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Focused Policy Assessment of the Early Childhood Care and Education (ECCE) Higher Capitation Payment

Summary Report

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IGEES Quality Assurance Process

"Focused Policy Assessment of the Early Childhood Care and Education (ECCE) Higher Capitation Payment"

To ensure accuracy and methodological rigour, the authors engaged in the following quality assurance process:

- **Internal /Departmental**
 - ✓ Line management
- **External**
 - ✓ Quality Assurance Group (QAG)

Introduction and Context

The focused policy assessment (FPA) of the Early Childhood Care and Education (ECCE) Higher Capitation (HC) payment was conducted by the Research and Evaluation Unit of the Department of Children and Youth Affairs (DCYA). The purpose of this summary document is to provide an overview of the main themes addressed in the FPA, and to present the key findings in terms of strengths, challenges and policy considerations to help inform future ECCE HC payment implementation and development. **The full FPA report is available at:** <https://igees.gov.ie/>.

The ECCE HC payment is a key DCYA policy lever that encourages ECCE Programme service providers to hire experienced graduates as ECCE Programme Room Leaders, and aims, thereby, to raise the quality of provision in the Early Learning and Childcare (ELC) sector.

This FPA was conducted by the Research and Evaluation Unit, with input from the DCYA Early Years Division, over the period 2018 to 2020. It involved a review of Pobal/DCYA data, a review of Early Years Education Focused Inspections reports by the Department of Education and Skills, and a review of literature and policy documents.

The purpose of the FPA was two-fold: to assess the rationale for the ECCE HC payment; and to review ECCE HC payment administration and implementation.

The report is divided into three main parts. Part One provides an overview of the HC payment and the rationale underpinning its introduction. Section 1.1 provides an introduction to the FPA, including its purpose, scope and a short overview of methods and data used in the analysis. Section 1.2 provides a review of the policy context within which the DCYA introduced the ECCE HC payment, as well as an overview of the rules underpinning the payment and key expenditure and uptake trends.

Based on a review of DCYA documentation, the payment rationale is presented as follows:

- A higher capitation payment will incentivise ECCE Programme services to recruit greater numbers of experienced graduates to work as Room Leaders, who will in turn support higher quality ECCE Programme provision.

Part Two presents a detailed examination of the effectiveness of the ECCE HC payment, as per the payment rationale. Section 2.1 uses the available evidence to assess whether the payment has incentivised the hiring of experienced graduates to work as ECCE Room Leaders. Section 2.2 uses the available evidence to assess whether the hiring of experienced graduates supports higher quality ECCE programme provision.

Part Three presents a review of ECCE HC payment implementation and administration. Section 3.1 provides a definition of the model governing the administration of the payment and then examines this model to help identify how the DCYA matches funding with target recipients. This includes an assessment of payment inputs such as funding, staffing, IT systems; activities, such as application and approval processes; and outputs, such as numbers of approved ECCE HC services. The Section also includes an assessment of the key governance mechanism; the Pobal-led compliance process¹. Section 3.2 follows, with an assessment of the key characteristics of ECCE HC payment implementation, including:

- Ongoing progress toward the standardisation of ECCE HC-funded degree-level qualifications
- The requirement for HC-eligible practitioners to hold at least 3 years of relevant experience

