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# The Economic Rationale for Government Investment in Early Learning and Care

a High-Level Overview

Prepared by the Department of  
Children, Equality, Disability, Integration and Youth  
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# 1. Introduction

This paper, produced by the Research and Evaluation Unit of the Department of Children, Equality, Disability, Integration and Youth (DCEDIY) at the request of the Early Years Division, provides a high-level overview of the key economic reasons for government investment in Early Learning and Care (ELC) in Ireland.

The paper begins with an outline of the policy context for public investment in ELC, focusing on key economic issues related to the sector, including the public-private mix of services, childminder care, relative care, regulation and quality, average fees, staff qualifications, staff wages, and labour supply elasticity. This is followed by an overview of the main government funded schemes that support and govern the ELC sector in Ireland. These include the Early Childhood Care and Education (ECCE) programme and National Childcare Scheme (NCS), along with an overview of key public policies, in particular *First 5: a Whole-of-Government Strategy for Babies, Young Children and their Families 2019-2028* (Government of Ireland, 2018). Current and future policy developments will be discussed, based on commitments made under the *First 5 Strategy*. Reference will be made to the impact of COVID-19 on government funding of the ELC sector, with a brief outline of the associated policy response.

A primary purpose of ELC is in providing education and care to young children to support their cognitive, behavioural and emotional development. Drawing on a wide body of research evidence, Part 3 of this paper will discuss the impact of ELC on children, while also considering the benefits to families, and the wider economy and society. Among these benefits are facilitating the labour market participation of parents (particularly mothers), supporting decision-making around family planning, generating employment and economic 'multiplier effects' within related industries, and supporting Ireland's social infrastructure.

In providing an overview of the main economic reasons for public investment in ELC, and by setting out the value of ELC to Ireland's economy and society, this paper can help to inform policy discussions in this key policy area.

## 2. Policy Context – Government Investment in ELC

Part 2 of the paper provides an overview of the ELC sector, discusses the different types of ELC, as well as the supply of labour in the sector and staff qualifications. It then provides an overview of government policies and schemes which regulate and provide funding to the sector.

### 2.1 Sector Overview

Data from the Early Years Sector Profile 2019/20 (Pobal, 2021) show that there were approximately 4,600 Tusla-registered centre-based ELC services in the State (Pobal 2021). The data show that 180,000 children were enrolled in at least one government-funded ELC programme, while there were approximately 30,000 people employed in the ELC sector during the 2019/20 academic year, which included those working with children and those in ancillary roles.

#### 2.1.1 Public-private mix

Data from the Early Years Sector Profile Survey for 2019/20 (Pobal, 2021) show that over 99% of centre-based ELC services are privately owned, with 74% of services operating for-profit and 26% operating on a community/not-for-profit basis. Less than 1% of services are provided by the public sector, via the Early Start programme, which is a one-year intervention for children aged between three and five years, delivered in 40 primary schools in designated areas of urban disadvantage.

#### 2.1.2 Childminder care

ELC is also provided by childminders, who are defined in the *National Action Plan for Childminding (2021-2028)* as, 'paid, non-relative care of children aged from birth to 14 years (including both ELC and school-age childcare) in which children are cared for singlehandedly within the childminder's family setting' (DCEDIY, 2021: 22). This excludes workers who care for children in the child's own family setting, sometimes referred to as 'nannies' or 'au pairs'. The *Action Plan* distinguishes childminding, as a form of 'home-based' care, from centre-based ELC and School Aged Childcare (SAC). It also describes childminding as being typically smaller in scale, integrated into the childminder's family (i.e. often cared for alongside the childminder's own children), and which includes a mix of age groups (DCEDIY, 2021).

An estimated 15,000 childminders operate in the State, of whom only 77 were registered with Tusla as of September 2020 (DCEDIY, 2021). This equates to less than 1% of childminders. The *National Action Plan* seeks to increase the proportion of childminders that are registered with Tusla, through a mix of funding measures and regulation. The aim of these measures will be to broaden the regulation of childminding, in recognition of the benefits that childminding offers such as continuity of care and low staff-child ratios, while also providing minimum quality standards.

### **2.1.3 Relative Care**

Many households in Ireland also utilise relative care arrangements. An analysis of the nationally representative *Growing Up in Ireland* dataset on Cohort '08 found that 15% of families of 3-year-olds drew on relative care (McGinnity et al., 2015). This represented 29% of the 50% of 3-year-olds overall, who participated in any form of regular non-parental care (which include centre-based ELC, childminders, and relative care). The report authors noted that most relative care was provided by grandparents; predominantly grandmothers. An analysis of GUI data on 3-year-olds in Cohort '08 found that among families who used relative care, this was mostly an unpaid arrangement: 55% unpaid, 45% paid (Russell et al., 2018). The *First 5 Strategy* (Government of Ireland, 2018) recognises the critical role of the family in supporting positive experiences for all young children. The Strategy highlights that family experiences and relationships help young children to make sense of themselves and influence wellbeing, resilience and adaptation to the world. *First 5* aims to complement the role of family care, by providing parents with the choice of more affordable, high-quality ELC, and by broadening the regulation of childminders and school-age childcare services ('Big Step 4', *ibid*, 2018).

### **2.1.4 Regulation and ELC Quality**

Ireland first introduced regulations for ELC services through the 1996 Child Care (Pre-school services) Regulations, which established a range of minimum safety and practice standards for centre-based ELC, such as minimum staff-child ratios and room size. In recent years, government ELC policy has focused on improving the quality of ELC provision, through a mix of regulation, conditions of funding, supports, and other

incentives. Policy development in this regard has aligned with a growing body of evidence that highlights the importance of high quality provision in achieving the benefits of ELC investment (Council of Europe, 2019; Melhuish and Gardiner, 2019; Callanan et al, 2017; Siraj and Kingston, 2015; OECD, 2012; Sylva et al, 2010). The 2016 Preschool Services Regulations, for example, mandated that all ELC staff working directly with children hold a minimum NFQ Level 5 Early Childhood Care and Education qualification.

DCEDIY programme funding, such as the Early Childhood Care and Education (ECCE) programme introduced in 2010 and the National Childcare Scheme (NCS) introduced in 2019, has acted as a key policy lever for the introduction of a range of additional quality-related funding conditions. These conditions have included adherence to the national quality framework (*Síolta*) and curriculum (*Aistear*) for early childhood education, as well as a requirement for all ECCE-funded Room Leaders (i.e. lead educators) to hold a minimum NFQ Level 6 qualification in Early Childhood Care and Education (or a qualification deemed equivalent by the Minister for Children, Equality, Disability, Integration and Youth).

In Budget 2022, Minister O’Gorman announced a new €69 million funding stream available to providers from September 2022. Under the new funding stream, in return for a commitment that fees to parents will not increase, providers will be supported in meeting their operating costs, including increased costs related to improved quality measures. The funding will support the quality of services by better enabling providers to attract and retain qualified staff; establish career structures; introduce or improve other features of provision that are demonstrated to contribute to quality (e.g. non-contact time, planning, training, curriculum implementation).

### **2.1.5 ELC Affordability**

Along with a focus on quality, government policy has in recent years sought to improve the affordability of ELC services for parents (see: Objective 8 of *First 5*, Government of Ireland, 2018). Compared to average fees for ELC in other European countries, average fees in Ireland are high (Euridyce, 2019: 59). Measured by Purchasing Parity Standard (PPS), an artificial common currency reference unit, average monthly ELC fees in Ireland are two to three times higher than in Denmark,



France and Spain – where ELC is mostly publicly delivered (see *Table 1*). However, average fees in Ireland are lower than in England; a country where the ELC sector is, like Ireland, primarily privately-delivered.

**Table 1.** Average monthly ELC fees for children under 3 years old in selected countries 2018/19

	Denmark	France	Ireland	Lithuania	Spain	Sweden	UK - England
Average monthly fees (PPS)	213	121-274	683	No fees	65-361	0-110	1090
Average monthly fees (own currency)	2100	133-301	771	No fees	59-328	0-1082	1067

Source: European Commission/Euridyce Key Data on Early Childhood Care and Education in Europe – 2019 Edition

Data from the Early Years Sector Profile 2019/20 show that the average weekly fees for ELC during the 2019/20 preschool year were €186.12 for full-day care and €110.75 for part-time care (Pobal, 2021). These figures represent an increase of less than 1% compared to the average fees for the 2018/19 preschool year. However, when compared with data from the 2016/17 year, the average national weekly fees in 2019/20 were 6.9% higher, i.e. the increase mostly occurred between 2016/17 and 2018/19 – a period of generally low consumer price inflation averaging less than 1% per year<sup>1</sup>. As in previous years, fees in 2019/20 were higher in urban areas, where the average weekly fee for full-day care was €192.74 and €114.64 for part-time care, compared to €171.33 and €102.61 in rural areas (ibid, 2021).

