early childhood ireland

Doing the Sums

The Real Cost of Providing Childcare

September 2016

TABLE OF CONTENTS

EXECUTIVE SUMMARY

Early Childhood Ireland (ECI) is the representative and support body for the early childhood care and education (ECE) sector in Ireland. We have over 3,600 childcare members who support over 100,000 children and their families through preschool, full day care and School Age Childcare nationwide. Our work includes quality enhancement, publications, advocacy, training, business support and information for a sector that employs 25,000 people. The best interests of the child is of utmost importance to ECI and we work to ensure that all children are thriving and learning in quality early childhood settings.

ECI's policy and advocacy work is underpinned by the belief that: quality for children; sustainability for both childcare services and their staff; and affordability for parents are the three essential, interconnected pillars of a robust, functioning and desirable ECE system.

Many children, particularly under 3s are looked after in the informal and largely unregulated childminding sector where the cost of care is lower but where there is no oversight or inspection of quality for children. However, for the purpose of this report, the term 'childcare' is used to denote the provision of ECE in formal, centre-based pre-school and afterschool services run by both community organisations and private providers.

ECI is acutely aware that the cost of childcare is unaffordable for many parents and with ever increasing housing and rental costs, many families are struggling to cope. The sector is beset by a number of interrelated challenges. Well qualified staff are essential to the delivery of a quality ECE service for children. The increasing difficulty faced by providers in retaining and recruiting well qualified staff will not be resolved without dealing with the low pay and poor conditions in the sector. Low pay cannot be addressed without proper funding that also supports sustainable business models for childcare provision. The viability of services depends on such funding and ultimately, there can be no positive progression in any of these areas without significant investment by Government.

Since the early 2000s, there has been a concerted and welcome focus within the childcare sector on quality childcare provision and positive outcomes for children. The introduction of Aistear and Síolta as the two key curriculum and quality frameworks underpinning early childhood education, the Tusla Early Years (Pre-School) Inspectorate, and the Early Years Education-Focused Inspection (EYEI) by the Department of Education and Skills have greatly improved the quality and consistency of childcare practices. The most recent Regulations in 2016[1] introduced minimum levels of qualifications, QQI Level 5, for all members of staff working directly with children. As a result, the sector is becoming increasingly professionalised, which is welcome since the workforce is one of the most influential determinants of quality in childcare.[2] However, with only 18% of educators working in Ireland's childcare sector currently holding a degree at Level 7/8 in early childhood education and care[3], we are still a long way off achieving the EU recommended (2011) 60% graduate-led ECE workforce by 2025[4].

1 The Child Care Act 1991 (Early Years Services)(Amendments) Regulations 2016

2 CoRe Report of the European Commission (2011).

3 Pobal Early Years Sector Profile 2015-2016, p.79.

4 Joint Oireachtas Committee on Health and Children (January, 2016) 'Report on Affordable and Quality Childcare.' p.25.

While there has been widespread discussion about the implementation of quality practices in childcare services, there has been relatively little research regarding the actual financial cost of running such services. It is against this backdrop that ECI commissioned Meehan Tully & Associates Ltd. to research the viability of various childcare financial models in Ireland, including community, private, rural, urban, part-time and full-time services. The aim of the research was to examine whether it is possible to operate a viable childcare service that: operates within the confines of the existing funding models; supports professional development for owners, managers and staff; and provides a career pathway for those working in the sector.

The research addressed these considerations by scoping out the costs involved in running childcare services, of varying operational sizes, and asking:

- How much does it cost to employ staff?
- What are the average overheads for a childcare service?
- If staff costs increased what would be the impact on viability of childcare services?
- What level of income, and funding, is required to support a viable and sustainable childcare service?

Based on these questions, conclusions were drawn about the ability of childcare financial models to meet the expectations, requirements and future developments of the childcare sector, particularly regarding the impact of staff costs upon the services. The main findings of the Report can be summarised as follows:

- **The average childcare service in Ireland, whether private or community, urban or rural, operates on a breakeven basis.** Having calculated the average costs for the various childcare financial models considered by the research and comparing these costs with the fee levels reported by Pobal, the research found that the average childcare service in Ireland operates on a breakeven basis. Even when a surplus is generated by a childcare facility, it is often too little to meet the cost of re-investment, which will be required at various stages of the business, including for maintenance, building improvements and replacing equipment. For example, based on the Report's working examples, the average community childcare facility providing a 39-45 week service in an urban setting had an end of year reserve of only €5,826 and the average privately owned service offering a 38 week programme in a rural setting had a reserve of just €1,651. While a small number of childcare services manage to generate relatively high surpluses, they are the exception within the sector and tend to be based within large urban settings.

- **Salaries and wages are, by far, the most significant daily operational costs facing a childcare service.** The wage bill for larger childcare services can reach up to 80% of total operational costs. However, while wages represent the largest proportion of costs, the actual hourly wages paid to staff are markedly low. The average Early Years Educator in Ireland earns just €11.12 per hour, well below the Living Wage. The Living Wage is the average hourly gross salary required by a single individual (without dependents) in full-time employment to afford a socially acceptable minimum standard of living across Ireland. In 2016, the Living Wage was €11.50 per hour. The situation for Early Years Educators is more serious still when you consider that many have one or more dependents, many are working part-time hours and on 38-week contracts, and many rely on social welfare payments over the summer months.

- **The State's focus on the Early Childhood Care and Education (ECCE) programme is exacerbating the difficulties faced by providers in the sustainable delivery of non-ECCE childcare services and is pushing many services towards an ECCE-only model.** The Early Childhood Care and Education (ECCE) programme receives by far the largest proportion of State funding of all care and education programmes in the early years sector. In 2015, State spending on childcare was approximately €260 million of which €175 million, or 67%, went into funding ECCE.[5] While imperfect, ECCE has been a positive and welcome initiative in Irish childcare that should be built upon. However, its success has come at the expense of the non-ECCE services in terms of focus, investment and the consequent financial viability of wider childcare services. Despite the low capitation rates paid under ECCE, Baby and Toddler Rooms, in general, still cannot compete with the predictability and dependability of the revenue stream produced by an ECCE Room. The findings of this Report clearly show a trend for providers towards an ECCE-only model, alongside School Age Childcare, as a means of maintaining their viability. This has led to a reduction in the provision of non-ECCE childcare, such as year round full daycare and care for the under 3s. As it stands, for the majority of childcare services, full day care represents a very small portion of the overall number of children in the service. Rather, the number of children enrolled in ECCE represents a very significant proportion of the overall numbers in ECE and this is set to increase as the ECCE programme is extended over 2016-2017. If left unchecked, non-ECCE services may be further reduced, or removed entirely, while the retention of highly qualified staff capable of satisfying the regulatory requirements for the sector will become increasingly difficult as the 38-week/part-time childcare model becomes the norm.

5 Report of Inter-Departmental Working Group: Future Investment in Childcare in Ireland (2015). p. 27.

- **The unsustainability of the current ECCE capitation rates.** The introduction of the ECCE programme has been a positive development within the sector, improving occupancy and giving services access to a regular and dependable revenue stream. However, with standard and higher capitation rates of €64.50 and €75 per child per week respectively, ECCE is not adequately funded to provide a decent income for the majority of providers and staff. In the words of one provider "we cannot afford to run our ECCE with the new requirements. We struggle as it is to pay wages at €9.50 per hour, qualified staff are harder to attract and to put on a second ECCE year means we need more qualified staff. The capitation needs to increase significantly."

- **Impact of wage changes on ECCE capitation rates.** The Report found, using the example of an average ECCE Room in a privately owned urban service on the higher capitation rate, that in order for Room Leaders to be paid the average educational wage of €33.90, the ECCE rate would need to increase to €119.86. To raise childcare staff's average hourly rate above the Living Wage of €11.50, thus requiring an increase of 30% for Room Leaders and 20% for Early Years Educators, the ECCE rate would need to increase to €80.71. Or, to support the cost of employing staff at their current wage levels for 52 weeks, whilst maintaining delivery of the 38 week programme, the ECCE rate would need to increase to €83.39.

- **There are many differences between urban and rural-based services, which lead to higher costs for those in urban settings.** For example, urban-based services tend to be larger than rural-based services, requiring a larger building and the higher costs that ensue, such as higher rent, rates, insurance, maintenance, light and heat. These differences can lead to higher fees being charged for childcare, without necessarily increasing any surplus of income over expenditure for the childcare service. For some of the larger services that operate as franchises, there are additional costs to be borne by the service, including the cost of the franchise itself.

- **Privately owned services incur certain costs that do not apply to or are lower in community services.** The most significant are rents, which increase significantly for larger services in urban settings, and commercial rates, which are paid exclusively by privately owned services operating outside the ECCE-only model. Of the respondents who reported paying commercial rates, the report found that services in urban settings pay an average of €4,885 with the rates ranging from €100 to €24,000 and in rural settings services pay an average of €3,690 with the rates ranging from €300 to €10,000.

- **Of particular concern within privately owned childcare facilities is the tendency for many owner/managers to use their own salaries to supplement the operational costs of their businesses.** According to one provider "we are finding costs are increasing such as light, heat, rates, wages but we are unable to pass these costs on to parents and therefore the only way to continue to operate the crèche is to take less and less of a salary as the owner." This may, on the face of it, facilitate the short term survival of the business, but it is an artificial scenario that does not reflect the true cost of running the childcare service and is certainly not sustainable as a good business model.

At the centre of all considerations about the provision of quality childcare is the best interests and experience of the child. The Report's findings highlight significant potential impacts for parents, staff and the childcare sector as a whole.

Parents - potential impacts

- Limited availability of childcare services for young children and babies outside of the ECCE programme, as childcare facilities reduce or withdraw from running the less viable non-ECCE Rooms

- Potential increase in price of non-ECCE services, as supply reduces and/ or a subsidy is required by the service to justify running a non-ECCE Room

- A worsening childcare affordability crisis in Ireland, especially in the cost of childcare for under 3s, which is already among the most expensive in the EU (OECD, 2014). The high cost of childcare is exacerbated by the fact that Ireland has the fourth shortest period of paid parental leave in Europe and the gap between the end of paid leave and the beginning of free pre-school under the ECCE programme is approximately 138 weeks, depending on when during the ECCE programme year a child turns three years old

Staff - potential impacts

- An increase in the number of part-time employment contracts being offered on a 38-week basis, as opposed to 52-week, in line with the payments being received through ECCE

- Associated difficulties for staff, for example securing mortgages and making pension contributions

- Wages not reflecting staff qualifications, with Level 7-qualified staff earning relatively low wages and most services not being in a position to offer an increase in hourly rates
- Minimal professional development within the sector, as higher qualifications unlikely to lead to increased wages or a full-time 52-week contract

Childcare sector - potential impact

- Potential that the childcare sector becomes primarily a 'pre-school' setting, alongside School Age Childcare placements, moving away from the provision of traditional childcare services
- Since the workforce is one of the most influential determinants of quality in childcare, a lack of qualified staff will negatively impact on quality.
- A lack of professional development and opportunities within the sector is likely to reduce the attractiveness of the sector to qualified Level 7 staff
- Retention of staff will be difficult in a low-wage and part-time sector
- Failure to secure highly qualified staff, i.e. Level 7, will impact upon the capitation rate available to the service, with potential knock-on effects regarding viability

Childcare services are increasingly moving towards an ECCE only model, alongside School Age Childcare placements, in an effort to continue as viable going concerns. While this no doubt improves the financial sustainability of their service, it only works where low wages, part-time contracts and relatively low surpluses are the norm. Quite clearly, this is incompatible with the professionalisation of the sector and the ability of services to attract and retain the qualified staff they need to deliver quality care and education to children. If the sector continues in this direction, there will be an inevitable and significant impact on the availability and affordability of comprehensive childcare provision outside of ECCE, i.e. childcare provision on a full and part time basis and for under 3s, to the detriment of children, parents, staff and the sector as a whole.

It is vital that all stakeholders work toward achieving a robust, functioning and desirable childcare system in Ireland that ensures: quality for children; sustainability for both childcare services and their staff; and affordability for parents. To this end, ECI makes the following 10 recommendations to Government and policy makers.

ECI's 10 Recommendations

1. **Publish the National Early Years Strategy.** The National Early Years Strategy is a unique opportunity to identify the needs, opportunities and best interests of every child in Ireland from birth to 6 years of age, with special focus on early childhood care and education. The Strategy must recognise a universal, accessible and high quality ECE system as a right for all young children. It must be built and developed with parents and communities to support children's holistic development. The evidence informed policies set out in the Strategy must be accompanied by an implementation plan and timeframe and be met with the necessary funding by all the Government Departments charged with their delivery. The Strategy must serve as the roadmap for the future direction, development and funding of ECE in Ireland.

2. **Base state subsidies on a realistic assessment of the cost of providing childcare.** The financial viability and sustainability of childcare providers needs to be a key concern of policy makers, and not just the providers themselves. Government must address the structural deficiencies in the current funding model, whereby low state subsidies lead to low margins, low pay and poor conditions for staff, and ultimately undermines the ability of both the sector and the State to deliver quality services for children and affordability for parents. The levels of subsidy underlying the design of future schemes, as well as the existing ECCE programme, must be based on a realistic assessment of the cost of providing childcare with adequate margins. To this end, the Department of Children and Youth Affairs must expedite the independent review of the cost of providing quality childcare in private and community settings, consistent with the principle of ongoing professionalisation of the sector, as per the Programme for Partnership Government commitment (May, 2016).

3. **Initiate a new 'Early Education and Care Workforce and Professionalisation Plan'.** Government should conduct research and engage with the sector to develop a Workforce Plan that sets out a realistic assessment of the number of early childhood professionals that are needed, and where, over the next 5-10 years, including their levels of qualification and how we recruit and retain them.

4. **Develop a 'Capacity Plan' for the sector.** Government should develop a Capacity Plan based on evidence of need, setting out the numbers and locations for provision, and measures to address the most effective mix of efficient setting size needed, subject to geographic and other factors.

5. **Work with the sector to agree recognised salary scales for early years educators.** Government must recognise that inadequate State subsidies are sustaining the unacceptably low pay and poor conditions in the ECE sector. This has led to a staffing crisis. Services increasingly struggle to retain and recruit enough staff meet the adult:child ratios and/or appropriately qualified staff to satisfy regulatory requirements. Government cannot meet its own policy objectives to expand the childcare sector without addressing the pay and conditions deficiency. The additional investment in the sector must provide for increased salaries, where Government works closely with the sector to develop agreed salary scales in the medium term.

