



## The COVID-19 Pandemic - State Spending in the Childcare Sector

PBO Publication 28 of 2020 - Expenditure Analysis series

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## Key Background Information

1. Employment in the childcare sector is typically comprised of lower paid roles, with limited scope for wage increases and progression opportunities. The average, pre-pandemic, net weekly wage in the sector stood at €364.
2. Almost 55% of sector staff work for fewer than 30 hours per week with 36% working in excess of 36 hours per week.
3. In the 12 months to May 2019, staff turnover in the sector stood at 23.4% (compared to 17% in the wider workforce in 2018)<sup>1</sup> with 40% of childcare providers reporting the loss of at least one staff member in the period. A total of 3,888 individuals left their employment, with approximately 40% leaving the childcare industry.
4. In the 12 months before May 2019, 53% of providers had difficulties recruiting suitable staff.
5. The Department of Children & Youth Affairs (DCYA) has introduced a Temporary Wage Subsidy Childcare Scheme (TWSCS) complementary to the Temporary Wage Subsidy Scheme (TWSS) being funded by the Department of Employment Affairs & Social Protection.
6. With childcare providers scheduled to begin general reopening in Phase 4 (20 July),<sup>2</sup> interventions aimed at retaining staff in the sector are likely to be extended after 18 June.

## Key Messages

1. The PBO estimates that Department of Children and Youth Affairs spending (DCYA - Vote 40) for its funded wage subsidy and operation overhead contributions will be approx. €65 million for an 11-week period up to 18 June. The estimated total costs to the Exchequer (including both Vote 40, and the Department of Employment Affairs and Social Protection – Vote 37) could be approx. €150 million combined for all support to the childcare sector.
2. This means that more than 30,000 workers in the childcare sector have access to the DCYA Temporary Wage Subsidy Childcare Scheme which provides a top-up to the Temporary Wage Subsidy Scheme – this may incur wage specific costs in excess of €41 million over 11 weeks ().
3. All 4,598 childcare providers are eligible to access the DCYA operation overhead contribution, at a minimum value of €300 per week per provider for 11 weeks. The PBO estimates the total cost of the contributions as between €15 million and €24 million over 11 weeks.
4. We estimate that DCYA spending on childcare up to 18 June will be lower than would have been spent on pre-pandemic childcare subsidies. These savings are, however, likely to be more than offset by increased overall Exchequer spending for the childcare sector, particularly for pandemic employment and unemployment supports (Vote 37) for childcare workers.
5. DCYA has committed to ensuring that all staff are in receipt of a minimum wage of €350 per week, regardless of their pre-pandemic net weekly income (TWSS and TWSCS combined). With over 50% of industry staff working under 30 hours per week it is likely that, under these schemes, some staff will receive more than twice their pre-pandemic net weekly income.
6. PBO and DCYA estimates differ - a detailed breakdown of the DCYA estimates would be useful to help explain the funding provided to the childcare sector from that Vote.
7. We project that measures introduced to support the childcare sector will cost an extra €1.4 million per week. However, the cost of any State support to the industry must be weighed against the potential cost to the economy of reduced access to childcare during, and after, the phased return to work.

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<sup>1</sup> [PBO Publication 37 or 2019: Quarterly Economic and Fiscal Commentary - Q2 2019](#)

<sup>2</sup> [Roadmap for Reopening Society and Business \(Phase 4\), Gov.ie](#)

## Introduction

On 12 March 2020, as part of the State's response to COVID-19 virus, the Government announced its decision to close all schools, places of learning, and childcare providers with immediate effect. While staff in many educational institutions are paid directly or indirectly by the State, payroll costs in the childcare sector are mostly derived from parental fees with some cost subsidies provided via Exchequer funded schemes (Vote 40 in the Revised Estimates) to employers.

Initially, the Department of Children and Youth Affairs (DCYA) committed to continuing these scheme payments to childcare providers for the duration of the mandatory closures, with the expectation that funding would be used to pay staff wages. However, it was reported by the Department of Employment Affairs and Social Protection (DEASP) that very significant numbers of Early Learning and Care (ELC) and School Age Childcare Services (SAC) staff presented to *Intreo* offices from March 12. This indicated that DCYA funding was not being used to retain staff in all cases.<sup>3</sup>

As a result, on 26 March, DCYA announced plans for a specific Temporary Wage Subsidy Childcare Scheme (TWSCS) which would interact with/top-up the Temporary Wage Subsidy Scheme (TWSS).<sup>4</sup> The DCYA schemes would operate for an 11-week period and are due to stop on 18 June in line with the TWSS. It is accessible to all registered childcare providers.