The average fees cited in the Pobal Early Years Sector Profile and European Commission’s Euridyce report do not account for subsidies provided to registered ELC services to offset parental fees. The NCS, for example, provides a universal subsidy of 50c an hour towards the cost of a registered childcare place for a maximum of 45 hours per week. It provides an additional targeted subsidy, which reduces the cost of enrolling children with a registered ELC provider. The subsidy rate varies (up to 100% of price) according to family income, the age of the child, and the

<sup>1</sup> <https://www.inflation.eu/en/inflation-rates/ireland/historic-inflation/cpi-inflation-ireland.aspx>

number of children in the household (see section 2.2.4). A review of the NCS found that the scheme covered half or more of ELC costs for 38% of families (Frontier Economics, 2021).

The report on the new funding model for ELC launched in December 2021 (Expert Group, 2021) includes affordability recommendations such as increasing the existing age limit on the universal NCS subsidy to 15 years old so that it is in line with the income-based subsidy. This recommendation, which will be implemented in 2022, means that the universal and income-based NCS subsidies will be available to all children covered by the scheme up to the age of 15. In addition, it has recommended the replacement of the existing 'multiple child deduction' element of the NCS with a 'multiple child factor', so that families with two or more children receive higher subsidies and experience lower withdrawal rates as their income increases.

The recommendation to remove the practice of deducting hours spent in pre-school or school from the entitlement to NCS subsidised hours, will also be implemented in 2022.

The new funding stream announced in Budget 2022, will only be made available to providers who commit to not increasing parental fees. This condition provides a degree of certainty to parents regarding fees for ELC, during a period<sup>2</sup> of elevated consumer price inflation.

The report on the new funding model for ELC launched in December 2021 (Expert Group, 2021) includes affordability recommendations such as increasing the existing age limit on the universal NCS subsidy to 15 years old so that it is in line with the income-based subsidy. This means that the universal and income-based NCS subsidies would be available to all children covered by the scheme up to the age of 15. It also includes a recommendation to remove the practice of deducting hours spent in pre-school or school from the entitlement to NCS subsidised hours. It would replace the existing 'multiple child deduction' element of the NCS with a 'multiple child factor', so that families with two or more children receive higher subsidies and experience lower withdrawal rates as their income increases. The new funding stream

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<sup>2</sup> <https://www.inflation.eu/en/inflation-rates/ireland/historic-inflation/cpi-inflation-ireland.aspx>

announced in Budget 2022, will only be made available to providers who commit to not increasing parental fees. This condition provides a degree of certainty to parents regarding fees for ELC, during a period<sup>3</sup> of elevated consumer price inflation.

### **2.1.6 Staff Qualifications**

A significant body of Irish and international literature supports the policy rationale that higher qualified staff will provide better quality ELC services (Melhuish and Gardiner, 2019; EU Commission, 2019; OECD, 2012; Mathers and Sylva, 2007). As mentioned previously, the 2016 Preschool Services Regulations mandated that all ELC staff working with children hold a minimum NFQ Level 5 Early Childhood Care and Education qualification. This is equivalent to a Leaving Certificate, or upper secondary education. For services participating in the ECCE programme, the regulations require Room Leaders (i.e. lead educators) to hold a minimum National Framework of Qualifications (NFQ) Level 6 ELC qualification. This is equivalent to a Further Education, or Post-Leaving Certificate (PLC) diploma.

In comparison with the minimum qualifications required for ELC staff in Ireland, around one third of European Union Member States require at least one staff member per ELC centre (typically the Lead Educator or Centre Manager) to hold an ELC-relevant tertiary qualification (EU Commission, 2019b). However, minimum qualification levels vary by country, and by children's age (with qualifications generally higher among those providing ELC to children over three years of age). Qualifications requirements for 'core practitioners' (the equivalent of Lead Educator (or Room Leader)) range from no minimum requirement in countries such as Denmark and Sweden, to a Master's degree in early childhood education in countries such as France, Portugal and Italy (European Commission, 2019b) (see *Table 2*). Nonetheless, in Denmark 58% of ELC staff held a degree in ELC pedagogy in 2018 (Statistics Denmark, cited in European Commission, 2019b), while in Sweden one person per ELC centre is required to have an ELC degree.

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<sup>3</sup> <https://www.inflation.eu/en/inflation-rates/ireland/historic-inflation/cpi-inflation-ireland.aspx>

**Table 2.** Level of qualification required to work as an ELC 'Core Practitioner' (Lead Educator) with children aged 3-5 years, 2018/19, in selected countries

	Denmark	France	Ireland	Lithuania	Spain	Sweden	UK - England
Qualification level required	No regulation	Master's Degree	Vocational qualification	Bachelor Degree	Bachelor Degree	No regulation	Bachelor Degree

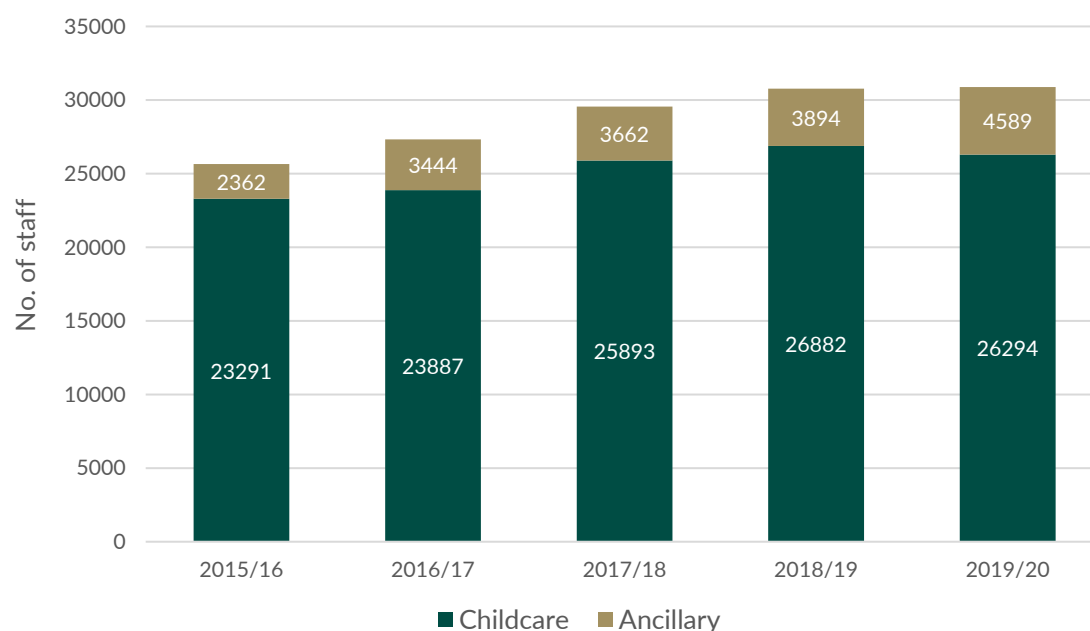
Source: European Commission, Key Data on Early Childhood Education and Care in Europe – 2019 Edition

To incentivise the hiring and retention of graduate ELC staff the Irish government has, since 2010, offered a Higher Capitation payment to services participating in the ECCE programme who hire Lead Educators with degree-level qualifications, as well as three years of ELC sector experience. In the 2019/20 preschool year, 57% of participating ECCE services received the Higher Capitation for employing one or more graduate Lead Educators. This compares with 20% of services that received the payment in 2013.<sup>4</sup> The rising numbers of ECCE services that have availed of the Higher Capitation payment 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 34% by 2021 (DCEDIY, 2021). The *First 5 Strategy* (Government of Ireland, 2018) outlines the government's target of achieving a graduate-led ELC sector, with 50% graduates working across the sector by 2028. *Nurturing Skills* (DCEDIY 2021) sets out a series of actions to support achievement of this target over the years 2022-2028.

### 2.1.7 Staff Wages

The Pobal Early Years Sector Profile survey for 2019/2020 (Pobal, 2021), estimates there were approximately 30,000 staff employed in centre-based ELC in 2020. These staff worked directly with children (85%) as well as in management, administration, catering and maintenance roles (15%) (See *Figure 1*).