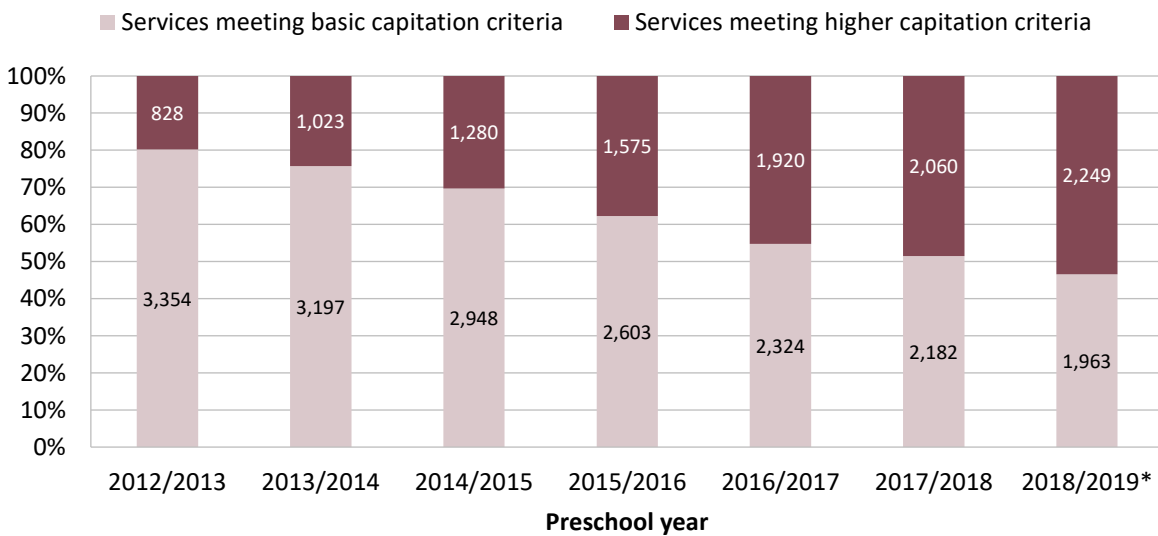
¹ Note: Pobal is a non-profit organisation that 'works on behalf of Government to support communities and local agencies toward achieving social inclusion and development.' Pobal provides management and support services to the Department of Children and Youth Affairs in respect of its Childcare Funding Programmes, including the ECCE HC payment.

- The potential to extend graduate incentives to practitioners who work outside of the ECCE programme
- Availability of ECCE HC services at a county level and across areas categorised by level of deprivation.

Summary of FPA Findings

From an assessment of the available data, the FPA concludes that the ECCE HC payment has been an effective funding initiative which has incentivised ECCE Programme services to recruit more graduate ECCE Room Leaders. For example, the overall proportion of ECCE services availing of the ECCE HC payment has risen, from 20% of all ECCE services to 53% between the 2012/13 and 2018/19 preschool years (see Figure 1).²

Figure 1.3 Proportion of ECCE Services Registered for Higher Capitation (2012/13 - 2018/19)



Source: DCYA ECCE Database; Pobal Programmes Implementation Platform (PIP)

The rising numbers of ECCE services that have availed of ECCE HC in recent years has been accompanied by an overall rise in qualifications levels among the ELC workforce. The proportion of graduates at NFQ Levels 7 (or above) have risen from 13% at end 2013 to almost 25% by May 2019.

² There were 828 Higher Capitation services in 2012/13, compared to approximately 2,249 for the 2018/19 preschool year

The assessment points to a considerable body of Irish and international policy and research findings that support the rationale that graduate ELC staff will provide higher quality services. However, the assessment also highlights how ELC quality depends on the interaction of a range of service features relating to both service structures and service processes. These are discussed in more detail below. The DCYA will be considering a broad range of quality features as part of the implementation of the *First 5 Strategy* (Government of Ireland, 2018).

Staff Remuneration, Professional Identity and Retention

While the rationale for the payment is that it will incentivise services to hire graduate Room Leaders, continuation of the payment requires ongoing graduate retention. The research literature highlights the importance of staff continuity in terms of the child's experience of the ECCE service, with high staff turnover associated with lower quality. The continued retention of graduates, over time, is therefore a key issue in terms of realising the quality rationale for the ECCE HC payment. Part 2 of the report focuses on staff remuneration, and how it may influence the retention of higher qualified staff.

Graduate remuneration in the Irish ELC sector is only marginally higher than that of non-graduates. Analysis within this FPA report suggests that a small proportion only of the HC premium is reflected in graduate remuneration³. A key concern in terms of staff retention is the relationship between staff remuneration and turnover. The ELC sector, in Ireland and internationally, has experienced consistently high rates of staff turnover both at inter and intra-sectoral levels. Under the current ELC funding model the DCYA is not in a position to require services to pass on a proportion of the ECCE HC payment to graduate staff.

