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Department of Children, Equality,  
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# Early Learning and Care and School-Age Childcare Towards a New Funding Model

## Overview of the Working Papers by Frontier Economics

Early Years Policy and Strategy Unit

Department of Children, Equality, Disability, Integration and Youth

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## 1. Overview

In December 2019, Frontier Economics was appointed to provide research support for the Expert Group. Eight Working Papers on topics selected by the Expert Group were produced by Frontier Economics and have been published.<sup>1</sup> This document contains a compilation of the Executive Summaries of all eight working papers. The titles of these eight papers are as follows:

1. International Comparisons of Fees, Staff Wages and Public Investment in Early Learning and Care
2. International Approaches to Funding Early Learning and Care and School-Age Childcare to Reduce Costs for Parents
3. Review of Working Conditions for Staff in Early Learning and Care
4. Mechanisms to Control Fees Charged to Parents for Early Learning and Care and School-Age Childcare
5. Approaches to Identifying Children or Settings in Need of Additional Support
6. Funding Models Addressing Early Childhood Disadvantage
7. ELC and SAC Funding Models which Support Provision Quality
8. Shared Delivery Models for Early Learning and Care and School-Age Childcare

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<sup>1</sup> Eight Working Papers, Frontier Economics. Available at <https://first5fundingmodel.gov.ie/publications-2/>

## 2.1. Working Paper 1: International Comparisons of Fees, Staff Wages and Public Investment in Early Learning and Care

### Introduction

As part of the First 5 Strategy to improve outcomes for children in Ireland from birth to age five, a commitment has been made by the Irish Government to at least double public spending on Early Learning and Childcare (ELC) and School-Age Childcare (SAC) in Ireland by 2028. An Expert Group was tasked to deliver a report containing proposals for a new funding model which will help ensure that this additional funding can be used in the best way to deliver safe, high quality, affordable and accessible ELC and SAC. This report is the first in a series of working papers delivered by Frontier Economics in the role of Research Partnership to provide research support to the Expert Group.

Delivery of ELC and SAC in Ireland is often characterised as having high fees, low wages and low levels of public investment. In order to assess the validity of these perceptions, this report reviews the international evidence on fees, workforce wages and public spending.

### Methodology and scope

Relevant evidence covering English-language international data sources for European and Organisation for Economic Co-operation and Development (OECD) countries was identified and critically reviewed. Country-specific evidence was occasionally used to supplement the international data. International evidence was also collated on contextual factors that could be related to the variation in fees, wages and public spending. Evidence from 49 European and OECD countries is reported although not all countries are covered for every measure.

Although the remit for the work included SAC, no relevant evidence on SAC was identified and this report focuses exclusively on ELC.<sup>2</sup>

### Robustness of the evidence sources

Most of the evidence used in this report is dependent upon data which is derived, either directly or indirectly, from OECD sources. The methodology for collecting this data is not entirely reliable as it is based upon the completion of OECD questionnaires by country representatives or drawn from other

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<sup>2</sup> The term ECEC (Early Childhood Education and Care) is widely used in the international literature, but the term ELC (Early Learning and Care) is used here in place of ECEC in the original sources. Where the term ELC is used alone, it does not include SAC. The terms “childcare” or “child care” are widely used in the international literature to mean ELC and SAC and the use of the term “childcare” is maintained from original sources in order to avoid any confusion with the meaning.

sources by OECD staff if questionnaires are not returned. This information is not peer-reviewed and is not always consistent with country specific sources. Specific caveats and flaws are acknowledged and corrected where possible in this report, but the overall reliability of the data is questionable and the international comparisons should be regarded with a degree of caution throughout.

### Fees and costs for parents

In considering the evidence on fees, distinctions were drawn between delivery costs, provider fees, gross costs paid by parents and net costs paid by parents. Public (supply-side) funding can reduce the gross (out-of-pocket) amounts paid by parents relative to delivery costs and provider fees, while public (demand-side) funding can reduce the final net amounts paid by parents relative to the gross expenses. No evidence containing direct international comparisons of delivery costs or provider fees was identified. Evidence on gross and net costs paid by parents was identified in two independent reports, but these reports may have common original sources and contain similar biases due to the unclear manner in which country experts compiled the information.

The findings from the review of fees and costs suggest that:

- Parents in Ireland pay some of the highest gross and net costs for ELC relative to the average national wage across a broad range of European and OECD countries.
- The patterns in the gross costs across countries indicate that this may be linked to the absence of fee regulations in Ireland while any effects of free hours appear limited.
- The absence of comparative statistics for delivery costs means that it is not possible to precisely determine the extent to which higher costs for parents in Ireland are driven by higher delivery costs or by lower levels of public support in the form of fee regulation and supply-side subsidies.

### Workforce wages

No direct evidence on international comparisons of hourly pay for the ELC workforce was identified. But robust international data for average annual salaries for teachers (meaning all core practitioners in ELC in the OECD data) in public institutions, which could be compared with country-specific data for the workforce delivering private provision in Ireland, was identified.

The findings from the review of workforce wages suggested that:

- In terms of absolute levels, average earnings for the ELC workforce in Ireland are at the lower end of the international distribution but are not among the very lowest.

- In terms of earnings relative to the national average, Ireland has the lowest relative pay of all the countries considered.

### Public spending on ELC

Evidence on public spending on ELC was identified, but it is not possible to draw any conclusion on whether public funding on ELC is low in Ireland relative to other countries.

This is due to a combination of potential biases in the spending estimates which cannot be calibrated and the fact that Ireland's relative position on ELC public spending is not so clear cut that these biases could not affect the conclusions.

### Links with contextual factors

The review of contextual factors suggests that:

- The young child age profile and private provision in Ireland may be linked to higher delivery costs, potentially driving up fees and driving down wages.
- The high proportion of female workers, the high proportion of part-time workers and the relatively lower qualified and less experienced workforce in Ireland could be linked to the lower earnings.
- The low child-to-staff ratios in Ireland could be linked to lower earnings and higher fees, while the relatively lenient educational guidance and evaluation (creating lower demands for staff qualifications and experience) could be linked to the lower earnings.