<sup>4</sup> Source: Focused Policy Assessment of the ECCE Higher Capitation Payment, DCYA, 2020. Available at: <https://www.gov.ie/en/publication/827ae-focused-policy-assessment-fpa-of-the-ecce-higher-capitation-payment/>

**Figure 1.** Total number of staff in ELC and SAC services (extrapolated<sup>5</sup>)

Source: Pobal Early Years Sector Profile 2019/20

The Early Years Sector Profile (Pobal, 2021) shows that women account for 98% of those working in the ELC sector. The ongoing professionalisation of the ELC workforce, as committed to in *First 5*, stands to benefit the approximately 26,000 of the ELC workforce who work directly with children, by increasing their skills and earnings.

Data from the Sector Profile on staff wages by educational attainment show that staff who had attained a higher level of education earned a higher hourly wage on average (Pobal, 2021). Staff who had attained a Level 5 qualification on the National Framework of Qualifications earned on average €11.87 per hour (DCEDIY, 2021). This compared to €13.49 per hour among staff who had attained a Level 7 qualification and €14.06 among staff who had attained a Level 9/10 qualification (Pobal, 2021; DCEDIY, 2021). Among ELC/SAC staff, Managers earned the highest

<sup>5</sup> To extrapolate the number of staff and children nationally, the following procedure was applied. For each county, the number of services contracted to provide at least one of the DCEDIY programmes and the corresponding number of registrations for these services were extracted from Pobal's Programmes Implementation Platform (PIP). The next step was to look at the number of services who completed the service profile survey and match the corresponding number of registrations on PIP for these services. This allowed for extrapolation of the percentage of registrations in services who completed the service profile survey, as well as the extrapolated number of children accessing childcare by county. This percentage has also been used for the extrapolation of staff figures, as it is likely that the correlation between the number of staff and the number of children will provide a more accurate basis upon which to make estimates than by using the response rate.

average hourly wage in 2021, €17.01 per hour. The average hourly wage of all ELC and SAC staff in 2021 was €12.60 (See *Table 3*).

**Table 3.** Hourly wages of ELC staff by level of educational attainment and job title, 2021

Highest qualification attained	Wage per hour
No relevant qualification	€11.77*
NFQ Level 4	€12.30*
NFQ Level 5	€11.87
NFQ Level 6	€12.52*
NFQ Level 7	€13.49
NFQ Level 8	€13.25*
NFQ Level 9/10	€14.06*
Average for all centre-based staff (ELC and SAC)	€12.60
Educator / Practitioner ('Assistant', ECCE and non-ECCE)	€12.10
Lead Educator ('Room Leader', ECCE and non-ECCE)	€13.39
Manager	€17.01

Source: Nurturing Skills (DCEDIY, 2021) \*indicates data sourced from the Pobal Early Years Sector Profile 2019/20

As shown in *Table 3*, centre-based staff (ELC and SAC) earned an average hourly wage of €12.60, slightly lower than the Living Wage for 2021/22 of €12.90 an hour<sup>6</sup>. The *Programme for Government: Our Shared Future* (Government of Ireland, 2020) states its ambition for each citizen to earn a living wage over the lifetime of the Government. Low pay also creates concerns around the quality of ELC systems, as well as difficulties in attracting and retaining staff (Minister for Children and Youth Affairs, 2019).

A key consideration when assessing the relatively low wages of those working in the ELC sector in Ireland is the elasticity of labour supply.

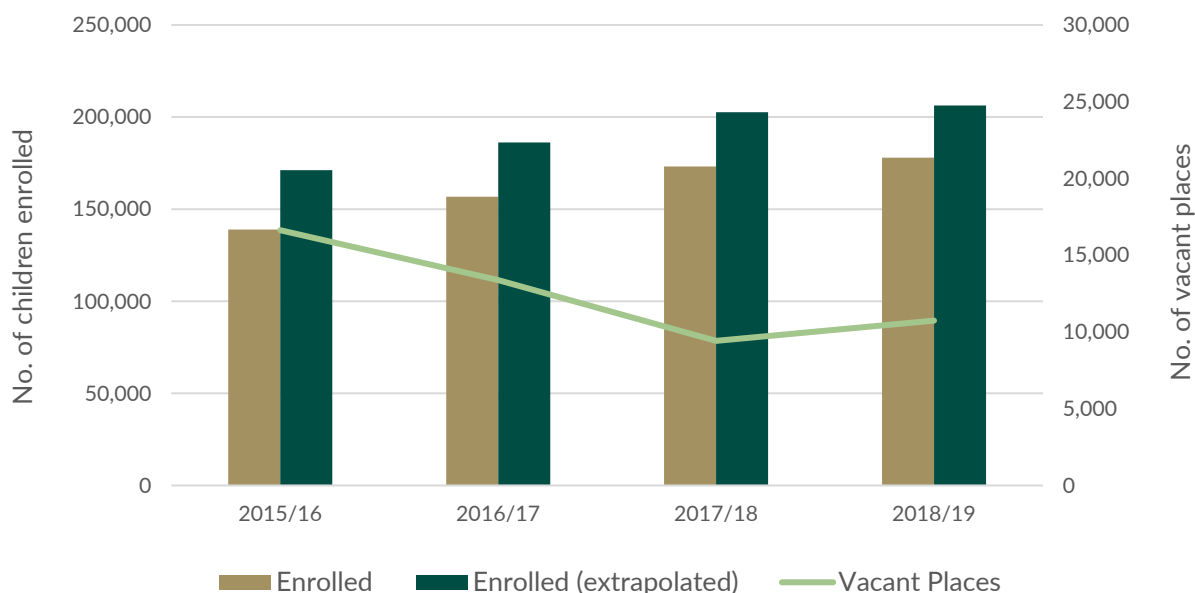
### 2.1.8 Labour Supply

The numbers of children enrolled in ELC have increased in recent years, while the numbers of vacant places has decreased. Enrolments increased from almost 140,000

<sup>6</sup> [https://www.livingwage.ie/download/pdf/living\\_wage\\_annual\\_paper\\_2021-22.pdf](https://www.livingwage.ie/download/pdf/living_wage_annual_paper_2021-22.pdf)

children in the 2015/16 preschool year to approximately 178,000 in 2018/19.<sup>7</sup> In percentage terms, demand (enrolments) for centre-based ELC increased by 27% (i.e. 38,000 additional enrolments) between the 2015/16 and 2018/19 preschool years.

**Figure 2.** Numbers of children enrolled and vacant places in ELC settings (extrapolated<sup>8</sup>)



Source: Pobal Early Years Sector Profile reports (2015/16- 2018/19)

However, as presented in Figure 1 earlier, staff numbers also increased by 5,200 (21%) across the same period, from 25,000 in 2015/16 to more than 30,000 in 2018/19 (see Figure 1)<sup>9</sup>. This 5,200 increase in staff numbers comprised a 2,200 increase in ancillary staff (a 94% increase relative to 2015/16 staffing levels) and a 3,000 increase in staff working with children (a 12% increase relative to 2015/16).

The increase in weekly ELC fees over this period (Pobal, 2019) has not disrupted demand for ELC. This is not surprising given that it is an essential service for many parents. Nor has increased demand exerted strong upward pressure on staff wages. While wages did increase across all grades working directly with children during this period, Early Years Assistants (ECCE and non-ECCE) were still earning on average below the Living Wage by 2018/19. It is possible that demand-based pressures to

<sup>7</sup> Due to varied attendance patterns arising from COVID-19, reliable data on enrolments could not be collected for the 2021 Sector Profile report, which presented data for the 2019/20 preschool year.

<sup>8</sup> Note: An extrapolation technique is carried out by Pobal to estimate national ELC data. It uses data on child registrations held on the PIP and EYP to determine the relative size of services who completed the service profile, as compared with all services nationally.

<sup>9</sup> Figures extrapolated, and cover ELC and SAC services

increase ELC wages have been offset by a flexible labour market characterised by high staff turnover and a continuous supply of new ELC labour (see Blau, 2001; Pobal, 2020).

A key issue in terms of ELC wages, in Ireland and internationally, has been what the European Council referred to as the ELC profession's "rather low profile and status" (EU Council, 2019, cited in Euridyce, 2019: 72). A continuous supply of new ELC workers at low wage levels gives rise to several concerns. Many ELC workers do not enjoy "an adequate income to enable individuals to afford a socially acceptable minimum standard of living," as defined by the Living Wage technical document (the Living Wage Technical Group, 2019: 4). This can create hardship for the workers and their families, and contribute to high levels of staff turnover, which has a negative knock-on effect on ELC quality. In order to reduce the level of turnover in the sector, the European Commission (2021) recommends providing greater recognition for the sector through ongoing professionalisation. According to the Commission (2021: 144), this will require "improvements in professional development opportunities, career prospects, salaries and working conditions."

