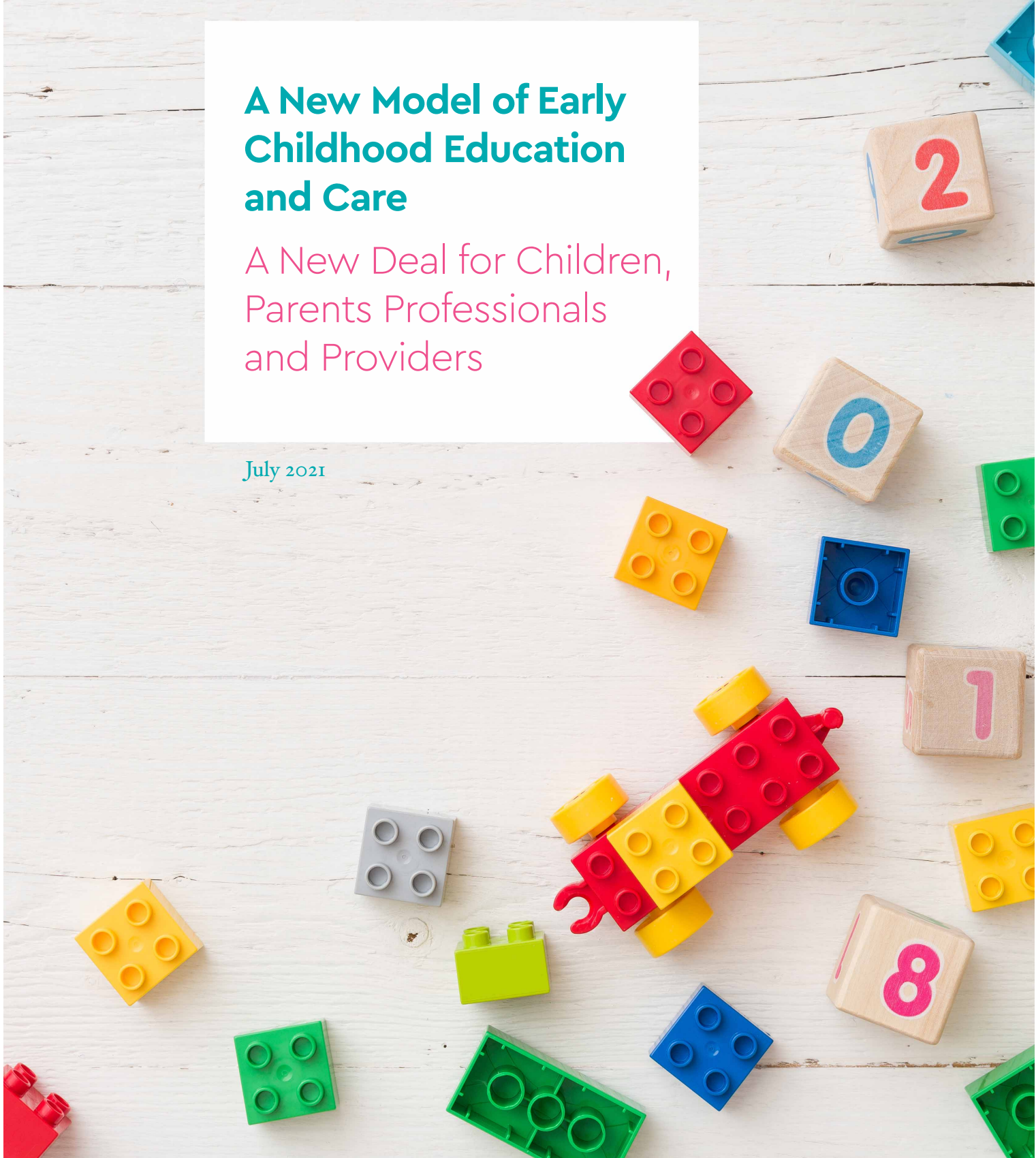


A New Model of Early Childhood Education and Care

A New Deal for Children,
Parents Professionals
and Providers

July 2021



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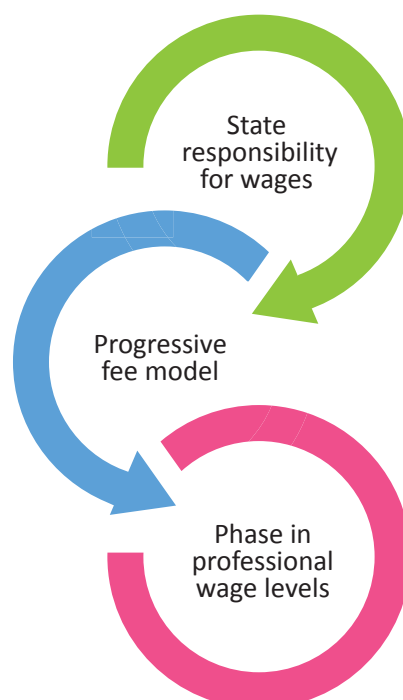
The current model of Early Childhood Education and Care is broken.