## 2.2. Working Paper 2: International Approaches to Funding Early Learning and Care and School-Age Childcare to Reduce Costs for Parents

### Introduction

As part of the First 5 Strategy to improve outcomes for children in Ireland from birth to age five, a commitment has been made by the Irish Government to at least double public spending on Early Learning and Childcare (ELC) and School-Age Childcare (SAC) in Ireland by 2028. An Expert Group was tasked to deliver a report containing proposals for a new funding model which will help ensure that this additional funding can be used in the best way to deliver safe, high quality, affordable and accessible ELC and SAC. This report is the second in a series of working papers delivered by Frontier Economics in the role of Research Partnership to provide research support to the Expert Group.

An understanding of the range of models employed internationally to publicly fund ELC and SAC within marketised systems can provide a valuable menu of options to consider in designing a new funding model in Ireland. The aims of this paper are to provide such a description for seven jurisdictions (Canada (Ontario), England, France, Germany (Bavaria), the Netherlands, New Zealand and Norway) and to summarise the key features alongside those for Ireland. These countries and jurisdictions were selected to cover a range of contexts including public and private provision; split and integrated systems; centralised and decentralised governance structures; and levels of public funding and regulation.

The scope of this report is to consider policies and programmes which seek to directly reduce the amount that parents pay for ELC and SAC.

### Methodology

Relevant evidence sources on public funding for ELC and SAC in the eight jurisdictions covering English-language international data sources for European and OECD countries were identified and reviewed. Country-specific evidence was used to supplement then international data where appropriate and available. The evidence was collated into summaries for each jurisdiction and comparisons were drawn to identify patterns in the approaches.

### Types of funding approaches

Policies which seek to reduce the amount that parents pay for ELC and SAC are categorised into three types:

- a) Free hours or places: funding is paid directly to providers for provision delivered free of charge to eligible children.
- b) Subsidies (supply-side subsidies): funding is paid directly to providers for provision delivered to eligible children, sometimes coupled with regulations on the fees that can be charged to parents.
- c) Tax support (demand-side subsidies): reimbursements are paid directly to parents for ELC and SAC expenses, either through refundable tax credits or as deductions to tax liabilities.

### Use of funding approaches in the eight jurisdictions

A broad overview of approaches showed that:

- All jurisdictions offer free hours for the years preceding school entry. The offer is universal with the exception of a targeting towards low income families in Norway (and for children aged two in England).
- All but one jurisdiction (England) offer subsidies and these are targeted towards low or lower income families in three jurisdictions. Even when eligibility for subsidies is universal, the level of support is typically heavily targeted towards lower income families through the design of the income-related fees.
- Refundable tax credits are offered in only half of the jurisdictions and tax deductions in less than half. With one exception, all are targeted to working parents.
- Most jurisdictions have a range of approaches, which include at least one universal offer (within age group), one targeted to low income families and one targeted to working parents. Only France has entirely universal approaches and only New Zealand and Ireland do not have approaches solely for working parents.
- Different funding approaches reflect the division in the purposes of funding for ELC and SAC: free hours are most closely related to supporting child development and preparation for school for all children; subsidies reflect a primary purpose of reducing inequality by reducing costs and enhancing work incentives for these families; and tax support reflects a primary purpose of supporting parental work.

Deeper exploration of specific policies identified several potentially useful features:

- Higher quality of provision is supported in Ireland through quality requirements for providers who offer the free hours, together with a higher funding rate for sessions using more qualified staff. Funding rates for free places in New Zealand are also higher when more qualified staff are employed.



- There is a tendency to devolve the decision-making as well as implementation to lower levels of government for subsidies and for the design of the subsidies to serve multiple purposes. Consequently, some systems of subsidies are complicated.
- Initial reimbursements in refundable tax credit schemes are typically generous, with the proportion of repayment ranging from 70% to 96.5% for families on the lowest incomes. Hence, these schemes target support quite effectively, supplementing incomes and improving incentives to participate in work for lower income working families (possibly at the cost of reducing the incentives to work additional hours due to the withdrawal of the childcare reimbursement as earnings increase).
- Measures to reduce the risk that public funding for ELC and SAC will increase fees for parents include explicit fee controls and restrictions on profits and wages for subsidies (Ontario and Norway) and hourly caps on reimbursements for ELC and SAC costs in refundable tax credit schemes (the Netherlands).

## 2.3. Working Paper 3: Review of Working Conditions for Staff in Early Learning and Care

### Introduction

As part of the First 5 Strategy to improve outcomes for children in Ireland from birth to age five, a commitment has been made by the Irish Government to at least double public spending on Early Learning and Childcare (ELC) and School-Age Childcare (SAC) in Ireland by 2028. An Expert Group was tasked to deliver a report containing proposals for a new funding model which will help ensure that this additional funding can be used in the best way to deliver safe, high quality, affordable and accessible ELC and SAC. This report is the third in a series of working papers delivered by Frontier Economics in the role of Research Partnership to provide research support to the Expert Group.

A key objective for the new funding model is to support improvements in the quality of ELC and SAC in a way that enhances child cognitive and social development. An important element of this is a high quality workforce (as defined in the EU Quality Framework) with sufficient initial and ongoing training and supportive working conditions. However, there is a perception that, by international standards, the ELC workforce in Ireland is poorly qualified and low paid and operates in less desirable working conditions, which make recruitment and retention of staff challenging. In order to assess the validity of these perceptions, this report compares the workforce characteristics in Ireland with those in seven comparator countries.

### Methodology and scope

This report reviews the international evidence to consider how ELC and SAC workforce qualifications, wages, conditions, and recruitment and retention in Ireland compare to international standards. Comparisons are drawn with seven countries: Canada, the United Kingdom, France, Germany, the Netherlands, New Zealand, and Norway. These countries were selected because of their mix of private and public provision; split and integrated systems; centralised and decentralised governance; and different levels of public funding and regulation.

Although the remit for the work included SAC (School-Age Childcare), no relevant evidence for the SAC workforce was identified. The report therefore focuses exclusively on ELC.