This PBO Note will present:

- the scope and estimated impact of the DCYA measures on 2020 Voted spending;
- both the overall cost to the Exchequer in funding the childcare sector, and the cost to the two Votes involved; and
- how this compares to current State funding within the sector.

Finally, in order to provide relevant context, two appendices are provided which set out, , how the sector was funded pre-pandemic and the expansion of the National Childcare Scheme.

Please note that as the pandemic is a rapidly evolving issue, some of the analysis and information in this Note may become out of date quickly. Please note the publication date of this Note and check the PBO webpage regularly for more up to date publications.

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<sup>3</sup> ['Employers who offer more than State's Covid-19 payment will not be refunded'. The Irish Times, 20 March 2020.](#)

<sup>4</sup> The TWSS – a scheme administered by the Office of the Revenue Commissioners but paid from the Employment Affairs and Social Protection Vote (no.37).

## Department of Children and Youth Affairs' COVID-19 Pandemic Intervention Spending

The stated aim of the DCYA intervention scheme is to:

- promote staff retention;
- mitigate loss to providers of parental fee income; and
- attempt to safeguard the ongoing business viability of childcare establishments throughout the closure period.

### Wage Subsidy and Operation Overhead Contribution

The TWSCS intervention is split into two payment types made to the employer:

1. Staff payroll supports; and
2. Operation overhead contribution payments.

Once operational, these interventions will replace the Early Childhood Care & Education (ECCE), National Childcare Scheme (NCS), Community Childcare Subvention (CCS) and Training & Employment Childcare Programme (TEC)<sup>5</sup> payments up to 18 June.

#### 1. Staff payroll supports

- In order to access the DCYA wage subsidy scheme, employers must first apply to the Revenue Commissioners for access to the Temporary COVID-19 Wage Subsidy Scheme (TWSS).
- Following the employer's registration of staff for the TWSS (which is paid by the Department of Employment Affairs and Social Protection - Vote 37), DCYA will provide the additional 30% top-up of wages for ELC and SAC staff to 100% of pre-closure levels. The same salary bands as apply to the TWSS operate in the DCYA subsidy schemes.
- Where a staff member's pre-12 March earnings were below net €350 per week, DCYA will supplement the payment being made under the TWSS (70% of net weekly earnings) up to the value of €350 per week.
- The intervention set out above is referred later as Phase 1 as the 4 May revision of the TWSS means that the wage subsidy interventions may be considered in two phases. The Minister for Finance announced further updates to the Department of Employment Affairs and Social Protection TWSS on 15 April, which will have a bearing on the final cost of the DCYA subsidy scheme.<sup>6</sup>

Changes to the scheme include:

- For employees with previous average net pay less than €412 per week (equivalent to almost €24,400) the subsidy will be increased from 70% to 85% of their previous net weekly pay (with DCYA funding topping up by a minimum additional 15%),

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<sup>5</sup> [State funded childcare subsidy programmes, www.pobal.ie](http://www.pobal.ie).

<sup>6</sup> [Update to TWSS, Merrion Street, 15 April 2020](#).

- For employees with previous average net pay between €412 and €500 per week (equivalent to €24,400-€31,000), the DEASP subsidy will be up to €350 per week with DCYA making up the shortfall to 100% of pre-pandemic net weekly income.

There are no changes for those with previous average net pay between €500 and €586 per week (equivalent to €31,000-€38,000), who will continue to receive a subsidy of up to 70% of previous net income, up to a maximum of €410 per week. **These changes took effect from 4 May and were not backdated.**

**The 4 May measures are referred to in this Note as Phase 2.**

## 2. Operation overhead contribution payments

- In addition to 100% funding of staff wages, childcare provider services will get a further payment which will be a percentage of their total staff wage costs (gross) to be used towards ongoing/unavoidable operational costs. The standard rate will be 15% of staff wages with a minimum payment of €300 per week.
- A provider does not need to be registered for the TWSS to get this service support payment.

No specific DCYA supports have been introduced for Owner/Managers, unless they are classed as an employee of the business in which case they can get the wage supports outlined above.

## Estimated Cost of the Intervention

Table 1 amalgamates the PBO cost estimates for the both TWSS and TWSCS payroll supports and operation overhead contribution payments on both a weekly basis **and** their intended 11-week operation. These totals are set against the expected costs of the applicable DCYA funded childcare subsidy schemes (currently suspended) for the same periods.

