

FUNDING MODEL STAKEHOLDER ENGAGEMENT

Workshop #2: Staff pay and quality

May 2021



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EXECUTIVE SUMMARY

This document summarises the key conclusions emerging from the first Phase 2 stakeholder workshop which focused on ***staff pay and quality***.

Context

Frontier Economics are carrying out a programme of stakeholder engagement with the Early Learning and Childcare Stakeholder Forum (ELCSF) on behalf of the Department of Children, Equality, Disability, Integration and Youth (DCEDIY) and the Expert Group. The Expert Group have been asked to develop a new funding model for early learning and care (ELC) and school aged childcare (SAC) in Ireland to recommend to the Minister and Government. The Expert Group's Terms of 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 sector through increased public funding and public management.

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

Priority areas

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

- How a funding model could either support better pay rates decided elsewhere, or drive improved pay, given that currently the State is not an employer in this sector?
- How Government could ensure extra funding delivers higher pay?
- How resourcing should be allocated / distributed to support better pay?

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

AREAS OF CONSENSUS

- Current rates of staff pay are too low.
- Prevailing conditions in the sector are having a detrimental impact on quality.
- Government needs to support higher pay in the sector.
- Additional funding needs to provide stability to both settings and staff.
- A new staff payment was preferable to expanding existing subsidy schemes.

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

AREAS OF DISAGREEMENT

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

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

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

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

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

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

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

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

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

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

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

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

Direct staffing subsidies or grants were supported by many stakeholders

Participants across all stakeholder groups generally concluded that if settings were to be supported to improve staff pay via the new funding model it made sense to design a new stream of funding which would be given directly to providers. This was seen as the preferred option relative to increasing existing subsidies to providers. Expanding existing subsidies was seen as complex and potentially unwieldy and it could be hard to ring-fence funding for staff through these schemes. Multiple stakeholders noted that existing subsidies such as Early Childhood Care and Education Scheme (ECCE)² and the National Childcare Scheme (NCS)³ are subject to significant flaws.

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

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

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/>

Stability of funding was a key concern

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

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

Conditionality of staff pay supports

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

Effectiveness

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

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

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

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 sector 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:

- Phase 1: Identification of key issues

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

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

Phase 1 is now complete, 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.

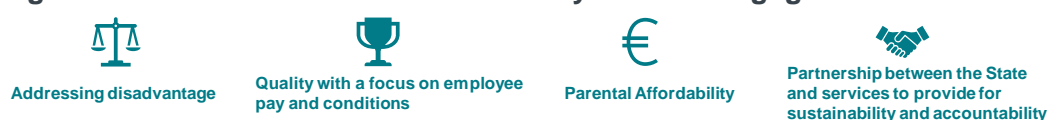
1.3 Structure of Phase 2

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

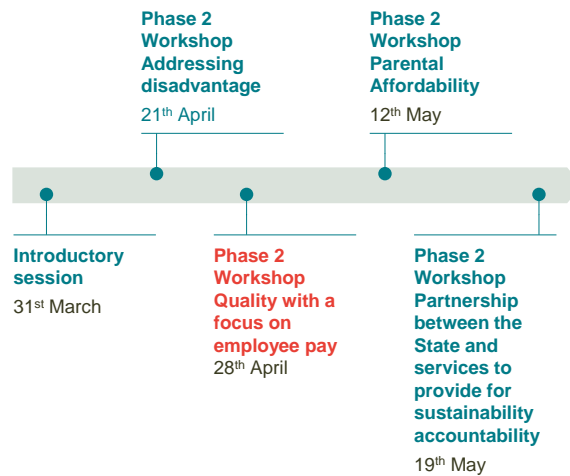


Source: Expert Group

Each of the themes were discussed in depth during a half-day virtual workshop. The second of these sessions focuses on **staff pay and quality** and was held on April 28th. Prior to this an introductory session occurred on 31st March to let all participants know what to expect during Phase 2.

