

**Opening statement by Minister Zappone
Meeting of Oireachtas Committee on Children and Youth Affairs,
8th February 2017**

I am very pleased to meet the Committee this morning to discuss the Affordable Childcare Scheme, before we begin the process of drafting the legislation that will underpin the Scheme.

Given the urgent need to address the high cost of childcare, and the requirement for this legislation to be in place before we can proceed with the Affordable Childcare Scheme, I welcome the consideration shown by the Committee in facilitating this meeting at short notice. We owe it to parents to move as swiftly as we can in getting the Scheme up and running, but it is critical that we take care to get the legislation right. That is why I value the input of this Committee so highly, and I look forward to detailed discussions on the legislation both today and when we bring the Bill to the Houses of the Oireachtas in due course.

I believe the Affordable Childcare Scheme is a landmark measure. It signals a comprehensive reorganisation of childcare supports, moving from a complex mix of programmes to a single, user-friendly scheme. It will be the first childcare support to have a statutory basis, so we are breaking new ground.

The funding secured in Budget 2017 will allow the Scheme to take a major step forwards in improving access to affordable childcare, supporting the objectives of reducing child poverty and enabling labour market participation.

The initial income thresholds and levels of subsidy must not be seen as the end-point. The Scheme provides a framework for future investment. We will not achieve all our aspirations for early years

care and education or school age childcare provision when the Scheme is first introduced. However, we will be creating an infrastructure – a new way of supporting families with the cost of good quality childcare – within which we can move progressively forwards over the years ahead.

Replacing current programmes

The Affordable Childcare Scheme will replace four targeted programmes, which differ from each other in their eligibility rules, in the level of subsidy they provide, and in how widely available they are. A major limitation of the largest of the programmes – the Community Childcare Subvention – is that eligibility is based on receipt of social welfare payments. As a result, rather than supporting parents into employment, for some parents the programme may be a barrier to labour market participation.

The Affordable Childcare Scheme is designed to remedy these concerns:

- It will replace four programmes with one.
- Eligibility will have a clear and fair basis in parents' income, which will support parents to enter the labour market.
- It will be open to all Tusla-registered providers, including Tusla-registered childminders.
- 90% of beneficiaries of the current programmes will be better off under the new Scheme. The remaining 10% will have their current level of subsidy protected for a transitional period.
- Many families eligible for the current schemes, but who have determined the existing level of co-payments to be too onerous, will be more attracted to this scheme and therefore to enter employment.

Key features of the new Scheme

The Scheme is intended to be simple for parents, who will be able to apply online. In the large majority of cases, eligibility will be determined automatically through data-sharing with the IT systems of the Revenue Commissioners and the Department of Social Protection. In cases where such data does not reflect a family's current income – for instance where a parent recently lost a job – the scheme will allow for a “manual” assessment of the family's current income, which will be carried out by Pobal (the “scheme administrator”).

The Scheme is also intended to be simple for childcare providers. Once a subsidy has been approved, it will be paid directly to the childcare provider, on the parent's behalf. Any childcare provider that wants to take part in the Scheme will have to sign a contract, which will include financial controls to protect taxpayers' money.

Subsidies

The Scheme includes both universal and targeted elements. The universal subsidy offers a number of benefits:

- It will provide a degree of financial support for all those who face the very highest childcare costs, namely those with children under 3 years old.
- It will remove the risk of stigma that can attach to targeted schemes.
- It will encourage the participation of a wide range of childcare providers.

The targeted element will focus subsidies on families with the lowest incomes. The income thresholds set for the Scheme for 2017, combined with “multiple child deductions” which benefit families with more than one child, will ensure that all families with incomes

below the relative poverty line will receive the maximum subsidy rate.

In a limited range of cases that will be clearly defined by the bill, the Scheme will provide for the full cost of childcare, with no co-payment required from parents, such as when Tusla determines that childcare is required on grounds of child welfare or child protection.

Hours

The subsidy is designed to “wrap around” school and ECCE provision. Including the hours of school and ECCE, the maximum number of subsidised hours of care and education will be either 15 hours or 40 hours per week:

- The “standard” 15 hours of subsidy will be available to all families, whether or not the parents are engaged in work or study.
- The “enhanced” 40 hour limit will apply where both parents are engaged in work or study, or, in the case of a one-parent family, where the parent is engaged in work or study.

The definitions of “work” and “study” that we are proposing are deliberately broad, reflecting an inclusive approach which recognises that even a basic level of engagement in work or study can be a critical first step towards the labour market.

Consultation

I was delighted to learn about the findings of the national public consultation on the Scheme which my Department carried out in November, the report on which has just been finalised and will be published shortly.

The consultation, which received more than 4,000 responses, revealed a high level of support for the proposed Scheme. The Centre for Effective Services which independently analysed the responses, found 60-70% support generally for the proposals set out in the policy paper on the Scheme.

Of course there was not agreement on all questions, and in preparing the Heads of Bill and General Scheme we have tried to take on board concerns raised during the consultation process.