6. **Increase Paid Parental Leave and Introduce a Childcare Subsidy for under 3s.** Mindful that UNICEF recommends 12 months' paid parental leave as a minimum, ECI urges the Government to act quickly on its Programme for Partnership Government commitment to "significantly increase parental leave in the first year of a child's life" and "prioritise paid parental leave in the first year". Thereafter, Government must introduce a childcare subsidy to support parents with the full year childcare costs, where the State pays the provider or registered childminder directly to subsidise the real cost of childcare. In order to have any meaningful impact on the affordability and availability of childcare for under 3s, the subsidy level must be sufficient to address the current sustainability difficulties for provision to this age cohort. A minimum initial €20 million investment is required for this subsidy in 2017 (see Early Childhood Ireland Budget 2017 Submission 'Time for Giant Leaps Toward Quality, Sustainability and Affordability in Irish Childcare'). This subsidy needs to be increased consistently year on year, and achieve a minimum contribution of €60 per week by 2021. This subsidy should be rolled out as part of the Affordable Childcare Scheme, with higher subsidies for low-income households.

7. **Get the Affordable Childcare Scheme right from the start.** The new Affordable Childcare Scheme must be planned and developed to ensure it provides a comprehensive and coherent system of supports for all children availing of childcare, including ECCE and School Age Childcare, and provides a flexible and robust platform for all future investment in childcare. The design of the Scheme needs to:
   - Be informed by an independent review of the cost of providing quality childcare in private and community settings, consistent with the principle of ongoing professionalisation of the sector, as per the Programme for Partnership Government commitment (May, 2016).
   - Be informed by the knowledge and expertise that the sector has to offer. Preparations for the Scheme need to include a comprehensive consultation and engagement process that ensures that the voices of providers and parents are heard.
   - Recognise that a 'one size fits all' approach will not suffice and that one level of subsidy will not work everywhere. Many factors influence to the cost of providing childcare. They may be geographical or specific to the needs of particular communities and children. For example, subsidies should reflect the higher cost of providing childcare to children with disabilities in the under 3s cohort and in School Age Childcare i.e. outside of the Access and Inclusion Model (AIM) in ECCE.
   - Be based on year-round supports, and incorporate non-contact time at a minimum of 10% equivalent of contact time and CPD for all staff.
   - Allows parents and providers to interface with a single, accessible and coherent system of supports.

8. **Eliminate disincentives so that providers can offer a full suite of childcare.** Government needs to carefully construct its supports for ECE so that it does not inadvertently create disincentives and barriers to services providing a full suite of childcare for children in their early years and in School Age Childcare.

9. **Recognise all ECE services as educational services and as such exempt from paying commercial rates.** This is important as a matter of principle, whereby the State recognises and values the learning, development and well-being fostered by Early Years Educators in ECE settings. Furthermore, since all community providers and private providers offering ECCE-only services are exempt from paying commercial rates, it is also a clear example of an unintended inducement for struggling private providers to move to an ECCE-only model.

10. **Develop a model of School Age Childcare that is regulated, subsidised and avoids displacement.** The Department of Children and Youth Affairs and the Department of Education and Skills need to be cognisant of the important role School Age Childcare plays for existing childcare services in subsidising the cost of wider childcare provision, particularly for the under 3s. Serious consideration must be given to the negative impact of displacement "to primary school buildings for afterschool care provision"[6] on the viability and sustainability of existing providers in areas where demand for additional School Age Childcare places is not evident.

6 A Programme for Partnership Government, May 2016. p.78.

INTRODUCTION

Since the early 2000's, there has been significant and welcome focus within the childcare sector on quality childcare provision and positive outcomes for children. The introduction of Aistear and Síolta as the two key quality frameworks underpinning early childhood education curriculum, the Tusla Early Years (Pre-School) Inspectorate, and the Early Years Education-Focused Inspection (EYEI) by the Department of Education and Skills have greatly improved the quality and consistency of childcare practices. More recent regulatory schemes have introduced minimum levels of qualifications for all members of staff directly involved in early years' care and education provision. As a result, the sector is becoming increasingly professionalised, which is welcome since the workforce is one of the most influential determinants of quality in childcare.[7] While there has been widespread discussion about the implementation of quality practices in childcare services, there has been relatively little research regarding the actual financial cost of running such services.

To date, most of the discussion on childcare has focused on 'the cost of childcare', i.e. how much childcare costs parents, as opposed to the cost of providing childcare, i.e. the costs involved in running a childcare service. In fairness, the latter is a very difficult discussion to have. The ECE sector is intricate and extremely convoluted. There is a wide variety of care options (for example sessional, part-time, full-time, babies, toddlers, and pre-school), a multitude of State sponsored schemes (for example ECCE, CCS, CCSP, CETS and CEC) and various types of facilities providing the services (for example privately owned, community, 38 weeks to 50+ weeks, rural and urban based). The complexity of the sector makes it very difficult to generate a clear picture of the actual income and expenditure involved in the day-to-day operation of an average childcare service.

The lack of discussion and consequent understanding of the costs involved in running a childcare service has negatively affected the management, viability and sustainability of the childcare sector. Very little financial information has been made available for general comparison among childcare providers, leading to individual childcare services having to generate individual responses to, what should be regarded as, standard circumstances within the sector. This creates further division, and isolation among childcare providers, with many categorising themselves according to features of their facilities that are not directly related to childcare itself, e.g. privately owned v community, rural v urban, full-day v sessional, all-year v academic year.

Furthermore, perceptions have built up around the finances of the sector and the sense that it is profit-making. Many parents, the media and other stakeholders ask how, for example, a service that charges €804 per month to mind a baby could possibly only "break even" when minding six babies? The accuracy of such perceptions can only be addressed by an in-depth analysis of the real cost of providing childcare.

7 CoRe Report of the European Commission (2011).

Aim of the research

Based upon the reality of the conditions facing childcare providers, this research aims to provide enough information about the financial performance within the childcare sector to enable an in-depth discussion to take place and for conclusions to be drawn.

Research on the real cost of providing childcare

Early Childhood Ireland commenced this work in 2016 by appointing Meehan Tully & Associates Ltd. to research the viability of various childcare financial models in Ireland. The aim of the research was to examine whether it is possible to operate a viable childcare service that:

- Operates within the confines of the existing funding models;
- Supports professional development for owners, managers and staff;
- Provides a career pathway for those working in the sector.

The research addressed these considerations by scoping out the costs involved in running childcare services, of varying operational sizes, and asking:

- How much does it cost to employ staff?
- What are the average overheads for a childcare service?
- If staff costs increased what would be the impact on viability of childcare services?
- What level of income, and funding, is required to support a viable and sustainable childcare service?

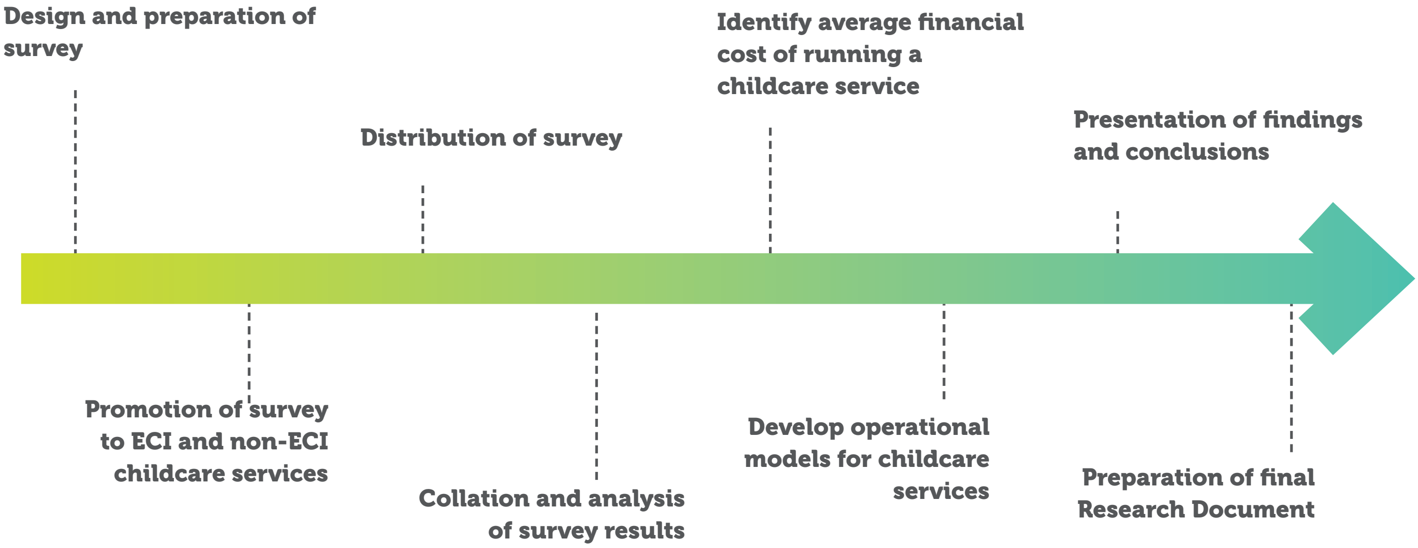
Based on these questions, conclusions were drawn about the ability of childcare financial models to meet the expectations, requirements and future developments of the childcare sector, particularly regarding the impact of staff costs upon the services. Recommendations were also made regarding the appropriateness of the current funding structure in supporting these models.

Research findings

This document presents the findings of the research assignment. The main body of the document summarises the research data, as well as commentary on the main findings and conclusions.

Methodology

The methodology of the assignment was based primarily upon a survey of financial information and feedback from childcare services in Ireland, which was completed online and by post. The survey was promoted among all Early Childhood Ireland members, as well as non-members, by email, newsletters and promotions in conjunction with other childcare organisations. Responses were encouraged from all types of childcare services throughout Ireland, whether community, privately owned, rural, urban, part-time or full-time.



There were 596 responses to the survey, including 220 community and 362 privately owned services. 14 services did not state whether they were community or privately owned. Of the 596 responses, detailed financial information was provided by 413, which were further categorised according to the number of weeks they open per year.

Service	38 weeks	39-45 weeks	46-49 weeks	50+ weeks	Total
Community	51	28	37	47	163
Privately owned	119	10	21	100	250
Total	170	38	58	147	413

On the basis of the number and variety of respondents to the survey, we are confident that the Report provides a nationally representative picture of the financial costs facing the childcare sector in Ireland.

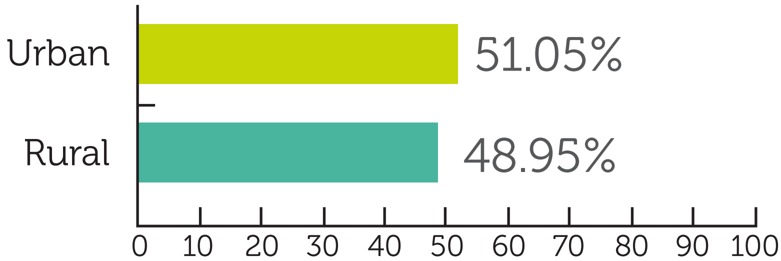
SUMMARY OF FINDINGS

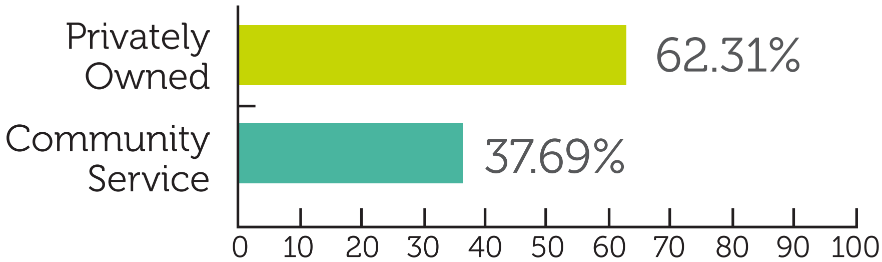
This section provides a summary of the information received during the survey. It includes both financial data, as well as sample feedback comments from the participating childcare services. The information in this section provides the basis on which the subsequent findings and conclusions have been drawn.

Number of responses

In total, there were 596 responses to the survey.

The majority of responses, 62%, were from privately owned services, which is reflective of there being substantially more private than community services in Ireland.[8] The number of rural and urban-based responses was evenly distributed among those who disclosed their location.





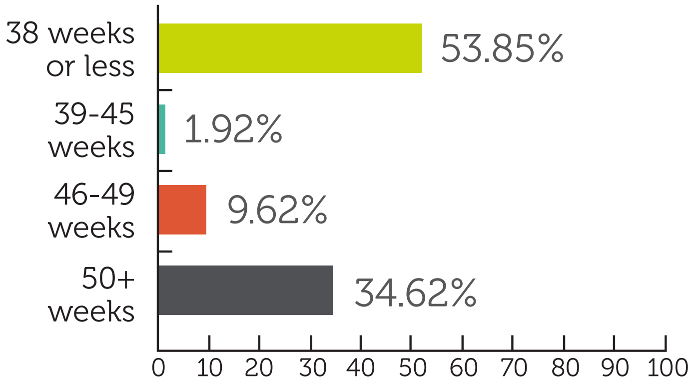
8 In 2015, of the 4,377 registered childcare services, 73% were private and 27% were community. Pobal Early Years Sector Profile 2015-2016, p.30.

Privately owned services, by category

Privately owned services were asked to categorise themselves as urban or rural-based, as well as by the number of weeks open per year. Based on the results, it can be seen that the majority of privately owned services are categorised as 38 weeks or 50+ weeks per year, with a small number operating for 39-45 weeks and 46-49 weeks. This trend replicates itself among urban and rural-based services.

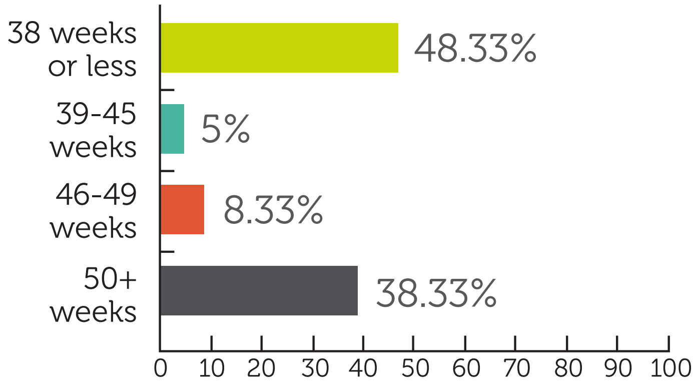
Rural-based

Privately owned, rural-based, services categorised themselves as being open for the following periods:



Urban-based

Privately owned, urban-based, services categorised themselves as being open for the following periods:

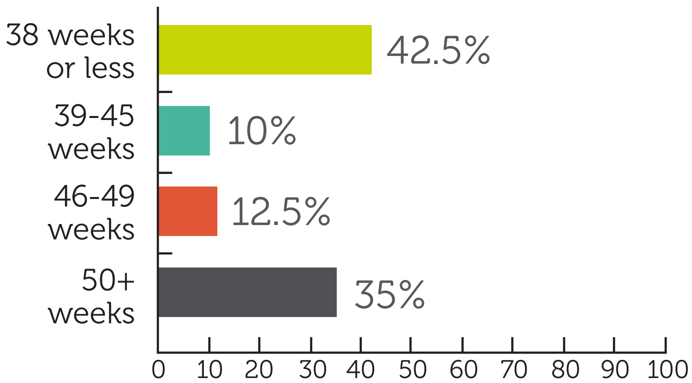


Community services, by category

Community services were asked to categorise themselves as urban or rural-based, as well as by the number of weeks open per year. As with the privately owned it can be seen that the majority of community services are categorised as 38 weeks or 50+ weeks per year, although there is a slightly more even spread among the categories.

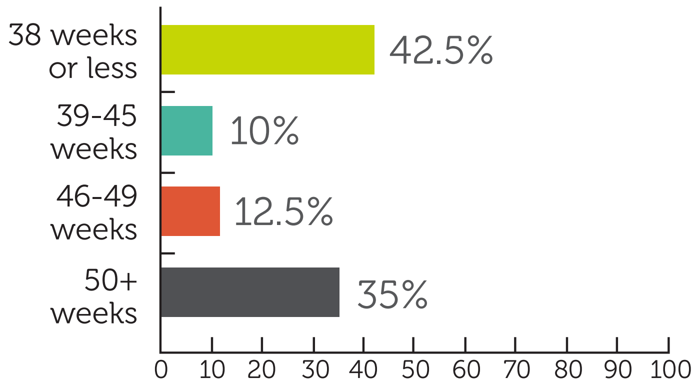
Rural-based

Community, rural-based services categorised themselves as being open for the following periods:



Urban-based

Community, urban-based services categorised themselves as being open for the following periods:



Distribution of children within services

The table below illustrates the distribution of the numbers of children within the responding services, categorised further into the number of weeks open, as well as rural, urban, privately owned and community services. The significance of the ECCE programme to each service, across the board, should be noted.

Rural-based Services – Distribution of children

Rural	Full-time Babies	Part-time Babies	Sessional Babies	Full-time Toddlers	Part-time Toddlers	Sessional Toddlers	ECCE	School Age Childcare	FT Non-ECCE	PT Non-ECCE	Sessional Non-ECCE	Total
Community 38 Weeks or Less	0%	0%	0%	0%	3%	4%	55%	9%	0%	2%	27%	100%
Community 39-45 Weeks	0%	0%	0%	0%	0%	9%	53%	26%	0%	0%	12%	100%
Community 46-49 Weeks	3%	3%	2%	6%	10%	8%	29%	22%	4%	7%	6%	100%
Community 50+ Weeks	4%	3%	0%	10%	8%	1%	33%	18%	9%	9%	4%	100%
Private 38 Weeks or Less	0%	0%	0%	0%	1%	11%	60%	6%	0%	0%	21%	100%
Private 39-45 Weeks	0%	0%	0%	0%	9%	24%	26%	0%	0%	9%	31%	100%
Private 46-49 Weeks	4%	1%	6%	5%	7%	9%	34%	18%	4%	6%	7%	100%
Private 50+ Weeks	3%	2%	1%	12%	8%	3%	32%	19%	8%	6%	6%	100%

Urban-based Services – Distribution of children

Urban	Full-time Babies	Part-time Babies	Sessional Babies	Full-time Toddlers	Part-time Toddlers	Sessional Toddlers	ECCE	School Age Childcare	FT Non-ECCE	PT Non-ECCE	Sessional Non-ECCE	Total
Community 38 Weeks or Less	0%	0%	0%	0%	8%	4%	58%	10%	5%	5%	10%	100%
Community 39-45 Weeks	1%	0%	0%	1%	2%	3%	41%	22%	9%	4%	18%	100%
Community 46-49 Weeks	1%	3%	1%	3%	13%	7%	33%	19%	3%	16%	1%	100%
Community 50+ Weeks	4%	3%	0%	10%	8%	1%	33%	18%	9%	9%	4%	100%
Private 38 Weeks or Less	0%	0%	1%	0%	1%	10%	61%	4%	1%	2%	19%	100%
Private 39-45 Weeks	0%	0%	0%	0%	0%	15%	49%	11%	0%	0%	25%	100%
Private 46-49 Weeks	0%	0%	0%	4%	7%	6%	31%	30%	4%	7%	11%	100%
Private 50+ Weeks	4%	3%	0%	15%	7%	1%	34%	20%	7%	5%	5%	100%

Further reliance on ECCE

The significance of the ECCE programme to the revenue stream of childcare services is further evidenced by the low numbers of children who stay on after the daily ECCE programme finishes and pay for additional childcare services. The degree to which this occurs among the respondents is outlined in the tables below.

What is also relevant about the low numbers of children staying on after ECCE hours in rooms containing a mix of both ECCE and full-day care, is that the number of children in the room in the afternoon can be significantly lower but the staff costs for the room may remain the same. With a high number of children attending as ECCE placements, and a high number not staying on for full-day care, this limits significantly the number of full-day care places available in a childcare service, and the potential income for that room.

Rural-based services

Rural %	ECCE full day
Community 38 Weeks or Less	1%
Community 39-45 Weeks	24%
Community 46-49 Weeks	15%
Community 50+ Weeks	28%
Private 38 Weeks or Less	0%
Private 39-45 Weeks	0%
Private 46-49 Weeks	28%
Private 50+ Weeks	27%

Urban-based Services

Urban %	ECCE full day
Community 38 Weeks or Less	1%
Community 39-45 Weeks	24%
Community 46-49 Weeks	15%
Community 50+ Weeks	28%
Private 38 Weeks or Less	0%
Private 39-45 Weeks	0%
Private 46-49 Weeks	28%
Private 50+ Weeks	27%

Number of employees

The childcare services that responded to the survey account for over 4,000 employees, including full-time and part-time; as analysed below.

Service Type	Full-time Manager	Part-time Manager	Full-time Room Leader	Part-time Room Leader	Full-time Early Years Educator	Part-time Early Years Educator	Full-time Cook	Part-time Cook	CE, RSS, etc.	Job bridge, TÚS, placements, etc.	Other	Total
Community 38 Weeks or Less	18	15	23	55	21	54	0	2	41	8	8	245
Community 39-45 Weeks	13	9	36	32	37	34	2	6	41	12	6	228
Community 46-49 Weeks	29	13	66	46	62	86	5	10	136	24	12	489
Community 50+ Weeks	62	15	121	76	158	154	10	33	167	56	21	873
Private 38 Weeks or Less	58	25	55	63	56	96	0	0	0	4	9	365
Private 39-45 Weeks	7	0	8	4	4	4	0	0	0	0	0	27
Private 46-49 Weeks	17	7	28	12	26	29	1	5	0	1	4	130
Private 50+ Weeks	117	46	407	115	586	232	41	34	0	8	64	1,649
Total	321	129	744	403	950	689	59	90	385	113	122	4,005

Full-time and Part-time

This has significant impact upon career opportunities and professional development within the childcare sector, which must be considered in light of the intention to attract more highly qualified (QQI Level 7) graduates to the sector. A similar concern must be raised regarding wages, which are discussed next.

	Full-time	Part-time
Community-based	51%	49%
Privately-owned	68%	32%
Community and Private	61%	39%

Salaries and Wages[9]

Salaries and wages are, by far, the most significant costs facing a childcare service on a daily basis. As will be shown later, the average wage bill for average childcare services will range between 60-80% of the total operational costs. As a result, it is very important to determine the actual hourly cost, for each post, of employing childcare staff. These costs form the basis for calculating the average total operational costs for various types of childcare services, as will be discussed later.

Rural-based Services

The average salaries and wages for rural-based services are shown in the table below.

Rural	Own Salary	Manager's Salary	Room Leader	Early Years Educator	Cook	SNA	Relief
Community 38 Weeks or Less	N/A	€14.49	€12.83	€11.81	€9.20	€14.00	€10.74
Community 39-45 Weeks	N/A	€13.17	€12.57	€11.04	€9.65	N/A	€10.00
Community 46-49 Weeks	N/A	€16.46	€11.90	€9.88	€10.40	€12.00	€9.61
Community 50+ Weeks	N/A	€15.62	€11.96	€10.39	€10.68	€10.36	€9.28
Private 38 Weeks or Less	€13,057.83	€14.02	€12.78	€11.23	N/A	€9.72	€11.75
Private 39-45 Weeks	€12,333.33	N/A	€14.50	€11.00	N/A	N/A	€9.63
Private 46-49 Weeks	€13,137.50	€12.83	€10.53	€10.44	€9.15	€10.58	€9.58
Private 50+ Weeks	€20,901.05	€11.92	€10.63	€10.20	€9.86	€10.50	€9.71

Urban-based Services

The average salaries and wages for urban-based services are shown in the table below.

Urban-	Own Salary	Manager's Salary	Room Leader	Early Years Educator	Cook	SNA	Relief
Community 38 Weeks or Less	N/A	€15.19	€13.49	€11.65	€11.65	€12.85	€11.80
Community 39-45 Weeks	N/A	€18.77	€13.66	€11.52	€10.94	€13.83	€11.32
Community 46-49 Weeks	N/A	€19.11	€13.57	€12.44	€11.92	€11.50	€10.90
Community 50+ Weeks	N/A	€19.15	€13.14	€11.52	€10.58	€12.97	€9.93
Private 38 Weeks or Less	€13,068.42	€13.00	€13.28	€11.56	€10.00	€10.00	€11.37
Private 39-45 Weeks	€13,500.00	N/A	€15.71	€11.71	N/A	N/A	€10.55
Private 46-49 Weeks	€23,080.00	€13.33	€10.67	€10.44	€10.50	N/A	€11.25
Private 50+ Weeks	26,835.26	€15.82	€11.41	€10.92	€10.55	€10.45	€10.19

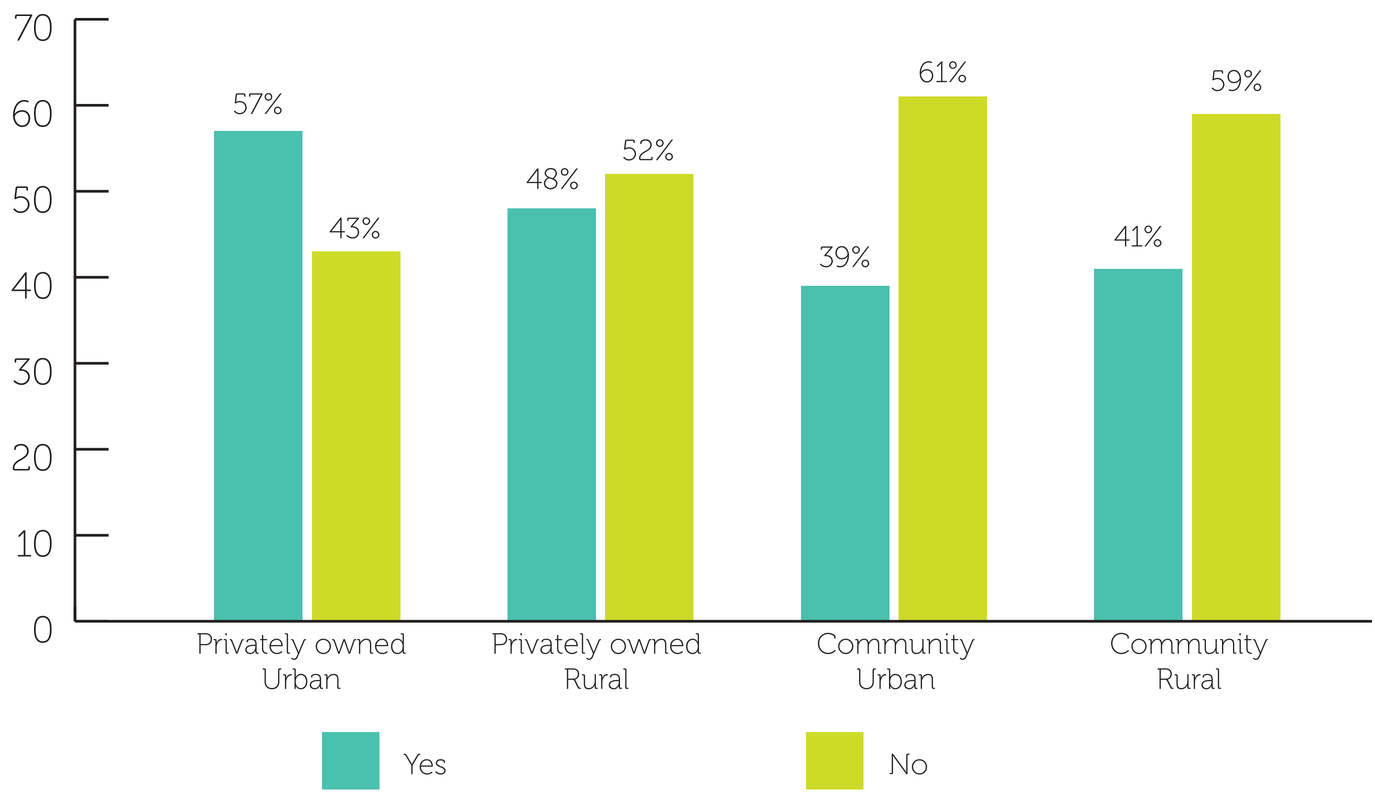
9 It is important to note that in the vast majority of cases wages are paid in respect of contact time only, despite early years professionals doing considerably more hours per week in unpaid non-contact time.

Notes on Salaries and Wages

- It should be noted that, although all wages meet the requirements of the minimum wage, many of the rates are below the living wage in Ireland in 2016, €11.50 per hour.
- The general trend is that wages within the sector are low and do not increase relative to the size of the childcare facility.
- The 'Own Salary' column is not of relevance to community services; hence the use of N/A.
- The 'Manager's Salary' column accounts for privately owned services that employ a manager who is not the owner.
- Privately owned services in some of the categories did not record the employment of any cook or SNA; hence the presence of N/A in a number of the cells.

Experience and wage increases

When asked if they pay a member of staff more for having higher qualifications, services responded as follows:



In commenting on the potential to increase wages relative to higher qualifications, many of the respondents said they simply could not afford to do so and are concerned about their ability to attract and retain higher-qualified staff.

Sample quotes from providers

We are unable to pay any more. Most of our money goes on wages and PRSI. The amount of other things that cost is really high such as supplies for rooms, heating and light, maintenance etc.

Our pre-school leader has a B.Ed and is paid a higher rate as a result of this.

Our manager is our room leader and has level 8 plus many years' experience but we can only afford to pay her €14 per hour and can't offer full time hours, we rely heavily on CE staff as we are a small community service.[10]

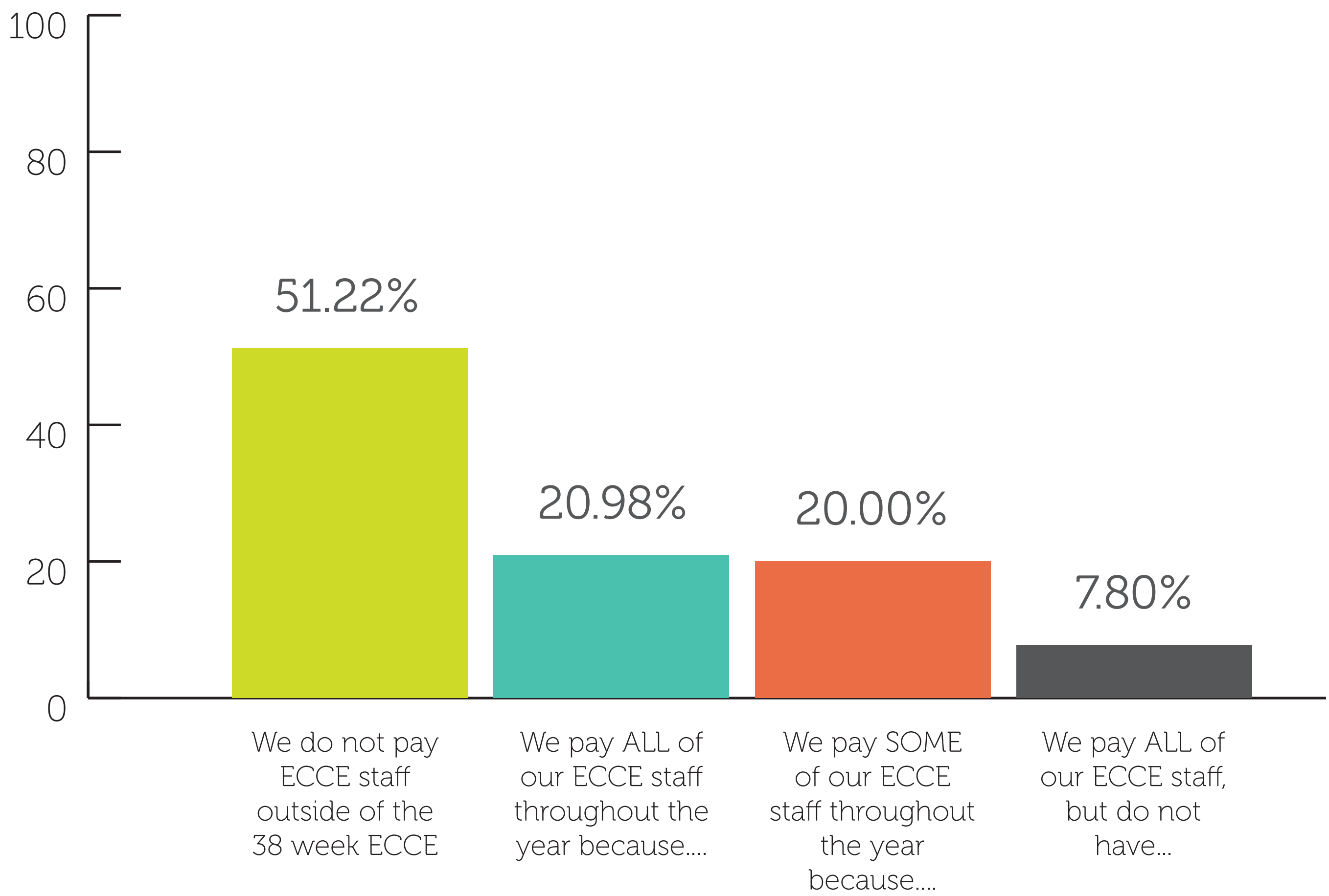
As a provider I would love to increase their wages to reflect this but as you can see it is entirely impossible with my overheads & not to mention I work a minimum 70 hr a week & currently earn less than my employees @4.71p/h

ECCE staff and year-long contracts

As reflected in the responses from both private and community services, the majority of staff employed in an ECCE role are employed on fixed-term contracts during the year, many of which coincide with the 38-week academic year. This impacts the earning potential and professional development of ECCE staff and seriously undermines the sector as a legitimate and attractive career path.

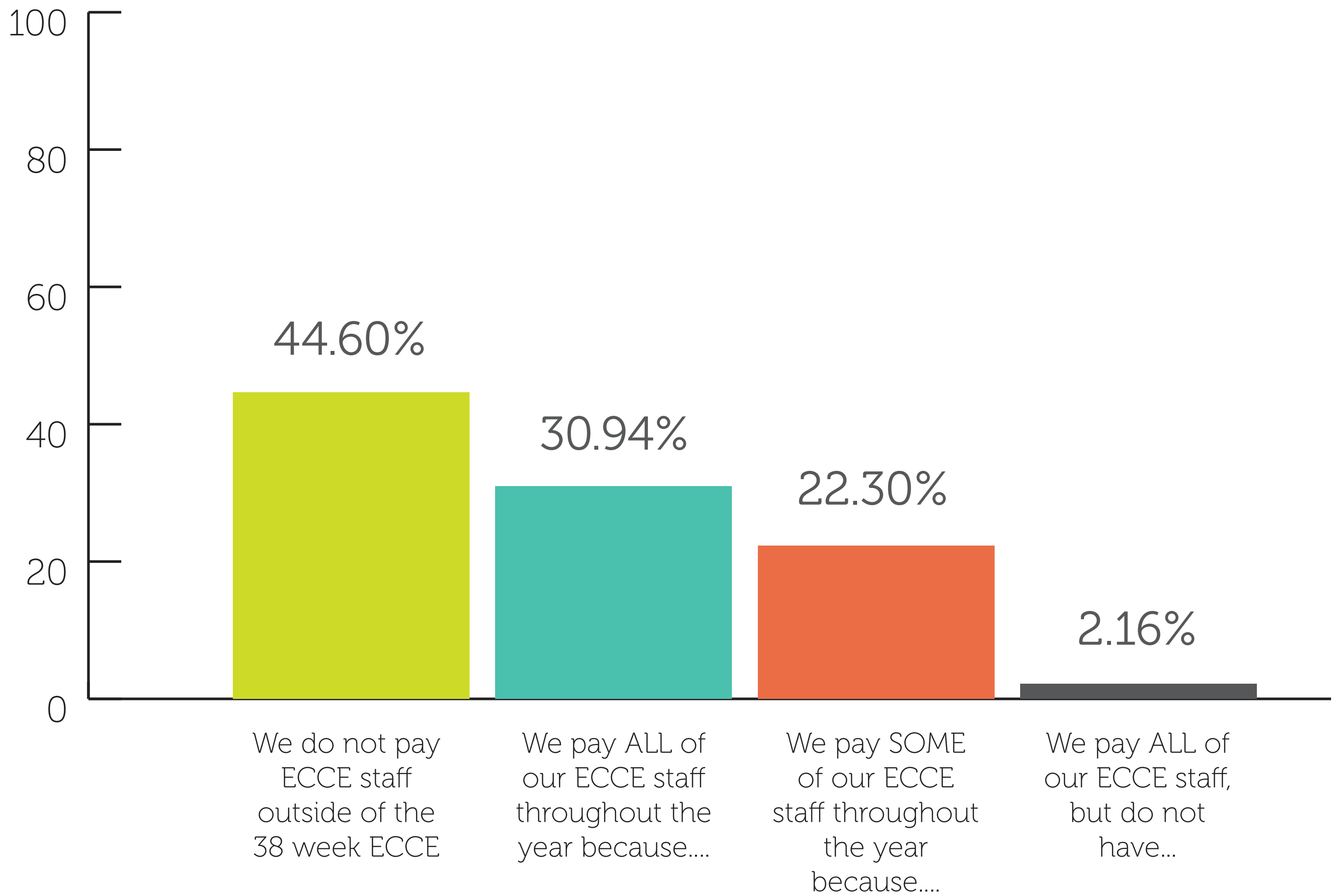
The graphs below illustrate the extent to which private and community services pay, or do not pay, ECCE staff outside of the 38-week academic year.

Privately owned services



10 In accordance with the Regulations (2016), from 1st January 2017 Community Employment (CE) participants who do not satisfy the minimum qualifications, QQI Level 5, cannot work directly with children and will no longer be counted in the Adult:Child staff ratios.

Community services



Average cost of running a childcare service

The childcare services were asked to give an indication of the costs involved in running their facility for one year. The list of costs are based upon the Pobal returns, which are made by the vast majority of community-based childcare providers and reflect the actual costs incurred by such services. The responses provided by the childcare providers were categorised according to various headings, e.g. community, private, rural, urban, and 38 weeks to 50+ weeks. These categories were, in turn, used to prepare average operational costs for various types of childcare models.

The average costs for each of the childcare models are summarised below, grouped initially into community and privately owned services. Please note that wages and salaries are not included in this list of average costs; they will be calculated later as part of a more detailed analysis of the sample childcare models.

Some differences between the various childcare facilities

When looking at the average costs for items among the childcare services, there are some items that increase or decrease depending on the type of childcare facility involved. This tends to reflect some practical differences between the facilities, which can include the following:

- Many community childcare services have larger buildings or centres than privately owned services. This, in turn, leads to higher building-related costs such as cleaning and supplies, light and heat and insurance. As the size of the service increases, the difference in cost often reduces.

- There are many differences between urban and rural-based services, which lead to higher costs for those in urban settings. For example, urban-based services tend to be larger than rural-based services, requiring a larger building and the higher costs that ensue, i.e. higher rent, rates, insurance, maintenance, light and heat. These differences can lead to higher fees being charged for childcare, without necessarily increasing any surplus of income over expenditure for the childcare service.

- Rent is generally higher among private providers, with a lower cost in rural locations, particularly among smaller facilities.
- While community providers are exempt from paying commercial rates, private-providers are liable, unless they offer an ECCE-only service.[11]

Average costs for community childcare services

The costs below have been calculated using the average costs provided by the childcare services in each of the childcare settings, e.g. community, rural and urban, and from 38 weeks to 52+ weeks.

Community Services	Rural 38 weeks	Urban 38 weeks	Rural 39-45 weeks	Urban 39-45 weeks	Rural 46-49 weeks	Urban 46-49 weeks	Rural 50+ weeks	Urban 50+ weeks
Operating Costs								
Food	€841	€2,390	€1,498	€5,093	€7,500	€6,498	€11,484	€11,616
Cleaning and supplies	€681	€2,019	€1,911	€3,019	€2,951	€5,292	€3,533	€5,623
Pest control and security	€496	€676	€849	€1,886	€2,001	€2,094	€1,455	€2,040
Light and Heat	€1,563	€3,022	€3,036	€5,316	€4,882	€4,837	€7,354	€9,507
Telephone and IT	€632	€746	€1,501	€1,020	€1,649	€1,710	€1,355	€1,959
Office supplies	€825	€1,109	€1,910	€2,427	€2,429	€2,113	€2,038	€2,040
Maintenance	€958	€1,834	€1,459	€3,109	€3,926	€3,947	€4,126	€3,939
Equipment	€929	€1,138	€2,481	€2,784	€3,271	€2,890	€3,492	€3,068
Refuse and Hygiene	€516	€602	€1,374	€1,304	€971	€1,302	€1,431	€2,137
Advertising and Recruitment	€288	€320	€938	€753	€724	€525	€575	€959
Training	€679	€888	€673	€518	€1,061	€1,337	€889	€1,391
Petty Cash	€539	€1,063	€883	€1,921	€1,942	€1,897	€867	€1,400
Accounting and Legal Fees	€1,271	€1,885	€2,720	€2,619	€1,648	€1,982	€2,588	€2,493
Rent	€3,159	€3,501	€2,305	€2,500	€1,573	€5,459	€3,645	€5,763
Rates	€0	€0	€0	€0	€0	€0	€247	€233
Water charges	€208	€671	€300	€568	€452	€248	€694	€798
Bank Fees	€489	€384	€738	€647	€622	€735	€652	€652
Insurance	€632	€799	€1,296	€2,895	€2,392	€1,905	€3,240	€3,176
Other Costs	€1,100	€2,203	€3,765	€4,247	€6,502	€2,309	€6,866	€5,390
Total Operating Costs(excluding Wages)	€15,568	€25,354	€29,283	€42,719	€46,521	€46,965	€56,613	€64,184

11 Despite being exempt, a small number of community providers have recorded paying rates, perhaps relating to historical bills, and these have been included for data purposes.

Average costs for private childcare services

The costs below have been calculated using the average costs provided by the childcare services in each of the childcare settings, e.g. privately owned, rural and urban, and from 38 weeks to 52+ weeks.

It should be noted that there is no 39-45 week classification for private providers in the urban and rural setting. The reason for this exclusion is due to the very small number of providers who responded in this section, which was not regarded as a large enough to generate a representative sample from which to generate an average cost.

Private Services	Rural 38 weeks	Urban 38 weeks	Rural 46-49 weeks	Urban 46-49 weeks	Rural 50+ weeks	Urban 50+ weeks
Operating Costs						
Food	€738	€1,500	€6,830	€7,343	€11,148	€15,953
Cleaning and supplies	€585	€1,185	€2,025	€2,067	€5,667	€5,037
Pest control and security	€348	€346	€888	€768	€1,105	€1,453
Light and Heat	€1,508	€1,627	€2,866	€2,495	€5,567	€6,286
Telephone and IT	€724	€779	€1,146	€1,469	€1,539	€2,293
Office supplies	€553	€692	€936	€1,710	€1,467	€2,025
Maintenance	€1,072	€918	€1,867	€2,400	€3,804	€5,921
Equipment	€1,141	€997	€1,750	€3,071	€3,448	€3,744
Refuse and Hygiene	€455	€404	€690	€1,741	€1,700	€1,398
Advertising and Recruitment	€352	€333	€583	€897	€681	€1,327
Training	€884	€437	€958	€1,058	€990	€2,121
Petty Cash	€887	€674	€1,195	€875	€854	€1,568
Accounting and Legal Fees	€919	€1,065	€1,683	€1,783	€2,677	€3,473
Rent	€2,529	€4,602	€3,056	€12,707	€18,147	€28,692
Rates	€1,729	€1,426	€1,725	€1,400	€4,084	€6,534
Water charges	€288	€367	€568	€400	€1,195	€972
Bank Fees	€212	€308	€350	€266	€609	€702
Insurance	€778	€855	€1,150	€836	€2,373	€2,871
Other Costs	€1,129	€1,472	€2,167	€1,133	€6,962	€9,977
Total Operating Costs(excluding Wages)	€16,831	€19,988	€32,433	€44,419	€74,015	€102,349

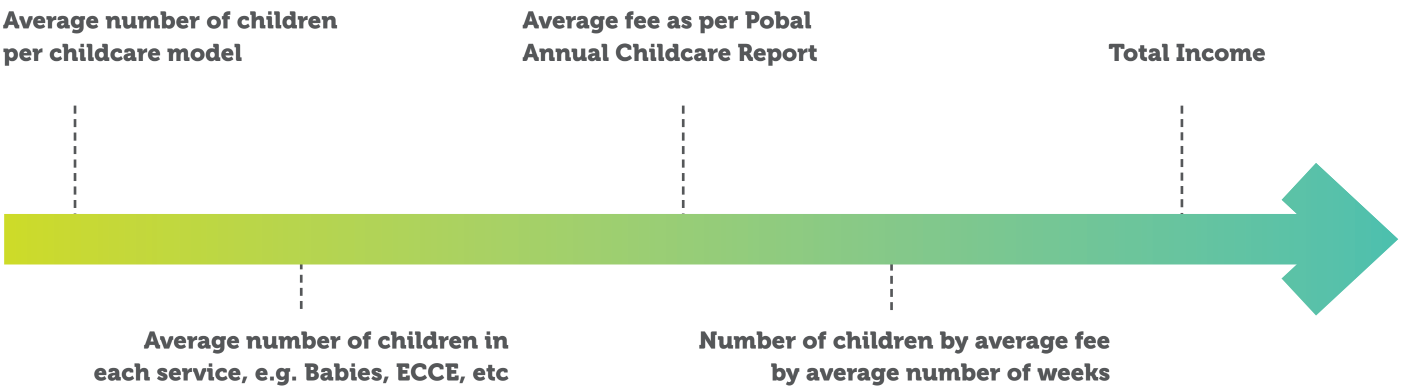
Average Rural and Urban

For comparison purposes, the table below illustrates the average costs among rural and urban childcare facilities. As mentioned previously, there is no privately owned service represented in the rural or urban 39-45 weeks category.

Services	Rural 38 weeks	Urban 38 weeks	Rural 39-45 weeks	Urban 39-45 weeks	Rural 46-49 weeks	Urban 46-49 weeks	Rural 50+ weeks	Urban 50+ weeks
Operating Costs								
Food	€790	€1,945	€749	€2,547	€7,165	€6,920	€11,316	€13,784
Cleaning and supplies	#633	€1,602	€956	€1,510	€2,488	€3,679	€4,600	€5,330
Pest control and security	€422	€511	€425	€943	€1,444	€1,431	€1,280	€1,747
Light and Heat	€1,536	€2,324	€1,518	€2,658	€3,874	€3,666	€6,461	€7,897
Telephone and IT	€678	€763	€751	€510	€1,398	€1,589	€1,447	€2,126
Office supplies	€689	€901	€955	€1,213	€1,683	€1,911	€1,753	€2,032
Maintenance	€1,015	€1,376	€730	€1,554	€2,896	€3,173	€3,965	€4,930
Equipment	€1,035	€1,068	€1,241	€1,392	€2,510	€2,981	€3,470	€3,406
Refuse and Hygiene	€485	€503	€687	€652	€831	€1,522	€1,565	€1,768
Advertising and Recruitment	€320	€326	€469	€377	€654	€711	€628	€1,143
Training	€781	€662	€337	€259	€1,010	€1,198	€940	€1,756
Petty Cash	€713	€868	€442	€961	€1,569	€1,386	€861	€1,484
Accounting and Legal Fees	€1,095	€1,475	€1,360	€1,310	€1,666	€1,883	€2,633	€2,983
Rent	€2,844	€4,051	€1,153	€1,250	€2,314	€9,083	€10,896	€17,227
Rates	€865	€713	€0	€0	€863	€700	€2,165	€3,384
Water charges	€248	€519	€150	€284	€510	€324	€944	€885
Bank Fees€250	€231	€399	€192	€369	€498	€444	€672	€677
Insurance	€705	€827	€648	€1,448	€1,771	€1,370	€2,806	€3,024
Other Costs	€1,115	€1,837	€1,883	€€2,124	€4,334	€1,721	€6,914	€7,684
Total Operating Costs(excluding Wages)	€16,199	€22,671	€14,642	€21,359	€39,477	€45,692	€65,314	€83,266

POTENTIAL INCOME AND EXPENDITURE

Using the average costs drawn from the responses of the childcare services, as well as the average numbers attending each category of childcare facility, a potential income and expenditure has been prepared for a range of childcare models. It should be noted that these models do not purport to be exact projections for individual childcare services; they provide an illustration of the average potential income and costs involved in the provision of childcare services of various types, sizes and locations.



Methodology for Potential Income[12]

Income projections are based initially on the average number of children attending each type of childcare service, as per the findings in the survey.

Average number of children

The average number of children is based upon the responses provided in the survey. For example, for a privately owned service, open for 50+ weeks in an urban setting, receiving higher capitation, the average number of children has been calculated as follows:

12 The models provide examples of how costs arise when certain childcare services are provided, based upon the averages gathered during the survey. The models are not, in any way, a definitive statement of how much money childcare services earn, pay out or make. The conclusions from the study are drawn from the average wages for staff, the movement towards the ECCE model and the high cost of running each room in a service. Overall, they show it is difficult to make large surpluses from childcare.

Children	FTE Babies	FTE Toddlers	ECCE	FTE Full Daycare	School Age Childcare	Total
Number of Children	5	16	36	8	17	81
Fee per Week	€185.42	€175.57	€75.00	€175.57	€87.07	
Number of Weeks	52	50	38	50	38	
Income	€45,558	€136,879	€103,740	€70,114	€55,089	€411,380

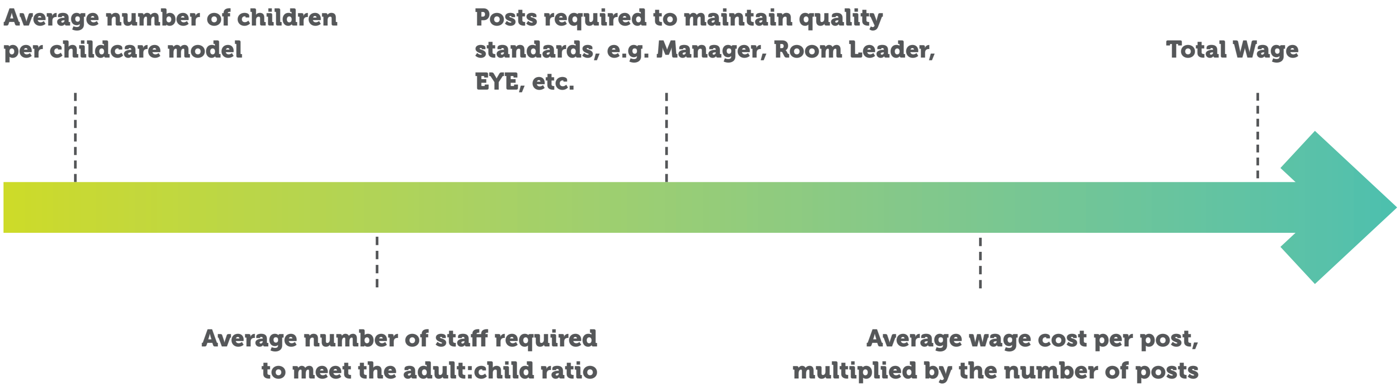
Fee per Full-time equivalent (FTE) child

The fee per FTE child is based upon the POBAL Annual Early Years Sector Survey, 2014, which provides findings on the average fees charged in community and private childcare services. For example, in an urban setting, the average fee for a full-time baby is €185.42, full daycare €175.57 and School Age Childcare is €87.07 per week. For all childcare services open more than 38 weeks[13], a higher capitation of €75 is assumed.[14]

Methodology for Expenditure

Wage Costs

The vast majority of wage costs are determined primarily by the number of children attending the service, i.e. meeting the adult:child staff ratio. As a result, as with income, the wage costs are based initially on the average number of children attending each type of childcare service, as per the findings in the survey.



13 Services under 38 weeks are assumed to access the standard rate, due to potential difficulty in attracting enough Level 7 staff to a 38-week part-time employment.

14 This is based upon the response by Minister for Children and Youth Affairs, Katherine Zappone TD, to a Parliamentary Question on 25th May, 2016, in which the Minister stated that it is assumed that in 2017 60% of children will attend higher rate services.

For example, the staffing requirement, and resulting wages, for a privately owned service, open for 50+ weeks in an urban setting, the average number of children has been calculated as follows:

Staff	Rate	Hours	Days	Weeks	Wage	E/erPRSI	Leave/ Cover	Wages
Manager		8	5	52	€26,835.26	€0.00	€0.00	€26,835.26
Room Leader	€11.41	8	5	52	€23,730.13	€2,550.99	€1,825.39	€28,106.52
Early Years Educator	€10.92	8	5	52	€22,706.67	€2,440.97	€1,746.67	€26,894.30
Room Leader	€11.41	8	5	52	€23,730.13	€2,550.99	€1,825.39	€28,106.52
Early Years Educator	€10.92	8	5	52	€22,706.67	€2,440.97	€1,746.67	€26,894.30
Room Leader	€11.41	8	5	52	€23,730.13	€2,017.06	€1,825.39	€27,572.59
Early Years Educator	€10.92	8	5	52	€22,706.67	€1,930.07	€1,746.67	€26,383.40
Room Leader	€11.41	3.5	5	38	€7,586.80	€644.88	€606.94	€8,838.62
Early Years Educator	€10.92	3.5	5	38	€7,259.58	€617.06	€580.77	€8,457.41
Room Leader	€11.41	8	5	38	€17,341.25	€1,474.01	€1,387.30	€20,202.56
Early Years Educator	€10.92	3.5	5	38	€7,259.58	€617.06	€580.77	€8,457.41
School Age Childcare Leader	€11.41	4	5	38	€8,670.63	€737.00	€693.65	€10,101.28
School Age Childcare	€10.92	4	5	38	€8,296.67	€705.22	€663.73	€9,665.62
Cook	€10.55	3	5	50	€7,910.53	€672.39	€632.84	€9,215.76
Administration	€10.92	8	5	52	€22,706.67	€1,930.07	€1,746.67	€26,383.40
Total								**€292,114.95**

Other operational costs

Other operational costs are based upon the average costs provided by the childcare services and summarised in an earlier section.

Sample Income & Expenditure for childcare models

Community Childcare Services

Services	Rural 38 weeks	Urban 38 weeks	Rural 39-45 weeks	Urban 39-45 weeks	Rural 46-49 weeks	Urban 46-49 weeks	Rural 50+ weeks	Urban 50+ weeks
Income and Expenditure	€	€	€	€	€	€	€	€
Operating Income								
Babies	€0	€0	€0	€0	€26,232	€13,327	€27,289	€49,238
Toddlers/ Sessional/ Other	€12,537	€19,764	€5,589	€15,507	€63,827	€62,591	€82,295	€122,665
ECCE	€33,035	€42,367	€57,814	€105,735	€83,746	€94,406	€103,279	€124,260
Full Daycare	€0	€0	€27,299	€43,848	€22,029	€15,718	€44,696	€48,153
School Age Childcare	€0	€0	€22,144	€43,674	€40,088	€41,772	€33,715	€35,954
Total Operating Income	€45,572	€62,131	€112,847	€208,764	€235,923	€227,814	€291,274	€380,270
Operating Costs								
Total Wage bill	€28,140	€35,849	€81,132	€160,219	€182,380	€179,440	€224,932	€305,213
Food	€841	€2,390	€1,498	€5,093	€7,500	€6,498	€11,484	€11,616
Cleaning and supplies	€681	€2,019	€1,911	€3,019	€2,951	€5,292	€3,533	€5,623
Pest control and security	€496	€676	€849	€1,886	€2,001	€2,094	€1,455	€2,040
Light and Heat	€1,563	€3,022	€3,036	€5,316	€4,882	€4,837	€7,354	€9,507
Telephone and IT	€632	€746	€1,501	€1,020	€1,649	€1,710	€1,355	€1,959
Office supplies	€825	€1,109	€1,910	€2,427	€2,429	€2,113	€2,038	€2,040
Maintenance	€958	€1,834	€1,459	€3,109	€3,926	€3,947	€4,126	€3,939
Equipment	€929	€1,138	€2,481	€2,784	€3,271	€2,890	€3,492	€3,068
Refuse and Hygiene	€516	€602	€1,374	€1,304	€971	€1,302	€1,431	€2,137
Advertising and Recruitment	€288	€320	€938	€753	€724	€525	€575	€959
Training	€679	€888	€673	€518	€1,061	€1,337	€889	€1,391
Petty Cash	€539	€1,063	€883	€1,921	€1,942	€1,897	€867	€1,400
Accounting and Legal Fees	€1,271	€1,885	€2,720	€2,619	€1,648	€1,982	€2,588	€2,493
Rent	€3,159	€3,501	€2,305	€2,500	€1,573	€5,459	€3,645	€5,763
Rates	€0	€0	€0	€0	€0	€0	€247	€233
Water charges	€208	€671	€300	€568	€452	€248	€694	€798
Bank Fees	€250	€489	€384	€738	€647	€622	€735	€652
Insurance	€632	€799	€1,296	€2,895	€2,392	€1,905	€3,240	€3,176
Other Costs	€1,100	€2,203	€3,765	€4,247	€6,502	€2,309	€6,866	€5,390
Total Operating Costs	€43,708	€61,203	€110,415	€202,938	€228,902	€226,405	€281,545	€369,397
Surplus or Deficit	€1,865	€928	€2,432	€5,826	€7,021	€1,409	€9,729	€10,872
Wages as % of Operating Costs								
Wages as % of Operating Costs	64%	59%	73%	79%	80%	79%	80%	83%

Privately owned Childcare Services – Sample Income and Expenditure

Services	Rural 38 weeks	Urban 38 weeks	Rural 46-49 weeks	Urban 46-49 weeks	Rural 50+ weeks	Urban 50+ weeks
Income and Expenditure	€	€	€	€	€	€
Operating Income						
Babies	€0	€0	€18,775	€0	€27,289	€45,558
Toddlers/ Sessional/ Other	€0	€7,808	€34,022	€43,150	€82,295	€136,879
ECCE	€6,379	€62,092	€67,893	€81,429	€78,375	€103,740
Full Daycare	€50,762	€0	€29,241	€30,770	€65,950	€70,114
School Age Childcare	€0	€4,569	€20,489	€59,083	€31,307	€55,089
Total Operating Income	€57,141	€74,469	€170,422	€214,432	€285,216	€411,380
Operating Costs						
Total Wage bill	€38,658	€50,423	€134,007	€158,376	€199,408	€292,115
Food	€738	€1,500	€6,830	€7,343	€11,148	€15,953
Cleaning and supplies	€585	€1,185	€2,025	€2,067	€5,667	€5,037
Pest control and security	€348	€346	€888	€768	€1,105	€1,453
Light and Heat	€1,508	€1,627	€2,866	€2,495	€5,567	€6,286
Telephone and IT	€724	€779	€1,146	€1,469	€1,539	€2,293
Office supplies	€553	€692	€936	€1,710	€1,467	€2,025
Maintenance	€1,072	€918	€1,867	€2,400	€3,804	€5,921
Equipment	€1,141	€997	€1,750	€3,071	€3,448	€3,744
Refuse and Hygiene	€455	€404	€690	€1,741	€1,700	€1,398
Advertising and Recruitment	€352	€333	€583	€897	€681	€1,327
Training	€884	€437	€958	€1,058	€990	€2,121
Petty Cash	€887	€674	€1,195	€875	€854	€1,568
Accounting and Legal Fees	€919	€1,065	€1,683	€1,783	€2,677	€3,473
Rent	€2,529	€4,602	€3,056	€12,707	€18,147	€28,692
Rates	€1,729	€1,426	€1,725	€1,400	€4,084	€6,534
Water charges	€288	€367	€568	€400	€1,195	€972
Bank Fees	€212	€308	€350	€266	€609	€702
Insurance	€778	€855	€1,150	€836	€2,373	€2,871
Other Costs	€1,129	€1,472	€2,167	€1,133	€6,962	€9,977
Total Operating Costs	€55,490	€70,411	€166,440	€202,795	€273,422	€394,464
Surplus or Deficit	€1,651	€4,058	€3,982	€11,637	€11,793	€16,916
Wages as % of Operating Costs						
Wages as % of Operating Costs	70%	72%	81%	78%	71%	74%

Notes on Income and Expenditure

Need for a minimum surplus

It must be noted that making a surplus in a business is not the same as being financially viable or sustainable. For example, if a privately owned service, open for 50+ weeks in an urban location, is projected to make a surplus of €18,054, this amount is exclusive of depreciation and would be regarded as the minimum required for a business of that size. Much of the surplus must be retained to meet the cost of re-investment, which will be required at various stages of the business, including maintenance, building improvements and replacement of equipment.

Furthermore, such a business, with the number of staff employed, would, on an annual basis, be generating a redundancy liability of at least €8,000 per annum. Good corporate governance would require that this amount is set aside as part of a fund in the case of business cessation and the avoidance of any possible liability arising for the directors.

Break-even

All of the models in the sample income and expenditure tables reflect a break-even scenario, relative to their size, which, as will be seen later, can be seriously impacted by reductions in occupancy. On the other hand, increases in occupancy, which would impact positively upon the viability of the services, are difficult to achieve and/ or are not in the best interests of quality childcare (due to the number of children in each room).

Rent and Rates

Privately owned services incur certain costs that do not apply to community services. The most significant of these is commercial rates, which increase significantly for larger-sized services in urban settings.

Sample quotes from providers

> Rates are a huge burden. We are currently only paying them on a number of centres. This is going to increase to €65,000 for 2017 p.a.
>
> Rates are unfairly charged to some services. My staff love working at my service as it is a pleasant happy environment but I can't afford to increase wages in order for them to remain so the non-continuity for children has an effect on their care.
>
> Rates as a cost has the biggest negative impact on business making a profit
>
> This cost is not borne to the same extent by community-based services many of whom own their own building and, due to charitable status, the vast majority are not subject to rates. Where rent is paid by community-based services, it is often to another community-based CLG[15] or, in some cases, to another section of the same company.[16]

Mortgage repayments for a private service

Often, where rent is not included as a cost for a private service, the building is owned by the provider, in which case there would be mortgage repayments that would not appear in the business's finances. In that situation, the salary would be paid to the owner/ manager who, in turn, would pay the mortgage repayment. This means that the salary being paid actually represents two costs, i.e. the salary itself and the mortgage repayments.

Owners' Salaries

Of particular concern in private childcare facilities is the tendency for owner/managers to reduce their own salaries to meet financial shortfalls. A number of owner/managers even report forgoing their salaries throughout the year to cover wages and operational costs. This may, on the face of it, facilitate the short term survival of the business, but it is an artificial scenario that does not reflect the true cost of running the childcare service and is certainly not sustainable as a good business model.

Where providers do take a salary, the amount being paid is relatively low and does not reflect the cost, time and commitment involved. For example, the average salary for an owner/ manager of a privately owned service in an urban setting for 50+ weeks is €26,835, which can involve the management of, on average 9-12 staff and 50-60 children.

15 CLG refers to Company Limited by Guarantee, which is the most popular form of limited company used by community-based organisations, including childcare, sports and recreation, environmental, etc. It allows a limited company to be formed without giving any shareholding to the people involved in running the company, i.e. all of the assets are held on behalf of the community.

16 It is quite common for a community-based company to be involved in a number of different activities, e.g. sports centre, meals-on-wheels, training activities, childcare etc. This could involve the one CLG owning all of the assets and, for the purposes of good governance, each of these activities contribute towards a central fund.

VIABILITY WITHIN CHILDCARE

Can a childcare service make a surplus?

Yes, it is possible for a childcare service to make a surplus. But, in order to understand how this is possible, it is first necessary to have a closer look at a several examples of childcare services, focusing specifically upon the cost of operating individual childcare rooms.

Baby Rooms

It is clear from the numbers gathered during the survey, as well as the written responses, that the number of babies being catered for by childcare services is low; and is likely to remain low in the future.[17] To understand the financial reasoning behind the decision of many services to limit, or remove entirely, childcare services for babies, it is helpful to look at a working example for an average service.

If the average fee for an urban-based service for a full-time place for a baby is €185.42 per week, or €804 per month, then 3 babies attending for 52 weeks would provide a full-time operational income of €28,925 for the Baby Room. Running the Baby Room would require, at the minimum, an equivalent of an Early Years Educator, at a cost of, for a community service, €28,388 per year (including PRSI and annual leave cover.) This leaves a surplus of merely €538 for the room, which is insufficient to contribute towards other operating costs for any childcare service of a reasonable size, e.g. light and heat, cleaning, insurance, etc.

17 This is unsurprising since the vast majority of parents in Ireland pay the full cost of childcare for under 3s, which is among the most expensive in the EU (OECD, 2014), and leads parents who need childcare into the informal and unregulated childminding sector where the cost of care is lower but where there is no oversight or inspection of quality for children.

If there were 6 babies attending on a full-time basis for 52 weeks at €185.42 per week, then a Room Leader and EYE would be needed to manage the room effectively[18]. The total income for such a room would be €57,851, for which the direct cost of staff wages in the room would be €60,749. This produces a deficit for the room, even before any other general costs are apportioned, of €2,897. Again, this is not sustainable as a viable model for childcare.

The examples above demonstrate the limited surplus (and possible deficit) that can arise from running a Baby Room. If a Baby Room is provided, it is often done so as:

- A social service, for example by a community-based facility. This is becoming a rarer offering because such services, as companies limited by guarantee, are now required to ensure, for governance purposes, that they are financially viable.

- An enticement to parents where siblings are attending other childcare services in the facility, i.e. supporting the continued attendance of the existing children, while hoping that the baby will, in time, require regular daycare services.

As can be seen, in most cases, the decision to provide a Baby Room is a difficult one, both for private and community-based services, due to the limited income being generated and the room's impact upon space that could, otherwise, be used for more viable childcare services.

Toddler Rooms

At first, it may seem very lucrative for a childcare service to be charging an average fee of €176 per week, or €763 per month, per child for a Toddler Room. For example, with 10 toddlers, for 52 weeks of the year at €176 per week, a Toddler Room would raise approximately €91,520 in income.

However, this must be considered in light of the costs of running such a room. Staffing the Toddler Room in the example above would require two members of staff, i.e. a Room Leader and EYE, which, including PRSI and annual leave cover, would total €60,749 for an average community-based service of 50+weeks. This leaves a surplus of €30,771, which acts as a contribution towards other costs in the service, including, for example, manager's salary, administration, heating, lighting, accountancy fees, etc. Based on an average-sized community service in an urban setting, it not be unreasonable for such costs to total over €145,000. In order to merely breakeven (€0 surplus or deficit), this service would need at least 5 such Toddler Rooms, at near full capacity for 52 weeks of the year; which is a highly unlikely scenario.

Most services as mentioned previously, would have many days on which the numbers are not at capacity and/ or places are being held for sessional or part-time services, a number of which would not access the service at particular points during the year, e.g. summer months. In such an example, where 8 FTE toddlers attend the Toddler Room for an average of 48 weeks per year, a total of €67,584 in operational income would be raised. With a potential direct wage bill for the room of €60,749, this leaves a mere €6,834 to contribute towards other operational costs in the service, which are likely to total over €145,000. Again, with such numbers of toddlers in the room, the service would not be viable or sustainable.

Number of Children	Direct Staff Costs	Potential Income	Contribution to Overheads
10 for 52 weeks	€60,749	€91,520	€30,771
8 for 48 weeks	€60,749	€67,584	€6,834

Pre-school service	Age of children	No. of adults	No. of children
Sessional services	0-1 years	1	3
	1-2.5 years	1	5
	2.5-6 years	1	11
Full/part-time day care	0-1 year	1	3
	1-2 years	1	5
	2-3 years	1	6
	3-6 years	1	8

18 The adult:child staff ratio is determined by the Childcare Regulations and are summarised briefly below. No childcare service can operate, at any time, below these ratios.

Pre-School, non-ECCE

Childcare for non-ECCE children in their pre-school years (2.5 and 3 years+) has the potential to be a viable service, due mainly to the increase in the adult:child ratio for that age group, as contrasted with the ratio for toddlers and babies.

The average fee for a place in this age group is €176, with a potential highest adult :child ratio of 11:1. Based on these numbers, for a period of 52 weeks per year, a Pre-School room would have a significant potential income of €201,344.

However, while the potential exists, it does not reflect the reality for the vast majority of childcare providers. Based on the survey results, the number of children attending full-time services is relatively low compared to the total number of children attending, with non-ECCE children spread among full-time, part-time and sessional.

Leaving aside ECCE placements for the moment, the impact of part-time and, particularly, sessional spaces on the viability of a room should be highlighted. It is a feature of the childcare sector that many of the places being provided in rooms are a mix of full-time, part-time and/or sessional children. As a result, it is not unusual for the actual number of children to vary significantly during the day, and week, from high to low while, at the same time, the room is regarded as being 'full' for childcare purposes. At the high-points, this can give the impression that the room is earning significant income at all times. However, because of the following factors, this is not actually the case:

- Not all of the places are being charged at the same rate, i.e. ranging from sessional to full-time;
- Even sessional places that are accessed for only a number of days per week, for example 2-3 days, have to be regarded as 'full' places by the service and, in most cases, it is not possible or practical to combine these with other 2-3 day sessional services. In other words, a sessional place that uses the service for 2-3 days per week can often require the same allocation of resources as a full-day care placement for 5 days per week;
- Due to the ratio requirements, despite the varying numbers in the rooms, the number of staff tends to remain constant, even when numbers are low at particular points during the day or week.

It should also be noted that the market for childcare places in a pre-school setting will change significantly with the introduction of the new two-year ECCE programme; the demand for sessional places will increase, reducing the demand and availability of full-time places. This is discussed further in the next section.

ECCE

Impact of two-year ECCE

With the introduction of the two-year ECCE programme, there are likely to be significant impacts upon pre-school services.

- For existing service users, the ECCE programme will support existing childcare needs, although the classification of some will change from sessional to ECCE, which will impact upon the level of fee being generated from that placement. For example, if they change from sessional to ECCE, the fee being received by the service may increase or decrease depending on the sessional fee and whether a higher or standard capitation is being provided.
- For new service users, the ECCE programme will support increased demand for childcare, although the service being accessed will, unlike regular sessional childcare, be limited to 38 weeks of the year. This new childcare is likely to replicate that originally supported by the ECCE programme, whereby new children began to attend childcare services to avail of the ECCE programme, even though there may not have been an actual need of the parent for service-based childcare. This will impact upon the number of places on offer and has the potential to reduce the number of places available for non-ECCE childcare places.

Viability of ECCE

Where a service is receiving the higher ECCE capitation, ECCE Rooms are the most potentially viable of all. For example, if a childcare service were providing an ECCE Room with 20 children attending, there is a potential income, based on the higher capitation rate, of €57,000 for the 38-week period. For an average privately owned service paying an average of €11.41 per hour for a Room Leader and €10.92 for an Early Years Educator, there would be a total wage cost of €17,300 for the room. This provides an initial surplus on the room of €39,700 (income less wages), which must contribute towards the total operational costs of the facility. Four such rooms would be required for an average-sized childcare facility with operational costs of €145,000. This position may improve even further if the entire facility was reduced to a 38-week service, thus reducing costs.

However, this is not a model of childcare that can support better pay, conditions or professional development of childcare staff or the wider childcare needs of parents. Such a model is based upon:

- A low-wage business sector, where a large number of staff, despite qualifications, earn less than the Living Wage of €11.50;
- Operating primarily for the 38-week academic year, with the availability of services being extremely limited outside of these weeks;
- Supporting the 38-week academic year involves offering many staff 38-week contracts, a large number of which will be on a part-time basis;
- Focusing on the most viable childcare services, i.e. to the pre-school years, with viability reducing significantly for Baby Rooms and, to a lesser extent, Toddler Rooms.

If the sector continues to develop in this manner, the most viable form of childcare services will be that focusing specifically on pre-school and School Age Childcare services, for 38 weeks of the year, with no provision for baby or toddler childcare. This model is not capable of meeting the general childcare needs in Ireland for accessible, affordable and comprehensive childcare.[19]

19 For example, the European Commission's analysis of the Irish economy and the structural challenges that must be addressed to sustain Ireland's economic recovery consistently identifies access to affordable childcare as a priority issue, in particular for women and low income families. European Commission "Country Report Ireland 2016."

PROFESSIONAL DEVELOPMENT

Lack of Professional Development in Childcare in Ireland

National and international research has established that the skills and qualifications of adults working with young children is a critical factor in determining the quality of young children's early childhood care and education experiences.[20] As a result, it is important to have a career development path that rewards the qualifications and experiences of childcare workers.[21]

However, it is evident from the findings of the survey that there is very limited opportunity for professional development within the childcare sector. This is due to the following factors, which are prevalent throughout the sector:

- A large number of staff are employed on a part-time basis;
- For many, the average wage is less than the living wage of €11.50;
- Many of those working within ECCE services are being offered 38-week contracts;
- While regulations have been imposed upon the sector requiring minimum qualifications, and promoting higher qualifications through ECCE, most childcare services are not in a position to reward such qualifications by increasing wages.

The combination of each of the above factors has led to the widely acknowledged fact within the sector that, despite the promotion of QQI Level 7 qualifications for childcare staff through ECCE, the average wage levels fall far short of those expected for such a qualification.

Comparison with average hourly earnings for workers in Ireland

CSO statistics, published in Q2 of 2015[22], reported that the level of average hourly earnings for private sector workers in Ireland, was €20.10, which is 176% of the average hourly rate of a Room Leader in a privately-owned, 50+ week childcare service in an urban setting. Furthermore, within the education sector, which incorporates pre-primary childcare and statistics referring to the average hourly earnings of childcare staff, the level of average hourly earnings was €33.90, which is 297% of the average hourly rate of a Room Leader in a privately owned, 50+ week childcare service in an urban setting.

20 Workforce Development Plan for Early Childhood Care and Education (ECCE) Sector in Ireland, 2010.

21 The Workforce Development Plan for Early Childhood Care and Education (ECCE) Sector in Ireland, 2010, also highlights the importance of a relevant and comparative process for qualifications to support a career path, taking into account experience and the National Framework of Qualifications.

22 Earnings and Labour Costs Quarterly, Q1 Final, Q2 Preliminary Estimates, CSO, 2016.

Increase salaries to the average earnings in the education Sector

If wages and salaries were increased within the childcare sector to reflect the average hourly earnings within the education sector, €33.90[23], which incorporates childcare, the impact on childcare businesses would be ruinous.

Take, as an example, a sample privately owned childcare service, open for 50+ weeks in an urban setting. If the role of Room Leader received the average hourly rate in the education sector, and other posts were increased pro-rata, childcare fees would need to increase by 106%, just to ensure that the childcare services breakeven (an average fee of €361 per week for a full-time childcare place, equating to €1,567 per child per month and €18,807 per child per year.)

Private, 50+ weeks Urban	Current Average Wage	Increase to Education hourly rate
Income	€411,380	€411,380
Wages	€292,115	€744,979
Other Operating Costs	€102,349	€102,349
Surplus/ Deficit	€16,916	-€435,948

Increase relative to hourly earnings of substitute primary school teacher

As above, if wages and salaries were increased within the childcare sector to reflect the average hourly earnings of substitute primary school teacher, €30.45[24] the impact on childcare businesses would, again, be detrimental to their financial viability.

Private, 50+ weeks Urban	Current Average Wage	Increase to Substitute Primary Teacher hourly rate
Income	€411,380	€411,380
Wages	€292,115	€675,517
Other Operating Costs	€102,349	€102,349
Surplus/ Deficit	€16,916	-€366,487

Increase in current wages to support career pathways within childcare

If an increase was agreed within the childcare sector to reflect higher qualifications among staff, leading to a 20% in wages for Room Leaders (QQI Level 7), from €11.41 to €13.69,and 10% for Early Years Educators (QQI Level 6), from €10.92 to €12.01, then, as above, the average childcare facility would become unviable. This would impact all models of childcare, including community, privately, urban, rural and those operating from 38 weeks to 50+.

As an example, the impact of such an increase on the viability of a sample privately-owned childcare service, open for 50+ weeks in an urban setting is illustrated below, rendering it unviable unless childcare fees are increased by 8%, bringing the surplus back to its previous level.

Private, 50+ weeks Urban	Current Average Wage	Increase to reflect qualifications (20% for Leaders and 10% for EYE)
Income	€411,380	€411,380
Wages	€292,115	€327,395
Other Operating Costs	€102,349	€102,349
Surplus/ Deficit	€16,916	-€18,364

23 As stated in the Earnings and Labour Costs Quarterly, Q1 Final, Q2 Preliminary Estimates, CSO, 2016.

24 Hourly rate for a qualified casual Primary Teacher, as per Circular 0015/2015.

Incremental increases in wages and salaries

If wages and salaries were increased across the sector in a similar incremental manner to the original scheme used for Primary Teachers, i.e. an increase of 3% per year, all of the childcare models would be operating at a loss by the end of Year 3.

An example of the impact of such an increase on privately-owned childcare service, open for 50+ weeks in an urban setting is illustrated below.

Private, 50+ weeks Urban	Current Average Wage	3% increase per year Year 3
Income	€411,380	€411,380
Wages	€292,115	€313,467
Other Operating Costs	€102,349	€102,349
Surplus/ Deficit	€16,916	-€4,437

Impact of Wage Changes on ECCE Capitation Rate

The analysis below provides an overview of the approximate increases in the ECCE capitation rate that would need to occur to maintain current viability levels in an ECCE Room. In this case, the example being used is that of a privately-owned service, in an urban setting, on the higher capitation rate, employing a Room Leader and Early Years Educator in a room of 20 ECCE children on a 38-week contract. The hourly wages in the example are €11.41 for the Room Leader and €10.92 for the Early Years Educator.

Increase to average education salary level

If Room Leaders were to be paid at the average education sector level of €33.90 per hour, then, to maintain an average ECCE Room at its current level of viability, the ECCE rate would need to increase to €119.86.[25]

Increase to substitute teacher salary level

If Room Leaders were to be paid at the Substitute Primary Teacher's salary of €30.45 per hour, then, to maintain an average ECCE Room[26] at its current level of viability, the ECCE rate would need to increase to €112.99.

20% and 10% Increase

If Room Leader wages were to increase by 20% and Early Years Educators to increase by 10%, then, to maintain an average ECCE Room, as per the previous example, the ECCE rate would need to increase to €78.44.

30% and 20% Increase

If the aim were to raise childcare staff's hourly rate sufficiently higher than the Living Wage, one option would be a 30% and 20% increase in wages. To support such an increase, and maintain existing levels of viability in an average ECCE Room, the ECCE rate would need to increase to €80.71.

52-week employment

To support the cost of employing staff at their current wage levels for 52 weeks, as opposed to 38-weeks, the ECCE rate would need to increase to €83.39. (This is assuming the ECCE remains operational regarding placements for 38 weeks.)

52-week employment, with increase in wages

If staff were employed for 52-weeks with an increase of 20% in Room Leaders' wages and 10% in Early Years Educators' wages, the ECCE rate would need to increase to €88.09. If a 30% and 20% increase were applied, the ECCE rate would need to increase to €91.20. (This is assuming the ECCE remains operational regarding placements for 38 weeks.)

The effect of each of the above changes is demonstrated in the table below:

25 Assuming a pro-rata increase for Early Years Educators in such scenarios.

26 Using the example of a privately-owned service, in an urban setting, employing a Room Leader and Early Years Educator in a room of 20 ECCE children on a 38-week contract.

Wage Change	Room Leader Wage	EYE Wage	New ECCE higher capitation rate
No change to Wages	€11.41	€10.92	€75
Increase to average Education salary level	€33.90	€32.44	€119.86
Increase to Substitute Teacher salary level	€30.45	€29.14	€112.19
20% and 10% Increase	€13.69	€12.01	€78.44
30% and 20% Increase	€14.83	€13.10	€80.71
52-week employment	€11.41	€10.92	€83.39
52-week employment, with increase in wages	€14.83	€13.10	€91.20

CHANGES IN OCCUPANCY/ INCOME

Increase in occupancy/income

The research looked at the scenario where childcare services succeed in increasing their occupancy/ income by 10% without affecting their staff ratios. As expected, and reflecting the breakeven nature of the average childcare service, increases in occupancy, closer to capacity, have a positive impact upon profitability, demonstrated most clearly in the case of the larger childcare services.

The following table illustrates the scenario where a privately owned childcare service in an urban setting, open for 50+ weeks, continues at their current average costs levels, but succeeds in increasing their occupancy/income by 10% without affecting their staff ratios. (It should be noted that this is a very conservative approach and it is most likely that an increase in wages would occur in this scenario, due to the probable increase in staffing required to meet the adult:child staff ratio and/ or maintain quality standards in the childcare setting.)

Private, 50+ weeks Urban	Current Average Wage	10% Increase in occupancy
Income	€411,380	€452,517
Wages	€292,115	€292,115
Other Operating Costs	€102,349	€102,349
Surplus/ Deficit	€16,916	€58,054

The scenario above illustrates the breakeven nature of the average childcare service. Increases in occupancy/ income, closer to capacity, have an impact upon profitability, demonstrated most clearly in the case of the larger childcare services.

However, it is very difficult to promote 'higher occupancy' as a solution to the viability issue within the childcare sector. Childcare services have highlighted the difficulties in achieving such higher occupancies, as well as the fact that many childcare services maintain that, in the interests of quality childcare provision, operating at the full adult:child staff ratio is not an option they should pursue.[27] For example, many believe that, if they were to increase occupancy levels in the rooms, it would raise concerns among parents and, over time, reduce the actual number of people looking to use the service. As a result, an increase in income, as opposed to occupancy, would be preferable in maintaining the quality of childcare on offer within a service.

27 See, for example, Dublin City Financial Models Survey 2015.

Reduction in Occupancy/Income

The following table illustrates the scenario where occupancy/income for the childcare services reduces by 10%, compared to their current average position.

Private, 50+ weeks Urban	Current Average Wage	10% Reduction in occupancy
Income	€411,380	€370,242
Wages	€292,115	€292,115
Other Operating Costs	€102,349	€102,349
Surplus/ Deficit	€16,916	-€24,222

As in the previous section, the above scenario demonstrates the breakeven nature of the average childcare service. A reduction in 10% of occupancy/ income has a devastating impact upon the viability of the service.

As a result, it is not possible for an average childcare service to absorb a decrease in childcare fees to accommodate more affordable childcare. Any reduction in cost would have to be supported elsewhere, rather than the reduction in fee per child for each childcare service.

It should be noted that, due to the adult:child staff ratio requirements, the childcare services cannot offset the impact of the reduction in occupancy by a similar reduction in staff numbers. Furthermore, based upon the feedback from the surveys and anecdotal evidence from the sector, for many of the private services in this situation, the Owner/ Managers tend to address the financial difficulty by reducing their salary significantly, or eliminating it entirely. This may, on the face of it, improve the viability of the service, but it is an artificial scenario that does not reflect the true cost of running the childcare service.[28]

28 This reflects similar findings in both the Dublin Financial Models, 2015, and Limerick County Financial Models, 2016, reports.

THE CHILDCARE MODEL

Is the childcare sector a free market?

A free market is an economic system in which prices are determined by unrestricted competition between privately owned businesses with little or no government control. On its face, the childcare sector in Ireland is operating in a free market, with prices being set individually, and with strategic and operational decisions entirely at the discretion of the management of each service. However, and as highlighted in the previous sections of this Report, there are many factors that have significantly reduced the independence of childcare services, a number of which are outlined below:

- 95% of early years services provide ECCE. DCYA pays providers directly for eligible children at the two capitation rates, standard capitation of €64.50 and higher capitation of €75. Providers cannot charge parents anything additional for ECCE. As such, for the increasing number of ECCE-only services, the cost of childcare has effectively been capped by Government.

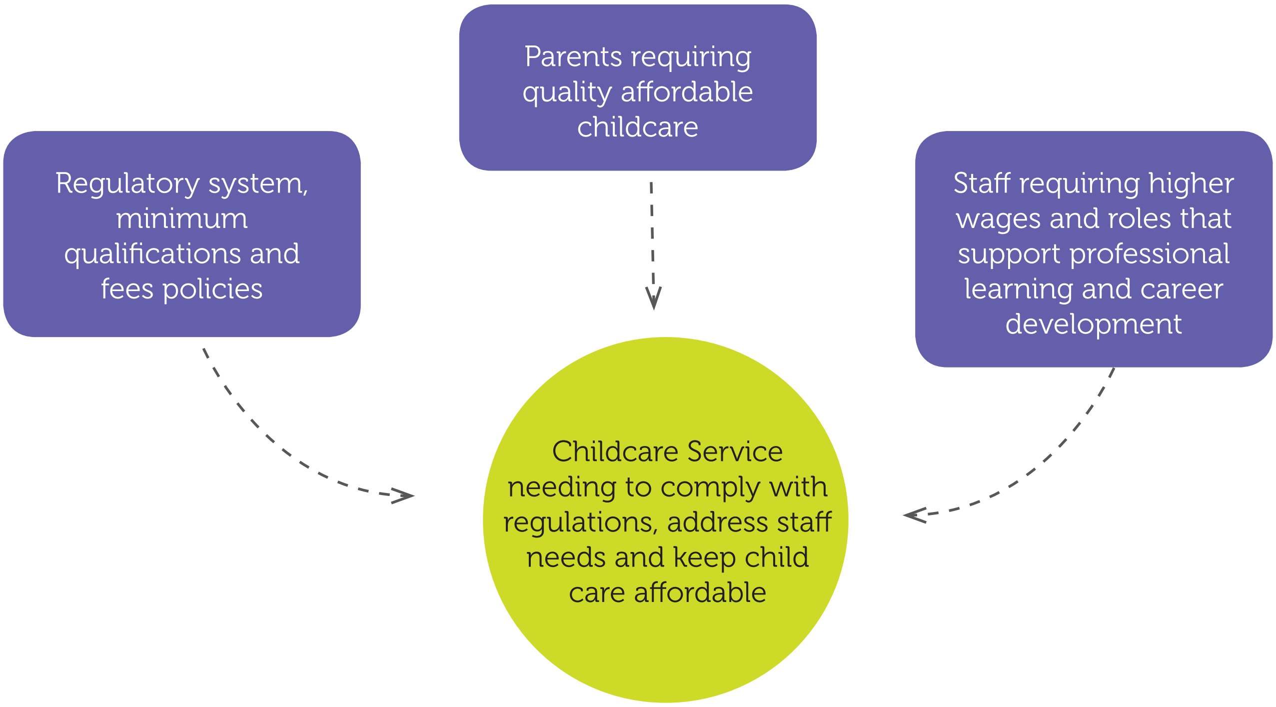
- With the implementation of a fees policy within CCS, many of these services are generating fees policies that operate close to break-even. This, in turn, impacts upon all other services in the area, as prices are compared by parents on a full-time, part-time and sessional basis. As a result, many charge fees that are high to parents yet, at the same time, merely support a breakeven scenario for many services, despite the use of low-wage employment.

- The most recent Regulations in 2016 introduced minimum levels of qualifications, QQI Level 5, for all members of staff working directly with children. The minimum qualification requirement also means that Community Employment (CE) scheme participants on placement in community services, who do not hold the necessary qualification, cannot be counted in the adult:child ratios. Staff professionalisation is also encouraged by the State through higher capitation payments in ECCE for services that have a Room Leader with a Level 7 qualification and three years' experience. While these are welcome quality driving measures in the best interests of children, which ECI fully supports, they nevertheless interventions that reduce the independence of childcare services.

- The cost of childcare to parents in Ireland is already one of the highest in the EU. The provision of quality affordable childcare is a publicly stated Government priority.[29] Any increase in childcare fees would be regarded as unsustainable for parents, yet childcare providers continue to struggle with their own sustainability. There is thus very little room for services to improve their viability. Many continue by paying highly qualified staff badly, offering restricted work contracts, and increasingly by limiting the range of childcare services offered to parents.

It is not reasonable to state that childcare providers have the freedom or ability to adapt their services to the changing environment. Prices are influenced by publicly-funded childcare programmes. Minimum staff qualifications have become a regulatory requirement and, in the face of an existing affordability crisis for parents, nobody wants to see a rise in the cost of childcare.

29 A Programme for Partnership Government, May 2016..



Appropriateness of the current childcare model

It is not possible for childcare services to meet all of the needs listed above, many of which are mutually exclusive. As the pressures mount from each quarter, many childcare services are coming to the realisation that the most effective way to support their viability, within the current model, is to focus primarily on the ECCE and School Age Childcare services for the 38-week academic year.

From a childcare service's perspective, there are numerous benefits to this model, such as a standard childcare fee, secured payment, a schedule of attendance for participating children and an ability to roster staff in accordance with the childcare numbers.

In the wider context, however, the negative impacts arising from such a development are obvious, and significant:

- Childcare options would be restricted mainly to those of a pre-school age, with limited availability of childcare for babies and toddlers and for full and part time day care;
- The limited availability of childcare for babies and toddlers and for full and part time day care would increase the fee being charged to parents for these services;
- It would not be possible to promote the sector as an option for a professional career, with a large number of staff employed on a part-time and 38-week basis.

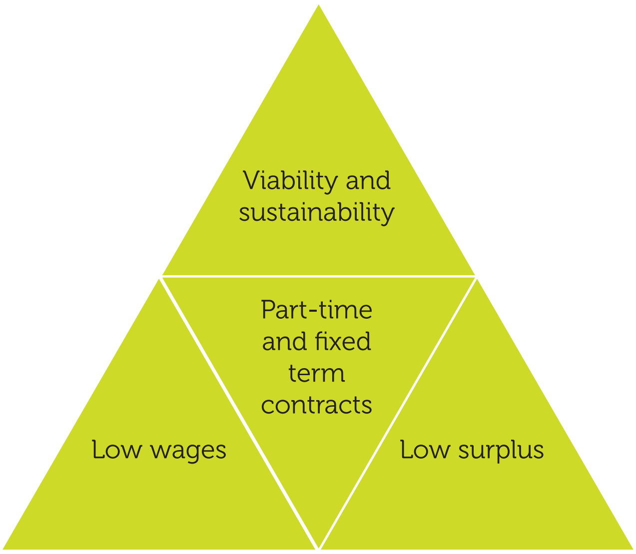
CONCLUSIONS

Families, policy makers and the childcare sector itself, are striving to achieve the same goal of quality, affordable and sustainable childcare for all. The current trend in childcare provision toward an ECCE only model, alongside School Age Childcare placements, in an effort to remain viable, is taking us off course.

Since the early 2000s, there has been concerted and welcome focus within the childcare sector on quality childcare provision and positive outcomes for children. Positive impacts have been achieved through a number of substantial initiatives such as the childcare regulations, Aistear, Síolta, Tusla and DES inspection regimes and the implementation of various childcare programmes, chief of which is ECCE.

However, in terms of the sector's viability, concerns have been raised about the direction of the current childcare model, which, as the Report clearly demonstrates, is built upon three main pillars: low wages; part-time contracts; and low surpluses. While a small number of childcare services manage to generate relatively high surpluses, they are the exception within the sector and tend to be based within large urban settings.

In terms of viability, the key finding of the Report is that the difficulties faced by providers in the sustainable delivery of non-ECCE childcare services has pushed many towards the ECCE only model. Baby and Toddler Rooms, in general, cannot compete with the revenue stream being produced by an ECCE Room, as well as with the predictability and dependability of the income being raised by ECCE. This has pushed many services to limit, or remove entirely, the availability of childcare services outside of the ECCE programme.



At the centre of all considerations about the provision of quality childcare is the best interests and experience of the child. The Report's findings highlight significant potential impacts for parents, staff and the childcare sector as a whole.

Parents - potential impacts

- Limited availability of childcare services for young children and babies outside of the ECCE programme, as childcare facilities reduce or withdraw from running the less viable non-ECCE Rooms
- Potential increase in price of non-ECCE services, as supply reduces and/ or a subsidy is required by the service to justify running a non-ECCE Room
- A worsening childcare affordability crisis in Ireland, especially in the cost of childcare for under 3s, which is already among the most expensive in the EU (OECD, 2014). The high cost of childcare is exacerbated by the fact that Ireland has the fourth shortest period of paid parental leave in Europe and the gap between the end of paid leave and the beginning of free pre-school under the ECCE programme is approximately 138 weeks, depending on when during the ECCE programme year a child turns three years old

Staff - potential impacts

- An increase in the number of part-time employment contracts being offered on a 38-week basis, as opposed to 52-week, in line with the payments being received through ECCE
- Associated difficulties for staff, for example securing mortgages and making pension contributions
- Wages not reflecting staff qualifications, with Level 7-qualified staff earning relatively low wages and most services not being in a position to offer an increase in hourly rates
- Minimal professional development within the sector, as higher qualifications unlikely to lead to increased wages or a full-time 52-week contract

Childcare sector - potential impact

- Potential that the childcare sector becomes primarily a 'pre-school' setting, alongside School Age Childcare placements, moving away from the provision of traditional childcare services
- Since the workforce is one of the most influential determinants of quality in childcare, a lack of qualified staff will negatively impact on quality.
- A lack of professional development and opportunities within the sector is likely to reduce the attractiveness of the sector to qualified Level 7 staff
- Retention of staff will be difficult in a low-wage and part-time sector
- Failure to secure highly qualified staff, i.e. Level 7, will impact upon the capitation rate available to the service, with potential knock-on effects regarding viability

Childcare services are increasingly moving towards an ECCE only model, alongside School Age Childcare placements, in an effort to continue as viable going concerns. While this no doubt improves the financial sustainability of their service, it only works where low wages, part-time contracts and relatively low surpluses are the norm. Quite clearly, this is incompatible with the professionalisation of the sector and the ability of services to attract and retain the qualified staff they need to deliver quality care and education to children. If the sector continues in this direction, there will be an inevitable and significant impact on the availability and affordability of comprehensive childcare provision outside of ECCE, i.e. childcare provision on a full and part time basis and for under 3s, to the detriment of children, parents, staff. and the sector as a whole.

It is vital that all stakeholders work toward achieving a robust, functioning and desirable childcare system in Ireland that ensures: quality for children; sustainability for both childcare services and their staff; and affordability for parents. To this end, ECI makes the following 10 recommendations to Government and policy makers.

Recommendations

1. **Publish the National Early Years Strategy.** The National Early Years Strategy is a unique opportunity to identify the needs, opportunities and best interests of every child in Ireland from birth to 6 years of age, with special focus on early childhood care and education. The Strategy must recognise a universal, accessible and high quality ECE system as a right for all young children. It must be built and developed with parents and communities to support children's holistic development. The evidence informed policies set out in the Strategy must be accompanied by an implementation plan and timeframe and be met with the necessary funding by all the Government Departments charged with their delivery. The Strategy must serve as the roadmap for the future direction, development and funding of ECE in Ireland.

2. **Base state subsidies on a realistic assessment of the cost of providing childcare.** The financial viability and sustainability of childcare providers needs to be a key concern of policy makers, and not just the providers themselves. Government must address the structural deficiencies in the current funding model, whereby low state subsidies lead to low margins, low pay and poor conditions for staff, and ultimately undermines the ability of both the sector and the State to deliver quality services for children and affordability for parents. The levels of subsidy underlying the design of future schemes, as well as the existing ECCE programme, must be based on a realistic assessment of the cost of providing childcare with adequate margins. To this end, the Department of Children and Youth Affairs must expedite the independent review of the cost of providing quality childcare in private and community settings, consistent with the principle of ongoing professionalisation of the sector, as per the Programme for Partnership Government commitment (May, 2016).

3. **Initiate a new 'Early Education and Care Workforce and Professionalisation Plan'.** Government should conduct research and engage with the sector to develop a Workforce Plan that sets out a realistic assessment of the number of early childhood professionals that are needed, and where, over the next 5-10 years, including their levels of qualification and how we recruit and retain them.

4. **Develop a 'Capacity Plan' for the sector.** Government should develop a Capacity Plan based on evidence of need, setting out the numbers and locations for provision, and measures to address the most effective mix of efficient setting size needed, subject to geographic and other factors.

5. **Work with the sector to agree recognised salary scales for early years educators.** Government must recognise that inadequate State subsidies are sustaining the unacceptably low pay and poor conditions in the ECE sector. This has led to a staffing crisis. Services increasingly struggle to retain and recruit enough staff meet the adult:child ratios and/or appropriately qualified staff to satisfy regulatory requirements. Government cannot meet its own policy objectives to expand the childcare sector without addressing the pay and conditions deficiency. The additional investment in the sector must provide for increased salaries, where Government works closely with the sector to develop agreed salary scales in the medium term.

6. **Increase Paid Parental Leave and Introduce a Childcare Subsidy for under 3s.** Mindful that UNICEF recommends 12 months' paid parental leave as a minimum, ECI urges the Government to act quickly on its Programme for Partnership Government commitment to "significantly increase parental leave in the first year of a child's life" and "prioritise paid parental leave in the first year". Thereafter, Government must introduce a childcare subsidy to support parents with the full year childcare costs, where the State pays the provider or registered childminder directly to subsidise the real cost of childcare. In order to have any meaningful impact on the affordability and availability of childcare for under 3s, the subsidy level must be sufficient to address the current sustainability difficulties for provision to this age cohort. A minimum initial €20 million investment is required for this subsidy in 2017 (see Early Childhood Ireland Budget 2017 Submission 'Time for Giant Leaps Toward Quality, Sustainability and Affordability in Irish Childcare'). This subsidy needs to be increased consistently year on year, and achieve a minimum contribution of €60 per week by 2021. This subsidy should be rolled out as part of the Affordable Childcare Scheme, with higher subsidies for low-income households.

7. **Get the Affordable Childcare Scheme right from the start.** The new Affordable Childcare Scheme must be planned and developed to ensure it provides a comprehensive and coherent system of supports for all children availing of childcare, including ECCE and School Age Childcare, and provides a flexible and robust platform for all future investment in childcare. The design of the Scheme needs to:
   - Be informed by an independent review of the cost of providing quality childcare in private and community settings, consistent with the principle of ongoing professionalisation of the sector, as per the Programme for Partnership Government commitment (May, 2016).
   - Be informed by the knowledge and expertise that the sector has to offer. Preparations for the Scheme need to include a comprehensive consultation and engagement process that ensures that the voices of providers and parents are heard.

- Recognise that a 'one size fits all' approach will not suffice and that one level of subsidy will not work everywhere. Many factors influence the cost of providing childcare. They may be geographical or specific to the needs of particular communities and children. For example, subsidies should reflect the higher cost of providing childcare to children with disabilities in the under 3s cohort and in School Age Childcare i.e. outside of the Access and Inclusion Model (AIM) in ECCE.
- Be based on year-round supports, and incorporate non-contact time at a minimum of 10% equivalent of contact time and CPD for all staff.
- Allows parents and providers to interface with a single, accessible and coherent system of supports.

8. **Eliminate disincentives so that providers can offer a full suite of childcare.** Government needs to carefully construct its supports for ECE so that it does not inadvertently create disincentives and barriers to services providing a full suite of childcare for children in their early years and in School Age Childcare.

9. **Recognise all ECE services as educational services and as such exempt from paying commercial rates.** This is important as a matter of principle, whereby the State recognises and values the learning, development and well-being fostered by Early Years Educators in ECE settings. Furthermore, since all community providers and private providers offering ECCE-only services are exempt from paying commercial rates, it is also a clear example of an unintended inducement for struggling private providers to move to an ECCE-only model.

10. **Develop a model of School Age Childcare that is regulated, subsidised and avoids displacement.** The Department of Children and Youth Affairs and the Department of Education and Skills need to be cognisant of the important role School Age Childcare plays for existing childcare services in subsidising the cost of wider childcare provision, particularly for the under 3s. Serious consideration must be given to the negative impact of displacement "to primary school buildings for afterschool care provision" on the viability and sustainability of existing providers in areas where demand for additional School Age Childcare places is not evident.

Concluding comment

The Report represents the first ever comprehensive national review of the cost of running childcare services of varying sizes, community-based and private, in both urban and rural settings. It has explored whether the existing funding models are capable of supporting viable and sustainable childcare services, examined current trends in childcare provision, and concluded that the direction of childcare is toward the pre-school ECCE provision dominating the sector at the expense of comprehensive early years care and education. ECI has made a number of recommendations to Government and policy makers, to steer the childcare sector back on the road toward achieving quality, affordable and sustainable childcare for all who avail of it. As the first of its kind, ECI is confident that the Report will make a valuable contribution to both current discussions and the future development of childcare policy and investment.