³ This does not account for the possibility that graduates may command a remuneration premium even in the absence of the ECCE HC payment. It may also be noted that this analysis did not account for the complexity of pay arrangements within ECCE services, or factors that impact on service providers' pay policies, such as length of service or length of time working in the ELC sector

Another key factor that influences staff retention is practitioner perceptions of professional identity. The ECCE HC payment does not assume a direct relationship between payment implementation and a more favourable professional identity among graduate ECCE Programme Room Leaders. However, as the literature presented in Section 2.1 describes, practitioners who identify positively with their ELC role and profession are likely to have better retention rates, and will attract more qualified practitioners into the sector. It may be noted that the DCYA are currently developing a dedicated Workforce Development Plan (See 'First 5', Government of Ireland, 2018), which builds on a range of existing initiatives. The Plan will help develop career pathways for ELC and school-age childcare and raise qualification levels, as part of the ongoing professionalization of the ELC sector.

ECCE HC and Higher Quality Provision

Part 2 focuses on a key assumption of the ECCE HC payment; that ECCE Programme Room Leaders with ELC graduate qualifications will provide higher quality ECCE programme services. Much of the Irish and International ELC literature supports the assertion that there is a positive correlation between higher qualifications and higher quality ELC provision.

Research also indicates that raising ECCE Programme quality overall is contingent on the co-delivery of both structural and process quality features. Structural quality refers to the regulatory, organisational and environmental features of ELC, such as minimum building and safety standards, programme rules, staff-child ratios, remuneration and working conditions, as well as staff qualifications. Process quality, on the other hand, typically refers to children's daily experiences, including the quality of staff-child interactions and relationships. According to the literature, understanding what 'high quality' ELC provision looks like in practice requires accounting for both structural and process-related service features, operating simultaneously and interactively.

Within this definition, the ECCE Higher Capitation payment represents a key DCYA structural quality lever. The FPA report outlines the range of quality features already in place in ECCE HC services under Regulations and conditions of Programme

funding, as well as quality initiatives such as the 'Better Start' and National *Siolta* and *Aistear* initiatives, and Early Years Education-Focused Inspections (EYEIs). The additional embedding of these initiatives will reinforce overall quality within graduate-led ECCE Programme sessions.

While the ECCE HC payment is not designed to be a lever of process quality, an analysis of EYEI reports for approximately 1,500 ECCE services found that of the services that scored highest on each of the key quality-related inspection areas, a higher proportion were in receipt of the ECCE HC subsidy. In inspections conducted during 2018, 72% of the Early Years settings that received a rating of 'Excellent' across all four areas of the EYEI Quality Continuum were in receipt of the ECCE HC payment.

Some ECCE HC services also scored poorly. For example, of the 357 inspection records reviewed for 2018, 3 out of 7 settings evaluated as 'fair' or 'poor' across all 4 areas of the EYEI quality framework, were in receipt of higher capitation. According to feedback from inspectors and an analysis of qualitative inspection report data, key features of good process quality include opportunities for graduates to take up leadership roles, the presence of good management supports, ongoing internal reflection and practice evaluation, regular CPD and external professional supports.

In terms of future policy development, a key question is how ECCE Programme services may more reliably benefit from the hiring of graduate Room Leaders, in particular through delivery of the quality features listed above. There is significant potential for these features to be supported through existing and additional policy levers. The Expert Group on the development of a new ELC funding model (as outlined in the *First 5 Strategy*) will be considering these issues in detail in the coming years.

ECCE HC Payment Rationale

This FPA report has demonstrated the added value of the ECCE HC payment, which is that it:

- incentivises ECCE Programme services to recruit more graduates to work as ECCE Room Leaders
- acts a market signal to ELC staff that graduate qualifications are in demand among ECCE service employers
- improves structural quality in ECCE Programme services.

The analysis suggests that the HC payment, which acts as a key DCYA initiative to help raise ECCE programme quality, needs to be further embedded within a suite of existing (and emerging/new) structural and process quality measures. The FPA emphasises the synergies between the recruitment of graduate staff and the implementation of existing (and additional) service quality features. The FPA therefore supports the case for implementing complementary measures to help improve quality.

Strengths, Challenges and Policy Considerations

The following is a summary of key FPA findings, broken down according to ECCE HC payment strengths, challenges and future policy considerations.

Strengths

- The ECCE HC payment has been effective as a financial incentive, given the large year-on-year increases in the numbers of services availing of the payment, and in the proportion of staff with Level 7 and 8 qualifications employed in ECCE Room Leader roles.
- The research and policy literature supports the assumption that higher ELC staff qualification levels are positively related with service quality.

