

FUNDING MODEL STAKEHOLDER ENGAGEMENT

Workshop #3: Parental Affordability

May 2021



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EXECUTIVE SUMMARY

This document summarises the key conclusions emerging from the third Phase 2 stakeholder workshop which focused on *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 Reference¹ 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.

¹ <https://first5fundingmodel.gov.ie/wp-content/uploads/2020/01/Terms-of-Reference-1.pdf>

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 it 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 it 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)² and the National Childcare Scheme (NCS).³ 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

²

https://www.citizensinformation.ie/en/education/pre_school_education_and_childcare/early_childhood_care_and_education_scheme.html

³ <https://www.ncs.gov.ie/en/>

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 it 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 be 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 avail of the NCS.

1 CONTEXT

1.1 Background to the First 5 project

*First 5: A Whole of Government Strategy for Babies, Young Children and their Families 2019-2028*⁴ was published in November 2018 and sets out an ambitious programme of work across Government Departments to improve the experiences and outcomes of children in Ireland from birth to age 5 across all aspects of their lives in the coming ten years.

1.1.1 Role of ELC & SAC within *First 5*

One of the major objectives of *First 5* is that babies and young children have access to quality Early Learning and Care (ELC) and School-Age Care (SAC) which is tailored to their stage of development and need.

FIRST 5: OBJECTIVE #8

Babies and young children have access to safe, high-quality, developmentally appropriate, integrated ELC (and school-age childcare), which reflects diversity of need.

Allied to that objective, *First 5* identifies as a key building provision of further public funding that enables the best outcomes for babies, young children and their families.

FIRST 5: BUILDING BLOCK #5

Additional public funding that is strategically invested to achieve the best outcomes for babies, young children and their families.

The Irish Government has committed to at least doubling investment in ELC and SAC by 2028. As committed to in *First 5*, to ensure that this commitment is realised in a transparent and efficient manner that delivers for children, families and the State a new Funding Model is being developed.

1.1.2 Role of the Expert Group

On 18 September 2019 Minister Zappone announced an Expert Group to develop a new Funding Model for ELC and SAC. The Expert Group's Terms of Reference are as follows⁵:

⁴ <https://www.gov.ie/en/publication/f7ca04-first-5-a-whole-of-government-strategy-for-babies-young-children-and/>

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

EXPERT GROUP TERMS OF REFERENCE

Agree a set of guiding principles to underpin the new Funding Model for Early Learning and Care and School Age.

Review the existing approach to funding Early Learning and Care and School Age Childcare services by the Department of Children and Youth Affairs in terms of its alignment with the guiding principles as well as effectiveness in delivering on the policy objectives of quality, affordability, accessibility and contributing to addressing disadvantage.

Drawing on international evidence, identify and consider options on how additional funding for Early Learning and Care and School Age Childcare could be structured to deliver on the guiding principles and above policy objectives.

Agree a final report including a proposed design for a new Funding Model, with accompanying costings, risk analysis and mitigation and phased implementation plan (with funding likely to become available on an incremental basis) to recommend to the Minister for Children and Youth Affairs and ultimately Government.

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) rather the Group should seek to further 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 full Terms of Reference set out a detailed list of matters that are in scope for consideration by the Expert Group and are available at: <https://first5fundingmodel.gov.ie/wp-content/uploads/2020/01/Terms-of-Reference-1.pdf>

1.2 Role of Frontier

Frontier have been commissioned as a research partner to provide support to inform the development of a new Funding Model for Early Learning and Care and School-Age Childcare. This has involved the production of research reports.⁶

As part of our role as research partner Frontier have been commissioned by the Department of Children, Equality, Disability, Integration and Youth (DCEDIY) to carry out a programme of stakeholder engagement on behalf of the Expert Group.

1.2.1 Building on previous engagement

At the first meeting of the Expert Group in October 2019 special consideration was given to consultation and engagement, with an options paper presented to and discussed by the Expert Group. In the initial meetings and as outlined in the project plan, it was agreed that consultation and engagement would be composed of three phases:

⁶ <https://first5fundingmodel.gov.ie/publications-2/>

- Phase 1: Identification of key issues
- Phase 2: Development of deeper understanding of key issues and generation of proposals.
- Phase 3: Testing of proposals

Phase 1 was completed in December 2020, and the results have been published.⁷ Frontier are undertaking Phase 2 which will allow for the generation of proposals for new funding model and explore in-depth the issues identified in Phase 1.