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 (ELCSF). The ELCSF'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 second half-day workshop focusing on staff pay and quality.
- In Chapter 3 we summarise the key messages coming from the workshop in terms of the stakeholders' views on how pay and working conditions are linked to quality and the role that the Government and employers should play in supporting improved pay.
- Finally in Chapter 4 we present stakeholders' proposals for how the new funding model could improve staff pay and therefore increase quality of ELC and SAC provision in Ireland.

2 FORMAT AND FOCUS OF WORKSHOP #2: STAFF PAY AND QUALITY

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 staff pay. This evidence base included Frontier working papers which highlighted the role that workforce conditions play in determining quality and how other countries have intervened to raise workforce pay.
- existing evidence on employee pay and conditions in Ireland from a variety of sources including Pobal's Annual Early Years Sector Profile,⁸ SIPTU's Early Years Professionals' survey⁹ and work commissioned by Early Childhood Ireland;¹⁰ and
- a brief overview of the Joint Labour Committee (JLC) that the Minister for Business, Employment and Retail has requested the Labour Court establish.

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:

- How a funding model could either support better pay rates decided elsewhere, or drive improved pay, given that currently the State is not an employer in this sector?
- How Government could ensure extra funding delivers higher pay?
- How resourcing should be allocated / distributed to support better pay.

Throughout the session we encouraged stakeholders to conceptualise ELC / SAC quality in terms of its ability to meet the needs of the child and facilitate better child development.

2.2 Format of the day

The half-day session on staff pay and quality 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.

⁸ <https://www.pobal.ie/app/uploads/2019/12/Annual-Early-Years-Sector-Profile-Report-AEYSPR-2018-19.pdf>

⁹ https://www.siptu.ie/media/publications/file_22249_en.pdf

¹⁰ <https://www.earlychildhoodireland.ie/pathways-to-better-prospects-update-on-the-ihrec-project/>

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 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 staff pay and quality:

- ACP
- Barnardos
- Better Start
- BLÁTHÚ Steiner Early Childhood Association
- Childcare Committees Ireland
- Childhood Services Ireland
- Children's Rights Alliance

- Comhar Naíonraí na Gaeltachta
- Community Providers Forum
- Early Childhood Ireland
- Federation of Early Childhood Providers
- Gaeloideachas
- ICTU
- Men in Childcare Network
- National Parents Council
- National Travellers Women's Movement
- National Women's Council of Ireland
- NCN
- Ombudsman for children
- OMEP
- One Family
- PLÉ
- Pobal
- Seas Suas
- SIPTU
- SVP
- Treoir
- Tusla

3 IMPORTANCE OF WORKFORCE CONDITIONS AND ROLE OF GOVERNMENT

3.1 The role of pay in driving quality

We initially asked stakeholders to describe how employee conditions and in particular employee pay is related to high quality provision of ELC and SAC services in Ireland. As noted above we encouraged stakeholders to consider provision of ELC and SAC to be high quality if it is centred on the needs of the child and facilitates optimal child development.

3.1.1 All participants highlighted that pay and working conditions are crucial in driving ELC and SAC quality through several channels

There was a broad consensus across all stakeholders that pay was crucial in driving quality and that current levels of pay are too low. In particular participants noted that high quality ELC and SAC provision not only benefits those children and families in direct receipt of those services but also benefits the rest of society when children are allowed to develop and reach their full potential. We were told that this wider societal contribution made by ELC and SAC staff often goes unnoticed and is not currently reflected in the pay and conditions within the sector. This viewpoint suggests that currently pay in the sector is below societally optimal levels.

Participants identified several different channels through which pay can impact the quality of provision that is offered. We have presented these reflections below.

Low pay can lead to low morale and reduces the effectiveness of provision

We were told by multiple stakeholders that the staff who provide ELC and SAC are central to any service. Stakeholders noted that staff in the sector need to be supported by other parts of the system and be respected (as well as having the necessary skills and qualifications). The consensus view is that this is not happening currently.



Staffing is the backbone of the sector.