- Parents pay the highest fees in Europe, blocking women's participation in all sectors of society.
- Early Years Professionals are some of the worst paid workers in Ireland
- 38% of all professionals are actively looking for a job in a different profession
- Services are experiencing a recruitment and retention crisis that is undermining the quality of the service for children

That is why SIPTU is proposing a major reform of Early Childhood Education and Care (ECEC). Ireland needs a systemic change from the current market model to a new public service model. In short, private and community ECEC providers would have the choice of opting into a new ECEC funding system whereby the state would fund the pay and conditions of employees, similar to the current Employment Wage Subsidy Scheme (EWSS).

Reduced operating costs will lead to substantial reductions in fees for parents while the new funding system will ensure better pay and conditions of Early Years Professionals. The resulting job security will reduce the current level of high staff turnover and this in turn will mean higher quality services for children and more sustainable services for providers.

New Model of Early Years Education and Care



The Fundamental Flaw in the Current ECEC Model

Early Childhood Education and Care (ECEC) is currently provided through a market model. Each provider must raise enough revenue – primarily from parents – to at least cover expenditure (and, in many cases, profits). This pits the goals of affordability and professionalised wages against each other.

- If a provider wishes to attract qualified staff, and pay professional salaries, they will need to raise fees – undermining affordability.
- If a provider wishes to reduce fees to enhance affordability, they will need to reduce expenditure. As wages make up 70 percent of expenditure this means constraining or reducing wages and working conditions – undermining professionalisation.

The current funding model puts providers in an impossible situation as they cannot provide both affordability and professional salaries.

This impacts negatively on the quality of care for children.

To achieve these goals, we need a public service model where affordability and professionalised wages work with, not against, each other. Our new ECEC model does this through three steps.

Step 1: Transfer Responsibility for Payment of Wages

The first step is to transfer responsibility for the funding of wages in the ECEC sector to the Government. Only the Government has the resources to provide professional wages, career progression, and investment in continuous professional development.

Wages in the Early Childhood Care and Education (ECCE) Scheme and primary schools are already paid for by the state. Therefore, our proposal merely extends current policy to the wider ECEC sector.

By transferring the payment of wages to the Government, costs to the provider would fall substantially – as wages make up the vast majority of expenditure.

Step 2: A Progressive Fees Model

A new affordable fee structure would be established by the Government with further household subsidies to low-income earners through the National Childcare Scheme. This would ensure that the lowest-income groups would have access to free childcare.

Since providers would not have to pay wages, they need only charge households for the non-labour costs of operating childcare services, including a surplus for a sinking fund, re-investment, etc. Early Childhood Ireland estimated these costs at between €40 and €50 per week per child. While these expenses would need to be updated, they will not have changed significantly.

A fees cap for full-time ECEC could, therefore, be set at €40 to €60 per week per child with pro-rata reductions for part-time and after-school care.

Childcare is currently provided through a market model. This pits the goals of affordability and professionalised wages against each other. We need a new Public Service Model.

Step 3: Phase-In Professional Wage Levels

Early Years Professionals are some of the lowest of the low-paid in the economy and Europe. 60% earn below the Living Wage while many are trapped in precarious work contracts. This situation has resulted in an unsustainable recruitment and retention crisis. Staff turnover is 40% in full day services, directly undermining quality for children.

The vast majority of Early Years Professionals will leave the sector unless this situation changes while almost 40% are actively looking for job opportunities outside the sector.

Mercer consultants made recommendations on the appropriate remuneration for Early Years Professionals, benchmarking these with comparable roles in the public sector. Pay scales were proposed for Assistants, Room Leaders, Assistant Managers and Managers.

The majority of childcare workers will leave the sector unless there are changes while over 40% are already looking for other jobs. This puts childcare in Ireland into question.

To reach Mercer's recommendations for entry level only would require pay increases of between 15 and 25%.

We are proposing that these increases be phased in over a five year period, in conjunction with the state taking responsibility over wages.