### Robustness of the evidence

International comparisons of ELC are compromised by issues of data comparability and the substantial variation in the interpretation and measurement of ELC characteristics across countries. Specific caveats and flaws are acknowledged and corrected where possible in this report, but the

international comparisons should be regarded as indicative of differences rather than precise measures.

## Findings

Overall, the evidence suggests that the ELC workforce in Ireland can be characterised in the following ways:

- Qualification requirements for teachers in ELC settings are lower in Ireland than in France, Germany, New Zealand and Norway, but higher than in England. Twenty five percent of the ELC workforce in Ireland holds a tertiary qualification, higher than the share in England but much lower than the shares in Germany, the Netherlands and Norway. This is despite the fact that the national workforce in Ireland is relatively well qualified. Indeed, ELC staff in Ireland are around half as likely to have a Bachelor's degree as the national workforce, while ELC staff in Germany and the Netherlands are more than twice as likely to hold such a degree as the national workforce.
- Mean hourly pay for ELC workers in Ireland is lower than in all comparator countries except England. While overall national hourly pay is also relatively low in Ireland, the ratio of ELC hourly pay to national hourly pay is still lower than for all comparator countries except England and Canada. Similarly, the difference between minimum wages and ELC hourly pay is lower than for all other countries except England.
- Statutory child-to-staff ratios in Ireland are generally lower than those in the comparator countries, although there are some exceptions in Canada, England and Norway. In practice, average child-to-staff ratios are low in Ireland, and the child-to teacher ratio is lower than in all comparator countries for which data was available.
- A relatively high share of ELC staff in Ireland work part time, despite Ireland as a whole having a lower proportion of part-time workers than any comparator country for which data was available. ELC staff in Ireland were three times more likely to work part-time than their peers in other sectors.
- There are indications that ELC staff in Ireland feel less recognised by society than ELC staff in Germany or Norway. However, the evidence is limited and is derived from surveys which may not be completely comparable.
- Comparisons of ELC staff experience, turnover, and recruitment and retention are limited by a lack of comparable evidence. The ELC workforce in Ireland is relatively young by international standards, and there is some evidence that turnover in Ireland is substantially higher than in Germany and Norway.

## 2.4. Working Paper 4: Mechanisms to Control Fees Charged to Parents for Early Learning and Care and School-Age Childcare

### Introduction

As part of the First 5 Strategy to improve outcomes for children in Ireland from birth to age five, a commitment has been made by the Irish Government to at least double public spending on Early Learning and Childcare (ELC) and School-Age Childcare (SAC) in Ireland by 2028. An Expert Group was tasked to deliver a report containing proposals for a new funding model which will help ensure that this additional funding can be used in the best way to deliver safe, high quality, affordable and accessible ELC and SAC. This report is the fourth in a series of working papers delivered by Frontier Economics in the role of Research Partnership to provide research support to the Expert Group.

A key concern with government subsidies for the delivery of ELC and SAC is who the money will benefit. While subsidies are intended to reduce costs for parents, there is a risk that providers will simply raise fees to increase their income while the amounts paid by parents remain basically unchanged. This paper documents the use of mechanisms to control fees for ELC and SAC<sup>1</sup> and critically reviews the evidence on the effects of these mechanisms, drawing out lessons on how such fee control mechanisms might be applied in Ireland. In total, information on fee controls or similar-type mechanisms is described for 19 countries and evidence on the impacts of using such mechanisms was identified for 9 countries.

### Use of fee control mechanisms

Fee control mechanisms are regulations which determine the amount that providers can charge parents for ELC or SAC services. Key features of fee control mechanisms are:

- The identified cases of fee control mechanisms only applied the controls to provision that was publicly funded, either in the form of subsidies or public provision. There were no cases where controls were applied to private providers who were not in receipt of supply-side public subsidies.
- Around half of the identified cases set a specific rate and the remainder impose a maximum amount. Just under half of the cases have exemptions from fees, that is, some families effectively receive ELC for free.
- In 12 cases, the rates or maximum amounts vary across households according to their income level, with a greater tendency for income-related controls to be used when they cover a mix of public and private provision rather than just one or the other. For 8 of these 12 cases, fees also vary by the number of children in the family.

- There is little information about how fee control levels are determined. Maximum fee caps expressed as a proportion of family income or the minimum wage suggest that the driver is a notion around the reasonable amount that parents might be expected to pay. Rates expressed as a proportion of delivery costs suggest that there is a notion of the reasonable proportion of costs that parents might be expected to pay or that the state pays as much as it can and parents must pay the residual.

### Effects of fee control mechanisms

Evidence on the benefits of fee controls could be drawn from only three jurisdictions:

Quebec's \$5 a day policy introduced in the late 1990s, Sweden's introduction of national fee caps in 2001-2003 and Norway's introduction of a national fee cap in 2005. The evidence from these reforms indicates that fee control mechanisms can have the intended impacts:

- The fee controls lowered childcare costs for parents and increased childcare use, but the impacts favoured higher income families more than lower income ones.
- There were positive impacts on maternal employment, but not in cases where employment rates were already high.
- Although the public spending costs of the policies were high, there were substantial returns to the government in the form of increased tax revenues and reduced transfers as maternal employment rates increased or the ELC workforce expanded.
- There was limited evidence that fertility rates increased in response to the lower childcare costs.

There is some limited evidence that fee control mechanisms can have unintended consequences.

There are reports of four types of issues, drawn from a handful of countries:

- The introduction of demand-side subsidies with hourly caps on reimbursement rates for fees in the Netherlands in 2015 highlights how such caps may not protect against price increases or even push up prices, leading to higher profits for private providers.
- A lack of available places due to the fee controls has been reported for Quebec, Germany and Italy.
- There is evidence that the fee controls in Quebec have had adverse effects on quality and child outcomes. The impacts on quality have also been a concern for the use of fee controls in Korea.
- There is some very limited evidence indicating problems of financial sustainability and longer-term investment due to fee caps.