The 2018/19 Early Years Sector Profile showed that the staff turnover rate in the sector was relatively high, at 23.4% (Pobal, 2020). To put this in context, the 2016/17 Early Years Sector Profile report noted a national average staff turnover rate of 13% across the wider Irish economy (based on 2016 Solas data). The European Commission highlight that the ELC sector features high staff turnover internationally, but that reducing levels of turnover helps to improve ELC quality (European Commission, 2021; Holochwost et al., 2009). Staff turnover in the Irish ELC sector has decreased slightly in recent years, from 28% in 2015/16 (28%) to 23.4% in 2018/19. A lower turnover rate of 18% in 2019/20 may have been impacted by lower market mobility during COVID-19-related restrictions on the ELC sector.

Staff qualification levels are a determinant of labour supply, with higher staff qualification requirements associated with greater specialisation. Greater specialisation reduces labour supply as there is a smaller pool of workers who can perform the role. To attract more workers, firms would thereby need to increase wages. As shown earlier, ELC staff with higher educational attainment earn higher



hourly wages on average than less qualified staff. This indicates how increasing staff qualification levels could reduce the labour supply elasticity of ELC workers, as the workers will be more specialised and therefore harder to replace. However, in the Irish ELC sector there has been a continuous supply of labour supply, even as qualifications have risen. Therefore, raising qualification levels alone may not necessarily result in higher wages for Ireland's ELC workers. Without further public or private investment in the ELC sector, or a reduction in the profit levels of ELC services, ELC wages are unlikely to change substantially beyond the relative wages presented in Table 3.

In 2020 the DCEDIY published an *Independent Review of the Costs of Providing Quality Childcare*, and has undertaken research on profits earned by services within the sector. These projects will pave the way for more granular analyses of ELC service costs, parental fees, and the impacts of DCEDIY subsidies on ELC affordability and profitability. This will assist government decision-making around future investments in the ELC workforce. In 2021, a Joint Labour Committee for Early Years Services was established, following a process begun by Minister O'Gorman. The Committee has representation from unions and employers, with an independent Chair. The Committee will provide a wage-setting mechanism for the ELC sector that can determine the terms and conditions of employment, as well as setting minimum rates of pay across the sector. Once agreed, the terms and conditions can be given effect in law by an Employment Regulation Order. In addition, Minister O'Gorman's 2022 Budget package included a new €69 million funding stream for providers of ELC. This will be provided from September 2022, to ensure sustainability of services and support the introduction of an Employment Regulation Order. This will help support employers to improve pay and conditions for staff, as well as conditions of employment. To access the funding, providers will be required not to increase fees.

## 2.2 Overview of Government Policies on ELC

### 2.2.1 First 5: a Whole-of-Government Strategy for Babies, Young Children and their Families 2019-2028'

In 2018, the government published its first dedicated strategy for children aged up to five years, *First 5: a Whole-of-Government Strategy for Babies, Young Children and their Families 2019-2028*. *First 5*, is a 'whole of government strategy and 10-year plan designed to give all children a strong start in life, through helping to combat the inequalities which can emerge in early childhood, often prior to birth.' The Strategy builds on previous policy developments, which led to increased funding and other measures to improve the quality, affordability and accessibility of ELC. A headline commitment in the strategy is to double the level of public expenditure on ELC by 2028, relative to a 2018 baseline.

As part of this increased expenditure, a new funding model for the ELC sector will be introduced over the lifetime of the *First 5* strategy. The Strategy (Government of Ireland, 2018) outlines that the new funding model will build on current investment principles: setting out minimum quality standards, delivering enhanced funding for services that meet indicators of high-quality provision, and delivering enhanced funding for those operating in areas of disadvantage. To develop the new funding model, the Government appointed an Expert Group in 2019, which is independently chaired, and includes national and international experts in ELC and economics, as well as policy experts from Government Departments. The Expert Group published its report, *Partnership for the Public Good* in December 2021 (Expert Group, 2021). The report recommends:

- A new additional funding stream for the ELC sector, Core Funding, to support quality of provision, improved pay and conditions for staff, management of parental fees and sustainability of services
- Universal and targeted Tackling Disadvantage funding and support, building on Core Funding. The universal strand will be informed by the universal elements of the Access and Inclusion Model, and the targeted strand informed by the DEIS model in schools
- Continued provision of the ECCE programme, with funding to support the employment of graduate staff incorporated into Core funding, and continued provision of the NCS with enhanced universal supports

- An expanded role for the State in managing and supporting supply, quality, accessibility, and affordability.

In recognition of the role played by the ELC workforce in delivering high quality ELC, the *First 5* strategy includes the commitment that the ELC workforce will be graduate-led by 2028 (i.e. comprised of at least 50% graduate managers and Lead Educators). Minister O’Gorman launched *Nurturing Skills: The Workforce Plan for Early Learning and Care and School-Age Childcare, 2022-2028* (DCEDIY, 2021) in December 2021, which sets out the plan and process to achieve this commitment. *Nurturing Skills*, which draws on the EU Quality Framework for Early Childhood Education and Care, focuses on the professional development of ELC and SAC staff, to help raise the profile of careers in the sector. The development of *Nurturing Skills* was also informed by an OECD Country Policy Review, titled *Strengthening Early Childhood Education and Care in Ireland* (OECD, 2021). The OECD Review included a series of workforce-related recommendations that are reflected in the actions outlined in *Nurturing Skills*. These actions include:

- New financial supports to assist Early Years Educators to study while continuing to work in the sector
- Supporting School-Age Childcare Practitioners to meet new qualification requirements that will be introduced incrementally over the coming years;
- Development of a career framework and strengthening career pathways, including new supports for leadership development;
- Building a national infrastructure for Continuing Professional Development for the sector; and
- Supporting staff recruitment, retention and diversity in the workforce.

### **2.2.2 National Action Plan for Childminding: 2021-2028**

The *National Action Plan for Childminding: 2021-2028* (DCEDIY, 2021) sets out a phased approach to broadening the regulation of childminders, by providing access to funding measures (DCEDIY, 2021). At present, only childminders who care for more than three pre-school children from different families, or more than six children of any age, are subject to regulation, which excludes many existing childminders. In seeking to extend regulation to all childminders, the Plan will open the National Childcare Scheme and all other funding and supports to childminders. Through these

measures the Plan seeks to protect parental choice while also improving the affordability and quality of childminding services.

### **2.2.3 Early Childhood Care and Education (ECCE) Programme**

The Government introduced the ECCE programme in 2010, as a universal free preschool subsidy covering 15 hours per week of centre-based care (August to June). Since 2018, parents have been able to register their children for ECCE from the age of 2 years and 8 months and continue until they transfer to primary school.<sup>10</sup> The ECCE programme therefore provides two free preschool years for every eligible child. Up to 12th March 2020, 105,975 children availed of the ECCE programme. Of these, 60,549 (57%) children were attending their first year of ECCE with the remaining 45,426 (43%) attending for their second year (Pobal, 2021).

### **2.2.4 National Childcare Scheme**

The NCS is a key ELC funding scheme. Introduced in 2019, it is designed to reduce the fees that providers charge to parents. The NCS follows the principle of progressive universalism, with two distinct subsidies: a universal subsidy and income-assessed subsidy. The universal subsidy is paid to ELC and school-age childcare (SAC) services at a rate of 50c per hour towards the cost of care for children aged between six months and 3 years (and including children over 3 years who have not yet qualified for the ECCE programme). The universal subsidy is paid up to a maximum of 45 hours per week for working parents, and 20 hours per week for parents who are not working, studying or training. The income-assessed subsidy is paid to services for children aged up to 15 years. The amount varies according to family income, up to a 100% subsidy for households with the lowest means. Households with family income below €60,000 per year are eligible to apply for the income-assessed subsidy (See *Table 4*). (Note: *Table 4* reflects subsidies at-time-of-writing, January 2022. In September 2021, it was announced as part of Budget 2022 that the Universal Subsidy under the National Childcare Scheme (NCS) will be extended to children aged up to 15 (see also Part 2.1.5). Hours spent in pre-school or school will no longer be

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<sup>10</sup> provided they are not older than 5 years and 6 months at the end of the pre-school year

deducted from hours subsidised by the National Childcare Scheme. These new arrangements are expected to apply from Q2 2022<sup>11</sup>.)