Stakeholders viewed low pay in the sector as detrimental to quality. Poor working conditions were seen to have a negative impact on morale and cause stress which in turn reduces the ability of staff to reach their potential and provide a universal high-quality offering. Stress and low morale could mean that in some cases staff are not giving their full attention to children within a setting. Multiple stakeholders told us that staff were at risk of burn out given their workload and lack of support which could also undermine the quality of care delivered. This was further exacerbated by the low rates of pay which created additional financial worries and

meant that staff did not always feel valued. This perception amongst staff could potentially have negative knock-on effects on the quality of ELC/SAC they provide despite the best efforts of hard working and dedicated staff.

Low pay can hamper staff training and development

Some representatives told us that adequate levels of staff pay are important in order to incentivise staff to train and develop in their careers which in turn will improve their ability to work with children and deliver a high-quality service. Some stakeholders from the employer group noted that the current low rates of pay in the sector means that they are reluctant to ask staff to undertake CPD outside of their core working hours. This limits the extent to which staff can grow and ultimately provide a better offering for children.

Other stakeholders agreed and felt that currently staff have limited incentives to upskill because there are few opportunities for pay growth and progression.

As we describe further in the next section, this sentiment was widely shared and is linked to a more general point that stakeholders made about staff not being compensated currently for non-contact time (which includes CPD but also includes administrative tasks or family liaison work).

Low pay leads to high rates of staff turnover

Staff retention was seen as a major issue by all participants. High rates of staff turnover were attributed by stakeholders to poor pay and conditions in the sector. It was a commonly held view that retention is low in part due to inadequate pay and as a result significant knowledge and experience is leaking out of the sector.



Children are not seeing the same faces from one day to the next.

We were told that low pay is causing some talented members of staff to opt for other educational careers in the primary or secondary school sector where pay and conditions are more favourable. Another representative noted that ELC and SAC trained staff were also opting to work in administrative and government positions, meaning that some of the best and brightest in ELC and SAC sectors were not working on the frontline due to pay issues.

This is creating an instability of provision. Stakeholders emphasised how high rates of turnover lead to a constant cycle of upskilling new staff and create a challenge when trying to build relationships with children. This in turn can lower the quality of service.

In addition, one stakeholder noted that in some cases non-Irish nationals who come to Ireland for a limited period of time are more willing to tolerate the poor pay and conditions. This in turn leads to further staff turnover when those individuals leave Ireland.

Finally, we were told that there is a material risk that current pay and conditions could ultimately lead to a shortage of childcare places as potential staff refuse to enter the sector and vacancies become impossible to fill.

3.1.2 Other non-pay working conditions were identified as relevant for high-quality provision

Part-time contracts and hourly pay

State and children representatives highlighted that ensuring full-time work can be guaranteed would help with stability of employment and would boost staff morale. Children and employer representative specifically mentioned that paying staff hourly (and only paying for contact hours) is problematic in this regard. Multiple stakeholders proposed moving towards a salaried model. One stakeholder told us that the Employment Wage Subsidy Scheme (EWSS) provision over the last year meant that their staff had been paid for a full year for the first time. Other representatives told us that we are currently expecting staff to carry out a professional job, but the pay offered is not professional in terms of its magnitude or its stability.

However, other representatives did mention that some employees choose to work part-time which should be respected.

Employee benefits

Some stakeholders agreed that employee benefits such as sick pay, maternity pay, holiday pay and pensions were key areas which were needed to bolster the competitiveness of the sector in attracting and retaining staff.

As we describe in the next section other stakeholders did note that while areas such as maternity pay and sick pay were legitimate issues in the sector, they were difficult to solve. We were told this is because the nature of the sector means that any staff member on leave needs to be replaced. Therefore, this type of support may not be affordable even if public investment were to double.

Work environment

Some representatives mentioned that breaks for staff as well access to leadership and mentoring opportunities were important factors in improving non-pay conditions.

3.2 Government's role in setting and driving higher pay

We also explored the potential role of government in supporting higher pay given that the public sector is not an employer in the sector.