1.3 Structure of Phase 2

We have three overall objectives as part of the Phase 2 engagement:

- Explore the specifics of Phase 1 issues raised and the potential trade-offs
- Generate proposals for funding model design
- Establish level of consensus for specific ideas for the new funding model

We have been asked by the Expert Group to explore four themes as part of Phase 2.

Figure 1 Four themes to be covered by Phase 2 engagement

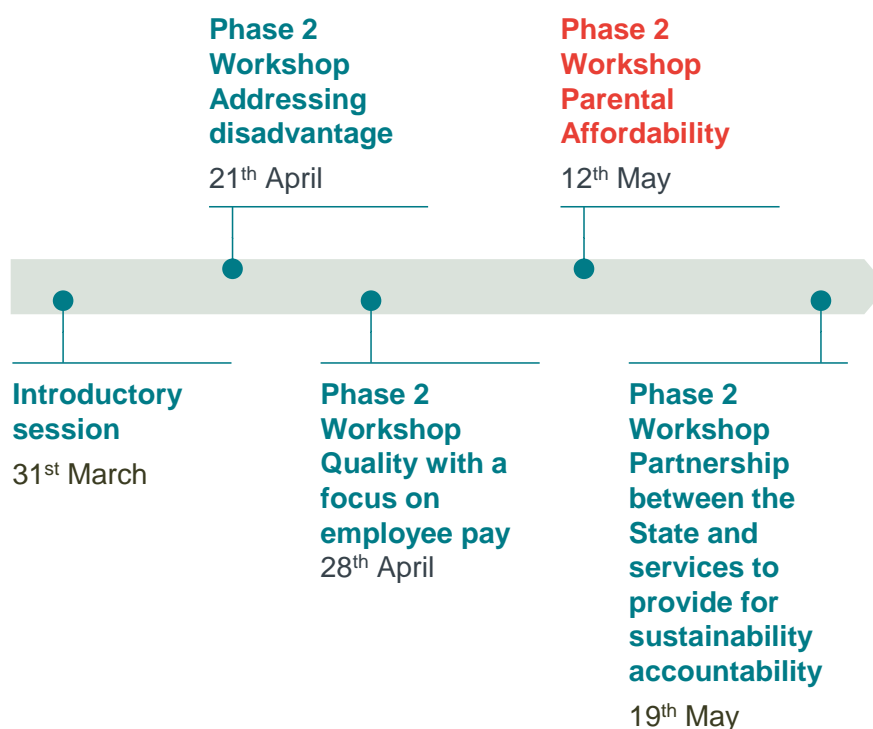


Source: *Expert Group*

Each of the themes were discussed in depth during a half-day virtual workshop. The third of these sessions focused on **parental affordability** and was held on May 12th. Prior to this an introductory session occurred on 31st March to let all participants know what to expect during Phase 2 and the first two half day workshops occurred in April.

⁷ <https://first5fundingmodel.gov.ie/wp-content/uploads/2021/04/1.-Phase-1-Consultation-and-Engagement-Overview-of-Phase-1.pdf>

Figure 2 Timing of Phase 2 engagement



1.4 Attendees

The Minister for Children, Equality, Disability, Integration and Youth has established an Early Learning and Childcare Stakeholder Forum (ELSCF). The ELSCF's member include representation from the following constituent groups:

- providers.
- practitioners.
- parents.
- children; and
- academics.

Engaging with this broad base of stakeholders will allow us to incorporate a variety of different perspectives and ensure that all proposals are robustly tested by those with requisite expertise.

Frontier Economic are carrying out a programme of stakeholder engagement with this group.

1.5 Structure of this document

The remainder of this document is structured as follows:

- In Chapter 2 we provide detail on the specific format and structure of the third half-day workshop focusing on parental affordability.

- In Chapter 3 we summarise stakeholders' views on how childcare costs are currently limiting access to ELC and SAC services and what the new funding model should aim to achieve in relation to parental affordability.
- Finally in Chapter 4 we present stakeholders' perspective on the role of fee controls in this context, potential metrics that could be tracked to provide an indication of increased affordability and how additional funding should be structured.

2 FORMAT AND FOCUS OF WORKSHOP #3: PARENTAL AFFORDABILITY

2.1 Preparation and areas of interest

Prior to the workshop session a briefing document was shared with all participants which contained:

- a summary of key pieces of input evidence which the Expert Group have considered in the context of affordability, including Frontier working papers which highlighted the cost of Irish ELC fees relative to other countries.
- an overview of the current National Childcare Scheme (NCS); and
- a summary of international policies that are used to improve parental affordability in the context of ELC / SAC.