**Table 4.** National Childcare Scheme subsidies (January 2022)

Type of subsidy	Amount	Limit	Eligibility
Universal subsidy	50c p/hour (up to 45 hours p/week)	45 hours per week	<ul style="list-style-type: none"> <li>• All families with children under 3 years old</li> <li>• Families with children over 3 who have not yet qualified for the ECCE programme</li> </ul>
Income-assessed subsidy	Varies according to income (up to a 100% price subsidy)	45 hours per week (20 if the parent or their partner is not in employment, education or training (NEET))	<ul style="list-style-type: none"> <li>• Families with children aged between 24 weeks and 15 years</li> <li>• Families with reckonable income<sup>12</sup> less than €60,000 per year</li> </ul>

Source: ncs.gov.ie

### 2.2.5 Better Start

The Government established Better Start in 2014,<sup>13</sup> which is a national initiative hosted by Pobal that comprises three strands which promote access to inclusive high-quality ELC in Ireland. This includes the Access and Inclusion (AIM) model introduced in 2016, a model of universal and targeted supports designed to ensure that children with disabilities can access and meaningfully participate in the ECCE programme. It also includes the Quality Development Service, a team of Early Years specialists who provide mentoring to ELC settings to promote best practice in the implementation of the national quality framework and curriculum for ELC – *Síolta* and *Aistear*. Learning and Development is the third strand of Better Start, which makes available a range of Continuous Professional Development resources to ELC providers and staff.

<sup>11</sup> [https://www.citizensinformation.ie/national\\_childcare\\_scheme.html](https://www.citizensinformation.ie/national_childcare_scheme.html)

<sup>12</sup> Full details on what counts as reckonable income and a subsidy calculator are available at <https://www.ncs.gov.ie/en/types-of-subsidy/>

<sup>13</sup> See <https://www.betterstart.ie/> for further information.

## 2.2.6 The COVID-19 Pandemic

The arrival of the COVID-19 pandemic led to a series of temporary closures of all ELC services, beginning in March 2020. The first temporary closure ended on a phased basis in June 2020, in line with the Government's Roadmap for Reopening Society and Business (Government of Ireland, 2020). This was followed by a second closure of the ECCE programme between January and March 2021, during which time other ELC and SAC services remained open for vulnerable children and for children of essential workers. ECCE and General Childcare services reopened again on 08 March 2021 and 29 March 2021 respectively.

The COVID-19 pandemic heralded the introduction of a suite of government interventions in ELC to ensure the sustainability of the sector. The magnitude of the policy response underlined its strategic importance as an essential service to the economy and society of Ireland. These interventions include:

- ELC services being provided with access to the Revenue-operated Temporary Wage Subsidy Scheme (TWSS).
- The full subsidisation by the State of ELC workers' Average Revenue Net Weekly Pay (ARNWP) through the Temporary Wage Subsidy Childcare Scheme (TWSCS).<sup>14</sup>
- A once-off reopening support payment for DCEDIY-funded providers that opened between 29 June and early September 2020.
- A once-off COVID-19 capital grant for DCEDIY-funded providers opening between 29 June and early September 2020.
- A COVID-19 Operational Support Payment (COSP) to assist providers operating at reduced capacity during Level 5 public health restrictions, who had a higher dependency on parental fees, to operate sustainably.

These interventions provided for an unprecedented level of funding for the sector, providing direct payments to ELC providers to help meet non-deferrable business costs, as well wage subsidies to protect the income of ELC workers. Access to these payments was conditional on providers not charging parental fees during the period of closure or reduced operations (part of the TWSCS and COSP), while the reopening

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<sup>14</sup> Capped at a maximum amount of €586 per week per employee.  
<https://assets.gov.ie/73484/57a66edbd6734e47baece4db59224fcc.pdf>

support payment and COVID-19 Capital Grant required that providers benefiting from the supports did not increase fees upon reopening.

Evidence available so far (November 2021) indicates that these measures were successful in ensuring the sustainability of the sector, and a safe and affordable reopening once restrictions eased. There has not been a loss of capacity, with 2021 data on the opening of new services and permanent closure of existing services remaining largely similar to previous years. In addition, the annual Early Years Sector Profile Survey for the 2019/20 preschool year revealed no significant increase in fees charged to parents (Pobal, 2021).

## 3. Key Economic Issues and ELC Beneficiaries

Part 3 of this paper will discuss the key beneficiaries of ELC, beginning with the impact of ELC on children, for whom it supports cognitive, behavioural and emotional development. ELC also facilitates the labour market participation of parents, and supports decision-making around family planning. Beyond the family, ELC generates employment and economic ‘multiplier effects’ within related industries, and supports Ireland’s social infrastructure.

### 3.1 ELC Beneficiaries – Children

The benefits to children of high quality ELC are of foremost importance in the delivery of government ELC policy. These benefits include better developmental outcomes in early childhood, and better longer-term education and employment outcomes. These benefits will now be discussed in more detail.

#### 3.1.1 Early Childhood Development

Research shows that access to affordable and high quality ELC is associated with a wide range of developmental benefits for the children who access it, both cognitive and socio-emotional. A European Commission (2014) evidence review found that attendance in high quality ELC enhanced basic cognitive development (i.e. literacy and numeracy), which facilitated the further development of specific linguistic and mathematical skills. Regarding non-cognitive development, there is evidence of an association between attending high quality centre-based ELC between the ages of two and four and greater prosocial behaviour and self-regulation (Melhuish and Gardiner, 2018; Vandenberg et al., 2018). In the UK, Melhuish & Gardiner’s (2018) study of 3,930 families who took part in the Study of Early Education and Development (SEED), found that high quality centre-based ELC was associated with better socio-emotional outcomes and better non-verbal reasoning at age 4 than among children attending low-quality settings.

It should be noted that the number of hours spent in ELC per week may mediate the developmental effects on children. Research shows that prolonged periods in centre-based ELC (e.g. over 30 or 40 hours per week) may have a negative impact on



children's cognitive and socio-emotional outcomes, particularly for children aged under three (Byrne and O'Toole, 2015; McGinnity et al., 2015).

### **3.1.2 Impact of ELC on Educational Outcomes during Adolescence**

Research also suggest that access to high-quality ELC has been associated with increased educational attainment during adolescence and even through to adulthood (Heckman, 2006; Melhuish, 2011). As suggested by the European Commission, it may therefore be possible to consider ELC as being one stage along the educational continuum, which supports the European Pillar of Social Rights principal of "lifelong learning" (European Commission, 2019a: 35).

Evidence from a review of US studies, for example, found an association between ELC attendance and improved educational outcomes in high school, such as test scores, grade retention and graduation (Woessmann, 2006: 8). A Finnish study (Hiilamo et al., 2018) that compared the educational outcomes of Finnish adolescents who had attended ELC with those who were home-schooled prior to primary education, found that those who had attended ELC performed better. However, the study found there was no difference in terms of progression to third-level education (Hiilamo et al., 2018).

International data from the OECD Programme for International Student Assessment (PISA) on 15-year-olds' outcomes in mathematics showed that, on average, 15-year-olds who had attended pre-primary education scored 51 points higher than those who had not, the equivalent of over a year of formal schooling (OECD, 2014). A UK-based study (Sammons et al., 2008, quoted in Melhuish, 2011) found that teenagers in the UK who had attended a high quality preschool service for 18 months had higher PISA scores in English and Mathematics than those who had not attended pre-school, by a margin equivalent to six years of formal schooling. This was particularly true among disadvantaged children (ibid, 2008). However, no statistically significant difference was found between children who had attended lower quality ELC and those who had not attended any ELC (ibid, 2008). Melhuish, Ereky-Stevens, and Petrogiannas' (2015) research review also found that the impacts of ELC on cognitive, language and social development were mediated by ELC quality. Their results found that low quality provision produced either no benefits or negative effects. This

underlines the importance of ensuring high quality ELC provision, especially in disadvantaged areas.

### **3.1.3 Equity of ELC and Impact on Outcomes during Adulthood**

Research has shown an association between ELC attendance and improved outcomes during adulthood. This includes outcomes such as higher earnings, reduced welfare reliance and a reduced likelihood of being involved in crime (Paull and Xu, 2017; Woessmann, 2006; Heckman et al., 2009). Heckman's (2012) seminal research on the US-based 'HighScope Perry Preschool Program', in which he conceptualised the 'Heckman Curve', suggests that returns on public investment in education are greatest during early childhood. Heckman (2012) estimated annual social rates of return<sup>15</sup> from investment in pre-school education of between 7% and 10%, with a higher rate of return from investments in pre-school education among disadvantaged children. However, it should be noted that Heckman's findings were based on small, focused projects in a disadvantaged urban area of Michigan, which may not be applicable to the wider Irish ELC system. Some scholars have also criticised Heckman's methodological approach, on the grounds that it over-estimates ELC benefits (VerBruggen, 2019; Rea and Burton, 2018).