## Potential use of fee controls in Ireland

The evidence highlighted some considerations for the possible use of fee controls in Ireland:

- a) Fee controls (or fee controls in conjunction with supply-side subsidies) need to be set at a level which financially sustains provision without driving excessive profits or surplus for providers, but this may be challenging.
- b) The structure of the fee controls will influence the distribution of the benefits across different types of families and the work incentives they create.
- c) Conditionality measures on the receipt of subsidies may be required to help to guard against specific adverse consequences. These could include conditions to prevent providers using ways to circumvent the fee controls; conditions on quality, wages and work conditions; and regulations on profit rates.
- d) There may be a need to facilitate investment in expanded capacity if demand for provision increases substantially under the fee controls.
- e) The magnitude of the budget required to fund fee controls and accompanying subsidies will be difficult to predict due to uncertainties around potential expansion in the demand for ELC and SAC and, to a lesser degree, the magnitude of increased government revenues if parental employment increases.

## 2.5. Working Paper 5: Approaches to Identifying Children or Settings in Need of Additional Support

### Introduction

As part of the First 5 Strategy to improve outcomes for children in Ireland from birth to age five, a commitment has been made by the Irish Government to at least double public spending on Early Learning and Childcare (ELC) and School-Age Childcare (SAC) in Ireland by 2028. An Expert Group was tasked to deliver a report containing proposals for a new funding model which will help ensure that this additional funding can be used in the best way to deliver safe, high quality, affordable and accessible ELC and SAC. This report is the fifth in a series of working papers delivered by Frontier Economics in the role of Research Partnership to provide research support to the Expert Group.

A key priority of the Expert Group is the development mechanisms to provide targeted support to mitigate the impacts of early disadvantage. This paper reviews how other jurisdictions target disadvantage, both in terms of the characteristics used to identify disadvantaged children and the approaches used to ensure they receive additional support.

In total, 38 jurisdictions were reviewed covering 28 EU countries (including the French- and Flemish-speaking regions of Belgium), Australia, Canada, New Zealand, Norway, Serbia, Switzerland and the four constituent countries of the United Kingdom. The paper also considers which approaches could be applied in Ireland, given the availability of data and relevant contextual factors. A subsequent working paper will review the level and nature of additional support.

### Family and child characteristics used to identify disadvantage

Jurisdictions use a range of family and child characteristics to identify which children should receive additional support. These generally fall into one of five broad categories:

- Economic disadvantage, based on a range of measures including family/household earnings, disposable income, wealth, parental unemployment, receipt of government benefits, parents' education and parents' occupation. Thirty-two of the 38 jurisdictions reviewed used at least one of these measures.
- Family composition, including the number of parents in the household, the number of siblings in the household and the number of siblings attending the same ELC setting. Twenty-nine of the jurisdictions reviewed used at least one of these measures.
- Children with special educational needs or disabilities (SEND). All of the jurisdictions reviewed provide some form of support to SEND children.

- Children from an ethnic or regional minority, asylum seekers or migrants, and other children with additional language requirement. Twenty-seven of the jurisdictions reviewed used at least one of these measures.
- Children in extreme need, including those who are geographically isolated or are in foster care, those whose parents are seriously ill, disabled or fleeing violence at home, and those who are known to child protection agencies. Fourteen of the jurisdictions reviewed used at least one of these measures.

### Approaches to allocating additional support to children

Targeted support for disadvantaged children can be provided directly to parents or delivered through settings. Allocation via settings can imply additional calculation to “aggregate” individual needs to an overall level of support for each setting. It is useful to consider four broad approaches to allocating support:

- Support is provided directly to parents. This approach generally involves parents sharing information directly with the government, without the involvement of settings.
- Support “follows the child” but is provided to settings. This approach requires that parents share information with both the government and settings.
- Support is allocated to settings based on the collated eligibility of the individual children within each setting. This approach also requires that parents share information with both the government and settings.
- Support is allocated to settings based on the address of the setting. This approach imposes minimal additional data collection requirements.

The relative strengths and weaknesses of each approach are considered using five criteria: targeting efficiency; suitability for the type of support; consistency/ responsiveness; administrative burden; and take up.

These criteria suggest a clear distinction between the first two approaches (support paid to parents or support follows the child) and the second two approaches (support allocated to settings based on collated child eligibility or setting address):

- The first two approaches offer greater efficiency in that the support is well targeted to disadvantaged children and minimises the deadweight loss of support going to less-disadvantaged children. They also offer greater responsiveness in the level of support to changing levels of need at the setting level.



- The second two approaches can offer a concentration of support within a number of selected settings, which may be essential for some types of support. They also offer greater consistency over time in support for settings.

Within each pair of approaches, the choice should be informed by the specific nature of the support and trade-offs between targeting efficiency, administrative simplicity and take-up:

- Within the first two approaches, support provided to parents is best able to target disadvantaged children, is administratively simple and may facilitate higher take-up. However, support provided to settings may be more appropriate if the support requires some concentration of resources within the setting (such as specialised sessions) rather than simply aiming to lower costs for the target child.
- Within the second two approaches, support based on collated eligibility may more closely reach the target children and have greater responsiveness to changing need, but support based on the setting address may offer greater consistency (if neighbourhood statistics are more consistent than setting enrolment), lower administrative costs and greater take-up.

### Implementation in Ireland

Each of the four approaches could be implemented in Ireland using existing data, with some exceptions for particular disadvantage characteristics.

- The first three approaches could be implemented using data on disadvantage characteristics and ELC hours collected through the National Childcare Scheme (NCS) and Access and Inclusion Model (AIM) registration processes. The exceptions are information on migration and ethnic minority background, as well as some economic disadvantage and extreme need characteristics, which may need to be collected separately such as through the proposed ELC Online Database project.
- The fourth approach could be implemented by combining setting address information with Small Areas Population Statistics.

In practice, the choice of allocation approach will depend upon the specific nature of the support and the specific trade-offs between efficiency of targeting and administrative simplicity and take-up.

## 2.6. Working Paper 6: Funding Models Addressing Early Childhood Disadvantage

### Introduction

As part of the First 5 Strategy to improve outcomes for children in Ireland from birth to age five, a commitment has been made by the Irish Government to at least double public spending on Early Learning and Childcare (ELC) and School-Age Childcare (SAC) in Ireland by 2028. An Expert Group was tasked to deliver a report containing proposals for a new funding model which will help ensure that this additional funding can be used in the best way to deliver safe, high quality, affordable and accessible ELC and SAC. This report is the sixth in a series of working papers delivered by Frontier Economics in the role of Research Partnership to provide research support to the Expert Group.

