Investing for Tomorrow

Supporting the Economy through Affordable Childcare

September 2015

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1. Introduction

Chambers Ireland represents the largest network of businesses in the State. With almost 50 Chambers located in every major town and city in the country, we are uniquely positioned to understand the needs of the business community and to represent their views.

Since early 2014 Ireland has seen strong growth in our economy and further progress in our national recovery. Importantly, unemployment has reduced below the watershed level of 10% and forecasts for 2016 expect this reduction to continue.[1]

As we are entering a new phase of economic growth, we must address the risks that may jeopardise our future sustainable development and social wellbeing. One of the challenges ahead is to ensure that Ireland has the right physical and social infrastructure in place to maintain its international competitiveness. Ireland is competing against the top performing countries in the OECD for investment and for access to markets, and if we are to position ourselves as a knowledge economy with a highly skilled workforce, our human capital must be developed to its fullest.

Having an effective child and after-school care sector constitutes a critical part of this objective. The importance of well functioning childcare services has nevertheless not been sufficiently prioritised by successive Governments which has had both long-term economic and social ramifications.

Recently, this has begun to change. In January 2015 the Minister for Children took the first important step of establishing an inter-departmental group (IDG) to identify future investment options to improve the affordability and availability of childcare services in Ireland. In July, this initiative culminated in the publication of six concrete recommendations for Government to consider ahead of Budget 2016.[2]

Chambers Ireland is of the view that there is an immediate need for reconsidering Ireland's approach to the provision of early childhood and after-school care. Our current lack of strategy to childcare provision constitutes a structural issue which must be addressed with a long term view. In this paper we set out our vision for how an effective childcare strategy can be implemented to support our future economic growth in the short term as well as the long term. At the same time we highlight what we believe to be the consequences of failing to prioritise childcare policies.

2. Issues to be Addressed

As part of reforming our childcare and after-school care services, there are a number of important challenges that must be tackled to support the implementation of an effective national strategy. In this section we outline the main five problems in need of being addressed.

[1] Department of Finance (2015,) 'Budget 2015: Economic and Fiscal Outlook for Ireland', <http://www.budget.gov.ie/Budgets/2015/Documents/Budget%202015_Economic_Fiscal_%20Outlook_%20Ireland.pdf > accessed 21/08/2015.

[2] Inter-departmental working group (2015) 'Future Investment in Childcare in Ireland' <http://www.dcya.gov.ie/documents/earlyyears/20150722IDGReportonEarlyYrsInvestmentReport.pdf > accessed 21/08/2015

2.1 Lack of Affordability

The single biggest problem in our early childhood sector is cost. In spite of a number of state funded schemes, Irish parents suffer from the highest net childcare costs as a percentage of income in Europe. According to the OECD, the average cost of childcare across its member states is 12% of a family's income. In Ireland, however, the average cost of childcare represents a massive 35% of a family's income.

For lone parents, the cost of care represents an even higher proportion of income. On average, lone parents must pay more than 40% of their disposable income on childcare.[3] Consequently, many lone parents will not find it economically viable to take up a full-time job due to the cost of care, or must rely on informal care arrangements to enable them to work. For high income earners, the percentage is 24% - still double the OECD average.[4]

2.2 Lack of Accessibility

A second major problem facing parents relates to the accessibility of services.

The implementation of the ECCE scheme was a milestone in improving the availability of early childhood care and education in Ireland. Under the scheme, every child is given access to one free preschool year before they are due to start school. The scheme covers three hours per day for 38 weeks which aligns with the primary school academic year. The universal nature of the programme has been very successful, illustrated through a take-up rate of 95% of eligible children.

Nevertheless, no universal entitlement exists for children aged six months to three years also in need of care. A gap must therefore be closed to ensure appropriate care provision between the end of paid maternity leave and the time of eligibility for the ECCE scheme.