In particular, one concern that has been raised with my Department both by groups of parents and by groups of childcare providers was the proposal that no more than 48 weeks of subsidy would be payable per year. Concerns were raised that this proposal would create funding difficulties for providers, and would result in some parents being charged full fees for the remaining weeks of the year.

We responded to these concerns and adjusted our proposals accordingly. The Heads of Bill and General Scheme therefore allow for subsidies to be payable on a 52-week basis. To ensure this change is budget-neutral, hourly subsidy-rates have been adjusted downwards slightly from what was originally proposed in the policy paper. The two changes offset each other, and the combined changes in total annual subsidy to parents per child are small.

Independent Review of Cost of Quality Childcare

As I have said, we will not achieve all our aspirations for childcare overnight, but this is a significant beginning.

A particular concern in the childcare sector at present is the fact that wages in early years care and education and school age childcare are low. The Affordable Childcare Scheme will not, by itself, and at its

outset, change that. However, the infrastructure it will provide can assist in contributing to resolution in the future.

Internationally it is accepted that if we want high quality services for children, leading to best outcomes for children and families, valuing the workforce is critical. The European Commission has published a quality framework that recognises this. Current terms and conditions for childcare practitioners do not reflect the importance of the work they do.

My Department is not an employer but is a significant funder and it has an interest in working with the various stakeholders to see how this challenge can be resolved. Further investment in childcare is essential to address not only affordability for parents, but also to ensure that the best quality services are provided to children by professionals who feel valued and respected for their work. We know that high quality early years care and education services benefit the economy and society by several multiples of the investment provided. The Programme for Government has over a dozen commitments to improve access to affordable and high quality services. I hope that the annual Estimates process will enable us discuss this in further detail and make the investment necessary to address affordability *and* quality using the ACS as a significant mechanism.

In this regard, one of my priorities for the coming months is to carry out an independent review of the cost of delivering quality childcare, which was a commitment in the Programme for Government. This will greatly inform the level of subsidy required in the future to fund quality and sustainable childcare services.

Sustainability of community services

Another issue that the independent review may look at is the costs that arise for providers that operate in areas of disadvantage and that support families with high levels of need.

I acknowledge that the financial situation of many community services has been further stretched by the move to require Level 5 qualifications of all staff who work directly with children. The impact is large for community services that previously relied on Community Employment schemes.

But a large part of the financial challenge that community services face is low revenue. The highest subsidy rate available under the Community Childcare Subvention is €95 per week, which is well below the cost of delivering quality childcare, and many low-income families are simply not in a position to pay the difference or the required co-payment.

I believe that the Affordable Childcare Scheme will make a large difference to the financial position of such services. Parents on the lowest incomes, who previously received a subsidy of €95 per week, may now receive a subsidy of between €150 and €205 per week, depending on the age of the child. The amount payable by a parent in such a case will – in an average service – fall from €72 per week at present to between €0 and €17 per week under the Affordable Childcare Scheme, again depending on the age of the child. The increase in the level of subsidy will transform the finances of many community services.

Childminding

As well as beginning work on the independent review of costs, officials in my Department are examining the potential to bring more childminders into the Scheme. Childminding is the preference of many parents, and many childminders provide high-quality childcare.

However, just as with centre-based care, quality assurance of childminders must be an absolute prerequisite for participation in the Affordable Childcare Scheme. My Department has commenced talks with Childminding Ireland in recent months to explore a number of options around how quality can be assured within the childminding sector.

Stay-at-home parents

Of course, the “childcare” preference of many parents is neither centre-based care nor childminding, but to care for their children at home. The Scheme has faced some criticism for not meeting the needs of those parents. Let me be clear that I am committed to the provision of childcare options for families that respect parental choice.

It is important to recognise that the Affordable Childcare Scheme is only one element of a broader set of commitments and supports aimed at parents and children. Work is well advanced on drafting Ireland’s first-ever National Early Years Strategy, which will take a joined-up, whole-of-Government approach to support for all children and all families during the early years.

In particular, while operational responsibility for these do not fall within my policy remit as Minister for Children and Youth Affairs, I support the extension of parental leave for parents, particularly in the

crucial first year. In addition, the Government has provided support for stay-at-home parents through the Home Carer Tax Credit, which has been increased to €1,100 per year, and I support an increase in the earnings threshold for this.

Next steps

In parallel with the legislative process, officials in my Department and staff in Pobal are already working hard to develop the business processes and IT systems that will make the Affordable Childcare Scheme possible.

That work involves close cooperation with officials of the Department of Social Protection and the Revenue Commissioners, as well as support from a range of other Departments and agencies.

In addition, preparation for the Scheme has already involved consultation with a range of stakeholders. Further detailed engagement with stakeholders – including parents and childcare providers – will be critical as we undertake the many tasks involved in developing the infrastructure required and in making the transition to the new Scheme.

I would like to thank all those who have been involved in planning for the Scheme, and all those who have shared their concerns and experiences with us through consultation processes. I acknowledge that the Scheme is ambitious, but it is hugely important.

I will be very happy to answer questions, and I welcome colleagues from my Department and from Pobal who will join me in responding to specific queries.