A core objective of the new funding model is to provide additional funding or support to services to mitigate the impact of early childhood disadvantage, supporting children with additional learning needs, children for whom English or Irish is not the first language, and children who are at risk of poverty or other forms of disadvantage.

In order to provide a range of options for how such mechanisms might be developed, Working Paper 5 considered how such children or settings might be identified for additional funding support, and how these identification approaches could be applied in the Irish context. Following on from this, this paper now sets out how provision quality for identified children or settings might best be supported. Specifically, the aims were to:

- Review the policy approaches used to target funding or support enhanced provision for disadvantaged children.
- Assess the available evidence on how well these approaches work in practice.

It should be noted that this paper does not directly consider the wide range of policies used to increase access and affordability for disadvantaged children.<sup>3</sup>

### Methodology

Relevant international and country-specific information on policies that target funding or support to enhance provision quality for disadvantaged children were reviewed, along with evidence on the effectiveness of these policies. Key informant interviews were conducted with experts to validate the information collected in the desk review and identify additional policies and studies. The identified policies were then categorised into broad “approaches”, evidence on their effectiveness was

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<sup>3</sup> These policies are covered to some extent in Working Paper 2 of this series, which considers the international approaches to funding ELC and SAC to reduce costs for parents.

synthesised, and key trade-offs between the approaches were considered with reference to the Irish context.

### Types of approaches

The review identified more than 30 examples of policies to enhance provision for disadvantaged children. These policies can be grouped into six broad approaches:

- **Flexible additional funding** provides settings with additional funding for disadvantaged children with a degree of discretion regarding how these funds are spent. This approach is generally justified by the need to compensate settings for the additional costs associated with disadvantaged children.
- **Conditional additional funding** provides additional funding for disadvantaged children conditional on meeting a set of prescribed structural or process quality standards such as child-to-staff ratios or staff qualifications.
- **Grants** provide funding to settings on a case-by-case basis, generally to address specific individual or setting needs. Such approaches are generally used to fund supports above those provided in automatic funding formulae.
- **Additional staffing** policies involve the direct provision of staff, including those with specialist qualifications, to reduce child-to-staff ratios and enhance the provision quality in targeted settings.
- **Other in-kind support** includes government-provided in-service training, mentoring and advice services, pedagogical resources and teaching materials for settings.
- **Specialised provision** includes the delivery of focused curricula to disadvantaged children and provision serving disadvantaged children in designated settings separate from mainstream provision.

There is some relationship between the approaches used and the disadvantage characteristics they aim to address. **Economic disadvantage** was generally addressed by additional funding and grants. Children with **special educational needs and disabilities (SEND)** were targeted by a wide range of approaches, but the most common approaches were grants and in-kind support, reflecting that the costs associated with serving children with SEND are highly variable and are often best addressed on a case-by-case basis using centralised resources. Children from **migration or ethnic minority backgrounds** were targeted by all six approaches, but most notably by in-kind support and specialised provision policies. **Family composition** and **extreme need** characteristics were generally not the focus of targeted approaches.

## Evidence on effectiveness

There are three sets of literature on the effectiveness of these policies: evidence on how flexible additional funding is spent; evidence on whether the portfolio of policies used by a given country results in disadvantaged children having access to higher-quality provision; and evidence on the impact of targeted classroom-level interventions on child development. Three conclusions stand out:

- Evidence from New Zealand and England suggests that flexible additional funding is often spent to cover existing expenses and facilitate access and affordability, rather than to specifically enhance provision.
- In the Netherlands, England and Portugal, disadvantaged children attend settings with higher-quality provision than non-disadvantaged children, although the effect is largely driven by the types of settings these children attend rather than policies for targeting funding and support.
- There is a range of empirical evidence demonstrating that classroom-level interventions are effective for disadvantaged children, but limited evidence that these interventions close disadvantage gaps.

However, the evidence is limited and generally focused on a single programme or country, which means that strong conclusions cannot be drawn about the effectiveness of the different types of approaches.

## Key policy trade-offs

Nevertheless, there are three sets of trade-offs that should be considered in assessing the use of different approaches in the Irish context:

- **Additional funding vs. grants.** The key advantage of grants is that they allow for the funding of specific, costly supports that are often difficult to account for using standardised funding formulae. Grants can therefore help minimise the risk of unexpected costs falling on individual settings or regional authorities. In the Irish context, a combination of additional funding and grants is likely to be appropriate to address some disadvantage characteristics where additional costs vary substantially between individuals or settings (such as SEND).
- **Additional funding vs. in-kind support.** Decisions about which objectives to support, the type of support needed to meet those objectives and how (or by whom) the support should be delivered are assigned to government rather than settings to an increasing degree as the approach moves from flexible funding to conditional funding to in-kind support. Whether government or settings are best placed to make these decisions depends on the context. A second consideration is that the burden of monitoring compliance may be greatest for conditional additional funding. Consideration of these trade-offs in the context of Irish ELC

and SAC should account for the existing supports that settings draw on to help them enhance provision.

- **Direct provision of additional staff vs. funding for additional staff.** Additional staff approaches are better suited to systems where staff are employed by the government rather than settings. The prevalence of private-sector provision in Ireland implies that funding settings to hire additional staff is likely to be more appropriate.

## 2.7. Working Paper 7: ELC and SAC Funding Models which Support Provision Quality

### Introduction

As part of the First 5 Strategy to improve outcomes for children in Ireland from birth to age five, a commitment has been made by the Irish Government to at least double public spending on Early Learning and Childcare (ELC) and School-Age Childcare (SAC) in Ireland by 2028. An Expert Group was tasked to deliver a report containing proposals for a new funding model which will help ensure that this additional funding can be used in the best way to deliver safe, high quality, affordable and accessible ELC and SAC. This report is the seventh in a series of working papers delivered by Frontier Economics in the role of Research Partnership to provide research support to the Expert Group.