Step 4: Implementing the new Funding Model

We estimate the total gross cost of financing a new public service model for ECEC, including professionalised wages for all early years' employees, to be €425 million. This, however, is the gross cost. After rationalisation of existing programmes and increased tax revenue

arising from wage increases, the net cost will be significantly lower.

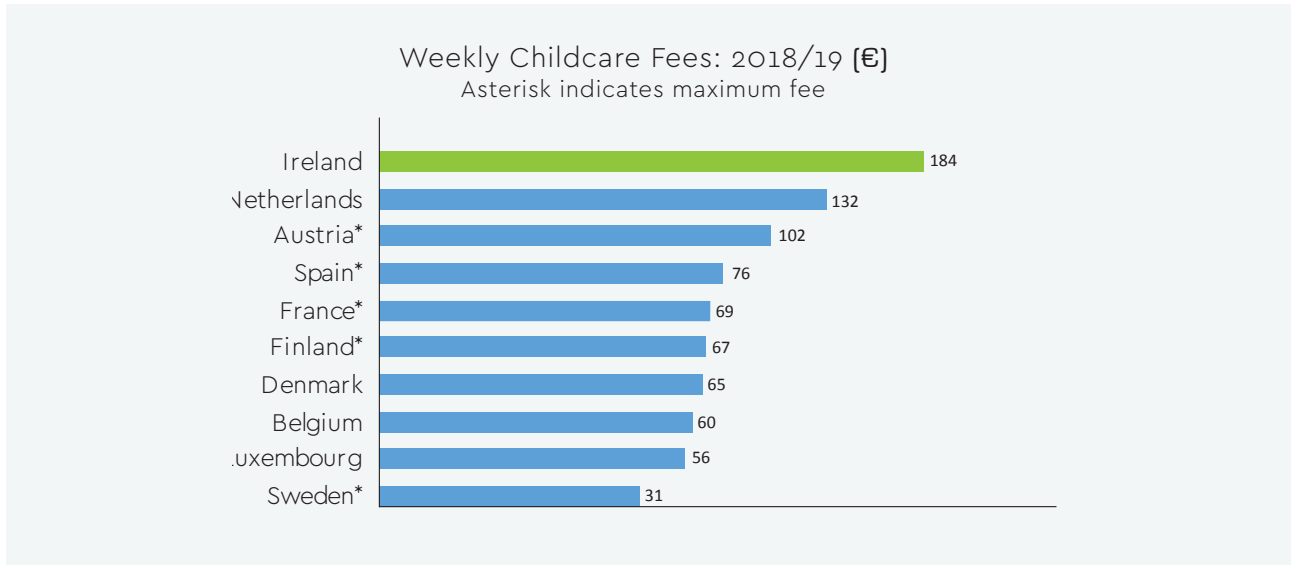
The cost of the Government taking responsibility for wages in the childcare sector would be approximately €320 million. However, as a consequence of this step, a number of childcare programmes could be significantly reduced or abolished altogether. For example, the cost of means-testing under National Childcare Scheme could be drastically reduced while other schemes (e.g. the universal subsidy, etc.) could be abolished or substantially reduced. - Not clear on this - is figure based on every parent paying the capped fee? In a progressive model low income parents (e.g. below living wage) would not pay fee - so costs may need to be revised

The cost of increasing wages in the early years' sector as proposed by the Mercer report would be approximately €111 million. However, public finances would benefit from higher income tax, USC and PRSI revenue.

The Government is already subsidising wages through the Employment Wage Subsidy Scheme. The projected cost for the first three months of 2021 is €65 million, or €260 million on annualised basis. Therefore, the net costs of introducing the new funding model would not that much in excess of what the Government is spending already.

Lack of affordable, accessible childcare remains one of the biggest barriers to women's participation in all sectors of our society.

GRAPH 1: Childcare Fee Comparison¹



GRAPH 2: Wage comparisons in the Irish economy²

Country	Average Hourly Pay (€)
Germany	18.54 - 30.49
Netherlands	26.04
France	19.92
Norway	19.13
Ireland	12.55
England	11.56

GRAPH 3: Current wages and Mercer recommendations

Staff Position	Current Pay	Mercer Proposed Pay	% Increase
Assistant - ECCE	11.72	13.38	14.2
Assistant - Childcare	11.15	13.28	19.1
Room Leader - ECCE	13.24	15.74	18.9
Room Leader - Childcare	12.17	15.74	29.3
Deputy Manager	14.00	16.72	19.4
Manager	15.56	19.67	26.4
Ancillary	11.03	13.13	19.0