For low income parents, access to subsidised services is also often difficult to obtain. On an annual basis approximately 25,000 children are cared for under the Community Childcare Subvention[5] (CCS) programme in almost 900 community crèches. Nevertheless, budget provision provides for 34,000 children to partake in the programme.[6] More than 25% of spaces are thus not filled. Part of the reason for this is that CCS spaces are not sufficiently available in areas with need, particularly in rural areas. The impact hereof is that low income families who reside far from urban areas do not necessarily have access to the same state supported childcare facilities that may enable them to take

[3] Ibid.
[4] OECD (2014), 'Childcare Support', <http://www.oecd.org/els/soc/PF_3_4_Childcare_support_May2014.pdf> accessed 12/08/2015; OECD (2010) 'Gender Brief', < http://www.oecd.org/els/family/44720649.pdf> accessed 12/08/2015; OECD (2006), 'Childcare Costs' < http://www.oecd-ilibrary.org/docserver/download/8107021ec011.pdf?expires=1439394556&id=id&accname=guest&checksum=DA675670AD8E5E0C52AC5812B09BD989> accessed 12/08/2015; EU Commission Representation in Ireland, *March Newsletter 2015*, < http://ec.europa.eu/ireland/newsletter/2015/jan-mar/newsletter_5_mar_2015_en_2.htm > accessed 12/08/2015.
[5] The Community Childcare Subvention (CCS) programme operates in parallel to the ECCE scheme and offers disadvantage parents and parents in training, education or low pay employment childcare at a reduced cost. Eligible parents can avail of full-time, part-time or sessional care with different subvention bands applying based on the type of service availed of and the financial status of parents. Only community based (non-for-profit) service providers can partake in the programme and the maximum weekly subvention for full-time care is €95.
[6] Department of Finance (2015), 'Part II: Expenditure Allocations 2015-2017' <http://budget.gov.ie/Budgets/2015/Documents/Part%20II%20Expenditure%20Allocations%202015%20-%2017.pdf > accessed 15/09/2015

up and retain employment as their urban peers. For this reason, we recommend that the CCS programme is extended throughout the country, including into privately run services in areas where no community crèches exist.

Lack of access to after-school services is particularly an issue. To date, no national policy or legislative framework has been put in place to ensure an effective provision of accessible, high-quality after-school care. Across the country, after-school activities are instead provided in an inconsistent manner of varying quality that often do not match the needs of working parents.

2.3 Lack of Educational Focus

A third issue relates to authorities having a low focus on educational quality within the sector. Until now, regulation of the childcare sector has primarily centred on health and safety rather than educational attainment. While protecting of the health and safety of children obviously is important and a pre-condition for parents availing of services, it is equally important that children's learning and development curve progresses while being cared for in facilities supported through public investment.

The Department of Children and Youth Affairs has recently taken steps to address this problem. In order to progress professionalisation of the early childhood sector, new regulations enter into force in September 2016 which require all staff working with children in the early years services to hold a minimum qualification of Level 5 on the National Framework for Qualifications.[7] In order to ensure a high-quality educational focus in early childhood services, sufficient funding levels must, however, be available to pay for the retention of qualified staff. Between 60-80% of operating costs within the sector already go towards payroll.[8] In other words, there is currently little scope for providers to offer higher compensation for trained staff.

If we are to make childcare a Government policy priority it is our view that more emphasis must be put on the quality of care. The social benefits of investing in care are much greater where the quality of care is high. In order to maximise return on investment, it is therefore necessary to also focus on educational quality levels within the sector. While we recognise recent efforts by the Minister for Children to increase the level of qualification within the early childhood sector, highly qualified staff will be attracted to other sectors such as primary schools where job security exists and where wages are up to twice that of the average earnings of non-senior staff in the childcare industry.[9] Unless capitation levels are increased it is therefore unlikely that service providers will be able to attract and retain the employees needed in order to realise high-quality yet affordable childcare services.

2.4 Low Levels of Investment

Fourthly, the childcare sector suffers from years of underinvestment. As a percentage of GDP, education expenditure is projected to increase from 6.3% of GDP in 2010 to 7.1% in 2020. This

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[7] Department of Children and Youth Affairs, *Minimum Childcare Qualifications,* <http://dcya.gov.ie/viewdoc.asp?fn=%2Fdocuments%2Fchildcare%2Fqualifications.htm> accessed 12/08/2015

[8] Start Strong (2014) 'Childcare: Business or Profession?' <http://www.startstrong.ie/files/Childcare_Business_or_Profession_Full_Report_Web_Version.pdf > accessed 19/08/2015; Dublin City Childcare Committee (2015) 'Financial Sustainability in Childcare Services – A Current Perspective' <http://www.childcareonline.ie/index.php/publications/childcare-practitioner-resources> accessed 19/08/2015

[9] Start Strong (2014) 'Childcare: Business or Profession?' <http://www.startstrong.ie/files/Childcare_Business_or_Profession_Full_Report_Web_Version.pdf > accessed 19/08/2015

increase in spending, however, only serves to ensure that the education system keeps pace with demographic developments.

Budget 2015 allocated just over €6 billion towards first, second and early years' education which represents a 2% increase on 2014.[10] Of this, the budget provides for the continual financial support for 68,000 children enrolled in the Early Childhood Care and Education (ECCE) programme and funding for another 34,000 children of low-income parents cared for under Community Childcare Subvention (CCS) programme. Combined, the ECCE and CCS programmes make up an annual public investment of €175 million and €45 million, respectively.[11]

Unlike spending on primary, secondary and tertiary education, the annual proportion of public expenditure allocated towards early childhood is much lower than elsewhere in Europe. In 2010, early childhood education accounted for approximately 1.57% of the Government's overall investment in education. To put this into context, this amounts to 0.4% of GDP compared to an EU average of 0.7%. Irish investment in early childhood education is consequently eight times lower than that of Denmark and 2.5 times lower than in the UK.

As a result, the share of Irish children under three years of age being cared for in formal arrangements is more than three times lower than in Denmark and approximately one third lower than in the UK.[12] The impact transfers to female labour market participation rates. Whereas in Ireland 59% of women aged 20-64 in active in the labour market, the equivalent figure for the UK and Denmark is 68% and 72%, respectively. Notably, the share of women employed in full-time jobs is also markedly higher in both of these countries as illustrated by the figure below.[13]

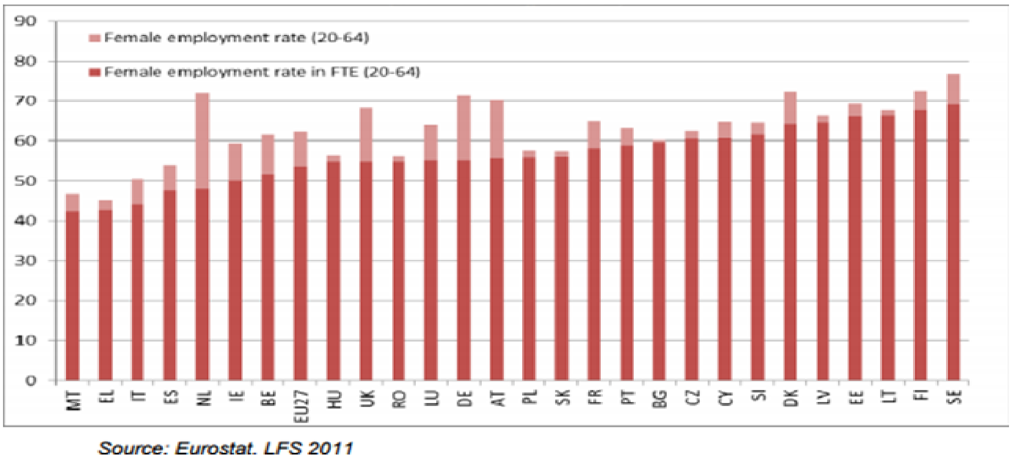


Figure 1: Employment rate and employment rate in full-time equivalent (FTE) in 2012 (% of women aged 20-64)

[10] Department of Finance (2014) 'Comprehensive Expenditure Report 2015-2017' <http://www.budget.gov.ie/Budgets/2015/Documents/Comprehensive%20Expenditure%20Report%202015%20-%202017.pdf > Part II p. 26.
[11] Department of Children and Youth Affairs (2015), 'Briefing Document on IDG on Childcare and Early Years', < http://www.dcya.gov.ie/documents/press/20150423ECCEHaveYourSayBriefingNote.pdf> accessed 12/08/2015
[12] European Commission, 'Female Labour Market Participation' <http://ec.europa.eu/europe2020/pdf/themes/31_labour_market_participation_of_women.pdf> accessed 19/08/2015
[13] Ibid.

2.5 Unsustainable Capitation Fees

A further impact of low levels of investment in the sector is unsustainable capitation fees under the ECCE scheme and CCS programme. At present, ECCE providers of day care and sessional services generally qualify for a weekly capitation fee of €62.50 whereas services with more highly qualified staff may qualify for a capitation fee of €73 per week. Neither of these rates suffices to meet the cost of care. Many service providers have consequently warned Government that they currently are operating at a loss.[14] In other words, unless the capitation rate per child is increased we may face a situation where accessibility becomes even more limited as a consequence of providers being forced out of business.

In relation to the CCS programme, the current maximum level of capitation per child (€95 per week) does not suffice to meet the cost of childcare to allow low-income families take up full-time employment.

3. Why these problems need to be solved

Chambers Ireland considers the provision of affordable, accessible and high-quality childcare services a matter of critical importance for Ireland's economic future. While the benefits to families of affordable childcare are obvious, the positive economic and social impacts must not be ignored. In this section we highlight the main social and economic reasons for why Government should increase investment in the early childhood sector.

3.1 Socioeconomic Gains

3.1.1 Reduced Social Welfare Bill

While a wide number of stakeholders would benefit from improved childcare service provision, the Irish State would be a significant beneficiary.

The benefit to the State from investing in our early years sector has already been recognised by the European Institutions. In its Country Specific Recommendations for Ireland the European Commission urges Government to improve access to affordable full-time childcare. Among its listed policy recommendations, the Commission recognises that Ireland has one of the highest proportions of people living in low work-intensity households in the EU, which causes social challenges and increases the risk of child poverty. In order to improve female and single-parent labour market participation, the Commission recommends that the Government specifically focuses on the affordability of full-time childcare.[15] It should be noted that this recommendation from the European

[14] Early Childhood Ireland (2012) 'Community Childcare Subvention Survey <https://www.earlychildhoodireland.ie/policy-research-and-media/research/surveys/community-childcare-subvention-survey/> accessed 14/09/2015 ; Early Childhood Ireland (2015) 'Presentation to Joint Oireachtas Committee on Health and Children <http://www.oireachtas.ie/parliament/media/committees/healthandchildren/health2015/Presentation-by-Ms.-Teresa-Heeney,-Chief-Executive-Officer,-Early-Childhood-Ireland.pdf> accessed 14/09/2015; The Journal (2015), 'Why are Irish crèches going out of business?' <http://businessetc.thejournal.ie/childcare-ireland-2104924-May2015/> accessed 14/09/2015

[15] European Commission (2015) 'Recommendation for a Council Recommendation on the National Reform Programme of Ireland and delivering a Council opinion on the 2015 Stability Programme for Ireland' <http://ec.europa.eu/europe2020/pdf/csr2015/csr2015_ireland_en.pdf >

Commission is given within the context of the European Semester - a programme under which the Commission analyses fiscal reform policies of EU member states, provides recommendations and monitors their implementation. Hence, by including childcare in its recommendations the Commission classifies the lack of affordable childcare services as a risk to Ireland's future economic growth and job creation.

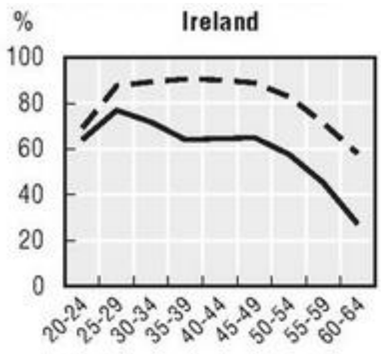
Importantly, the Exchequer would benefit from a double dividend by encouraging women to remain active within the labour market after having children. Higher employment rates would lower the State's social welfare bill, as well as increase tax revenue for the Exchequer due to more people remaining employed in tax-paying jobs.[16] While there undoubtedly will be additional costs to the State associated with increasing public investment in childcare services these costs will in the short term be offset by an increase in tax revenues, and in the medium by reduced social spending.

For every person that becomes unemployed, the State loses €20,000 per annum in tax foregone and additional social benefit expenditure.[17] In 2013 the total amount of women employed in Ireland was 846,300. Increasing female labour participation by just one percentage point would generate a saving of €172m per annum for the Exchequer – effectively the same amount as the annual cost of the ECCE scheme.[18] Meanwhile, using the same €20K figure, if we were to reach equal labour market participation between all men and women, the Exchequer would benefit from an additional €1.728bn[19] in monies saved: more than three times the size of investment in early childhood education recommended by UNICEF.

3.1.2 Incentivising Female Labour Market Participation

A well-functioning childcare system also significantly benefits businesses and the labour market. Among the positive impacts are higher female labour market participation rates. As a result of high childcare costs, CSO figures from 2013 show that female labour market participation in Ireland is impacted by childcare responsibilities.[20]

Although the rate of labour market participation is equal at 85% among men and women without children, female labour market participation falls to 59% for women with a child under three and 40% for women with two or more children. The CSO's findings thus mirror those previously concluded by the OECD in 2007, illustrated in the graph showing age employment profiles for men (broken line) and women to the right.[21]



[16] For every person that becomes unemployed, the State loses €20,000 per annum in tax foregone and additional social benefits expenditure. Labour (2009) 'Just the Job' <https://www.labour.ie/download/pdf/justthejob.pdf> accessed 12/08/2015; The Irish Times (2009), 'Taoiseach tells Dáil of 36,500 jobless rise' http://www.irishtimes.com/news/politics/oireachtas/taoiseach-tells-d%C3%A1il-of-36-500-jobless-rise-1.692733 > accessed 14/09/2015

[17] Ibid.

[18] 8643 people x €20,000 = €172.86 million.

[19] Increasing female labour market participation with 10% would amount to 86430 people x €20,000 = €1,728,600,000 million

[20] Central Statistics Office, 'Women and Men in Ireland 2013' <http://www.cso.ie/en/releasesandpublications/ep/p-wamii/womenandmeninireland2013/employmentlist/employment/#.VcsUaPlVhHw> accessed 12/08/2015

[21] OECD, 2007 p. 51

Notably, a Eurobarometer survey carried out in March 2015 found that 52% of Irish respondents consider making child care more accessible the most effective way to increase the number of women in the labour market.[22] At 52% Ireland comes out on top of EU-28 as being the member state which perceives the inaccessibility of childcare as the greatest obstacle to female labour market participation. In comparison, accessible childcare services are on average viewed as an issue by 36% in the rest of EU member states.

3.1.3 Addressing the Gender Pay Gap

By investing in childcare and after-school services both parents will be in a better position to take up full-time employment and progress their professional career. The recently published Gender Equality Index developed by the European Institute for Gender Equality (EIGE) placed Ireland 8th across the EU in terms of gender quality. As identified in the report Ireland, however, performs worse than the EU average on female work participation, lifelong earnings, and political and economic power.[23]

These three metrics are undoubtedly linked. Higher work participation is a prerequisite for women to increase their lifelong earnings and gain more economic and political power. In this way, investment in childcare services should also be considered a step towards improving gender equality and reducing the gender pay gap. EU data shows that the gender pay gap in Ireland in fact has increased from 12.6% in 2008/09 to 14.4% in 2012. 50% of Irish women work for less than €20,000 annually and women are half as likely as men to earn €50,000 or more.[24]

In addition to reducing the gender pay gap, higher female employment rates would also help protect families against poverty in their old age. Currently, Irish private pension schemes cover only 41% of the employed population. Increasing the coverage rate – in particular of women, low-income earners and young people – will be important to protect against pension poverty in the future and to reduce the long-term social welfare bill of the Exchequer. By facilitating both women and men to remain active in full-time jobs after having children through the provision of affordable childcare, more people will be in a position to prioritise their pension savings.

3.1.4 Further Social Benefits

Further to the economic issues associated with underinvestment in childcare services, a lack of investment also represents a missed opportunity in terms of tackling structural social issues such as poverty and social exclusion.

A 2005 National Economic and Social Forum study estimated that, on average, over €7 of returns are achieved for every €1 invested in early childhood education. Investment in education is a confirmed method of reducing poverty and providing children with the opportunity of escaping negative social

[22] European Commission (2015), 'Gender Equality Report' <http://ec.europa.eu/public_opinion/archives/ebs/ebs_428_en.pdf> p. 64. Accessed 12/08/2015

[23] European Institute for Gender Equality (2015), 'Gender Equality Index 2015 Country Profiles: Measuring gender equality in the European Union 2005-2012' <http://eige.europa.eu/sites/default/files/documents/MH0215178ENN.pdf> accessed 12/0/2015

[24] Eurostat (2015), *Women earned on average 16% less than men in 2013 in the EU,* <https://static.rasset.ie/documents/news/eurostat-gender-pay-gap.pdf> accessed 12/08/2015; Central Statistics Office, 'Women and Men in Ireland 2013' <http://www.cso.ie/en/releasesandpublications/ep/p-wamii/womenandmeninireland2013/socialcohesionlifestyleslist/socialcohesionlifestyles/#d.en.65464 > accessed 12/08/2015

heritage.[25] The lack of investment in early childhood education should thus be considered in the context of the number of Irish children facing poverty. Under-investment in early childhood education undermines children's ability to reach their full potential, thereby building in greater long-term economic costs for society as a whole.

A study undertaken by Cunha et al[26] evaluates the benefits of early childhood education by focusing on the rate of return from investment in human capital. The figure below illustrates that the rate of return is greatest for pre-school years, thus supporting the case for increasing early childhood expenditure:

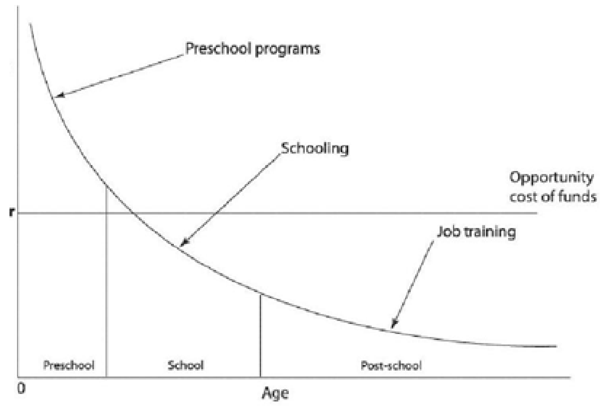


Figure 2: Rate of return to investment in human capital

Nobel laureate economist, James Heckman, has similarly undertaken extensive research into the economic returns of early investment in human capital. Overall, he has identified four significant benefits of early childhood development programmes:

i. *Preventing the achievement gap:* High-quality early childhood programmes are more effective and economically efficient to close gaps in knowledge and ability between disadvantaged children and their more advantaged peers than trying to close the gap later on;
ii. *Improving health outcomes:* Early education incorporating nutrition and health has long-term health effects for disadvantaged children;
iii. *Boosting earnings:* Early intervention through development programmes boost extremely disadvantaged children's earning later in life;
iv. *It is sensible:* The rate of return for investment in high quality childcare programmes is 7-10% for disadvantaged children *per annum* due to better outcomes in education, health, sociability, economic productivity and reduced crime.[27]

From an economic perspective, the literature thus provides strong evidence that investment in high-quality childcare provision makes sense.

[25] See for example Heckman (2012), 'Invest in Early Childhood Development: Reduce Deficits, Strengthen the Economy' <http://heckmanequation.org/content/resource/invest-early-childhood-development-reduce-deficits-strengthen-economy> accessed 12/08/2015; The White House (2014) 'The Economics of Early Childhood Investments <https://www.whitehouse.gov/sites/default/files/docs/early_childhood_report1.pdf > accessed 12/08/2015;

[26] Cunha et al. (2006) 'Interpreting the Evidence on Life Cycle Skill Formation', <http://jenni.uchicago.edu/papers/Cunha_Heckman_etal_2006_HEE_v1_ch12.pdf> accessed 12/08/15

[27] Heckman, 'Four Big Benefits of Investing in Early Childhood Development' <http://heckmanequation.org/content/resource/4-big-benefits-investing-early-childhood-development> accessed 19/08/2015

3.2 The Business Case

3.2.1 Retaining Skilled Employees

Family responsibilities and childcare costs have a strong impact on the work force – particularly for women. As previously highlighted, in Ireland, the rate of labour market participation is equal among men and women without children. However, only half as many women as men remain in work once they have two or more children.[28]

This loss of knowledgeable and experienced employees is a serious problem for Irish businesses. Under the current system, businesses throughout the country are experiencing staff losses because it does not make economic sense for many parents to work. As a knowledge economy, we must reverse this trend. For Irish businesses to be able to compete in the global market and for our economy to grow, it is vital that we retain talented employees within the work force. By increasing public investment in the childcare industry, we will enable more companies to retain their staff, grow their businesses and create more indigenous jobs.

3.2.2 Supporting our SMEs

By failing to invest in public childcare facilities we are also disproportionally damaging our SMEs which are in direct competition against large firms and multinationals to attract and retain talented employees.

Unlike large companies and multinationals, SMEs are not in a position to provide employees with in-house childcare facilities to subsidise the cost of childcare. Unless we reform our model of childcare provision, SMEs will continue their struggle to retain employees against multinationals offering attractive work packages. Affordable and accessible childcare should therefore also be seen as means of allowing SMEs to compete with larger firms in terms of attracting highly skilled staff.

3.2.3 Reducing Wage Pressures

Importantly, high childcare costs also add pressure to wage demands from working parents. Rising labour costs have already been identified by the National Competitiveness Council as undermining the competitiveness of Irish businesses.[29] As long as the costs of our childcare services remain extortionate, working parents will be under financial pressure to seek higher wages in order to meet their expenses. The consequences of this will not only be a slowdown in new job creation, but also a reduction in our national competitiveness.

Against this backdrop, subsidising the cost of childcare services should also be viewed as an opportunity to avoid additional wage pressures and thus support the competitiveness of our industries.

[28] Central Statistics Office, 'Women and Men in Ireland 2013' <http://www.cso.ie/en/releasesandpublications/ep/p-wamii/womenandmeninireland2013/employmentlist/employment/#.VcsUaPlVhHw> accessed 12/08/2015

[29] National Competitiveness Council (2015), 'Cost of Doing Business in Ireland 2015' <http://www.competitiveness.ie/Publications/2015/24022045-Costs_of_Doing_Business_in_Ireland-Publication.pdf> accessed 24/08/2015

4. Options to Consider

In considering ways of achieving access to affordable high-quality care, various options can be pursued. Measured adopted elsewhere include:

a) **Tax credits**: In the UK the majority (29%) of state spending on childcare is allocated towards tax credits for parents to use against the cost of care.

b) **Direct public subvention**: Adopted in Denmark and Sweden, direct state funded capitation grants per child to childcare providers ensures that parents only pay a proportion of high-quality childcare costs.

c) **Cash payments**: Used in Norway alongside direct public subvention, parents can use state funded payments against childcare costs or use the money for other purposes while caring for their child at home.

Although all three options above would improve the provision of affordable and accessible childcare services, there are benefits and trade-offs associated with each option. Although relatively easy to implement, tax credits and cash payments do little to improve the quality of services and may cause an inflation of market prices. Furthermore, tax credits fail to assist the cohort of society struggling most with the cost of childcare: First, in order to benefit from tax credits a person must be employed in a job with a salary high enough to be liable for tax. Second, tax credits by nature proportionally benefit high income earners more than low-income families.

In contrast, direct public subvention can be made conditional upon quality standards being met and can be structured in such a way that low and middle income earners are assisted most. Following a study of 20 countries the OECD has thus concluded that the most effective way of ensuring affordability and to raise standards of care is to directly subsidise care providers in order to ensure that fees are lowered or covered.

5. Chambers Ireland's Recommendations

We recognise that a complete reform of the child and after-school care sectors as called for above will take time and significant investment to deliver. However, the problem of lack of accessible and affordable services is acute and working parents need immediate assistance. With this in mind, we make a number of recommendations that will address the structural problems associated with child and after-school care in the longer term, but also highlight measures that can be introduced immediately to alleviate some of the pressure on working parents.

In the long term:

- Provide direct Government subsidies to the providers of early childhood care and after-school services in the form of capitation grants. These subsidies should be made directly to service providers on condition that these reach certain educational quality standards. This would facilitate both parents from all social classes to remain active in the labour market.

- Vary the level of subsidy per child in accordance with parents' income to ensure that services become affordable for low-income households. We recommend a co-funding model where parents contribute to the cost of services based on a percentage of their income.
- In light of the strong economic and social benefits associated with high-quality childcare, we recommend Government to bring annual investment into early childhood education in line with UNICEF guidelines of 1% of GDP. While this would require the State to double its current level of spending, the return on investment will far outweigh both the short and long term costs since affordable childcare and after-school services will positively impact female labour market participation, the social well-being of children, the gender pay gap, and State revenues due to higher tax returns and reduced social remedial spending.
- Avoid addressing childcare in isolation. After-school care and shared parental leave must also be considered part of the solution. For after-school services, we recommend that Government explore options of using facilities in public schools and employ qualified staff to engage in meaningful learning activities e.g. music lessons, physical exercise, crafts, etc.

In the short term:

- We suggest Government to build on the existing ECCE model by extending it to 48 weeks to align with the working year of parents as well as expanding the scheme to cover a second free year. Furthermore, Government should continue efforts of increasing staff qualification within the childcare sector to maximise the return on investment. We therefore suggest that the level of funding for the ECCE scheme should be increased to allow for the recruitment and retention of qualified staff. By doing so, service providers currently operating at a loss will also be supported to remain in business and provide much-needed childcare places.

6. Conclusion

As long as childcare services remain unaffordable, the State will suffer a treble loss of potential revenue. Not only will many taxpayers be forced out of the labour market upon having children, the State will also have to support these parents through social welfare payments, and many additional potential jobs in the childcare sector will not be created.

Increasing investment in childcare is thus arguably one of the most important tasks facing Government. Prioritisation of childcare investment will have positive implications for children, parents, the wider society, but also for the Exchequer. For children in particular, strategic investment into their early childhood education will position them with the best opportunities to be able to compete in an increasingly global economy and improve their future earnings prospects.

Meanwhile, a failure to invest in our children translates into reduced competitiveness within our economy, higher wage demands, lack of progression for gender equality, and a missed opportunity to improve Ireland's human capital.

Although we recognise that a complete reform of the child and after-school care sector will take time and a large scale investment, we urge Government to start this task immediately. Some may argue that we cannot afford this investment. However, as explained in this paper, Chambers Ireland believes we cannot afford *not* to.