

Community Childcare in Dublin Inner City

*A study of the effects of the Community
Childcare Subvention Scheme
30th September 2008*

Commissioned by
Dublin Inner City Partnership
and
The Dublin Inner City Childcare
Providers' Network



We wish to acknowledge the work,
time and effort, put into this
research by Deirdre McCarthy of
Community Technical Aid (CTA)



**For more information contact
Dublin Inner City Partnership at:**

Equity House
16-17 Upper Ormond Quay
Dublin 7

Phone: 01 872 1321

Fax: 01 872 1330

E-mail: office@dicp.ie; info@dicp.ie

Introduction

Community childcare is a vital element of the social support of disadvantaged communities. It supports parents to work, learn and access services. It supports family's social role and provides children with a safe, secure and learning environment, giving them the advantage of a pre-school education. It also provides the local community with employment and training opportunities. There are few services that offer so many valuable outcomes for children, families and communities.

It is in this context that Inner City Community Childcare Providers Network (ICCCPN) and the Dublin Inner City Partnership (DICP) commissioned this research to examine the impact that the new *Community Childcare Subvention Scheme* (CCSS) will have on crucial community childcare providers in the inner city of Dublin. This paper outlines the key issues to have emerged from that research¹ and the full document will be made available on the Dublin Inner City Partnership's web site at www.dicp.ie.

Methodology

There are 23 community child care providers in Dublin Inner City who are members of the Inner City Community Childcare Providers Network. Twelve of these, or just over 50%, were consulted at length with a further three providers giving additional information. These providers were asked to complete a questionnaire which detailed the level of funding for 2007 and initially the level of funding for the 1st half of 2008. The childcare facilities were interviewed individually to ascertain the qualitative aspect of this research. The figures provided were measured against one another and comparisons made. The initial finding of the research was discussed and agreed by the Inner City Community Childcare Providers Network and then made available to the Childcare Directorate at the Office for the Minister for Children (OMC) and to the Minister for Children, as a work in progress. Subsequent comments from the Childcare Directorate were received and incorporated into this study. It was not until September that the figures for the latter half of 2008 were made available to the researcher and final comparisons between 2007 and 2008 could be made and the research finalised.

Summary

1. Of the twelve inner city providers case studied in this research, seven (58%) have seen their funding increase on their average annual grant under the previous scheme (the EOCP).
2. Five (42%) have seen their funding reduced.
3. Those whose funding was reduced experienced the equivalent of a 4.8% reduction in 2008 from the average annual grant level provided under ECOP.
4. Community childcare providers who have experienced reductions in funding in 2008 will continue to have their funding reduced to 85% of their 2007 level in 2009 and to 75% in 2010.
5. Childcare providers no longer have discretionary powers to provide for most needy cases.
6. Implementation of the scheme is cumbersome.
7. Subvention payments are paid forward based on previous years enrolments. Projects are now no longer able to plan in a coherent and businesslike fashion for the following year.
8. 58% of projects are worried that there will be an impact on quality of services for children and families.
9. There is a real risk that services will close. Local people in some of the most disadvantaged communities may not be able to afford childcare. Some of the most vulnerable families will be affected, and some families who struggled the hardest to get themselves out of poverty and into employment are very likely to lose their support.
10. Vulnerable children, will lose their valuable access to pre-school education and care.
11. Working parents may see increases in childcare fees ranging from 50% increase to 166% increase over 2007 costs.
12. Wages and salaries in community childcare are generally low in comparison with other similar employments. Implementation of the Scheme will result in reduction of job security for community childcare workers.



¹ A copy of the full research report is available from the Dublin Inner City Partnership.

The change from Equal Opportunities Childcare Programme (EOCP) to the Community Childcare Subvention Scheme (CCSS)

Prior to 2008, community childcare was supported by the Equal Opportunities Childcare Programme (EOCP). Childcare facilities were subsidised through this programme on an individual facility basis and over a period of three years based on evaluation of each facility's application. Grants were given on a quarterly basis. Grants were extended to facilities to run up to the end of the then National Development Plan 2000-2006. The rate of subsidy received under EOCP did not increase year on year, therefore, in real terms by 2007 the rate of subsidy had decreased. As a result many projects were operating in a situation where they were significantly underfunded. 82% of the providers in this research were not funded adequately to manage and run their service; they were either short of money or staff, or both.