1 Key Data on Early Childhood Education Care, 2019, Eurydice Report: <file:///C:/Users/mtaft/Downloads/ECO319375 EN N. en. pdf>

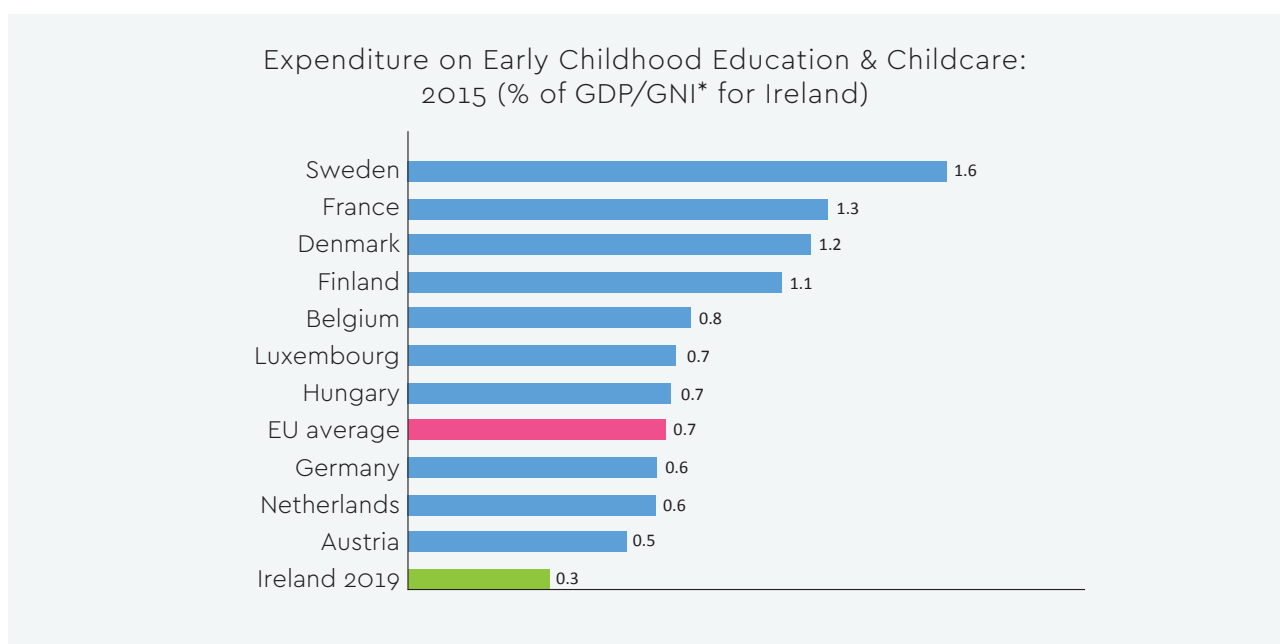
2 Working Paper 1

International Comparisons of Fees, Staff Wages and Public Investment in Early Learning and Care, Gillian Paull, Chiara Petrone and Cavin Wilson, Frontier Economics: <https://firstsfundingmodel.gov.ie/wp-content/uploads/2020/11/Frontier-WPI-International-Review-1.pdf>

Investing in ECEC public services

Irish investment in ECEC lags far behind other European countries. In 2019, Ireland spent €572 million on the early years sector. However, we would have to spend an additional €900 million annually to reach the EU average. To reach Swedish levels we would have to spend an additional €2.6 billion. That is how far behind we are.

GRAPH 4: European comparison of Childcare Expenditure³



The cost of introducing SIPTU's new childcare model is modest, especially if it is phased in over a five-year period. It would mean additional expenditure of €90 million per year.

The benefits, however, would be multiples of that expenditure:

- ECEC affordability for every household
- Increased living standards for childcare workers
- Long-term stability and sustainability for providers
- Increased consumer spending for businesses outside the childcare sector (from the savings on childcare fees)
- Increased labour force participation
- Higher tax and social insurance revenue for the Exchequer

Most of all, children are the biggest winners – with enhanced investment in quality care. This is a win-win-win for all stakeholders.

This new ECEC model constitutes a systemic change – from a market model to a new public service model. Private and community providers would have the choice of opting into this new system of funding. The Government is already proposing an 'enhanced contract' for providers. This new model could be that contract. We can have both affordable fees and professional wages. We have the resources. Most importantly, we have the committed workers to make this model a reality.

Now all we need is the political will.

³ OECD, Public spending on childcare and early education: https://www.oecd.org/els/soc/PF3_1_Public_spending_on_childcare_and_early_education.pdf



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