The document also outlined the key questions we wanted to discuss with stakeholders during the session. This allowed representatives to consult with their members and colleagues in advance. 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?

2.2 Format of the day

The half-day session on parental affordability was divided into five sessions and a short break (Figure 3).

The break-out group sessions allowed each smaller group of stakeholders to discuss a set of issues in-depth with a Frontier facilitator. The Frontier facilitators each followed a topic guide during these breakout sessions so that each stakeholder was given the opportunity to provide input across a common set of questions. The Frontier facilitators took detailed notes during each of the breakout group sessions which were not otherwise recorded.

During the two plenary sessions the Frontier group facilitators then provided an oral summary of the key points raised during the small group discussions and members of other groups could challenge and ask questions and respond to further prompts put forward by the Frontier team. This meant that we could identify areas of consensus and tease out proposals that were supported by multiple stakeholders. The plenary sessions were also attended by representatives from DCEDIY who did not participate actively but and were present in an observatory capacity only.

We have summarised the key findings from sessions 2 and 3 in Chapter 3 the insights and proposals generated during sessions 4 and 5 are contained in Chapter 4.

Figure 3 Structure of workshop

Source: Frontier

2.3 Attendees

The following organisations were represented during the workshop on parental affordability:

- ACP
- Barnardos
- Better Start
- BLÁTHÚ Steiner Early Childhood Association
- Childcare Committees Ireland
- Childhood Services Ireland
- Childminding Ireland
- Community Providers Forum
- Disability Federation of Ireland
- ECI
- Federation of Early Childhood Providers
- Gaeloideachas
- IBEC
- ICTU
- Men in Childcare Network
- National Parents Council
- National Travellers Women's Movement
- NCN

- OMEP
- One Family
- PLÉ
- Pobal
- Seas Suas
- SIPTU
- Tusla

Due to scheduling conflicts some stakeholders could not attend the workshop session on parental affordability. To ensure a plurality of views are represented in this report Frontier carried out three one-to-one discussions with the following organisations:

- Children's Rights Alliance
- National Women's Council of Ireland
- SVP

Views expressed during these conversations are also included in this write-up.

3 CURRENT AFFORDABILITY ISSUES AND GOALS FOR THE NEW FUNDING MODEL

3.1 Affordability issues with the current funding model

We initially asked stakeholders to highlight some of the shortcomings of the current funding model that relate to parental affordability and the impact of childcare costs on access. Overall participants felt that the size of the universal and targeted elements of NCS supports were not sufficient to cover the high childcare costs faced by families. We were told that this can lead to children falling through the cracks and not being able to access the type of services they need. This is then exacerbated by eligibility for the maximum amount of hours per week that NCS covers, which varies in line with whether parents are participating in work/study or not. Many participants felt that these issues arose because the scheme is trying to solve too many problems at once.

3.1.1 Costs of delivering high-quality ELC and SAC are necessarily high, and this is creating a significant burden on parents

Members from all stakeholder groups discussed the extremely high costs of childcare in Ireland. One representative explained that they understood that providing high quality childcare should not be cheap, but they felt that parents should not be the ones meeting the majority of these costs.

Stakeholders described these costs as a “second mortgage” for those who are not receiving targeted NCS support (see also Section 3.1.3 for further details). Providers also detailed cases where parents (usually mothers) have been forced to drop out of employment because they cannot afford the costs of childcare. This is despite providers describing instances where they have limited their own wages to try and keep costs manageable for parents.



We need to be honest that ELC and SAC care shouldn't be affordable, it should be really expensive

One representative noted that parental affordability issues had become more acute in the last year as COVID restrictions meant that informal childcare options such as relying on grandparents was no longer possible.

In addition, other stakeholders noted that the high costs of childcare currently mean that women are prevented from taking part in others parts of life (such as sport or other social activities) as they try to minimise the number of childcare hours required.

3.1.2 Any co-payment will be too much for some families to be able to afford

Representatives from several stakeholder groups made the point that charging any cost, however small, will be too much for some of the most disadvantaged families. In this way, any element of co-payment could be a significant barrier to access amongst certain groups of children, and the payments under the current NCS are not always large enough to overcome these barriers (in certain areas of the country for example).

We were told that settings will also need to make sure that they have the resources necessary to cope with these families, who are most in need.

3.1.3 Low universal supports and a modest threshold for targeted supports create a “squeezed middle”

Stakeholders explained 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. We were told that this is related to the upper bound income threshold as well as the universal subsidy rate.