3.2.1 Affordability concerns are preventing employers from independently increasing pay

We were told that some providers pay significantly higher wages than average rates that prevail in the sector. However, those stakeholders emphasised that they are doing this currently at the expense of either their own wage or the profit of their business. We were told that some settings are “barely coping” currently.

There was a view expressed by multiple stakeholders that currently the only way to increase staff wages independent of any change from Government was to increase fees. Stakeholders noted that there is not always scope to do this as families may be already spending considerable amounts on childcare. Other stakeholders agreed and noted that parents do not have the money required to support professional conditions in the sector as fees are already high.

3.2.2 There was universal agreement that greater levels of Government funding were needed in this context

For the reasons described above, all stakeholders agreed that the State needed to be heavily involved in the sector and play a significant role in supporting improved pay and conditions in the sector which would be a significant departure from the current model.

Stakeholders suggested that only the state has resources to properly fund adequate pay and conditions for staff in the sector because many parents cannot afford to pay fees that would support adequate pay and conditions.

Some stakeholders, felt that the primary role of the state in this context was as a funder and setter of legislation (for example setting out specific goals that all settings should achieve in terms of quality). Those stakeholders felt that this type of approach would work within the context of the current system and would represent an achievable and realistic next step relative to where we are currently.

Multiple stakeholders felt that government should have an active role in setting wage rates as well as funding improved pay. Some providers told us that this is already happening via the capitation payments that are made as part of the ECCE scheme. There was a view expressed by some stakeholders that these rates were not always sufficient and that employers can be “hamstrung by government policy”. We were told by this group that government needed to be a central partner to pay negotiations and wage setting. Some of this group of stakeholders felt that it was inappropriate for these important decisions to be taken via a JLC to which the State is not a party. There was also a view expressed that too often in the past staff in these sectors have pay and conditions dictated to them and they needed to play a central role in any future process to improve pay and conditions.



We need to end the current hands-off approach. The state needs to fund staff wages

3.2.3 Some stakeholders felt that the Government should play a bigger role and we should move towards a system of public provision

Multiple stakeholders from different groups felt as though a move towards a public model (which is outside of the scope of the current consultation) was appropriate. This viewpoint contrasted with stakeholders who felt that the government should primarily be a funder in this context.

We were told a public model could involve the state directly paying the wages of staff in the sector as occurs currently in relation to primary and secondary education.



Government can't stand back and be a bystander in this.

Stakeholders suggested that the new funding model represents a potentially once in a generation opportunity to re-imagine the sector and consider whether the state could play a far more active role (become an employer, provide structures for graduates and setting pay scales for example). Some stakeholders felt that the international evidence base showed that not-for-profit settings tended to offer higher quality care than for profit settings. We were also told that ELC and SAC provision was fundamentally unsuited to a market-based approach given that spillover benefits that it leads to across society if delivered in the right way. Other stakeholders felt that in some cases the profit motive can distract from the needs of the child.

While stakeholders did recognise that a public model with the state as an employer would be a major divergence from the current system, we were told by some attendees that it may be possible to gradually move towards this type of model over time.

Other stakeholders noted that there would be significant issues associated with this type of shift including how current private providers who have made investments in their settings over time are compensated. No proposals were put forward regarding how these issues could be overcome. Multiple representatives were also keen to emphasise that private providers can offer very high-quality services.

4 PROPOSALS FOR HOW THE FUNDING MODEL CAN IMPROVE STAFF PAY

4.1 Structure of the funding model

We asked stakeholders to put forward proposals for how the funding model could be designed to increase staff pay. The majority of these discussions focused on a model which would provide additional funding to settings / services (rather than public provision for example) even though this was not the approach favoured by all stakeholders (see previous Section). Potential options that were proposed included:

- Increasing existing subsidies.
- Paying staff, a top-up payment directly; or
- Introducing a new direct staffing grant.