Improving the quality of ELC and SAC provision in Ireland is a core intent of the new funding model in order to support the improvement of child outcomes, to assure parents that their children are participating in excellent services, and to ensure that additional public funding delivers a higher standard of service. In order to provide a range of options for how provision quality might be supported, the aims of this paper are to:

- Provide a high-level description of the features of high quality ELC and SAC provision, including both structural and process quality measures.
- Identify which features of quality are amenable to being resourced and/or required through a funding model, using evidence on existing funding approaches and the effectiveness of these approaches to improve quality.

The terms “through a funding model” and “funding approaches” are defined here as approaches for paying public funding to settings to influence quality decisions at the setting level rather than public funding used at the broader system level to influence quality.

### Methodology

An initial stage reviewed the European Union Quality Framework, Síolta and the OECD Quality Beyond Regulations project to identify features of high quality ELC and SAC. This review was used to define the scope of the work within a narrower interpretation of “quality” as those features associated with the learning and care experience for all children rather than access or specialised support for a selection of targeted children. The scope of the funding approaches under consideration was also defined as those seeking to influence quality decisions at the setting level rather than at the broader system level.

This was in part to avoid overlaps with other working papers which focus on access as related to cost (working papers 2 and 4) and on targeted support (working papers 5 and 6), but also reflect a common interpretation of “quality” used in the international literature.

A search of relevant key government, social policy and academic databases was then undertaken for evidence on the use and effectiveness of ELC and SAC funding approaches to support and promote high quality provision in European and OECD countries and jurisdictions. Following this desk-based research, eight telephone interviews with key informants were undertaken to help complete any evidence gaps for selected policies and elicit views on the perceived effectiveness of measures and implementation challenges. Information on funding approaches to support provision quality is presented for a total of 38 policies in 16 countries and jurisdictions.

It should be noted that the research for this report was undertaken prior to and during the COVID-19 pandemic and that some information may have subsequently changed as a result.

### Types of quality measures

A broad range of policies supporting provision quality were identified and categorised into five groups based on the quality element that they seek to influence:

- a) **Workforce skills:** policies to improve workforce skills through employment-related training, continuing professional development (CPD) and employment retention.
- b) **Working conditions:** policies to improve workforce conditions by raising demand for more-qualified staff, increasing wages, and improving career profiles and status.
- c) **Curriculum:** broadly defined as policies to improve practice, including use of approved curricula, inspection requirements and lower child-to-staff ratios.
- d) **Collaboration:** policies to encourage settings to work with each other, other organisations and parents.
- e) **Devolved quality choice:** policies which devolve the choice of quality target and policy approach to lower levels of government or administration.

### Workforce skills

Funding mechanisms to increase worker skills include: (1) incentivising post-secondary educational courses, which may be combined with (2) retention bonuses for staying in the same job or in the field, and (3) incentivising CPD, which may include (4) on-site specialists in settings.

The following findings emerged from the case studies:

- Incentives for post-secondary courses have been combined with other initiatives, including retention, star ratings and pay grades for staff qualifications.
- Retention bonuses may be relatively effective at decreasing turnover when sector wages are low.
- The aims of the CPD initiative will influence the appropriate design. Some CPD initiatives are targeted at a group that requires special support, such as settings with a high proportion of

children from families with a different primary language. Other CPD initiatives are available on an opt-in basis, which may be more accessible to higher quality settings.

- A challenge in designing CPD is ensuring that practitioners can implement the CPD learning in their setting. Embedding mentors or CPD within a setting may help staff to put quality improvements into practice. Embedded CPD may be more tailored to the individual setting, and it may be easier for staff to make changes as an entire group than when acting individually.

### Working conditions

Almost all of the identified policies supporting working conditions focused on improving staff qualifications or pay (although policies supporting employment-related training and CPD should also be considered as enhancing working conditions). Very few policies which aimed to improve other elements of conditions, such as work benefits, job security, career profile or social status, were identified. In addition, the policies supporting qualifications and pay were dominated by eligibility requirements or funding premiums for public subsidies or free places; the main exception to this was the use of wage enhancements in a few cases. This reliance on using broader sources of public funding to improve quality in private-dominated ELC and SAC sectors is not surprising; improving qualifications and salary levels has high monetary costs, and sizeable financial levers are required for private providers to be willing and able to make the desired changes. In systems dominated by public provision, more bespoke in-kind support is easier to facilitate and requirements are more straightforward to enforce.

The following findings for raising workforce qualification levels emerged from the case studies:

- It can be difficult to identify impact on qualification levels when there are multiple policies with the same objective or when qualification levels are gradually rising over time for more general reasons. However, the evidence is clearer when training enrolment rates react sharply to a new policy.
- There can be displacement effects from qualified staff moving from uncovered provision if support for higher qualifications is focused on one area of provision.
- To incentivise workers to train, funding for higher qualifications needs to be passed through to higher salaries for more-qualified staff. However, even if not passed through, the funding may create incentives for providers to hire more-qualified staff and increase demand (if not the rewards) for higher qualifications.



- Gradation of support across different rising levels of qualifications (as opposed to a single quality premium) can provide stronger incentives for those providers beginning from a low base to improve and for those at the higher end to continue to improve. However, the gradation in funding needs to be reasonably matched to the relative costs of moving from one level to the next to avoid “traps” at some levels.
- Support could be refined to reflect the importance of different types of staff roles. For example, the qualifications of directors or managers may carry a higher weight given their impact on overall setting quality.
- The evidence that the benefits of higher qualifications are focused on the rooms where staff actually work suggests that support should be determined on a room-by-room basis. This also creates incentives for settings to incrementally improve qualifications and to be able to expand without risk of losing the additional support if staff cannot be as highly qualified in additional rooms. However, these advantages need to be weighed against the additional administrative burden of support based at the room level.

The following findings for raising workforce pay emerged from the case studies:

- There is a broad view that pay levels are the key driver of quality in the sector and the key barrier to improvements in quality.
- Support to increase workforce pay levels can take the form of wage scale conditions for broader public funding or direct wage enhancements. The wage scale conditions have some advantage in that they set the total amount paid, while wage enhancements run the risk that they may displace pay that would otherwise have been paid by the provider.
- Size matters: wage scales or enhancements will only have an impact on workforce quality if they have “bite” and actually increase pay levels to a sufficient degree. A common theme in many policies is that pay levels are set too low.
- To support retention and experience in the workforce, pay needs to increase with experience. Even if experience does not directly benefit provision quality, other occupations have increasing returns to experience, and the ELC and SAC sectors require similar returns to be able to attract the best workers at older ages as well as at the youngest ages.

There are two broader points of note from these case studies:

- To be effective, policies supporting workforce conditions need to be widely available. Limited numbers of places in higher quality provision potentially conflict with issues of equal access.

- If broader funding sources are reduced (or do not keep pace with rising costs) or other sources of income diminish, providers' responses often affect working conditions, for example by reducing (or not increasing) pay and hiring less-qualified staff (and cutting CPD or training support).

### Curriculum

Most of the policies identified as supporting curriculum-related elements of quality are requirements for broader public funding and operate alongside other requirements on staff qualifications or pay. Only one case (in Ireland) was identified as support-in-kind to assist the implementation of specific quality frameworks within services. No evidence was identified on the effectiveness of these approaches in terms of enhanced use of curricula. This may primarily reflect that policies to support the use of curriculum and improve practice are covered in regulations (and outside the scope of this paper), but it may also be due to such policies tending to operate at the system level or being part of approaches supporting workforce skills.

### Collaboration

Very few policies explicitly supporting collaborative approaches were identified, possibly because collaboration tends to be supported at the system level rather than by policies that seek to influence the behaviour of individual settings (as with curriculum-related policies).

Nevertheless, the case study which considered networks of settings highlighted the following findings for consideration in developing collaboration between ELC and SAC settings:

- There are some advantages of scale in forming collaborations, particularly in areas such as CPD.
- There may be an optimal number of settings in a collaboration: having too few does not generate any benefits while having too many can be unwieldy to operate and create excessive administrative burden.
- Collaboration may not work well if the settings are geographically spaced: the ability to interact physically is important.
- Collaboration may not work well if the settings have different financial models, such as a mix of private and publicly maintained providers.
- Most importantly, collaboration may not work well if the settings are competitors, as is the case in a predominantly private sector.

The case study which considered the requirement to have parent advisory committees also highlighted the following findings for consideration in establishing such requirements:

- The roles for setting managers, staff and parents will need guidance or even the setting of specific protocols.

- The committees require managers to share some control, but there is an issue over responsibility for outcomes.
- Parental turnover may lead to substantial variation in the value of the committees and create a barrier to the building of good, long-term working relationships.

### Devolved quality choice

There are relatively few cases where decisions about supporting quality are devolved and there is no evidence on whether devolving these choices leads to better support approaches. The identified cases have shown that these responsibilities may be devolved to regional or local authorities or to individual settings themselves.

The following findings emerged from the case studies:

- Given the choice, local authorities may allocate only a small part of funding to quality supplements. However, this may depend upon the level of overall funding and the flexibility offered in the amount of available funding over and above that needed to ensure a sufficient base rate.
- Regional or local authorities may have a preference for using quality measures related to staff qualifications or inspection ratings. There are various potential reasons for this: the workforce may be seen as the most important driver of quality; workforce measures may be the easiest ones to achieve improvements; or the workforce may be the area most in need of improvement.
- There are dual pressures between the demands of improving quality and enhancing affordability at regional and local government levels as well as national government levels.
- One example reported here suggests that generously funding and allowing settings to have complete flexibility in the choice of methods may substantially improve process quality, with lasting impacts. However, this evidence is based on a small sample of settings in one particular context, and further research on the possibilities such an approach might offer could be valuable.

### Lessons for Ireland

The quality features which appear to be most amenable to being resourced and/or required through funding models are elements relating to staff, including (in order of amenability) qualification levels, CPD/training and pay. However, the question of effectiveness cannot be unequivocally answered due to a lack of robust evidence on impact, both in absolute terms and in terms of assessment of the relative effectiveness of different approaches.

In addition to the specific findings contained within the chapters for each quality element, some overarching lessons can be drawn for the Irish context:

- Policy examples from Ireland include those supporting workforce qualifications and use of curricula, but there is no robust evidence on their effectiveness.
- Permanent direct policies to address workforce pay are currently absent in Ireland,<sup>4</sup> but workforce pay may be the key barrier to achieving higher quality provision, no matter what other policies are in place. Approaches to address the pay issue can only be successful if sufficient funding is used to create a substantial financial lever which both encourages and enables providers to increase pay levels to the point where they can attract better and more-qualified staff.
- The design of funding incentives and requirements should take into consideration that the current level of workforce qualifications will limit the speed of progress in achieving workforce qualification goals.
- By design, a funding model with financial incentives for settings to improve quality will deny resources to those settings with the lowest quality and greatest need of support. Fundamentally, funding conditions or premiums offer incentives for change but no upfront funding for settings to improve quality. Hence, there may be a need for additional mechanisms to support those at the lower end of the quality measures to kick-start progress or to jump to a level which can then be sustained through the funding model.
- There is a risk that additional funding attached to particular quality measures could distort how settings would best deliver ELC and SAC. Hence, there is a need to be aware of potential adverse consequences (such as drawing the best staff away from some types of provision) in designing policy options.

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<sup>4</sup> At the time of writing, the Temporary COVID-19 Wage Subsidy Scheme (TWSS) provides some support during the COVID-19 pandemic. See <https://www.gov.ie/en/publication/17507b-information-on-covid-19-measures-for-providers-and-staff-of-early-le/> 16

## 2.8. Working Paper 8: Shared Delivery Models for Early Learning and Care and School-Age Childcare

### Introduction

As part of the First 5 Strategy to improve outcomes for children in Ireland from birth to age five, a commitment has been made by the Irish Government to at least double public spending on Early Learning and Childcare (ELC) and School-Age Childcare (SAC) in Ireland by 2028. An Expert Group was tasked to deliver a report containing proposals for a new funding model which will help ensure that this additional funding can be used in the best way to deliver safe, high quality, affordable and accessible ELC and SAC. This report is the eighth in a series of working papers delivered by Frontier Economics in the role of Research Partnership to provide research support to the Expert Group.