Almost all of these community providers (92%) specifically target and cater for the most disadvantaged people in inner city communities. Most of the projects noted that some of the children currently in their care are very disadvantaged and/or very seriously at risk. This includes hungry children, children of parents who have addiction and/or health problems, children with emotional and behavioural problems and children who would otherwise be in care without this additional support.

The services also all cater for children whose families are economically disadvantaged who cannot access good quality childcare and preschool education without State support. These children will miss out on a pre-school education without State intervention and all are from communities who continue to experience significant educational disadvantage.



The Impact of the Community Childcare Subvention Scheme

The new CCSS will fundamentally impact on projects that rely on State funding. Projects will survive, or not, based on levels of funding, and how the new scheme is operated and implemented. There are two key issues;

- Actual grant levels and whether they go up or down
- The impact of the rules and regulations of the scheme on services, including the fees that projects will be required to seek from parents and the ability for parents to pay them.

Of the twelve inner city providers case studied in this research, seven (58%) have seen their funding increase on their average annual grant under the previous scheme (the EOCP), while five (42%) have seen their funding reduced.

It is welcomed that some of projects whose funding have increased have received significant increases. Of the projects whose funds increased, their granted income for 2008 ranged from 10% to 64% more than their average annual income under EOCP.² Overall, the level of funding in relation to the twelve projects has increased by 19% between the Jan-June period and the July to December period of 2008.

The projects who received an increase in their income are naturally pleased that their granted income has increased. But, for many, despite the increases there are concerns and issues with the CCS Scheme. They said:

- As the majority of projects were, under the previous scheme (EOCP), significantly under funded these increases are making up on previous shortfalls. Under the EOCP, projects had not received an increase in three years. Therefore these significant increases are after years of decreases in real terms.
- Changes in the fee structures will for some complicate matters and for others may result in having fewer funds at the end of the year as they expect Band C and D parents may be unable to pay the increased fees required.
- The level of administration required by the new scheme has cost the projects resources.
- Projects have lost their autonomy to set fees that they deem are appropriate to their own service users and the services that are being

² These projects received between 20% and 128% more for the July to December period of 2008 than they had for the January to June period of 2008. The first period of 2008 (Jan-June) was interim funding that was based on the average annual granted income under the EOCP. The latter half of the year was based on information supplied the previous September. Therefore, the increases came in the latter half of the year.

provided. This is because the CCSS relies on a set formula for calculating fees for parents based on their social welfare/benefit entitlements and employment/unemployment status and the cost of providing the childcare place.³

A significant 42% of inner city community childcare providers who were surveyed have had their funding cut.

Five of the projects have had their funding cut as compared to their average annual rate under EOCP. The reduction in funds to these organisations was almost ten percent (an average 9.6%) from the first half of 2008 to the second half. This is the equivalent of a 4.8% reduction in 2008 from the average annual grant level provided under ECOP.

These decreases are decreases in funds that were already not adequate, at a time when current inflation rates have been noted at 4.3%⁴. Therefore, the decrease is significantly more than the 9.6% in real terms. Reductions will also be significantly more in real terms than the minimum rates outlined by the Office of the Minister for Children (OMC).

Services which would otherwise face a significant decrease in their existing level of grant support from July 2008, will continue to receive grant aid equal to not less than 90% of their previous grant level during July-December 2008, equal to not less than 85% of that amount in 2009, and equal to not less than 75% of that amount in 2010.⁵

By 2010, projects whose funding will be cut will be getting 75% of grants that were already not adequate in 2007. This is before inflation and



wage agreements are applied. It is estimated that this will be equivalent to a cut of 40% in real terms by the end of the three year period.

The way the funding is designed also means that once a grant is cut a project is likely to continue to lose funds. Once staff are lost, which is a likely consequence of a cut in funds, the project will have to take less children, less children will result in less subvention and in turn a smaller grant. There is a real danger that once a project loses staff and then children that the project will collapse as it will start a downward funding cycle.

Five projects are now directly at risk of losing staff, childcare places, services and experiencing further funding cuts in the immediate future. Some projects have already instigated pay freezes, (in a sector which is already low paid) while another is likely to have to close at least one aspect of the service. One job has already been lost and projects are desperately trying to restructure to ensure that they maintain as much of the valuable service as possible.