4.1.1 The majority of participants did not support using increased subsidy payments

Participants across all stakeholder groups generally concluded that if settings were to be supported to improve staff pay via the new funding model it made sense to design a new stream of funding which would be given directly to providers. This was seen as the preferred option relative to increasing existing subsidies (such as ECCE or NCS) to providers. The new funding stream could then be combined with additional parental subsidies for specific cases.

The proposal of funding improved rates of staff pay through increasing existing subsidy schemes, such as ECCE and NCS, was rejected for several reasons:

- It was suggested that there was a need to separate parental affordability and staff pay.
- Evidence was raised by one stakeholder demonstrating that parental subsidies have proved not to be an effective lever for increasing pay, and therefore this additional objective should not be added to the current mechanism which has a different policy objective.
- Linking to existing schemes was thought to be administratively burdensome and complex. Stakeholders felt that this was particularly important given the administrative burden which accompanies the NCS and ECCE scheme currently.
- We were told that it may be hard to ring-fence funding for staff through these schemes and any extra staff payment element could be imprecise.

4.1.2 Staffing grants were suggested as a potential model worthy of consideration

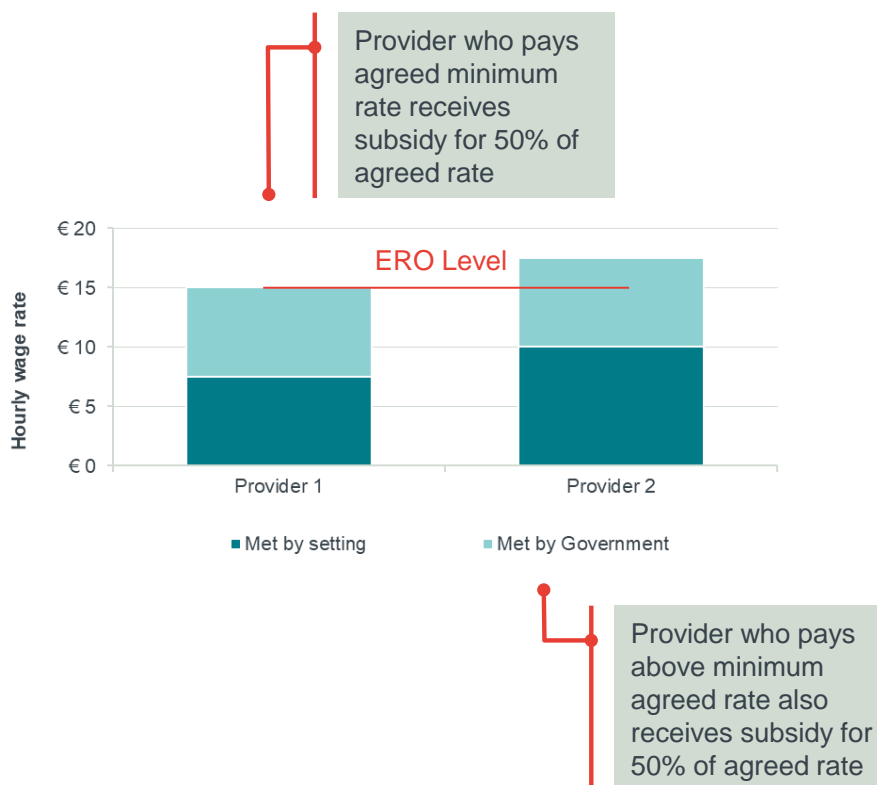
A number of stakeholders mentioned direct staffing grants as a possible feature of a new funding model. Participants felt that these had worked well in the past and could pay staff for all aspects of their work. One specific proposal along these lines

that multiple stakeholders supported was that these staffing grants could be designed to cover a certain percentage of staff costs up to a threshold. This threshold could be set externally or determined directly as part of the Funding Model.

In Figure 4 below we have illustrated how stakeholders indicated that this type of model could work across different settings if a minimum ERO rate of €15 was set for a specific type of early years worker. This illustration assumes that the settings would be compensated based on the number of staff employed rather than the number of children. The merits of this specific proposal are discussed further below. We have also assumed that the subsidy rate would be 50%, in reality any funding proportion of funding could be met by Government.

Each provider would have to pay at least €15 per hour to all staff and all providers would receive a subsidy of €7.50 (50% of hourly costs at this minimum threshold). Any setting paying in excess of €15 per hour would receive the maximum grant for each member of staff but would have to meet all additional costs themselves.

Figure 4 Illustrative example assuming staffing grant of 50% of costs up to ERO of €15



Source: Frontier Economics

Note: These numbers are for illustrative purposes and do not constitute a recommendation.

The advantage of staffing grants is that they would satisfy stakeholder desires for simplicity, while also incentivising efficient staffing levels as providers would be co-paying and therefore incentivised to keep staffing at efficient levels. However, there may still be a risk of over-staffing in some cases depending on the where the proportional subsidy rate is set. This type of additional staffing grant would also

support providers that are already paying their staff high wages and would allow existing subsidies like NCS to continue and operate as a demand-side subsidy. This type of model would also allow providers to pay above the agreed rate if their business model could support it, but the government contribution would be linked to the agreed rate.

However, this type of proposal was not universally supported. For example, multiple participants felt that any type of additional support should facilitate a move away from hourly wages and towards salaried staff (see further detail below). These stakeholders felt that a salaried model would help to ensure that early years workers received the recognition they deserved and would also help to further professionalise the sector.

Another potential limitation of this type of model and concern about fairness flagged by participants is that staff in the sector already earning more per hour than the mandated rate would not automatically benefit from this proposed grant. Their employer would face lower costs (for some but not all of their hourly wage) but there is no guarantee this would translate into higher pay as the only enforceable rate would relate to the amount stipulated by the agreement. Therefore an alternative proposal would be to mandate a certain proportional increase in salary for all staff in the sector.

4.1.3 Funding will need to cover a variety of staff costs and should not be one-size-fits-all

Stakeholders suggested that funding needed to cover a variety of staff costs including training, CPD, sick leave, parental leave and non-contact time, rather than just the hours spent with children. We were told that this would then create a benchmark for quality. However other stakeholders noted that this type of support may not be affordable even if public investment were to double given the need to find and fund replacement staff when employees were on leave.



Staffing grants could help pay staff for all the different parts of their work, not just contact time

It was suggested that the model for allocating funding needs to be made public to increase transparency which has been lacking in other schemes to date.



The State must ensure that settings who are already paying their staff well at the expense of greater profits are not penalised

As described above some stakeholders expressed concerns over fairness in relation to the wages they already pay, asking that the new funding supports settings where staff already earn a high wage. For example, there may need to be safeguards that certain settings do not reduce their pay rates if a new minimum threshold is introduced.

4.1.4 The stability of provider funding was flagged as a key issue and participants suggested funding should not be linked to attendance

It was raised by a range of stakeholders that providers need stability, and for some this led to a reluctance to rely on funding sources that fluctuated on an annual basis or even more frequently than that. We were told that this was a weakness of previous staffing grants that tended to change from year to year. Participants proposed that multiannual funding was necessary, with the suggestion of 3- and 5-year cycles. We were told that medium- and long-term planning is key for providers and secure funding can facilitate this.

Building on the necessity of stability there was a proposal from stakeholders, which was widely supported, that funding should no longer be linked to children's attendance as this is too variable and therefore destabilising. Many participants raised the need for flexibility within the sector to provide child-centred care. We were told that linking funding to attendance does not allow for flexibility when children to arrive to settings late or are unable to attend every day.

Alternatives were suggested that relate to linking the funding to:

- The provision of places rather than attendance.
- The number of children that attend over a period of time rather than each day; or
- The staff employed by the setting, which participants noted would be the key cost driver from the point of view of providers. This is line with the wage subsidy example we have illustrated above.



Some children like those from refugee families are unlikely to be able to attend a setting five days a week

Each of these was thought to create a stronger link between the funding for staff and the costs for staff than linking to attendance.