Despite these criticisms, there is evidence that returns on investment are highest among children under the age of six (Esping-Andersen, 2007), with the greatest rates of return being among disadvantaged children (Melhuish, 2004). Rates of return on investments in early childhood are generally higher due to the benefits accruing over a longer timeframe. In an ideal model, initial participation in high quality ELC encourages early childhood development, which creates more cognitively and emotionally developed teenagers, who go on to benefit from better educational and employment outcomes. While the reality of individual circumstances are more complex, this ideal model and the research findings outlined above highlight how public funding for high quality ELC can act an important lever in improving children's outcomes and reducing socio-economic disadvantage.

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<sup>15</sup> The social rate of return refers to the costs and benefits to society of investment in education, which includes the opportunity cost of having people not participating in the production of output and the full cost of the provision of education rather than only the cost borne by the individual. Source: <https://stats.oecd.org/glossary/detail.asp?ID=5426#:~:text=The%20social%20internal%20rate%20of,cost%20borne%20by%20the%20individual>

In summary, a large body of research evidence has demonstrated an association between attendance at high quality ELC and children’s cognitive and socio-emotional development in early childhood. The development of these skills during early childhood can also facilitate improved educational, behavioural and labour market outcomes during adolescence and later life. These benefits are particularly salient among children from disadvantaged families, but depend on ELC services being of a high quality. The evidence suggests that low quality ELC is either of no developmental benefit to children, or that it may have negative effects. Negative effects have also been found where children experience prolonged periods week in centre-based ELC (e.g. over 30 or 40 hours per). As discussed in Section 2 of this paper, improving ELC quality is a key policy focus in the government’s *First 5 Strategy*.

## **3.2 ELC Beneficiaries – Parents**

Government subsidies for high quality affordable ELC benefit parents by facilitating their inclusion in the labour market, and/or in education or training. Subsidised ELC also reduces the cost to parents of childcare, which may influence family planning decisions. These benefits will now be discussed in more detail.

### **3.2.1 Maternal Labour Market Participation**

The high cost of good quality ELC is “one of the barriers to parents, and particularly mothers, to being part of the labour force” (Government of Ireland, 2019). An analysis of the nationally representative *Growing Up in Ireland* dataset, found that mothers were the primary caregivers in almost all (99.6%) families surveyed. However, the proportion of mothers working outside the home declined following the birth of their first child, as well as with each subsequent child (Williams et al., 2010). Government funding for ELC services, including subsidies that reduce the cost of ELC to parents, aims to remove this barrier, by serving children’s education and care needs while parents access employment opportunities.

Labour market activation is a key objective of public investment in ELC. The European Commission (2019b) has identified increasing the labour market participation rate of women as a means for Ireland to maintain its economic progress, while the National Economic Plan in the *Programme for Government* (Government of

Ireland, 2020) identifies increased female labour market participation as one of its stated aims. It is also a key goal under the government's *Future Jobs Ireland* strategy, with Ambition 4.1 committing to the ongoing delivery and reform of the government's ELC subsidy schemes (Government of Ireland, 2019).

This funding objective is supported by a significant body of research evidence that points to an association between reductions in ELC costs, and increases in parental labour market participation, especially among mothers (Chevalier & Viitanen, 2001; Del Boca *et al.*, 2009; Geyer *et al.*, 2015). The effect has been found to be strongest for mothers with three or more children (Givord & Marbot, 2015) and where the subsidy covers full-time ELC (Brewer *et al.*, 2016).

A literature review synthesising the findings of US studies on the association between ELC costs and mothers' employment, found that a 10% reduction in the price of ELC would likely yield a 0.5-11% increase in maternal employment (Morrissey, 2017). The author cautioned that studies using more recent data, or data from non-U.S. countries, have found smaller changes, and that a more likely figure is an increase of between 0.5% and 2.5% (*ibid*, 2017). That estimate is broadly consistent with an Australian study (Gong *et al.*, 2012) that found a 3% increase in maternal employment.

The effect of ELC costs on mothers' participation in the labour market within a particular country may be mediated by a high initial level of female labour market participation (Farquharson, 2017; Havnes & Mogstad, 2011; Lundin *et al.*, 2008). Havnes and Mogstad (2011), who assessed a Norwegian ELC subsidy found little evidence of a causal effect of childcare subsidies on maternal employment, and that formal ELC mostly substituted for (or 'crowded out') informal care arrangements. A more recent study (Bettendorf *et al.*, 2015) on a Dutch ELC subsidy similarly found evidence of a 'crowding out' effect, but also found evidence of a 2.3% increase in mother's labour supply. Both Norway and the Netherlands have high levels of female labour market participation (Privalko *et al.*, 2019). With respect to 'crowding out' of alternative forms of care, a literature review (Cascio *et al.*, 2015) on evidence from ELC subsidies in six countries found that substituting for informal care was more likely in countries with high existing rates of female participation. However, the

review also found evidence of a positive employment effect in each country, which varied according to the initial rate of participation (Cascio *et al.*, 2015).

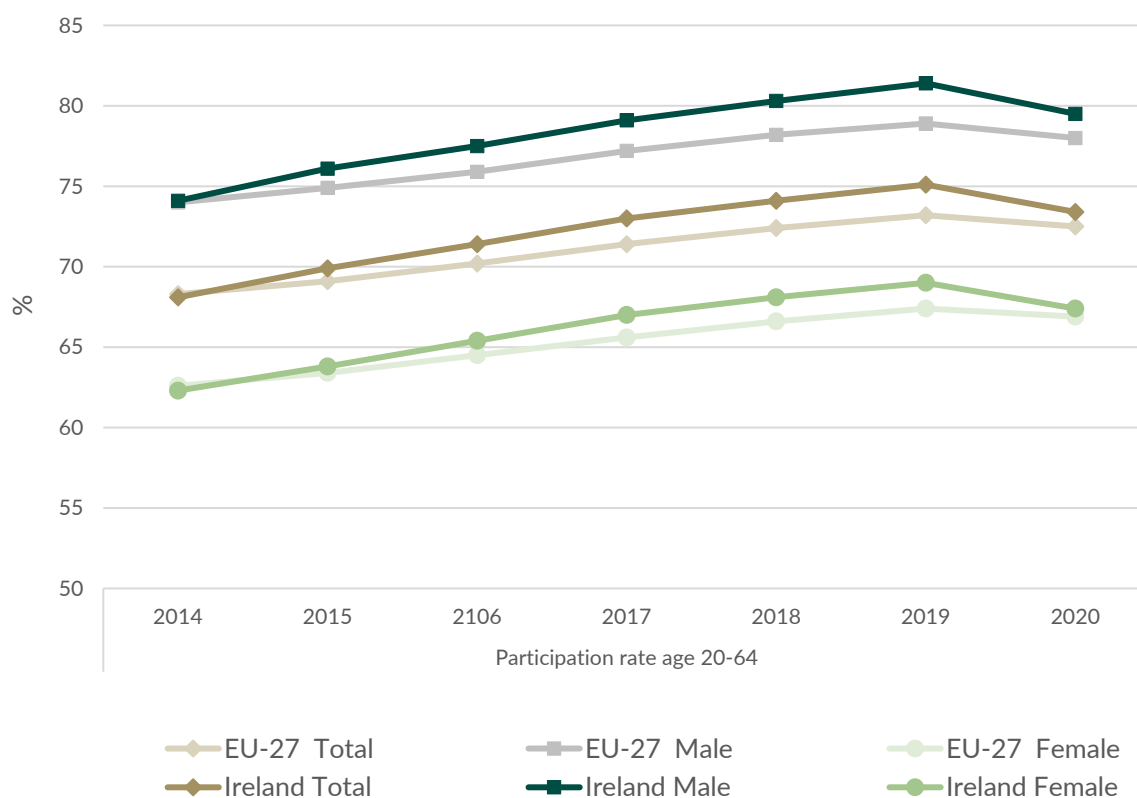
An Irish government-funded study (Privalko *et al.*, 2019) on access to childcare across Europe, found that unmet childcare need is higher in ‘liberal’ welfare states such as Ireland, where the price of formal ELC is generally higher. The study provided evidence that unmet childcare need, which is linked to high ELC prices, is associated with mothers’ non-employment. This was supported by the results of an Economic and Social Research Institute (ESRI) study (Russell *et al.*, 2018) using data from *Growing Up in Ireland*. The study found that a 10% reduction in ELC price was associated with an additional 0.5 hours of maternal employment supplied per week.<sup>16</sup>

Female labour market participation in Ireland has been increasing since the 1990s, in line with most other OECD countries<sup>17</sup> and is now higher than the European Union average (see *Figure 3*). However, the participation rate of women aged 20-64 has remained lower than the corresponding rate among men, with participation rates of 67% and 79%, respectively (Eurostat, 2021). Consistent with the findings of Williams *et al.* (2010), a survey conducted in 2018 found that in Ireland, having more children was associated with a greater likelihood of mothers being economically inactive (DBEI, 2018). Also in 2018, the majority (54%) of women in Ireland who were economically inactive cited caring responsibilities as the main reason, which compared to an EU average of 31% (European Commission, 2019b). This may indicate that, while Ireland’s female labour market participation rate has been increasing, ongoing supports (including ELC subsidies) are required to support mothers in re-joining the labour force (DJELR, 2000; Hayes, 2010; DCYA, 2016).

