and Education Scheme (ECCE)[7] and the National Childcare Scheme (NCS)[8] are subject to significant flaws.

These new staffing payments could involve the sate agreeing to fund a certain proportion of hourly wages up to an agreed threshold for example. The advantage of this type of model is that it satisfies stakeholder desires for simplicity, while also incentivising efficient staffing levels as providers would be co-paying and therefore incentivised to keep staffing at efficient levels.

However, this type of proposal was not universally supported. Multiple participants felt that any type of additional support should facilitate a move away from hourly wages and towards salaried staff. Another potential limitation of this type of model and concern about fairness flagged by participants is that staff in the sector already earning more per hour than the new minimum rate would not automatically benefit from this proposed grant. Therefore an alternative proposal would be to mandate a certain proportional increase in salary for all staff in the sector.

Stability of funding was a key concern

A range of stakeholders told us that providers need stability of funding. Participants proposed that multiannual funding was necessary to facilitate long term planning which is necessary to deliver a high-quality service. Therefore, there was a proposal that was widely supported by stakeholders that funding should no longer be linked to children's attendance. Alternatives were suggested that relate to linking the funding to the provision of places, the number of children that attend over a long period of time or the staff employed by a setting.

Offering stability to staff in the form of a salary rather than hourly pay was also suggested by multiple participants. This was thought to align staff in the ELC and SAC sectors with those in other educational professions. Some stakeholders felt that the government needed to play a role in setting these pay scales (as well as providing funding).

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[7] https://www.citizensinformation.ie/en/education/pre_school_education_and_childcare/early_childhood_care_and_education_scheme.html
[8] https://www.ncs.gov.ie/en/

Conditionality of staff pay supports

Participants across all stakeholder groups agreed that any funding should be linked to the actual rates of pay (or mandated uplifts) that settings offer to their staff to ensure that the increase in funding met the stated objective. Both employee and child representatives told us that that any funding needed to be also tied to quality (e.g. via the nature of provision in a setting, work practices or other staffing outcomes). However, other stakeholders were hesitant for conditions to be tied to the funding beyond those that directly relate to levels of staff pay. We were told that services should be supported if they do not meet the quality standard, rather than having their funding cut.

Effectiveness

The majority of participants suggested a variety of possible indicators for measuring the effectiveness of public funding to boost staff pay. These suggestions included:

- **Short-term metrics** such as wage monitoring, turnover rates, workplace wellbeing surveys; number of staff with multiple jobs.
- **Long-term metrics** such as long-term staff retention; qualification rates; longitudinal studies of children’s experience and developmental outcomes.

However, some participants felt that the ultimate indicators and objectives relate to the development and happiness of children which are difficult to measure accurately. Linkages to other parts of the system may have to be considered and explicitly accounted for.

2.3 Workshop 3: Parental Affordability

Context

Frontier Economics are carrying out a programme of stakeholder engagement with the Early Learning and Childcare Stakeholder Forum (ELCSF) on behalf of the Department of Children, Equality, Disability, Integration and Youth (DCEDIY) and the Expert Group. The Expert Group have been asked to develop a new funding model for early learning and care (ELC) and school aged childcare (SAC) in Ireland to recommend to the Minister and Government. The Expert Group's Terms of Reference include proposing a new Funding Model for ELC / SAC. In delivering on these Terms, the Expert Group is not asked to propose changes to the current model of delivery (i.e. privately-operated provision). Therefore, the proposed new funding model will take the current delivery model as given and seek to achieve policy objectives of quality, affordability, accessibility and contributing to addressing disadvantage in a privately-operated market through increased public funding and public management.

This stage of stakeholder engagement is focused on generating proposals for a new funding model to feed into the Expert Group's work.

Priority areas

The third Phase 2 workshop focused on parental affordability. The three key questions where we wanted stakeholders to provide input were:

- What impact are childcare costs currently having and which families are most likely to experience affordability issues?
- How should policies to enhance affordability be linked to fees?
- How could the current system be adapted to reduce the current affordability burden?

We have summarised the key areas of consensus and disagreement immediately below. More detailed conclusions from the workshop then follows.

Areas of Consensus

- Irish ELC / SAC fees are currently high which is placing a burden on parents.
- This can impact parental labour market participation and also limit access for certain groups of children.
- Low universal supports and a modest threshold for targeted supports can create a "squeezed middle".

- The ultimate goal should be that no child misses out on the services that they need due to affordability issues.
- The most commonly cited metric to assess the success of affordability measures was actual usage of ELC / SAC services.
- The majority of participants felt that increasing the universal element of the NCS should be a key priority, provided is was of a sufficient magnitude to make a meaningful difference to affordability.

Areas of Disagreement

- Some participants felt that fee controls were an essential element of any new funding model whereas other participants told us that fee controls could not be considered until underlying funding and quality issues were addressed. A third group were very hesitant to engage with fee controls at all. They told us that services will continue to face increasing costs and felt that is was inappropriate to intervene in relation to fees before any additional funding was well established.
- Some participants proposed that fee freezes could help to account for diversity in cost bases. Other stakeholders suggested that the funding model instead firstly establishes the actual cost of provision for different types of ELC/SAC service and use that as a basis to control fees.

ELC and SAC fees are creating a significant burden on parents and limiting access for certain groups of children

Multiple stakeholders from different stakeholder groups agreed that ELC and SAC fees are very high in Ireland currently. Participants generally felt that providing high quality childcare should not be cheap (and will increase further if staff pay increases) but that currently some parents are being forced to bear a lot of these costs which is leading to affordability issues. Multiple participants provided anecdotal evidence of cases where parents (usually mothers) have been forced to drop out of employment because they cannot afford the costs of childcare.

Multiple groups of children were flagged as potentially lacking access to ELC/SAC due to affordability issues:

- **Age**: The ECCE scheme provides early childhood care and education for children of pre-school age, for a maximum of two academic years for 15 hours per week. Representatives from multiple stakeholder groups discussed how the ECCE scheme does not start early enough and current eligibility rules may influence when children start primary school.
- **Residency**: One representative flagged that families who have just arrived into the country or are asylum seekers do not have the nationality requirements to qualify for free spaces, meaning their children are unable to receive care due to affordability constraints.
- **Choice of service**: We were told that childminders and nannies are not covered by schemes such as the Early Childhood Care and Education Scheme (ECCE) and the National Childcare Scheme (NCS). Therefore, parents face the full cost of this type of care which can lead to a financial burden on parents.

Issues were also raised in relation to the sponsorship system and parental hesitancy to engage in existing programmes.

The number of childcare hours available to parents under NCS depends on whether or not each parent works, studies or trains. Participants explained that this differs significantly from the previous affordability schemes that the NCS is replacing. Some representatives agreed that the work-study test can hamper the ability of parents to take the first steps towards employment – such as making applications, going to interviews etc. – because these activities are hard to fit into the reduced childcare hours available (20 hours per week). Participants explained that limiting a child's access to ELC and SAC due to parental work status is not in keeping with a child-centric approach. Families where parents are not working may not be able to afford additional hours over and above basic NCS hours, but that does not mean that child does not need the extra provision.

Low universal supports and a modest threshold for targeted supports create a "squeezed middle"

We were told that universal NCS payments are currently not enough to meaningfully reduce the high costs of childcare, and that this limits access for all families, rather than just those who are considered especially disadvantaged. Stakeholders described how the current income tapering leads to a "squeezed middle", and that a solution needed to be found where helping the extremely disadvantaged did not come at the expense of making other families struggle

Multiple potential goals of the new funding model were put forward

We asked stakeholders to think about the objectives of the new funding model in light of the affordability limitations in the current model that they expressed.

Some stakeholders told us that the first goal of the funding model in this context was to start by setting out delivery costs for each type of provision. They felt that only after this has been achieved is it appropriate to think about who pays the delivery cost.

Multiple participants felt that the new funding model should strive to ensure that all children have the same opportunities to access high quality ELC/SAC services and the ultimate goal should be that no child misses out on the services that they need due to affordability issues. We were told that this equality of opportunity was justified from a children's rights point of view and that parental income or ability to pay should have no part to play in terms of access to ELC / SAC under the new model.

Representatives from all stakeholder groups agreed that one objective should be around some degree of universal free provision, as any amount in fees will be too much for some families to be able to afford. Some stakeholders proposed that the universal element should be emphasised and rolled-out as far as possible as part of the new funding model and any income related contribution would be minimal, even for high earners. Other stakeholders felt that beyond a certain number of hours, progressive universalism would be a more appropriate approach. Price ceilings and floors following the Nordic system could also be used such that all parents are limited in the maximum amount they may have to pay for childcare, and receive substantial reductions in fees compared to levels today.

Fee controls were viewed very differently by different groups of stakeholders

Fee controls could be introduced to help ensure that any increase in funding specifically targeted at improving parental affordability (for example an expansion of NCS rates or thresholds) actually leads to lower out of pocket costs for parents.

We were told by several participants that if NCS rates were increased in isolation, it is likely that services would increase their fees to absorb this increased subsidy. However, there was a range of opinions regarding the role of fee controls and when they should be implemented.

1. Some stakeholders felt that fee controls of some sort were an essential element of any new funding model. This view was based on this group of stakeholders' assessments of the inherent tensions associated with Ireland's model of private providers receiving state funding. In particular some stakeholders felt that there should not be any increase in state investment unless there is some type of fee cap.
2. A second group of stakeholders felt that fee controls could not be considered until underlying funding issues were addressed and a high universal quality offered could be guaranteed. In particular many participants noted that the state needs to make a far greater contribution to staff costs before any fee controls could be considered.
3. A third group of stakeholders, primarily provider and employer representatives, were very hesitant to engage with fee controls at all. They told us that services will continue to face increasing costs (even if the new funding model addresses some of these) in the future. This group felt that is was inappropriate to intervene in relation to fees before any additional funding was well established and had been in place for a significant amount of time.

A number of implementation issues in relation to fee controls were raised

Multiple stakeholders told us that any fee controls (if they are to be introduced) would have to flexible to account for differences in settings' cost bases which could be driven by geographic location or service type.

Some participants, felt that any sort of fee controls needed to be implemented at the individual service level to account of the underlying variation in cost bases described above. These stakeholders felt that it was appropriate to look at average fees charged over a recent three period for example and then use that as a benchmark for fee freezes at the setting level.

Other representatives proposed that the funding model should not rely on freezing fees rates but should instead firstly establish the actual cost of provision for different types of ELC/SAC service. This group felt that freezing fees at their current levels would not be transparent and would also lock-in some existing unfairness such as fees being much higher in affluent areas.

Monitoring

We also explored the potential monitoring of outcomes in the ELC/SAC sector following the funding, to ensure that additional public investment is delivering the desired policy objective of affordability.

Multiple stakeholders flagged that parents could face additional "hidden" costs as a direct by-product of fee controls because providers would try and circumvent the rules around fees. We were told that these hidden costs (e.g. asking for deposits, asking parents to pay for additional services / hours) can pose significant affordability issues and therefore undermine the goal of fee caps.

The predominant suggestion for monitoring effectiveness of any affordability measures was to track take-up of childcare. We were told that if a funding model was able to address affordability concerns whilst maintaining quality and staff pay, the Government should see an immediate increase in the demand for childcare places.

Other metrics proposed included:

Short term

- Track the percentage of income parents are spending on childcare
- Measuring public perception of fees and satisfaction with the value for money of ELC / SAC

Long term

- Mothers' labour market participation
- Poverty measures related to childhood opportunity

Structuring of funding

Finally, we asked stakeholders to suggest how best to structure any additional funding designed to improve parental affordability.

The majority of stakeholders that felt that increasing the universal element of the NCS would be more appropriate and child centric, rather than for example increasing the maximum income threshold.

As noted above many stakeholders wanted any additional funding to be used to expand zero-cost provision and/or increase the universal subsidy rates. Some stakeholders noted that altering the current parameters of NCS schemes would not be sufficient to significantly enhance affordability. A more transformative approach was suggested by some stakeholders which involved starting from first principles and determining what type of service offering should be free and what should be subsidised. Multiple stakeholders felt strongly that no child should lose out in provision and expanding the universal element of provision is the most effective way to structure the additional funding towards this goal.

Some stakeholders did put forward the viewpoint that additional funding should be targeted at those in the middle-income group. Examples were provided by stakeholders of the €60,000 NCS limit being too low, which can contribute to families with medium incomes living in poverty after mortgage / rent, childcare and other expenses were considered.

Some stakeholders suggested that more could be done to raise awareness of schemes like the NCS. They proposed that additional resources could be provided under the new funding model to Family Resource Centres and County Childcare Committees to help assist families to avail of the NCS.

2.4 Workshop 4: Partnership between the State and services to provide for sustainability and accountability

Context

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This stage of stakeholder engagement is focused on generating proposals for a new funding model to feed into the Expert Group's work.

Priority areas

The fourth Phase 2 workshop focused on partnership between the state and providers to achieve greater accountability and sustainability. The three key questions where we wanted stakeholders to provide input were:

- What factors currently influence the shape of the sector?
- What would a more sustainable partnership between the State and services consist of?
- Is a profit driven model of provision consistent with increased state investment?

We have summarised the key areas of consensus and disagreement immediately below. More detailed conclusions from the workshop then follows.

Areas of Consensus

- Families increasingly want flexibility in ELC/SAC services.
- The current funding model can limit the extent to which providers offer flexible services.
- A range of interrelated current and historical factors determine providers' operating structures.

- Greater state investment is needed going forward to ensure sustainability.
- Private ELC/SAC provision can have positive aspects such as filling public sector investment gaps but can also have disadvantages.
- Profiteering behaviour (cutting corners to maximise returns) was seen as rare.

Areas of Disagreement

- There was no consensus regarding the nature of the future partnership between the State and providers.
- Some stakeholders remain strongly in favour a fully public model. Others suggested that a future model could incorporate wage supports and fee caps as part of continued private provision.
- A range of different suggestions were put forward to guard against future profiteering including profit caps, greater assessment of providers relative to quality standards and more powerful inspections.

Greater flexibility for families was seen as important going forward

Multiple stakeholder representatives from different groups stated that parents want more flexibility from ELC/SAC. This flexibility can include flexibility of service offerings over time within individual families and flexibility in offerings across families to accommodate different needs.

We were told by providers that responding to requests for flexibility is currently difficult given that settings are only sustainable when they are at full capacity (and therefore cannot hold spare spaces for this purpose). More widely stakeholders emphasised that providing flexibility for parents is difficult for settings to provide due to the associated administrative burden and the foregone income associated with sporadic provision (especially if staff have to be retained on a full-time basis).

As well as increased flexibility, multiple stakeholders also expressed the view that parents would like an extension to the current hours that are funded by programmes such as ECCE and NCS.

Several factors can influence a provider’s choice of operating structure

Members from different stakeholder groups, including providers and academics, agreed that providers generally ‘fell into’ a particular operating structure. We were told that it was not always a well-informed decision and there may be a lack of full understanding of the pros and cons of the different options in some cases (such as sole trader versus limited company).

Other factors were highlighted as important drivers such as:

- **Local need**: for example, areas of greater disadvantage may have higher demand for community services.
- **Regulation**: high governance requirements for community settings, such as the responsibility placed upon voluntary boards, can lead providers to set up privately; and/or
- **Lifestyle** factors: for example, there are significant number of settings in providers' homes and in these cases providers may want to remain as sole traders.