4.1.5 Participants also agreed there should be stability for staff in terms of a salary and pay scale

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

The majority of stakeholders agreed that pay scales linked with qualifications and experience would be helpful in setting out progression for staff in the sector. The [Mercer pay scales](#) were suggested as one option. However, some stakeholders felt that more work was needed to determine what the specific roles in the sector are and what tasks are undertaken by each staff category before comprehensive staff scales could be developed. Other stakeholders noted that a very basic pay

scale could come out of the ERO process, but this would not be very granular and would be based on hourly pay rates.

There was a discussion about whether this pay scale should vary by region, but the majority of participants proposed that it should be national in nature to avoid a “brain drain” of talent from rural to urban areas. One participant felt that varying the funding model by region in any way could get “messy” and unwieldy.

4.1.6 Providers commented on the administrative burden of current schemes that should not be replicated in the new funding model

Multiple stakeholders commented on the high levels of administrative burden that is linked to current schemes such as NCS and proposed that any future funding be as streamlined as possible.

It was acknowledged that there must be a balance between administrative burden and accountability. However, participants hoped that a scheme could be designed that would effectively allocate funds in a manner that is less burdensome than current supports, given the levels of monitoring already in place.



I have to employ 2.5 FTEs just to look after the administrative burden of certain funding streams. The cost of this was not considered when distributing that funding

4.1.7 Participants were keen to learn from and build on the Employment Wage Subsidy Scheme

A number of participants praised the Employment Wage Subsidy Scheme (EWSS).¹¹ The EWSS was announced in July 2020 as a replacement for the Temporary Wage Subsidy Scheme. EWSS is an economy-wide enterprise support that provides subsidies to qualifying employers based on the numbers of eligible employees on the employer’s payroll and gross pay to employees. For employers in the economy as a whole, a reduction in turnover of 30% is required to be eligible for this scheme. However, ELC and SAC employers are exempt from this condition. At enhanced rates, EWSS allocates approximately €35m per month to the ELC/SAC sector.

Stakeholders thought that it was effective for a number of reasons and could be extended and built on for the new funding model. Its universal availability and transparency were particularly picked out as elements that should be reflected in the new funding model. In addition, some stakeholders noted that the EWSS meant that for the first time their employees had been paid every month for an entire year.

¹¹ <https://www.revenue.ie/en/corporate/communications/covid19/employment-wage-subsidy-scheme.aspx#:~:text=COVID%2D19%20information%20and%20advice%20for%20taxpayers%20and%20agents&text=The%20EWSS%20replaced%20the%20Temporary,people%20section%20on%20this%20website.>

This was not possible previously given the nature of the service that they were providing.

However, one stakeholder noted that because of the design of the EWSS it has baked in inequalities in staff pay between different providers.

It was proposed that the new funding model should be more ambitious and seek to do more to bring up the minimum pay experienced by staff in the sector.



EWSS has provided a cushion in the sector that wasn't there before, allowing for things such as sick or training pay.

4.2 Conditions attached to the funding

After discussing the structure of the new funding model, we asked participants to think specifically about the conditions that should be applied to any additional funding in this context.

4.2.1 Funding should be linked to staff pay

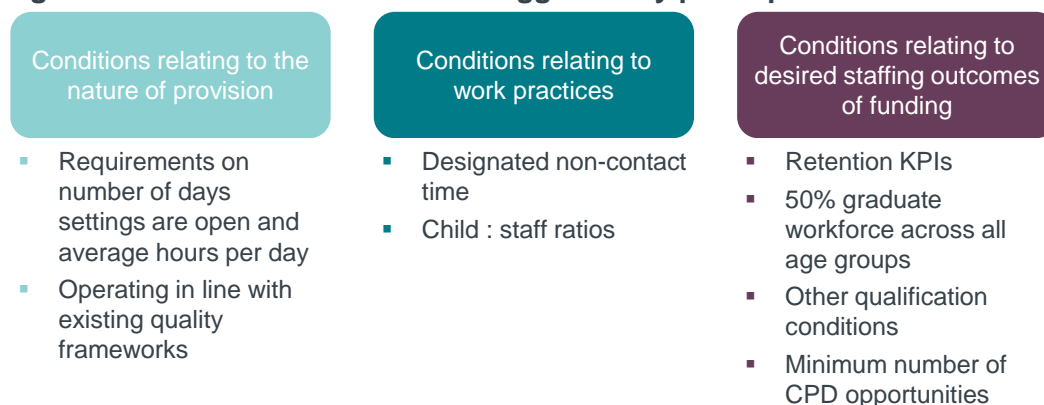
Participants across all stakeholder groups agreed that any funding should be linked to the actual rates of pay that settings offer to their staff to ensure that the increase in funding met the stated primary objective. A number of different verification routes were suggested including having Pobal verify that pay was in line with mandated levels or relying on inspections from the Workplace Relations Commission or the Office of Revenue Commissioners.

4.2.2 Some participants felt additional conditions were important. However, other stakeholders felt that funding could not be conditional on anything other than staff pay

Some representatives expressed that any funding needed to be tied to quality. In Figure 5 below we have categorised the suggested additional conditions that were proposed by stakeholders.

We have identified three categories. Conditions relating to:

- Nature of provision.
- Work practices; and/or
- Desired staffing outcomes.

Figure 5 Additional conditions suggested by participants

However, other stakeholders were hesitant for conditions to be tied to the funding beyond those that directly relate to levels of staff pay. One participant thought providers would be nervous to sign up to conditional funding without being sure of the cost of providing a quality place that complies with the conditions.

Other stakeholders felt that given the most deprived children often attend less well-funded setting, making the funding conditional on quality could be very detrimental if a two-tier system emerged where lower quality setting have their funding cut leading to a vicious cycle.

Participants across different stakeholder groups agreed that services should be supported if they do not meet the quality standard, rather than having their funding cut.

4.2.3 Different views were expressed on the interaction between funding and fees

It was agreed that staffing supports should be designed to increase the quality of provision in the first instance. Some stakeholders did suggest that fees could in some settings decrease following the introduction of the new staffing supports. Some participants also suggested that a reduction in fee rates might be necessary to ensure public buy-in with the new funding model and help to justify the considerable increase in public investment that was being considered.

However other stakeholders felt that there was no guarantee that fees would fall even if increased funding for staff pay was part of the new funding model. We were told that this would vary from setting to setting and that in some cases settings might need to further invest in their business or meet other non-staff costs which can rise over time would not be covered by this type of funding. These stakeholders suggested that the situation is re-assessed after the new funding model has been in operation for a period of time rather than attaching any fee conditions to the staff payments.

Also, if some settings are able to reduce fees following the introduction of a new staffing payment that may suggest that staff pay is not increasing which is the primary goal of the new funding stream.

4.3 Measuring effectiveness

Finally, we asked participants to suggest metrics they thought would be appropriate for the Government to measure the effectiveness of the funding.

4.3.1 Some indicators were suggested but there was scepticism about whether these would be effective

The majority of participants suggested a variety of possible indicators for measuring the effectiveness of the funding, as they accepted that the government would want to ensure that its investments were having the desired effect. These suggestions included:

Short-term metrics

- Wage monitoring in settings and across the sector as a whole.
- Turnover rates within settings.
- Workplace wellbeing surveys.
- Number of staff with multiple jobs.

Long-term metrics

- Staff retention within sector.
- Qualification rates for level 6 and above.
- Longitudinal study of children's experience and developmental outcomes.
- Diversity within the workforce.

However, a few participants felt that the outcomes of the ELC and SAC sectors could not always be monitored effectively in this way. For example, one stakeholder proposed that though the ultimate indicators and objectives relate to the development and happiness of children, and that while there are proxies for this, these are difficult to measure accurately and linkages to other parts of the system would have to be considered and explicitly accounted for.



How do you measure happy, well-rounded, well-developed children going into primary school?