Income from Fees

The level of grant is not the only new aspect of the scheme, or indeed the only factor that will affect funding for community childcare providers. This new scheme not only has a different mechanism for calculating grants, but also includes a very specific formula for calculating the fees that a project must charge. The cost of place *less* the subvention that a parent is entitled to *equals* the fee to charge a parent. The level of subvention a parent is entitled to i.e. what band they are in (A, B, C or D) is determined by their social welfare/benefit entitlements and employment/unemployment status. Therefore, projects are no longer free to set their own fees; the fees must be calculated using this formula. As a result many parents who are on social welfare will be paying less for their childcare than previously, while most parents who are working, including many on low pay, will be paying significantly more. The concern is that parents who will have to pay more will not be able to afford to do so and will withdraw their children. The child will lose their preschool education, the parent their childcare and the provider the fees.

³ The formula: (Cost of Childcare minus Subvention equal Fees Payable). Providers calculate what it costs to provide a childcare place (Full Time Equivalent (FTE) rate). Subvention is based on the Band that a parent fits into calculated from their social welfare/benefit entitlements and employment/unemployment status, either Band A, Band B or Band C, or no subvention (Band D), with most subvention for Band A (parents on social welfare, to the least for Band C, parents who are working and not in receipt of certain social welfare benefits/supports).

⁴ Annual Inflation 4.3% in August, Consumer Price Index August 2008 (11th September 2008 Central Statistics Office www.cso.ie)

⁵ Community Childcare Subvention Scheme 2008-2010 Information Note OMC



Projects whose income has reduced from the grant are expected to bring in the difference in an increased fee income, but there are very real concerns that this will not be the case.

There are fears that parents who are in Bands C and D, in particular, will be unable to pay the increased fees. As a result, some of the projects are concerned that they maybe worse off than the basic figures highlights. (One project has already estimated that they are down significantly in fees as working parents have left as they are unable to pay the new fees required under the CCSS). It was also noted by projects that many parents, particularly those in the Band C are often only very marginally better off than those on Band B, and in some cases would have less disposable income as they are entitled to less benefits.

When income to the project is reduced either directly or indirectly (reduced grant and or reduced fees) there will be serious consequences for the community childcare providers.

Implementation of Tiered Fees

One of the most negative aspects of the scheme is the effect of implementing the required tiered fee system.⁶ The implementation of tiered fees for parents will result in working parents on low incomes paying higher fees than heretofore.

Under the CCSS the requirement to introduce a tiered fees system is being enforced and derived from parent's social welfare and benefits entitlements and employment status. This was universally felt by the community childcare

providers and literature examined to have the most impact on the low paid working parents. Providers have to change their fee structure, reducing costs to the parents on social welfare and increasing to those who are working. The effect is;

- Some parents will be paying minimal costs, while others prohibitive costs. Some who had been managing with their current fees⁷ are now to pay less, where as others will see massive increases. In one service in this research, the fee proposed under the CCS Scheme will mean a change of an increase of 50% for Band B parents, of 91% for Band C parents and 166% for Band D Parents. The fact is that low paid working parents cannot pay these increases, and that it is almost impossible for a family to budget for that level of increase out of a weekly income.
- There are real concerns and fears that these parents will decide to take children out rather than pay, or will literally be unable to pay due to increased fees, so they will lose their own opportunity to work or get an education/training and these children will lose out on early childhood education.

This is a potential poverty trap. In the communities that these projects serve many parents on Band B and Band C are on very similar incomes. Those on Band C may earn slightly too much to qualify for Family Income Support, but are still on low pay.⁸ These parents are being asked to pay significantly more than those who earn just very slightly less. The working parent will have additional costs which make working less viable than not working. The parent is likely to give up the job or remove children from the childcare. So the parent loses their job or the child loses their childcare and pre-school education. The childcare provider may also no longer be able to afford to take the child of a working parent as they are worth less in subvention, so working parents may also find it harder to get a childcare place. Providers are already seeing this, with parents leaving or telling them they will have to leave if the new fee regimes are implemented or remain.

⁶ The previous grant scheme, the EOCP, did require projects to have tiered fees, but in effect many providers (estimated 50%) did not tier fees and the requirement was not enforced. Therefore, while the requirement to have tiered fees is not new, ensuring that the tiered system is implemented and establishing a specific formula setting the rates, are new.