*Table 1: Total cost estimates of interventions compared with expected cost of existing DCYA subsidy schemes*

	Weekly		11-Week		Total
	Phase 1	Phase 2	Phase 1	Phase 2	
<b>Vote 37</b>					
TWSS	€6,914,498	€8,217,821	€27,657,990	€57,524,748	<b>€85,182,738</b>
<b>Vote 40</b>					
TWSCS	€4,559,219	€3,255,895	€18,236,874	€22,791,264	<b>€41,028,139</b>
Overhead contribution	€2,160,527	€2,160,527	€8,642,107	€15,123,686	<b>€23,765,793</b>
Exchequer Totals	<b>€13,634,243</b>	<b>€13,634,243</b>	<b>€54,536,971</b>	<b>€95,439,699</b>	<b>€149,976,670</b>
Existing DCYA Subsidies	<b>€12,269,231 (-€1.4 million)</b>		<b>€134,961,538 (-€15 million)</b>		

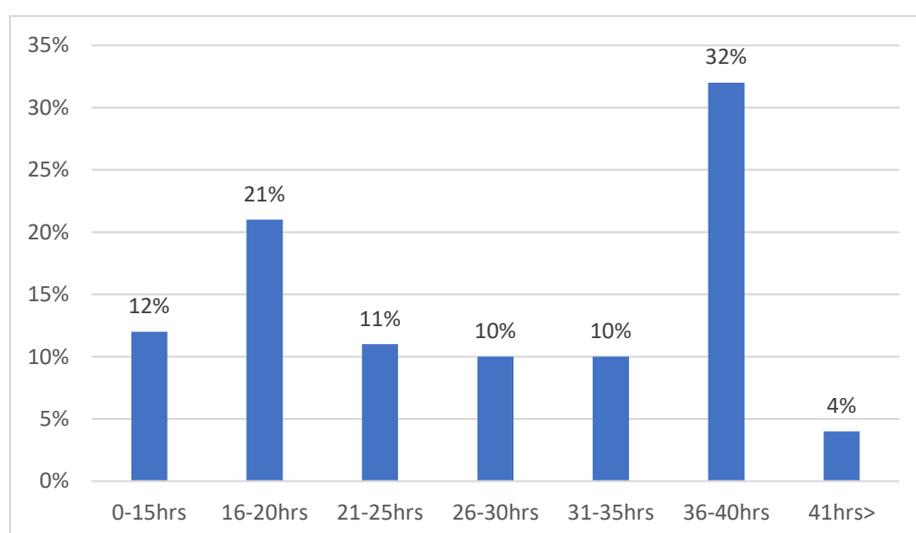
Source: PBO, based on Pobal's Annual Early Years Sector Profile Report 2018-2019., and the Revised Estimates for Public Services 2020

## 1. Temporary Wage Subsidy Childcare Scheme (TWSCS) – Payroll Support

Based on a survey conducted between 2018 and 2019 by Pobal (the management and support body for childcare schemes), there are 4,598 childcare providers delivering at least one DCYA funded scheme (and therefore eligible for the TWSCS). An estimated 30,775<sup>7</sup> staff are working in the sector with approximately 26,882 individuals working in a childcare capacity along with 3,894 ancillary staff.<sup>8</sup>

According to DCYA, the average weekly wage in the sector prior to closure was €364 per week.<sup>9</sup> Pobal's research found that the industry has an average hourly wage of €12.55,<sup>10</sup> reducing to €11.46 per hour for early years assistants who constitute 44% of the industry workforce. The survey also noted that only 46% of sectoral staff work more than 30 hours per week, with 6 out of 10 staff earning below the 2019 living wage rate of €12.30 per hour.

Figure 1: Percentage of staff working directly with children by average number of hours per week



Source: Annual Early Years Sector Profile Report 2018-2019, Pobal

Figure 1 displays the apportionment of working hours as a percentage for staff who are in direct contact with children, based on the Pobal survey.

This information was not broken down by job description but excludes ancillary and student staff.

<sup>7</sup> This represents a 4% increase on May 2018 figures. A similar increase might be expected in 2020 given the intended expansion of DCYA childcare schemes.

<sup>8</sup> [Annual Early Years Sector Profile Report 2018-2019. Pobal.ie.](#)

<sup>9</sup> [Information and FAQs on COVID 19 Measures for providers and staff of Early Learning and Care and School Age Childcare Services, Department of Children and Youth Affairs, 27 April 2020.](#)

<sup>10</sup> This is a 3% increase on May 2018 averages. Wages may have increased at a similar rate in the year to May 2020.