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<sup>16</sup> These findings were consistent with international evidence regarding the effects of ELC subsidies on hours worked, among mothers already in the labour market (Haan & Wrohlich, 2009; Gong & Breunig, 2012).

<sup>17</sup> See: [OECD Labour Force Statistics by sex and age](#)

**Figure 3.** Participation rate of men and women aged 20-64, 2014-2020

Source: Eurostat

### 3.2.2 Long-term Labour Market Participation and Reducing Poverty

Maternal labour market participation is associated with a reduction in family poverty. According to the OECD (2017), higher levels of employment generate higher incomes for women and their families, which is a key means of reducing child poverty. In addition, remaining in the labour market allows for ongoing skills development and acquisition, which supports career progression and better earnings over time (Cedefpop, 2017).

Subsidised ELC also facilitates parents, particularly mothers, to access further education (Byrne and Murray, 2017; Aontas, 2020). Improving access to education helps to increase levels of social and cultural capital among mothers, while also benefitting their children and the wider economy. The research literature shows that maternal educational attainment is associated with benefits for their children, with higher (on average) levels of cognitive development, health outcomes, and opportunities for social mobility (Jackson et al., 2017; Magnuson et al., 2009; Harding et al., 2015; McNamara et al., 2020). In the longer term, mothers of young children

who continue their education are more likely to be active in the labour market (Callaghan et al., 2018), and can expect to benefit from the wage premium associated with higher educational attainment (CSO, 2016). The importance of female employment as a key driver to reduce child poverty has been acknowledged in the Joint Declaration on 'Overcoming Poverty and Social Exclusion' by the Ministers of the EPSCO Council, of which Ireland is a member (Ministers of the EPSCO Council, 2020).

### 3.2.3 Decision-making around family planning

The availability of affordable and high quality childcare may at least partially influence the decision to have children (Russell et al, 2018; García-Morán, 2010; García-Morán and Kuehn, 2012). Russell *et al* (2018), for example, noted that the decision to have children (or not), is a choice that is potentially linked to parental employment and the cost of ELC.

The size of the effect that ELC provision has on fertility rates<sup>18</sup> is likely to depend on a range of socioeconomic and cultural factors. In a Swedish study, Mörk, Sjögren and Svaleryd (2011) explored the extent to which ELC costs could affect fertility rates. Sweden has both high female labour market participation and a high fertility rate (the latter being comparable to Ireland's).<sup>19</sup> Sweden also has a long tradition of publicly subsidised ELC and after-school care. The authors found that an anticipated reduction in ELC costs (by way of the introduction of a reform policy), increased the numbers of first and second births.

However, in Germany, Haan and Wrohlich (2009) presented a structural model of female employment and fertility in respect of childcare policy. Based on the sample data used,<sup>20</sup> it was found that a beneficial ELC reform did not have a significant effect on fertility rates for the population average.<sup>21</sup> The report, however, found that there were positive fertility effects for two groups in particular: highly educated women, and women who had not yet had their first child. It should be noted that Germany has

<sup>18</sup> Measured as number of live births per woman aged 15-49. Fertility rates by age (code: DEMO\_FRATE) [https://ec.europa.eu/eurostat/databrowser/view/DEMO\\_FRATE\\_custom\\_854212/default/table?lang=en](https://ec.europa.eu/eurostat/databrowser/view/DEMO_FRATE_custom_854212/default/table?lang=en)

<sup>19</sup> 1.78 in 2017 as per Eurostat data.

<sup>20</sup> The study utilises data from the German Socio Economic Panel (SOEP) for the period 2000-2007.

<sup>21</sup> The reform used in this model is based around the provision of subsidised childcare to all working women with children below 3 years of age.

a relatively low fertility rate compared with other OECD countries (OECD, 2017) and a relatively low maternal labour market participation rate (Haan and Wrohlich, 2009).

Research evidence also suggests that the impact of ELC provision on fertility is likely to interact with other work-family reconciliation policies (e.g. family leave) and policies that reduce the financial cost of having a child (e.g. Child Benefit) (Gonzalez, 2013; García-Morán, 2010). In a US study, for example, evaluating the impact of ELC price subsidies on female employment, fertility and household poverty, García-Morán (2010) found a positive impact for female labour market participation, fertility, and a 4% reduction in poverty. When compared to increasing family transfers, the welfare increase also led to an increase in fertility but was associated with a reduction in maternal labour market participation. In a subsequent analysis, García-Morán and Kuehn (2012) found that the fertility effect of ELC price subsidies was lower than the effect of available grandparent care. However, the study also found that reliance on grandparent care imposed geographical limits on where mothers could take up jobs (i.e. close to grandparent carers), and that ‘the hourly wages of mothers residing close to parents or in-laws’ were lower ‘compared to those residing further away’ (García-Morán and Kuehn, 2012).

Fertility rates in Ireland have been decreasing in recent years (from 2.05 in 2010 to 1.71 in 2019 as per Eurostat data), but have remained higher than the EU27 average (1.53 in 2019).<sup>22</sup> Current policies such as the ECCE free pre-school programme and NCS subsidies, together with the expansion of Parent’s Leave (paid) and Parental Leave (unpaid) in recent years, all support work-family reconciliation. Along with cultural and historical factors, these measures *may* contribute to the relatively high fertility rate in Ireland, and/or to mitigating recent decreases in Ireland’s fertility. Additional research could help to ascertain the extent to which government investment in ELC may influence the decisions of Irish people to have children. Future studies could take into account how ELC subsidies interact with other government measures, as well as cultural and historical factors, in the decision-making process.

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<sup>22</sup> [https://ec.europa.eu/eurostat/statistics-explained/index.php?title=Fertility\\_statistics#:~:text=Among%20the%20EU%20Member%20States%2C%20France%20reported%20the,Czechia%20all%20with%201.71%20live%20births%20per%20woman](https://ec.europa.eu/eurostat/statistics-explained/index.php?title=Fertility_statistics#:~:text=Among%20the%20EU%20Member%20States%2C%20France%20reported%20the,Czechia%20all%20with%201.71%20live%20births%20per%20woman)



In summary, government funding for ELC benefits parents, especially mothers, by facilitating access to employment and education opportunities following childbirth. As well as benefiting mothers and their families through increased earnings, higher education levels among mothers is associated with improved developmental outcomes for children. These benefits support government goals to increase female labour market participation rates and reduce poverty rates (Government of Ireland, 2020). Finally, research evidence from Europe and the US suggests that the availability of affordable ELC may affect the decision to have children. As decision-making around fertility will interact with historical and cultural factors, as well as government funding measures, additional research could help to ascertain the extent to which ELC costs in Ireland may influence these decisions.

### **3.3. ELC Beneficiaries – Wider Economy and Society**

ELC benefits the wider society and economy as a sector of economic activity that provides employment, tax payments such as commercial rates, and that generates wider economic activity. This in turn has a multiplier effect, for further and higher education courses, and business providing ELC equipment, furnishings, meals, and transport services.

#### **3.3.1 Employment**

As mentioned in Section 2 of this paper, approximately 30,000 people are directly employed in centre-based ELC (Pobal, 2021), and a further 15,000 work as childminders. Employment in centre-based ELC accounted for 1.35% of total national employment in the third quarter of 2020 (CSO, 2020). This provides an income to the (mostly female) employees and their families and generates income tax receipts.