The distinction between community and for-profit settings is seen as unhelpful

Representatives noted that stereotypically the main motivation for for-profit providers is seen to be making a surplus of income over costs, while community providers are more motivated by the desire to meet the needs of children. However, this was seen as an inaccurate and unhelpful distinction by multiple stakeholders. This is because community providers also need a surplus for re-investments and improvements to their services and for-profit services are often motivated by the needs of children.

There are a number of pros and cons of private provision in this context

Various representatives said that private provision had helped to combat public underinvestment in the sector by providing infrastructure and filling the gap that was left by the State. This led to the opening of new services to accommodate rising demand which would not have been possible otherwise.

Other stakeholders noted that private providers were able to adapt to changes in the sector quickly and reflect its changing needs. However, other stakeholders noted that this responsiveness could lead to the reduction of services that were important but not profitable. This is because private providers do not have any "public service" requirement (obligation to provide services that are in the public interest even if they do not offer a commercial return).

A number of stakeholders feared that for-profit provision may be reducing quality, either through low pay or provision of sub-standard services. One stakeholder expressed the view that ELC and SAC provision was effectively being subsidised through low wages, and these were possible only in the private sector because unions would not allow them in the public sector.

Some temporary and permanent aspects of the current model were viewed positively in relation to sustainability

Multiple stakeholders discussed the benefits of the EWSS program, and how this has allowed providers breathing room during the pandemic. In particular the generous coverage of staff costs via EWSS mean that aspects such as non-contact time, were supported for the first time.

Providers explained that ECCE does provide predictable income for settings. However, we were told that even if a setting is operating at full capacity only the higher capitation rate was sufficient to support providers and allow for sustainable provision.

Other features were seen to be destabilising

We were told that the linking of NCS funding to hours attended can have a destabilising effect on providers and was judged to be inconsistent with other parts of providers' business models. This instability can happen via additional administrative burden and uncertainty in funding associated with inconsistent attendance.

Several mechanisms were put forward to avoid future profiteering

- Profit margin / fee caps
- State support of staff pay (low pay was seen to be inherently linked to profiteering)
- Rolling out agreed quality frameworks to ensure that there is an agreed standard all providers can be held to
- Supporting existing providers via increased funding and therefore limiting potential new entrants and greater financialisation (using ELC services as assets to leverage borrowing to allow for expansion and business development)
- Ensuring new providers are vetted
- Providing additional powers to inspectors to act when substandard provision is identified

Options for partnership between state and providers within the new Funding Model

As in other sessions, a number of stakeholders were disappointed that the option of full public provision was not being considered as part of this process.

It was felt that the government is already heavily involved in the sector, but that this needed to be more collaborative going forward, where the government consults and listens to providers rather than imposing changes on them.

There were suggestions for a public / private partnership and de-marketised model (i.e. control of both wages and fees, underpinned by public investment) to remove the current tension between quality and affordability. We were told that his could be achieved it the state partially or fully took on the costs of employee compensation and introduced fee controls which would help to eliminate the conflict between affordability and professional pay.

Stakeholders were also in agreement that the regulatory burden needs to be reduced in the future model and some level of “trust” was needed to be put in providers by the State. Suggestions to streamline the process were made including administrative hubs to help providers deal with the burden or combining all regulation and inspection under one State regulator.

3. Phase 3 of Stakeholder Engagement and Consultation

Overview

Phase 3 consisted of two workshops. The first of these sessions was intended to consist of a discussion of stakeholders' own proposals shortlisted from the Phase 2 workshops followed by a resource prioritisation exercise. However, a number of stakeholders indicated significant dissatisfaction with this approach. On foot of this, a revised additional Phase 3 session was designed during which the Terms of Reference for the work were recapped, the discussions held during Phase 2 were summarised and stakeholders were invited to suggest additional proposals or provide a high-level indication of prioritisation between different elements of the future funding model.