- The Department of Education and Science has conducted an analysis of 1,500 EYEI reports (based on capitation status) for the purposes of this FPA. The majority of highly rated settings were in receipt of higher capitation.
- There have been improvements in the administration of the payment in recent years.
- The management of the DCYA recognised qualifications list has continued to improve year on year. The implementation of ELC graduate awards standards is underway. Once implemented, these standards will help ensure further progress is made within the ELC sector.
- The ECCE HC payment is distributed proportionately among services located in areas of above and below average affluence (based on data taken from the Pobal Deprivation Index).⁴

Challenges

- There are high staff turnover rates across the Irish ELC sector, including among graduates. The literature suggests that this negatively affects quality of provision
- Staff remuneration levels are a key determinant of staff retention. ECCE graduate remuneration levels are only marginally higher than ECCE non-graduate remuneration. The FPA report provided indicative evidence that, on average, services pass on a small proportion only of the ECCE HC payment to individual graduate ECCE Room Leaders. However it may be noted that this was a headline analysis which did not account for the complexity of pay arrangements within ECCE services, or factors that impact on service providers' pay policies, such as length of service or length of time working in the ELC sector
- Perceptions of ELC as a low status profession acts a barrier to recruiting high quality ELC practitioners
- The DES analysis of 1,500 EYEI reports found that a proportion of services with low ratings were in receipt of the ECCE HC payment. For example, of the 357 inspection records reviewed for 2018, 3 out of 7 settings evaluated as

⁴ Although a deprivation score may not necessarily reflect the economic circumstances of ECCE Programme attendees

'fair' or 'poor' across all 4 areas of the EYEI quality framework, were in receipt of higher capitation. According to the DES and EYEI Inspectors, lower quality of practice may be due to graduates not being employed in positions of authority, qualification profiles not suiting the aims and goals of *Aistear*, limited support from management/leadership in the ECCE service and high turnover among Room Leaders.

- ECCE HC payment administration processes have changed regularly based on changes to payment rules. Rules and processes have been complex, requiring significant time and effort by ECCE Programme services, DCYA and Pobal staff. The DCYA experienced administrative delays across a number of preschool years, resulting in additional DCYA expenditure. Delays resulted from a combination of resource constraints (staff and IT systems) and administrative complexity. It is not possible to quantify the costs of ECCE HC payment administration between 2010 and February 2020
- It would not have been possible for Pobal to anticipate the DCYA's ECCE HC per-room payment model, when developing the Programmes Implementation Platform (PIP). As a result of pre-existing PIP design, the ECCE HC module does not cater for this model.
- The PIP ECCE HC payment module has driven administrative processes, including ongoing submission of amendment forms, manual form processing and manual payment workarounds, which have reduced administrative efficiency. Transition to the Early Years platform presents an opportunity for more flexibility in this regard
- The complexity associated with the current payment rules, administration and compliance processes may limit the efficiency of the ECCE HC payment compliance process.
- The DCYA has committed to a 2028 target of a minimum of 50% graduates working as room leaders or managers in the ELC sector (Government of Ireland, 2018). If the DCYA maintain the current payment model (limited to ECCE programme Room Leaders only) then, in the coming years, the ECCE HC payment may not be adequate in terms of realising the broader DCYA ambitions presented in *First 5* (DCYA, 2019)

- There is broad variation in ECCE HC payment uptake between counties, which affects equality of access to graduate-led ECCE services. This is not based on rural/urban divides or local access to third level ELC courses. There is no association between ECCE HC uptake and staff remuneration levels within a county.
- Parents may not be aware of the qualifications levels of staff working with their children. This could limit parental decision-making regarding their child's ECCE Programme experience. It was noted that the *First 5 Strategy* commits to developing guidance for parents on ELC options and entitlements, as well as key indicators of high-quality provision (Government of Ireland, 2018)

Policy Considerations

- As observed within the literature, there is a clear relationship between job satisfaction and turnover. Competitive remuneration, good communication and teamwork, leadership, valuing staff, flexible work practices and opportunities for career progression are key determinants of job satisfaction
- Structural and process quality are mutually supportive and interactive. Both need to be present in order to ensure high quality service provision. In terms of processes, day-to-day decision-making of service providers and front-line staff is key to the quality of a child's ELC experience
- There is the potential to incentivise ECCE services to pass on a proportion of the ECCE HC payment to graduate ECCE Room Leaders. The mechanisms to achieve this would require further DCYA consideration. An example of a low-cost incentive could be where services provide voluntary public notifications that they pass on a specified proportion of the ECCE HC payment to their graduate staff, in the form of a remuneration premium
- The DCYA could consider requiring ECCE Programme services to pass on a defined proportion of the payment to graduate Room Leaders under a reformed DCYA ELC funding model. The DCYA would require additional analysis to ascertain the most efficient proportion in this regard
- Ongoing progress in the embedding of skills, knowledge and competencies associated with high quality practice (according to, for example, the *Aistear*

Sólta Practice Guide), should help reduce instances where ECCE Programme services score poorly on EYEIs.

- Administrative efficiency could improve by reducing the number of payment errors arising from complex processes that require manual workarounds.
- If the DCYA were to expand the graduate subsidy based on the existing administrative model, then issues relating to complexity would remain, at larger volumes. Simplification of the rules and administrative processes could also simplify the compliance process. For example, in the longer term the DCYA could consider replacing the per-ECCE room HC payment model as the proportion of graduates working as Room Leaders in ELC settings continues to rise (while ensuring accordant with ECCE HC payment policy). This would reduce the burden on services, administrators and compliance officers, to count ECCE children in ECCE sessions and compare the numbers with those registered on the PIP system. It could also enable the delivery of a more efficient IT administration system
- The DCYA should define 'sector experience' for the purposes of ECCE HC payment compliance. For example, the DCYA may need to provide guidelines on hours and weeks of experience per year that constitute 'sector experience'.
- The Department could include additional conditions of funding to add value to the ECCE HC payment. These could include, in the longer term, completion of a credit-based CPD programme.
- A body of literature points to the importance of high quality in ELC settings for children under three years of age. There is a potential for negative effects where quality is poor. There is evidence to suggest that services place graduates in ECCE sessions so that they can avail of the ECCE HC payment. This may limit graduate coverage among pre ECCE-aged ELC sessions. However, UK and EU researchers and policymakers have also expressed concerns regarding the low proportions of graduates working with infants/toddlers. It may be useful to consider incentivising ELC graduates to work with pre-ECCE aged child cohorts (in line with the *First 5* commitment to move progressively towards a graduate-led ELC workforce).
- The return on ELC investment is greatest for children in circumstances of disadvantage. Future policy considerations could include incentivising greater

levels of graduate-led ELC provision within services that cater predominantly for disadvantaged children

Monitoring and Evaluation Data

The collection of additional data would help support the monitoring and evaluation of the ECCE HC payment, while also clarifying administration costs, and how the payment interacts with the ELC market. The FPA analysis presented in this report included the following suggestions:

- Additional data on staff turnover rates, an assessment of which could help deepen the Department's understanding of key determinants of graduate turnover in the Irish ELC sector
- According to the 2018/19 Pobal Early Years Sector Profile, remuneration levels are highly influenced by staff role, experience and qualifications attained (Pobal, 2019). More granular data on remuneration levels among ELC graduates, including length of time in a service/the ELC sector, could help deepen an understanding of the role of the ECCE HC payment within the ELC labour market
- Data could be collected that captures graduate recruitment experiences among services (employers) and ELC graduates (employees). This would help deepen an understanding of demand, supply and remuneration dynamics
- Data on ECCE HC services reverted to standard capitation and, potentially, reasons for reverting
- Data relating to provision quality among ECCE HC payment services, to inform ongoing payment implementation. EYEI reports could provide a key resource in this regard. It may also be noted that the *First 5* Strategy commits

to the development of 'measurement tools to measure and monitor the quality of practice in ELC settings' (Government of Ireland, 2018).

- Data estimating overall staff resource effort, both in Pobal and the DCYA, to help calculate administration costs

To conclude, the ECCE HC payment is an important policy lever that has helped the government realise its commitment to supporting high quality ECCE Programme provision. The FPA report highlights scope for further development of the ECCE HC payment. This is timely, given the range of ELC policy commitments outlined in the 'First 5' Strategy that are due for implementation in the coming years. The analyses presented in the FPA report (and summarised in this document) should provide a useful resource in this regard.