⁷ It was noted that Band A parents often get support for their fees from other sources, including Community Welfare Officers and so do not pay the full cost themselves.

⁸ Some parents who are on Band D are also on a low income or in transitional employment. Again this is highly problematic as they are on Band D rate (i.e. they get no subvention) but may not be getting a regular or secure income.

“The difficulty is that this [the Childcare Subvention Scheme] is an extremely blunt form of means-testing people and it can only serve to reinforce the people’s dependence on welfare payments”. Chris Andrews T.D *The Irish Times* Saturday, November 3 2007.

The way the scheme is designed also requires that shortfalls in a project’s funding can only be made up by charging extra from those who are working. (Shortfalls can arise from the need to cover late or non-paying parents, fund quality programmes, pay for training etc.)⁹ Therefore, the low paid are paying their own costs but also supplementing the costs to run the childcare over all. This scheme has the low paid and most vulnerable employees supporting community childcare, rather than the State funding it adequately.

“In my opinion it’s going to close down quite a few of the community playgroups because the parents who are not social welfare recipients are being asked to bear the extra cost of running them and they’ll simply not be able to do it.” *The Irish Times* Saturday, November 3 2007. Donegal T.D. Dr. Jim McDaid

This also has the effect of removing what has been a valuable element of community childcare discretion. Previously a project could support a family in crisis who could not pay fees but who had a need. This may now no longer be possible due to rigid fees structure.

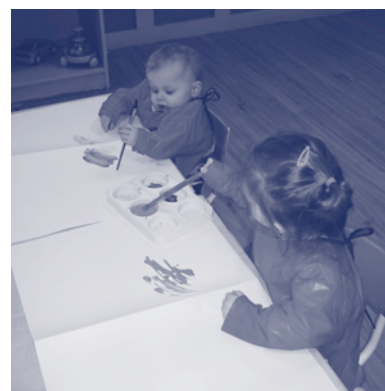
The requirement to implement a tiered fee structure is also fundamentally inappropriate for some of the services that a number of the community childcare providers make available; essentially the services that are *for children*, rather than *childcare*. These are services such as Breakfast and Afterschool programmes for primary school children. These programmes are aimed at supporting children in school, providing young primary school children with a safe place to go after school and supporting them to attend school. Some parents are also dependent on such services for respite. Parents have been charged a nominal fee for these services, whose philosophy

is more underpinned by youth work rather than full time crèche provision. The low fees are charged in order to encourage children to attend and in particular to target the most vulnerable, at risk children. An increase in fees would be seen as a real barrier for parents whose children attend this service and result in these children being back on the street and at further risk.

There are other specific issues in relation to the structure and implementation of the CCSS and the calculation of fees and cost.

- The autonomy of individual providers to set the rates that are appropriate for the community that they serve and the services that they offer have been undermined.
- As the whole system unpinning the CCSS is based on the Full Time Equivalent rates (the cost of a full time place in each service) there is also an inbuilt pressure to keep costs low. These actual costs vary widely depending on factors such as service levels, the ages of the children being cared for, facilities cost base, and additional supports the projects may have. As the majority of costs in childcare are staffing, (an estimated at 67%¹⁰) there is additional pressure to keep salaries low. Therefore, the system is further pressuring providers to squeeze the qualified staff and/or use more unqualified staff (such as those in CE training) in the provision of care.
- There are also serious concerns that the effects of this programme will be felt disproportionately on non Irish families as many of them do not qualify for social welfare payments and benefits, therefore, there is uncertainty as to whether they will qualify for subvention.

There is a very real threat that the enforcement of the tiered fee system will effectively prevent those parents wishing to take up employment from doing so, and force those parents currently in low paid employment to



⁹ The scheme requires that providers do not charge Band A or B parents any more than the cost of a place less their subvention, while Band C and Band D parents are to be charged at least the costs of the place less their subvention, therefore, the only scope for making up any losses is with the Band C or D parents.

¹⁰ Deloitte and Touché *Review of the cost of a Full-Day Childcare Placement on behalf of the NCNA*, November 2007

actually give up their employment. This is perpetuating the vicious cycle of unemployment and disadvantage facing these families and their communities.

The Implementation of the Community Childcare Subvention Scheme

One of the central findings of the research was the confusion and difficulty in managing the new scheme, the implementation of which has been unnecessarily complicated.

The early announcements and implementation of the scheme were fraught with confusion. Community childcare providers were not consulted and rates were announced that did not include any subvention for low paid parents. The result was very stressful for the management and staff of childcare projects who were unsure as to whether they could sustain their services under the new CCSS.

This confusion was compounded by the fact that money was late at the start of 2008, which had a very damaging effect on projects that rely heavily on their grant. Two of the projects interviewed almost collapsed as result of these delays. The delays continue. In late June 2008 two of the projects were still awaiting confirmation of their funding for the post June period and most only received a letter confirming their funding for the post June period in late May or early June 2008.

This resulted in an inability to plan due to the uncertainty of funding. In some cases there is an inability to ensure project and staff security and ongoing stress and anxiety in relation to the future of the services.

Apart from the problems stemming from poor and inadequate information, the actual implementation structures and mechanism of the scheme are also a source of difficulties. 83% of the projects in this research found the new system time consuming and burdensome to manage. There were also no funds to support the administration of the scheme. The majority of projects also found the scheme invasive. Requirements such as asking parents for PPS numbers caused very serious ideological and practical problems for some providers and clearly identified the CCSS as an economic rather than child centred model.



The requirement to charge differential fees has also been an administrative problem. For some projects this will result in them losing money even if the grant goes up, as they will now get a lower income from fees.

Confusion remains about how the scheme will be run into the future and the ability for services to plan effectively. Grants are being allocated based on a parent profile that is six months old to cover a period of operation that is a year later. For example in one service the parent profile has changed to such an extent that they will be down a further €20,000 in the last quarter of 2008 as they are not receiving subvention for new children who have joined their service. This project is losing money as the implementation of the scheme does not account for children currently using the service. Another project noted that if a parent changes their circumstance (such as losing their job, gaining FIS) they expect to pay the new rate even though the provider did not get the subvention for them at that rate.¹¹

In practice this means that projects cannot plan in advance as they will have no idea of their parent profile, unless they target a certain band of parents, which means that the scheme will encourage projects to target families for economic rather than child-centred reasons. Projects will also lose money if they take in children after forms have been returned as they will not get subvention to cover the new children, regardless of children's banding or needs.

¹¹ The OMC have noted that there is an opportunity to make adjustments, but doing so on a piecemeal basis would be administratively prohibitive, and very cumbersome. The system does not allow for a simple and consistent relationship to the current group of children attending and their needs.

The Principles underpinning the Community Childcare Subvention Scheme

The CCSS is based on individual support for disadvantaged families based on a definition of disadvantage that is determined solely by a family's social welfare/benefit entitlements and employment/unemployment status.

Rather than focusing on the needs of children, it focuses on the income and entitlements of parents. A child at risk is not necessarily the most economically disadvantaged, and failing to recognise this puts the child centredness of the National Childcare Investment Programme (NCIP) in jeopardy¹².

The principles of recent social policy such as National Anti Poverty Strategies and the previous childcare fund, the EOCP, have been reversed or ignored where measures to support parents into employment, such as childcare, were the priority.

This scheme also does not adhere to international best practice.

The comparison of international approaches revealed that there is now a generally accepted link between childcare and education in the policy approaches of most developed economies. It was noted that all-inclusive policies had generally been adopted with regard to early childhood education, targeting all children regardless of socio-economic background. This differs somewhat from the focus of current policy in Ireland, where early education interventions have primarily been targeted on disadvantaged areas thus far.¹³

Impact on Services

The vast majority of the projects (75%) raised very serious concerns with the new scheme and its implications for community childcare; implications that include the loss of services, staff and places, and therefore, less childcare and pre-school provision for children and parents in the inner city.

There are concerns that staff will leave or have to

be let go, less money will mean less staff. One provider is already in this position.

58% of projects are worried that there will be an impact on quality of services for children and families. Quality may be affected if staffing levels have to be cut, particularly if experienced staff are lost, but what is more likely is that the quantity of services, i.e. number of places or types of services will be affected. Some providers will have to cut unviable services, such as after school or sessional care, the result will be less places for the community.

Less places in community childcare means less childcare for individual families. Individual families will experience an impact on their quality of life and life chances for the children as they will no longer have access to pre-school education. The National Action Plan Against Poverty and Social Exclusion argued that for children missing out on an adequate education any stage of their upbringing can have negative consequences, this specifically included preschool education.

Reduced access to childcare will have the most significant impact on women, as childcare is a key requirement to support women entering employment, education and participating fully in all aspects of civic society. Women also make up almost all of the employees in this sector. The impact of this change in funding will fall disproportionately on women from working class and low income backgrounds and undermine all State targets on the full participation of women in the economy and society.¹⁴



¹² National Childcare Investment Programme (NCIP) The central Guiding Principles of this programme noted a change in how childhood and children are to be conceptualized, and aimed to establish a policy that is *Child Centred*.

¹³ Fitzpatrick Associates, Economic Consultants *Value for Money Review of the Equal Opportunities Childcare Programme* June 2007 (vi)

¹⁴ Community-Based, Not-for-Profit Childcare Providers in the NEIC and NWIC of Dublin

In the long term project's sustainability is being undermined, eight of the projects are seriously concerned about their sustainability into the future. Sustainability is affected by both less money and an absence of information, a damaging combination for projects that are already under-funded. There are concerns about what the OMC means by making projects *Sustainable*. There has to be some acknowledgement that disadvantaged children and children in disadvantaged communities must be supported by the State. These communities do not have the money to pay the actual cost of childcare and require State support as a central mechanism of social-economic intervention in disadvantaged communities. In Dublin inner city every second household with dependent children is headed by a lone parent. Lone parents for example may need only sessional care at times, for example 12pm – 3pm, however, many crèches must break their day into morning and afternoon sessions. Parents, returning to education do not avail of childcare services during summer holidays, for example. However, they need to hold places for the following October.

Conclusion and Recommendations

Community childcare facilities are not-for-profit organisations and hence are at a potential loss when they rely exclusively on capitation grants for their existence. Many childcare facilities must negotiate overdraft facilities in order to operate. Overdraft charges are typically 15.6% APR. This is not a recoverable cost under Subvention and hence must be transferred to future clients as a cost. Further, not-for-profits do not accrue a surplus and therefore run a risk of the effects of unforeseen costs. Reliance on subvention-only-funding places a degree of insecurity on the organisation in many ways. Most particularly, this has implications in the area of staffing and security of tenure. Facilities can not offer long-term contracts to staff. Without accrued capital facilities can not plan effectively for the future.

Lack of investment in this area is a false economy. Good quality pre-school education and childcare improves outcomes for children and families. This has been accepted in the State's own policy, scrimping here will mean more families in crisis and disadvantaged children entering school at a

continuing disadvantage. Breaking this cycle costs money, there is no way of getting around that.

In some cases increased grants, due to requirement to change fee structures are likely to result in more cost to the exchequer and less outcomes for families and communities in terms of childcare places, in particular for the working poor.

The way in which community childcare is funded, needs to be fundamentally overhauled. By the end of 2010, community childcare should be firmly placed as stage one within the education continuum.

In the interest of short-term sustainability of childcare facilities and continued provision of quality community childcare this study recommends that:

1. The Childcare Directorate and the Minister at the Office for the Minister for Children meet with representatives of the Inner City Community Childcare Providers Network (ICCCPN) as a matter of urgency and agrees to implement the following recommendations.
2. Childcare facilities should receive a block grant on a yearly basis, additional to the subvention, to cover contingency, cash flow, administration and training.
3. A 'quarterly review window' should be allowed to facilities to make adjustments in projections to account for the fluidity of the through-put of children who may be from different bands than the original projection.
4. The subvention for Band C should be brought closer to that of Band B and eligibility criteria for Band C should be increased to match the ICTU average industrial wage of €38,000pa.
5. Facilities should not be tied strictly to a tiered fees system and should be allowed the freedom to vary its fee system based on ability to pay.



Dublin Inner City Partnership is an independent local development company operating to a brief of responding to long-term unemployment and socioeconomic disadvantage in inner city Dublin. The Partnership opposes all forms of poverty, discrimination and exclusion, and promotes the participation of the resident community in the regeneration of their locality. It aims to enhance the quality of life for all inner city residents who experience deprivation and disadvantage by reinforcing their individual rights to work, education and adequate income.



**For more information contact
Dublin Inner City Partnership at:**

Equity House
16-17 Upper Ormond Quay
Dublin 7

Phone: 01 872 1321

Fax: 01 872 1330

E-mail: office@dicp.ie; info@dicp.ie