Context

Frontier Economics are carrying out a programme of stakeholder engagement with the Early Learning and Childcare Stakeholder Forum (ELCSF) on behalf of the Department of Children, Equality, Disability, Integration and Youth (DCEDIY) and the Expert Group who are working on developing a new funding model. The Expert Group have been asked to develop a new funding model for early learning and care (ELC) and school aged childcare (SAC) in Ireland to recommend to the Minister and Government. The Expert Group's Terms of Reference include proposing a new Funding Model for ELC / SAC. In delivering on these Terms, the Expert Group is not asked to propose changes to the current model of delivery (i.e. privately-operated provision). Therefore, the proposed new funding model will take the current delivery model as given and seek to achieve policy objectives of quality, affordability, accessibility and contributing to addressing disadvantage in a privately-operated market through increased public funding and public management.

The second stage of stakeholder engagement was focused on refining and prioritising stakeholders' own proposals for the new funding model to feed into the Expert Group's work. This third and final phase of engagement involved bringing all proposals made by stakeholders together and inviting participants to fill in any gaps and/or offer thoughts on prioritisation.

First Phase 3 workshop

Originally Phase 3 was due to consist of a single workshop. Ahead of this session stakeholders were provided with a shortlist of their own proposals based on the discussions during Phase 2 and detailed material covering ELC/SAC budgets. The plan was for participants to take part in a hypothetical resource allocation exercise. This exercise was designed so that each stakeholder could suggest how they would distribute an ELC/SAC budget uplift across shortlisted proposed elements of a new funding model. During this session it became clear that a significant number of stakeholders did not feel comfortable taking part in this exercise. This reluctance to engage was driven by a number of different reasons which applied differently to different stakeholders.

- Some stakeholders were disappointed that the shortlist of proposals arising from Phase 2 discussions did not include enough new proposals, and that the list was focused on making changes to the existing funding model rather than allowing for a completely new model. Other stakeholders highlighted concerns regarding the process by which the shortlist was generated.
- Some but not all stakeholders expressed a view that the underlying delivery model (private provision with public funding and management) needed to be reconsidered. Moving towards a primary school type model was suggested as a longer term aspiration. However, other stakeholders expressed very different views. They told us that proposals to move towards a public model were inappropriate given that the state does not own the existing infrastructure across the sector or employ any staff directly and that the Terms of Reference were therefore suitable.
- Some stakeholders did not feel comfortable with the idea of prioritisation between different policies.
- Stakeholders' proposals are one input into the Expert Group's decision making. However, some stakeholders wanted more information on the actual recommendations being developed by the Expert Group.

Due to the concerns raised by stakeholders this session was halted and an additional was run session two weeks later.

Additional Phase 3 workshop

This additional session involved a:

- Presentation from DCEDIY on the scope of the project and the Expert Group's Terms of Reference.
- Presentation from Frontier summarising the findings from Phase 2.

A plenary group discussion followed which allowed stakeholders to note additional points for consideration by the Expert Group and if desired express a high level prioritisation across the funding model elements which stakeholders had previously proposed.

The two key questions where we wanted stakeholders to provide input were:

- What is missing from the Phase 2 proposals which stakeholders put forward previously?
- What are the priority elements for the new funding model?

We have summarised the key points raised during both Phase 3 sessions below. More detailed conclusions from the workshop then follows in the remainder of the report:

- Some stakeholders highlighted that the Expert Group does not include any provider or practitioner representation.
- Stakeholders emphasised the importance of linking up this piece of work on the new funding model with others initiatives currently underway. These other programmes of work included a review of the AIM programme and the Workforce Development Plan.
- There were specific additional proposals which some stakeholders felt were not sufficiently captured in the Phase 2 write-ups. These included:
    - Extending additional supports for Irish language settings
    - Improving workforce diversity and inclusion
    - Provision of capital grants to improve facilities in certain localities where investment is needed.

The most commonly expressed priority by stakeholders was to improve staff pay as a mechanism for higher quality provision. Other stakeholders highlighted the importance of rolling out more universal free ELC and SAC offerings to groups of children not currently covered by universal programmes. Some stakeholders also emphasised that the funding model should seek to achieve a balance across multiple policy priorities such as affordability, quality and sustainability.