Progressing collaborative initiatives and integrated service development and delivery is a core intent of the new funding model. In order to help understand how existing models of shared delivery approaches across ELC/SAC services in Ireland and in other jurisdictions contribute to affordability, quality and sustainability of provision, the aims of this paper are to:

- Present a summary of the discussion around shared delivery across ELC and SAC services, including the benefits of this type of collaboration and the facilitators of and barriers to this type of collaboration between settings.
- Describe the identified instances of this type of collaboration between ELC and SAC services in Ireland and other jurisdictions.
- Summarise the available evidence on the effectiveness of these arrangements.

The scope of this evidence review includes models of shared delivery across ELC and SAC services or settings which are independent, individual settings without shared governance. This paper does not cover chains of services or settings where one organisation operates provision on multiple sites with shared governance and a single legal entity and does not cover collaboration between ELC and SAC settings on the one hand and other early years services or the local community on the other.

### Methodology

A desk-based evidence review of publicly available evidence, including academic publications and grey literature from government agencies and third-sector organisations, was undertaken for evidence on the use and effectiveness of shared delivery ELC and SAC. Following a general search without a named country, the search focused on eight case study countries (Canada, England, France, Germany, Ireland, the Netherlands, Norway and New Zealand), in line with evidence presented in earlier working papers, and Australia. The collated sources were then analysed to identify different types of

approaches to shared delivery and an assessment was made of the evidence on the effectiveness of these approaches.

One caveat on the evidence is that many of the evidence sources were webpages rather than published documents. References to webpages are simply listed within the text and all were accessed in February 2021. Published documents are referenced and listed in the usual manner in a list of references.

It should be noted that the research for this report was undertaken during the COVID-19 pandemic and that some information may have subsequently changed as a result.

## Findings

In theory, shared delivery models could offer providers benefits through economies of scale (reducing costs), economies of scope (improving delivery or quality) or enhanced visibility or reputation (building competitiveness). Different types of shared delivery for ELC and SAC could include:

- Shared business and administrative services;
- Shared frontline inputs (such as contact staff, premises or other venues, equipment or materials);
- Shared training or staff development;
- Shared learning;
- Joint marketing to promote reputation; and
- Shared care (when a child attends two different settings or services managed by different organisations).

Only a small number of examples of shared delivery models for ELC and SAC settings were identified in this review:

- Rapidly growing use of shared business and administrative services (Shared Services Alliances) across the US with the support of substantial public funding. The context of a large number of small independent providers suggests that these shared services may be yielding sizeable benefits and there are several reports of Shared Service Alliances delivering substantial financial savings to their members. However, there are few firm assessments of the precise magnitude of cost savings. Moreover, government funding has supported the development of services and promoted their benefits, and it would be surprising if the substantial public investment did not result in some type of saving for the providers themselves.
- Several networks supporting shared resources, primarily for training in England and the Kāhui Ako network in New Zealand, and some examples of shared venue spaces in Scotland. This may reflect substantial policy changes, including that the considerable focus on providing childcare for

disadvantaged children and those with additional needs has increased the benefits from sharing training in this way. Alternatively, it could reflect the absence of the organisation of shared learning through public funding or support at the system level. The benefits of these networks are reported to include reducing costs and allowing limited funding to go further; improving access to training and CPD; supporting an exchange of experience across staff and settings; and facilitating shared purchases such as for specialist staff and occasionally used equipment.

- Relatively successful shared delivery models for childminders in the Netherlands and in France, and childminder agencies in England, which have not flourished. The agencies in the Netherlands are highly rated by parents for quality, affordability and flexibility. In France, the agencies are reported to benefit childminders by reducing their isolation and increasing business through referrals. Elsewhere, networks of family day care providers are reported to enhance professional identity and community, supporting longer-term commitment to the role. However, the use of childminder agencies may not be so prevalent in England because the financial and other benefits do not outweigh the additional costs or because the childminding workforce in England values independence to a greater extent than elsewhere.
- Several types of shared learning approaches in England, including setting-run networks and system leaders in the form of Maintained Nursery School (MNS). Again, this could reflect a greater need for shared learning in the face of substantial policy developments and other delivery challenges or the absence of system-level support for shared learning. Government and third-party support for shared learning organised at the setting level have also been specific facilitating factors. Shared learning has been reported to include benefits for good practice and effective business management. It is seen as a quick and efficient way for staff to develop professionally, including through visits to other settings and through network participants cascading knowledge back to setting staff.
- Examples of shared care in Germany and England in response to specific policy needs. Shared care in Germany has been advocated because of its benefits for childminders, who can use the facilities and training of day care centres and have coverage if they are sick or on vacation, and its benefits for parents because childminders can provide care for very young or unwell children or at atypical times. However, shared care in England is still largely viewed as a necessary compromise when other options are not available.

This review has identified only a very small number of examples of shared delivery models, for which there may be several explanations:

- Shared delivery is a relatively rare occurrence because the overall benefits are small, particularly if any benefits are already captured in system-level organisation supported by public funding or are better captured through chains of settings with shared governance.
- The identified collaboration tends to be “low level” in that the shared activities do not have substantial impacts on frontline delivery. It is possible that the identified examples are actually quite widespread but are not considered of sufficient importance or interest to be reported.
- Evidence has been focused on countries or on recent specific developments where research in the area receives greater support and funding.

Although the benefits of shared delivery models are widely listed, robust evidence on the effectiveness of the shared delivery approaches is absent. There are no assessments or measurements of reduced cost, enhanced scope of provision or quality improvements. Some of the benefits would be challenging to measure in a robust way, but the absence of monetary estimates for cost savings is most obviously lacking.

Overall, the evidence indicates that shared delivery is likely to be beneficial only for auxiliary supporting activities such as administration or training rather than for the primary activity of day-to-day frontline care and education. This suggests that promoting this type of collaboration between settings may be able to achieve more for the quality of provision than for substantially reducing costs.