**Box 1 – PBO calculation methodology (Tables 3, 4 and 5)**

The Pobal survey did not provide the breakdown of average hours worked by job description. Therefore, the PBO estimates in tables 3, 4 and 5 are based on applying the percentage of staff working within the hourly ranges (see Figure 1) across all job descriptions, working directly with children. For example, for calculation purposes, it is assumed that 12% of these staff work between 0 and 15 hours per week. This would mean that 742 Early Years Assistants (non-ECCE), 839 Early Years Assistants (ECCE), 387 Room Leaders (non-ECCE), and so on, work a maximum of 15 hours per week.

Table 2: Total staff and Gross Average Hourly Wage per Job Description

Job Description	Staff Cohorts	Gross Average Hourly Wage
Early Years Assistant (non-ECCE)	6,183	€11.15
Early Years Assistant (ECCE)	6,989	€11.72
Room Leader (non-ECCE)	3,226	€12.17
Ancillary*	3,669	€12.55
Room Leader (ECCE)	5,376	€13.24
Deputy Manager	1,613	€14.00
Centre Manager	3,226	€15.56

Source: Annual Early Years Sector Profile Report 2018-2019, Pobal

Table 2 sets out the estimated average weekly net wages per job description across the range of typical hours worked in the industry per week. Ancillary staff are assumed on either a full-time basis (management/admin) or part-time (maintenance, catering etc) working pattern.

Table 2: Estimated average net weekly wages in childcare sector

Job Description	Hours Worked & Net Weekly Wage						
	0-15	16-20	21-25	26-30	31-35	36-40	<41
Early Years Assistant (non-ECCE)	€166.41	€199.70	€254.94	€309.42	€348.55	€379.72	€403.63
Early Years Assistant (ECCE)	€174.92	€209.91	€267.73	€322.89	€359.34	€395.20	€420.34
Room Leader (non-ECCE)	€181.64	€217.96	€277.84	€332.72	€367.66	€407.43	€433.54
Ancillary*			€286.37			€417.76	
Room Leader (ECCE)	€197.61	€237.02	€301.89	€356.09	€389.17	€436.50	€464.90
Deputy Manager	€208.95	€250.43	€318.09	€372.69	€407.10	€457.15	€487.18
Centre Manager	€232.20	€277.94	€342.78	€388.28	€443.91	€499.54	€532.91

Source: PBO, based on Pobal's Annual Early Years Sector Profile Report 2018-2019.

Note: Calculations are based on the mid-point of the number of hours worked, with the exception of 0-15 hours (15 hours).

With the revisions to the TWSS announced 15 April and taking effect 4 May, the wage subsidy schemes available to the childcare sector can be considered in two phases: phase 1 payments being operated between 6 April and 3 May, and phase 2 operating from 4 May to 18 June.

DCYA has committed to ensuring that all staff are in receipt of a minimum wage of €350 per week, regardless of their pre-pandemic net weekly income, once the TWSS and TWSCS are combined.

With over 50% of industry staff working under 30 hours per week it is likely that, following intervention, some staff will receive more than twice their pre-pandemic net weekly income.

Table 3 shows the estimated cost of both the TWSS and TWSCS on a weekly basis, and as a total, for Phase 1 (four weeks, 6 April to 3 May).

This was calculated by taking the total staff working under the individual job descriptions and apportioning by the percentage hours worked as set out in Figure 1.

Table 3: Estimated average wage subsidy costs Phase 1 (TWSS and TWSCS)

Job Description	Weekly Cost TWSS - Vote 40	Weekly Cost TWSCS - Vote 37	4 Week Cost TWSS	4 Week Cost TWSCS
Early Years Assistant (non-ECCE)	€1,269,869	€966,242	€5,079,477	€3,864,970
Early Years Assistant (ECCE)	€1,497,156	€1,076,282	€5,988,623	€4,305,127
Room Leader (non-ECCE)	€713,337	€491,524	€2,853,349	€1,966,098
Ancillary Staff**	€877,204	€511,356	€3,508,814	€2,045,422
Room Leader (ECCE)	€1,277,597	€801,853	€5,110,389	€3,207,410
Deputy Manager	€402,419	€239,159	€1,609,677	€956,635
Centre Manager	€876,915	€472,803	€3,507,661	€1,891,212
	<b>€6,914,498</b>	<b>€4,559,219</b>	<b>€27,657,990</b>	<b>€18,236,874</b>

Source: PBO, based on Pobal's Annual Early Years Sector Profile Report 2018-2019.

Using the same calculation criteria as above, Table 4 sets out the potential cost for both the TWSS and the TWSCS - both weekly, and over the seven weeks of Phase 2 (4 May to 18 June).

Table 4: Estimated average wage subsidy costs Phase 2 (TWSS and TWSCS)

Job Description	Weekly Cost TWSS - