



FINANCIAL FRAMEWORK

A FUNDING PROPOSAL FROM INDEPENDENT CHILDCARE PROVIDERS FOR THE SUSTAINABLE PROVISION OF EARLY LEARNING CHILDCARE (ELC) SERVICES IN IRELAND IN RESPONSE TO COVID-19

7 JUNE 2020

Context

As set out in our [Reopen Safely, Recover Sustainably](#) policy paper published on 29 May, the challenge facing independent childcare providers is stark. Covid-19 has temporarily closed early learning childcare (ELC) services since 12 March. Its impact has created operational complexities and significant immediate financial implications. The challenge is not just reopening but staying open.

The consequences extend beyond parents and providers to the wider economy too. Any inability of the wider population to return to work due to a lack of childcare support means economic recovery and productivity is blunted, with negative consequences to the overall national challenge and Exchequer returns.

The guidelines as published by the Department of Children and Youth Affairs also present costly, complex operational challenges—not least the fact that the ‘Pod’ model puts a potential cap on numbers while simultaneously increasing staffing costs, particularly post the end of the Temporary Wage Subsidy Scheme (TWSS) extension from 1 September.

Childcare demand

The most recently published [Annual Early Years Sector Profile Report](#) from the Department of Children and Youth Affairs and Pobail quantifies childcare in Ireland. It shows the dependency level of families on childcare services, as reflected in the following table from page 85 of its report:

Service type	Community	Private	Urban	Rural	Total
Breakfast club	2,928	7,422	6,515	3,835	10,350
Drop-in	310	327	334	303	637
Full day care	9,548	28,515	28,918	9,145	38,063
Part-time care	10,086	12,978	16,875	6,189	23,064
School-age childcare (after-school)	15,537	25,051	27,193	13,395	40,588
Sessional	22,594	62,305	56,765	28,134	84,899
Total number of children enrolled	61,003	136,598	136,600	61,001	197,601
% of children enrolled	31%	69%	69%	31%	n/a

Of the almost 200,00 children in daily childcare services, some 70%—136,598 children—are cared for every day by independent providers.

Independent providers have remained in constant engagement with parents during the lockdown period. It has enabled us to keep them updated and us informed of their thinking. Like many, they are uncertain right now—about childcare and their livelihoods. Whether or not they decide to resume using early learning childcare services is influenced by this uncertainty.

Informed by this engagement, the Annual Early Years Sector Profile Report, and the Government’s widening of the parent cohort who can return to childcare from 29 June, Table 1 hereunder summarises the scale of the collapse in demand over the period 1 July to 31 December 2020. Table 2 provides this in more granular form per childcare service type.

TABLE 1: 2019 v 2020 DEMAND COMPARISON

TIMELINE		NUMBER OF CHILDREN		DEMAND DECREASE	
		2019	2020	Children	%
PHASE ONE	JULY AND AUGUST	136,598	34,149	102,449	75%
PHASE TWO	SEPTEMBER AND OCTOBER	136,598	68,297	68,301	50%
PHASE THREE	NOVEMBER AND DECEMBER	136,598	102,449	34,149	25%

As outlined, we estimate a demand level collapse at up to 75% in the immediate first phase, decreasing proportionality in the two subsequent phases.

Numbers as set out are broadly representatives of the estimated 3,600 independent childcare providers nationally. Variances such as social-demographics, scale and standard seasonal factors are also considered.

TABLE 2: DEMAND BY SERVICE TYPE (1 JULY TO 31 DECEMBER 2020)

PHASE	SERVICE TYPE	NUMBER OF CHILDREN		DEMAND DECREASE	
		2019	2020	Children	%
PHASE 1: JULY/AUGUST	Breakfast club	7,422	1,855	5,567	75%
	Drop-in	327	82	245	75%
	Full day care	28,515	7,129	21,386	75%
	Part-time care	12,978	3,244	9,734	75%
	School-age children	25,051	6,263	18,788	75%
	Sessional	62,305	15,576	46,729	75%
	Total	136,598	34,149	102,449	75%
PHASE 2: SEPTEMBER /OCTOBER	Breakfast club	7,422	3,711	3,711	50%
	Drop-in	327	163	164	50%
	Full day care	28,515	14,257	14,258	50%
	Part-time care	12,978	6,489	6,489	50%
	School-age children	25,051	12,525	12,526	50%
	Sessional	62,305	31,152	31,153	50%
	Total	136,598	68,297	68,301	50%
PHASE 3: NOVEMBER /DECEMBER	Breakfast club	7,422	5,567	1,855	25%
	Drop-in	327	245	82	25%
	Full day care	28,515	21,386	7,129	25%
	Part-time care	12,978	9,734	3,244	25%
	School-age children	25,051	18,788	6,263	25%
	Sessional	62,305	46,729	15,576	25%
	Total	136,598	102,449	34,149	25%

FUNDING FRAMEWORK: COST PER CHILD BASIS

In response, Seas Suas is proposing a reducing scale funding framework, anchored in a baseline of **€1.96 per hour per child** (July/August) and **€5.67 per hour per child** (September to December).

The Framework methodology is applied as follows:

Provider cost per hour per child x Number of hours x Demand decrease

This methodology aligns with the existing childcare service model and is rooted in childcare hours used per child which, as we know, can vary depending on factors such as parental requirements, childcare service type and scale of independent provider centre.

We have set it out in three phases over the remainder of 2020. We have taken account in our calculations of the following factors which apply in the respective phases:

- Phase 1: July/August: the Government’s extension of the TWSS to the end of August as announced on 5 June last;
- Phases 2 and 3: September to December: the estimated 30% increase in wage costs and the fact that the ‘Pod’ model as set-out in the guidelines requires additional staffing resources;
- Phases 2 and 3: September to December: increase in costs linked to the guidelines.

Table 3 hereunder summarises the Framework in total over the period 1 July to 31 December 2020 while Table 4 provides this in more granular form per childcare service type.

It is worth noting that the Framework is prepared on the basis that existing State supports such as the ECCE scheme continue to apply as they are currently structured and timed.

TABLE 3: FUNDING FRAMEWORK SUMMARY

PHASE	AMOUNT
One: July/August	€24,595,993
Two: September/October	€71,679,097
Three: November/December	€35,839,049
TOTAL	€132,114,139

TABLE 4: FUNDING FRAMEWORK PER CHILDCARE SERVICE TYPE

PHASE	SERVICE TYPE	PROVIDER COST PER HOUR PER CHILD	TOTAL NUMBER OF HOURS	DECREASED NUMBER OF CHILDREN	FRAMEWORK AMOUNT
PHASE 1: JULY/AUGUST	Breakfast club	€1.96	44	N/A	N/A
	Drop-in	N/A			
	Full day care	€1.96	352	21,386	€14,754,629
	Part-time care	€1.96	176	9,741	€3,360,255
	School-age children	€1.96	176	18,788	€6,481,108
	Sessional	€1.96	132	N/A	N/A
	Total				
PHASE 2: SEPTEMBER/OCTOBER	Breakfast club	€5.67	44	3,711	€925,820
	Drop-in	N/A			
	Full day care	€5.67	352	14,258	€28,456,687
	Part-time care	€5.67	176	6,494	€6,480,492
	School-age children	€5.67	176	12,526	€12,499,946
	Sessional	€5.67	132	31,153	€23,316,151
	Total				
PHASE 3: NOVEMBER/DECEMBER	Breakfast club	€5.67	44	1,855	€462,785
	Drop-in	N/A			
	Full day care	€5.67	352	7,129	€14,228,343
	Part-time care	€5.67	176	3,247	€3,240,246
	School-age children	€5.67	176	6,263	€6,249,973
	Sessional	€5.67	132	15,576	€11,657,701
	Total				

The advantages of the Framework are as follows:

- **Impact:** it meets the short-term financial crisis both immediately and for the next six months as the overall economic recovery journey commences;



- **Complimentary:** it is in line with the various existing childcare service types and thus can be applied and verified through existing administrative structures;

- **Cost:** the hourly cost rate is in line with existing Government rate applications for childcare service types;

- **Responsive:** its reducing scale methodology means that it is responsive to the demand pattern. If demand is higher due to more children returning to creche, then the level of supports can be adjusted downward accordingly;

- **Transparency:** as the framework aligns with existing schemes, it means it can be verified, thus ensuring it is transparent to DCYA at all times;

- **Overall recovery:** as we have seen with essential workers to date, childcare services are an enabler. Parents need an income. Employers need parents. The Government needs parents' and employers' taxes. For all of this to be realised, each group shares a core need: childcare. Unless and until we reopen and stay open, the country's overall ability to commence the recovery journey is dented.

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