We need to think about helping the squeezed middle-income earners. We can't provide subsidies for one group of families that increases costs elsewhere

We were told that 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. Representatives from all stakeholder groups felt that the universal element of NCS especially was too small, and that it is not enough to encourage parents to go back to work.

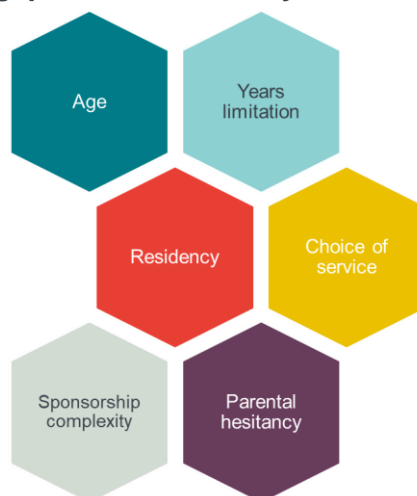


A €30,000 salary per parent is still below the average industrial wage, so the rate of tapering at €60,000 means a squeezed middle of those just above the threshold

Other stakeholders told us that the income tapering element of the NCS can in some cases mean that if parents are offered a higher paid job or additional hours, they will lose some of their support and therefore may opt to remain where they are.

3.1.4 Children are falling through the cracks

The current system was described as piecemeal which left children falling through the cracks for a variety of reasons:


Figure 4 Potential gaps in the current system

Source: *Frontier Economics*

- **Age:** The ECCE scheme provides early childhood education for children of pre-school age, for a maximum of two academic years. Representatives from multiple stakeholder groups discussed how the ECCE scheme does not start early enough, and the NCS may not always provide the required affordability supports for mothers who do not have access to paid maternity leave. Therefore, parents have to meet these costs themselves which in turn leads to increasing financial burden placed on parents and reduced affordability.
- **Years limitation:** 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 associated with paying ELC/SAC fees.
- **Choice of service:** Stakeholders explained that childminders and nannies (who might be capable of delivering a high-quality offering) are not covered by schemes such as ECCE and NCS. Therefore, parents face the full cost of this type of care which can lead to a financial burden on parents. We were told that this can lead to parents choosing to use a form of childcare based solely on affordability rather than an offering that best meets the needs of their child. Other representative groups noted that they would be uncomfortable if NCS funding was allocated to unregistered providers of any kind.
- **Complexity of sponsorship system:** For those children with serious additional needs, there are special arrangements whereby designated bodies can refer a child to NCS where childcare is needed on child welfare, child protection, family support or other specified grounds. Representatives from a variety of stakeholder groups said the sponsorship system has too many hoops for parents to jump through. This makes it harder for parents to apply for sponsorship, meaning that some parents do not successfully complete an application, and therefore some children who are entitled to extra resource do not receive it. This can exacerbate affordability issues as parents who are

struggling to afford childcare experience barriers to accessing additional resource.

- **Parental hesitancy:** Representatives raised potential parental hesitancy around sharing personal details or interacting with social workers, meaning they are reluctant to apply for NCS even when their children would qualify. This applies to schemes where personal information or interactions are required, rather than ECCE-type schemes where supports are universal.



There are a large group of people who wouldn't want to go near sponsorship as they are fearful of going to a social worker
- Others noted that the overall NCS process can be difficult to navigate for parents who may have literacy issues or lack IT capabilities. These barriers may be disproportionately concentrated amongst certain groups in society (such as Travellers) who may need to be considered separately. Multiple representatives also flagged that lone parent families may also not be receiving the supports they need in terms of affordability.

3.1.5 Parental subsidy schemes are limited to certain hours and subject to attendance requirements which can create affordability issues

Hours

The ECCE scheme provides care for three hours a day, five days a week, 38 weeks of the year (September to June). Representatives discussed the limited daily hours available under ECCE schemes and how this does not make sense for working parents, and neither does the restriction to 38 weeks a year. This is because it is very difficult for working parents to find employment that fits within those hours, and often means parents having to pay for care outside of those hours, which represents an additional financial burden.



Women are currently making decisions around employment based on the costs of childcare and how to minimise childcare hours.

Some stakeholders explained that increasing the flexibility of these hours would be helpful and allow parents to work or participate in training (even if ECCE is not explicitly set up to support parental work). Beyond flexibility, some representatives expressed a wish for hours to be increased. This would expand opportunities for parents to work or train and reduce the current gender-related issues where women drop out of the workforce because they cannot afford to pay for the ELC and SAC services that are not covered by ECCE.

Attendance

The precise rules differ but generally, both NCS and ECCE require monitoring and tracking of attendance to report absence, leavers and persistent under-attendance. These rules recognise the need for flexibility for parents and do not disadvantage parents or services for minor non-attendances. The subsidy follows the child however and repeated absence, under-attendance and leavers can lead to an adjustment of subsidies. When discussing this, one representative expressed a preference for removing these attendance rules. Others agreed that settings do not operate on an hour by hour basis - as they cannot send staff home at the last minute if children do not show up -and therefore the funding should be less variable.

Representatives also discussed how currently providers are forced to prioritise spaces for children who are available for full-time care rather than part-time to ensure the viability of services. This is initially an issue for provider stability, but it can have knock on effects for parental affordability as parents can be forced to pay for full-time care to secure a place. This is despite parents being uncertain whether their child will use a full-time space – meaning parents effectively take on the uncertainty risk themselves. We were told that this issue could be particularly acute for children with a disability who may have additional therapy requirements during the week outside of the ELC/SAC setting for example and therefore be less likely to require full time hours.

3.1.6 Participants highlighted their concerns with the work-study test that is part of NCS

The number of childcare hours available to parents under NCS depends on whether all parents in the household are at work, studying or training.

- **Enhanced hours subsidy:** If both parents, or one parent in a one parent household, are working, studying or training – they are entitled to up to 45 hours of subsidised childcare per week.
- **Standard hours subsidy:** If one parent is not working, studying or training – the family can qualify for up to 20 hours of subsidised childcare per week.

Participants explained that this differs significantly from the previous affordability schemes that the NCS is replacing. Multiple stakeholders felt that certain families were now worse off as a result of certain “anomalies” associated with the NCS.

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).

We were told that this can be especially difficult for those that are most vulnerable including Travellers and those in precarious employment such as zero-hours



We should separate the issues of employment and childcare.

contracts, because their childcare

requirements and entitlements can change rapidly. This can be the case even if parents are on the path to training or employment, and only serves to accentuate difference in opportunity amongst different groups of children.

Child needs for ELC and SAC may not be correlated with parental employment

One stakeholder also flagged that an individual child could need a high level of ELC or SAC provision even if the parents are not working - e.g. due to a parental mental health condition or literacy issues in the family. Some representatives flagged to us that staff at SAC service could for example help with homework or pick up on additional needs which may not be possible in the home setting.

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 standard NCS hours, but that does not mean that child does not need the extra provision. One stakeholder noted that quality ELC and SAC is not only about childcare but also about education and that children who are in precarious situations can really benefit from quality service provision in terms of their language or motor development.

A number of representatives echoed this and stated that the work-study test was trying to tackle labour market activation rather than children's needs. One participant suggested that any families with a medical card should have full entitlement to all the hours of ELC/SAC that they need regardless of employment status.

3.1.7 Schemes currently try to tackle too many problems at once

It was raised by representatives across all stakeholder groups that there are strong linkages between affordability and other important aims, and that the current NCS tries to tackle too many problems at once.

Various types of representatives all felt that the current scheme tries to link early years education with labour market conditions – and felt that this was demonstrated by the fact that the term 'childcare' is used to describe the sector rather than 'early years education' – and that these aims should be separated to create a more child-centric approach which focuses on the needs of children. 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.

Stakeholders from all groups agreed on the strong link between affordability and provider sustainability, as any improvements to affordability must not undermine other core objectives such as sustainability of services and quality of provision via professional salaries. Otherwise affordability concerns can lead to squeezes on quality and pay.

3.2 Goals of the future funding model

We then asked stakeholders to think about the objectives of the new funding model in light of the affordability limitations in the current model that they had just expressed. This led to general agreement that there should be some element of universal free provision, but different opinions about whether this should be unlimited free provision or a system of progressive universalism.

3.2.1 Accurate delivery costs need to be estimated

Some stakeholders told us that the funding model needed to start by setting out delivery costs for each type of provision (and highlighted limitations associated with previous attempts to do this). They felt that only after this has been achieved is it appropriate to think about who pays the delivery cost.

3.2.2 Subsidies should be paid directly to providers

One representative mentioned research showing that subsidies paid directly to the provider have been shown to have better quality and affordability outcomes than vouchers or tax credits given to parents. Therefore, if the aim of the new funding model is parental affordability, it will be important to make sure that the subsidies are distributed in a way that will promote parental affordability.

3.2.3 The funding model should support an equality of opportunity across all children

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.

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.



Ultimate goal should be that no child misses out on the services that they need due to affordability issues

3.2.4 Some element of ELC and SAC should be free to guarantee access

Representatives from all stakeholder groups agreed that there should be 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 should be minimal, even for high earners.

Other participants agreed and felt there should be unlimited free universal childcare as means testing can be problematic.

3.2.5 No family should pay above a certain rate for a specific service type

Other stakeholders felt that beyond a certain number of hours progressive universalism would be a more appropriate approach.

Progressive universalism is where a base level of support is universal, and beyond these additional supports are given to a gradually reduced group of children who are most in need. This is similar to the structure of the NCS (which provides both universal and targeted subsidies and parents' needs for childcare is related to their work status), and tries to ensure that the support is reduced in a gradual way so there are not cliff-edges.

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.

3.2.6 Outgoings should be considered in calculating support

Some more detailed suggestions were made about the model, with one representative saying that the calculation of the progressive element should consider parental outgoings as well as incomes. This is because affordability is not about income but about disposable income, and therefore if two families have the same levels of income but radically different mortgage payments – for example – then they will not have the same ability to pay for ELC and SAC.

3.2.7 Learn lessons from NCS

Some stakeholders suggested that an important first objective for the funding model in relation to affordability should be to learn lessons from NCS. In particular we were told that work should be carried out to establish whether it is reaching the people most in need of it. Only then should we consider how best to extend, alter or replace it.

4 STRUCTURE OF FEE CONTROLS AND ADDITIONAL FUNDING

4.1 The role of fee conditions attached to funding

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 asked stakeholders whether fee conditions would be appropriate to introduce and what form they could take.

We encouraged stakeholders to try and consider this question independently of the issues around quality of provision, and staff pay/conditions that we had covered in previous workshops.

4.1.1 There was an acceptance that under the current system any expansion in parental affordability subsidies would lead to higher fees

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.



Settings are currently starved of funding and would be creative in finding ways to balance the books

This view was expressed by some representatives who noted that services are not sustainably funded currently. They told us that as a result some settings would look to increase fees following a rise in parental subsidy rates to help “steady the ship”. Other representative groups agreed and pointed to the fact that recent increases in public investment in the sector had not translated to any reduction in parental fees. These stakeholders told us that any increase in parental subsidies to increase affordability would lead to fee increases which would most likely be used to fund higher wages but could in some cases lead to increased profits.

4.1.2 There was a range of opinions regarding the role of fee controls and when they should be implemented

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. Other stakeholders noted that current fee rates are a huge public priority. Therefore, it would not be politically feasible to not give parents guarantees on potential fee increases if the state is supporting the sector to a greater extent in the

future. Some of the stakeholders who expressed this view saw fee controls as an intermediary step towards a public model.

A second group of stakeholders felt that fee controls could not be considered until underlying funding issues were addressed and a high universal quality offering 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.



If staffing costs are met to a certain degree, then parents should see the benefit of that as well.

There was a view expressed by several stakeholders that discussing affordability, and in particular fee conditions, was difficult without knowing exactly how issues like staff pay and quality would be addressed. Some representatives commented that taking a view on fee conditions at this early stage would be “crystal ball gazing”, without knowing what form the remainder of the new model would actually take. We were told by this second group that ensuring a high-quality service offering via greater public investment should be the number one priority before moving on to address affordability. In particular some stakeholders proposed that “foundational elements” such as professional wages need to be in place before fee controls can be considered. This group felt that it was reasonable to try and make parental cost more manageable after this was in place.



You can cap fees when increasing subsidies only if funding to the sector goes up and salary increases are being met. Otherwise there is too much pressure on settings.

A third group of stakeholders 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 it 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.

Specifically, we were told by this third group that it would only be appropriate to look at fee conditions, after “market forces” were allowed to take effect. Stakeholders felt that a well-funded system would in itself result in more affordable fees as supply and demand rebalance. However, some stakeholders noted that this rebalancing may not always occur due to the complexities of the sector and it was therefore appropriate to assess conditions after the new funding model



If market forces don't take effect, only then would we need a fee condition intervention

had been in place for 3-5 years at which point it may be appropriate to look at potentially introducing fee conditions.

There was some nervousness about the introduction of an application-based fee control system whereby settings can ask to increase their fees, in light of a large unexpected cost. There was a clear preference from stakeholders for a system that was not application based, given the large burden these applications can put on already stretched practitioners and the lag to receiving funding.



Pre-approving costs with the government would be very de-incentivising

4.1.3 How fee controls could work in practice

Stakeholders felt strongly that any fee conditions need to be flexible

We were told by multiple stakeholders that they would be very nervous if broad fixed fee caps were introduced that did not account for the inherent differences between providers. These differences mean that different settings have very different cost bases and therefore could not all operate sustainably at the same fee level.



Any cap or control needs to be done on a per service basis

As mentioned in previous workshops, some stakeholders were keen to emphasise the geographic location of settings which can lead to different cost pressures. Other stakeholders felt that geography was not as important as the underlying service type (for example age of children cared for within a setting) in determining costs.

Some stakeholders put forward the example of rent differences being very large between private and community settings and therefore suggested that this needed to be accounted for in any fee controls. Other participants disagreed and felt that private and community providers should be treated equally.

Several proposals were put forward to address this underlying variability

Some participants felt that any sort of fee controls needed to be implemented at the individual service level (rather than using national or even local fee caps) to account for 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 year period for example and then use that as a benchmark for fee freezes at the setting level.

Other representatives felt 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. Then those costs could be transparently divided between the state and the provider which would inform the appropriate fee rate. This group felt that freezing fees at their current levels would not be transparent.

Other stakeholders agreed and felt that freezing fees at their current levels would not help some parents as fees are already very high and would also lock-in some existing unfairness such as fees being much higher in affluent areas (even if this is not justified by higher costs). This group tended to prefer establishing a baseline and transparent level for delivery costs (by examining how funding is used currently) and then controlling fees on that basis.

Other were also nervous about fee freezes as some providers currently cross-subsidise one setting based on the fees of another. If fees were frozen one setting could be locked into an unsustainably low level of fees.

Any form of fee condition would need to be monitored to ensure it does not result in providers making up profit elsewhere

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 can pose significant affordability issues and therefore undermine the goal of fee caps. Stakeholders felt that these issues were already occurring in relation to services that should be free at the point of use currently (such as ECCE). Stakeholders felt that these hidden costs this could occur in a variety of ways:

- Providers increasing the cost of meals at their setting.
- Providers limiting access to their setting (e.g. stakeholders cited examples of parents being forced into paying for additional paid hours in order to access the free ECCE provision for example).
- Providers making it difficult for parents to receive their deposits back.
- Providers asking parents to pay for extra services.



As soon as we treat childcare like a financial transaction, the approach fails to be child-centred anymore

In order to minimise the risk of this occurring stakeholders proposed that practitioners need to be adequately funded (prior to the introduction of any fee caps) so that they are not forced into engaging in this type of behaviour.

4.1.4 Multiple alternatives to fee conditions were proposed

Given the lack of appetite for fee caps amongst some participants, several other alternative suggestions to achieve parental affordability were made.

Voluntary contributions

A small minority of stakeholders pointed towards the school sector, as one in which they felt voluntary contributions have worked well historically. The assumption is that in areas where parents can pay more, they will choose to do so.

This was not a view held universally by the group, as this was seen as potentially restrictive in terms of creating a barrier to entry for children.

Profit margin caps

One individual put forward the concept of using a cap on profit margins, as opposed to fees. The belief here was that this would ensure that big corporates chains were unable to make large profits at the expense of parental affordability. Again, there was no consensus on this issue and other stakeholders pointed out that many settings do not make a profit as it is.

4.2 How can the Government ensure its funding has been effective?

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. We sought stakeholders' view on which outcomes should be measured and how they could be tracked.

We have focused below on measures specifically related to affordability. Multiple participants did emphasise to us that the success of any affordability funding stream needed to be assessed in-the-round to ensure there were no negative knock-on impacts on quality for example. This was covered in depth as part of our second workshop on Staff Pay.

4.2.1 The easiest way to see funding has been effective, is to see that usage of ELC/SAC services goes up

The predominant suggestion for monitoring effectiveness of any affordability measures was to track take-up of childcare. Multiple stakeholders referred to the fact that some settings have vacancies (although this may not be consistent across the country), and 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. Representatives felt that a move away from informal childcare and towards high quality Tusla registered services would be evident.

One specific area that was mentioned was the take-up rates of services for younger children (<3), where the affordability concern could be most acutely felt (given higher delivery costs).

4.2.2 Multiple metrics were discussed by stakeholders as being useful in measuring success

Stakeholders suggested multiple different high-level outcomes that the government could measure in order to be assured that the new funding was having the desired impact. Overall stakeholders were keen to ensure that any key performance metrics for the funding would be child focused, clearly specified and agreed in advance.

The metrics put forward by stakeholders can largely be split into those that are short term measures of success, and those that are long term measures of how effective the new funding was in achieving its ultimate goals.

Short term

Track the percentage of income parents are spending on childcare

There was a consensus that one clear success metric would be that in the future parents spend less of their disposable income on childcare fees.

Several stakeholders did mention that these type of society-wide average calculations could potentially miss the impact of affordability on some of those who are most disadvantaged, or in certain minority groups, due to a lack of engagement with the formal work market.

Public perception

Ultimately, the success of the new funding model in the eyes of parents will feed into public perception. Many stakeholders referred to parents as “voting with their feet”. Opinion polls could give a sense check of how the total general public is responding to the funding model, and their view on the value for money of ELC and SAC provision. Other stakeholders felt that satisfaction surveys would be a more meaningful source of information regarding effectiveness.

Access tracking

One stakeholder commented that the new funding model would look successful if all could access the ELC/SAC services that best suited their child. Therefore, the viewpoint was put forward that there should be checks that ensure all parents could access childcare regardless of their income level.

Long term

Women’s labour market participation is protected

There was a strong consensus across the group that a key measure of success for the program would be to encourage more women to stay in their careers. Stakeholders commented that increasing affordability would encourage greater maternal employment, which would then lead to subsequent positive economic spill overs.

Representatives noted that this type of tracking could be focused specifically on women who have two or more children (as this is where affordability issues are likely to be most significant). However, we were told that simply tracking behaviour is not sufficient and some form of deeper qualitative engagement is necessary in order to understand the motivations behind any change in labour market participation and that some women may continue to work part time regardless of changes to affordability.



Currently childcare costs are one of the biggest factors affecting women’s labour market participation. If this funding works childcare costs would not feature in that decision.

There was a particularly strong view that special attention should be paid to women working in the childcare sectors themselves. Multiple stakeholder gave us examples of situations where ELC/SAC employees have had to leave their setting, due to the inability to afford childcare for their own children.

General poverty measures, and tracking the outcomes of children

Multiple stakeholders commented that the new funding model, especially with respect to affordability, has the ability to lift families out of poverty traps if labour market participation of parents is enhanced (and children's opportunities increase as a result). Therefore, in the long run, stakeholders proposed that poverty statistics would be a useful measure to assess whether the Government's investment in affordability was effective. It was acknowledged that these types of effects will take a long time to materialise and would not be simple to assess.

4.3 Structuring additional funding to address affordability issues

Finally, we asked stakeholders to suggest how best to structure any additional funding designed to improve parental affordability. Many stakeholders felt that increasing the universal element of affordability supports was a central part of any additional funding, but there were some participants who were reluctant to engage with the question and felt that the entire system needed to be overhauled rather than making small changes around the edges.

4.3.1 Increasing the universal element of support was seen as vital

Several stakeholders 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. Most stakeholders wanted any additional funding to be used to expand zero-cost provision and/or increase the universal subsidy rates. Stakeholders pointed to specific examples in which this could be structured, such as expanding access to ECCE or expanding funding to account for hours in the school holidays (52 weeks rather than 38).



The current universal subsidy of €20 a week is abysmal and doesn't make a meaningful difference

Stakeholders felt strongly that no child should lose out in provision and expanding the universal element of provisions is the most effective way to structure the additional funding towards this goal. One stakeholder made the point that universal support is important, as family's circumstances can change rapidly at any time.

There were a few individuals who felt slightly differently. For example, some stakeholders felt that it was difficult to prioritise universal supports versus more targeted supports without knowing the magnitude of funding. We were told if funding constraints mean that the universal subsidy rate could only be increased

very marginally it will not make a meaningful difference. In that case it may be better to try and focus support on a smaller group of families (such as those specifically on middle incomes for example). This group is considered in greater depth below.

4.3.2 A notable minority of individuals felt that the “working poor” or middle-income families should be targeted with the funding

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 and childcare and other expenses were considered. Some participants therefore suggested increasing this threshold.



€60,000 might seem like a huge amount of money, but that reduces to very little when you pay a mortgage and bills

However, it was also noted by these stakeholders that increasing the universal provision of the services would in fact impact those middle-income earners who currently struggle to afford childcare. The overall consensus was therefore that universal provision was the most important structural element to the additional funding.

Multiple participants noted that currently child maintenance payments are counted towards reckonable income and this was inconsistent with other sources of government means testing.

4.3.3 Some stakeholders felt that additional funding could be used to make existing supports more effective

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 avail of the NCS. We were told that parents will trust the staff at these settings and will be more likely to engage with the scheme as a result.