Government investment in ELC facilitates business ownership in the domestic economy, for the approximately 4,600 ELC providers who typically operate as small and medium enterprises (the average ELC centre has 6.5 employees, see Pobal, 2021).

#### **3.3.2 Multiplier Effect**

A multiplier effect is defined as “the proportional amount of increase, or decrease, in final income that results from an injection, or withdrawal, of spending” (Ganti, 2021).

One example of a multiplier effect arising from government investment in ELC is demand for further and higher education courses in early childhood care and education. The ELC sector generates demand for further and higher education through the regulatory requirement for all ELC workers to have attained a minimum NFQ Level 5 qualification, as set out in the Child Care Act 1991 (Early Years Services) Regulations, 2016 (DCEDIY, 2016). Data from *Nurturing Skills* (DCEDIY, 2021) 97% of ELC staff working directly with children hold an early years qualification at NFQ Level 5 or higher, while approximately 34% have a Degree. Demand for graduate Lead Educators is encouraged by the ECCE Higher Capitation payment. As discussed in Section 2, the rising numbers of ECCE services availing of the Higher Capitation payment 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) has risen from 13% at end 2013, to 34% by 2021 (DCEDIY, 2021).

A range of further and higher education institutes deliver ELC courses at NFQ Levels 5-8, which train and upskill students to reach the minimum ELC practitioner and ECCE Lead Educator qualification levels (and higher). The Higher Education Authority *Graduate Outcomes Survey* (HEA, 2019), has estimated that there were 1,183 graduates of Early Years degree programmes in 2017. The government's *First 5* strategy commits to increasing the number of ELC graduates to 50% of staff across the ELC sector by 2028. Supported by the *Nurturing Skills, the Workforce Plan*, the government's commitments in this regard will lead to ongoing demand for further and higher education courses over the coming years.

Other components of the ELC 'multiplier effect' include the demand generated by the ELC sector for the products of businesses such as catering companies, suppliers of play materials and furnishings, as well as demand for business premises. The Early Years Sector Profile (Pobal 2019) highlighted that roughly half (48%) of all registered ELC and SAC services in Ireland owned their business premises, while 38% of services leased their premises.<sup>23</sup> In addition, approximately 25% of all registered services paid

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<sup>23</sup> The remaining response options were 'licencing agreement' (6%) and 'no formal agreement' (8%).

commercial rates to the exchequer during the 2019/20 preschool year, averaging €4,546 per service per annum (Pobal, 2021).<sup>24</sup>

### 3.3.3 Social Infrastructure

Ireland's open and globalised economy is supported by public investment in ELC. In seeking to attract Foreign Direct Investment (FDI) from multinational corporations, the government's aim to have a supply of high quality, accessible and affordable ELC contributes to Ireland's social infrastructure, along with infrastructures such as higher education, housing, transport and telecommunications. Together, these infrastructures contribute to Ireland's competitiveness by creating an attractive environment to locate and conduct business. Investment location decisions of multinational corporations are likely to be based on a wide range of factors including fiscal advantages; however, the Irish Business and Employers Confederation (IBEC) have consistently highlighted access to high quality and affordable ELC as a priority for employers (IBEC, 2020; McCall, 2020). For example, IBEC's Budget Submission 2022 advocated overall 'fiscal discipline' but called for the Government to "urgently prioritise" the commitment to increase public expenditure on ELC to €970 million (IBEC, 2021: 42).

In summary, ELC contributes to the wider Irish economy and society by: generating employment, especially among women; generating revenues through taxes and commercial rates; and by generating spin-off demand, or a 'multiplier effect'. A significant example of spin-off demand from the ELC sector is demand for further and higher education, which is expected to increase in the coming years in line with government policy commitments. A high quality and affordable ELC sector contributes to Ireland's social infrastructure, which helps to attract and retain FDI by supporting the creation of an attractive environment to locate and conduct business.

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<sup>24</sup> County councils have autonomy to collect/apply the levy and the survey shows a high variance in rates charged. The lowest rates were observed in Longford (€1,836) and the highest were in Limerick (€8,315).

## 4. Conclusion

This paper has provided a high level overview of the key economic reasons for government investment in the ELC sector.

The government-funded ELC sector comprises 4,600 ELC and SAC services, who provide care and education to around 180,000 children, and who provide direct employment to 30,000 people. Private provision dominates centre-based ELC, which is comprised of 74% private for-profit providers and 26% community not-for-profit providers. Childminders are a popular alternative to centre-based ELC, with an estimated 15,000 childminders operating in the State, the vast majority of whom are not registered with Tusla. The *National Action Plan for Childminding: 2021-2028* sets out a three-phase plan to increase the proportion of childminders who register with Tusla, through a mix of funding measures and regulation. This follows from government policy in recent years, which has focused on improving the quality of ELC provision through a mix of regulation, conditions of funding, capitation, supports and incentives.

The *First 5 Strategy* was introduced in 2019, setting out the government's 10-year policy direction for children aged 0-5 years. This strategy, which will conclude in 2028, outlines a range of commitments that will help progress the goals of achieving high quality, affordable and accessible ELC in Ireland. Key ambitions include doubling government investment in ELC during the lifetime of the Strategy (relative to a 2018 baseline), improving pay and conditions for ELC workers, achieving a 50% graduate-led sector, and developing a new government ELC funding model. Policy initiatives are being developed to achieve these goals that build on a broad range of measures introduced in recent years, such as: minimum staff qualifications, the ECCE free pre-school year (extended to cover a second year), the National Childcare Scheme, and Access and Inclusion Model.

The Joint Labour Committee, convened in 2021 with representation from labour and employers, has the potential to establish binding rates of pay across the sector. The emergency supports for providers introduced during the COVID-19 pandemic enabled providers to operate sustainably throughout the period of temporary closure

and reopening. The fee-related conditionality of the emergency supports also ensured that parents did not have to pay fees during the period of temporary closure, or face significant fee increases when services reopened. Early evidence indicates that this conditionality was successful in preventing fee increases within the ELC sector.

Attending high-quality ELC has been shown to benefit the cognitive and socio-emotional development of preschool-aged children. There is also some evidence to suggest that the development of these skills during early childhood facilitates improved educational, behavioural and labour market outcomes into adolescence and adulthood. However, low quality ELC has been found to have either no developmental benefit, or may have negative effects. Negative effects have also been found where children experience prolonged periods in centre-based ELC (e.g. over 30 or 40 hours per week). The benefits of high-quality ELC are particularly significant among children from disadvantaged families.

For families of ELC-aged children, access to high quality, affordable ELC enables female labour market participation. This supports mothers' access to employment and higher earnings, helping to reduce levels of family poverty. As well as benefiting mothers and their families through increased earnings and poverty reduction, ELC subsidies support mothers in pursuing further education. Higher levels of educational attainment among mothers are in turn associated with improved developmental outcomes for their children.

International research evidence also suggests that the availability of affordable ELC may affect the decision-making of families to have children. As decision-making around family planning will interact with historical and cultural factors, as well as other government funding measures (such as child benefits and parental leave), additional research could ascertain the extent to which ELC costs in Ireland affect these decisions.

As well as benefiting children and families, government investment in ELC contributes to the wider Irish economy and society by: generating employment; generating revenues through taxes and commercial rates; and generating a multiplier effect through spin-off demand. A key example of spin-off economic activity from the ELC

sector is ongoing demand for further and higher education qualifications. The demand for these courses is encouraged by the government's minimum qualifications requirements for ELC staff, and the Higher Capitation incentive for services who employ a graduate Lead Educator. This demand is expected to increase further in the coming years, in line with government policy commitments to achieve a graduate-led sector, with 50% of all ELC staff across the sector to hold a relevant degree by 2028.

The ELC multiplier effect also includes demand from ELC services for catering companies, suppliers of play materials and ELC furnishings, as well as business premises. In addition, approximately 25% of all registered services paid commercial rates to the exchequer during the 2019/20 preschool year. A high quality and affordable ELC sector also contributes to Ireland's social infrastructure, which helps to attract and retain FDI by supporting the creation of an attractive environment to locate and conduct business.

Current policy commitments outlined in the *First 5* strategy, *National Action Plan for Childminding* and associated measures build on progress achieved by government in recent years. These measures help to ensure that investment in ELC builds towards achieving a high quality ELC sector that contributes to children's development; that is accessible to parents; that supports social inclusion; and that delivers a fair income to ELC workers and providers. By doing so, government will support the broad range of economic benefits associated with high quality, affordable and accessible ELC, that stretch beyond children and families to the wider economy and society.

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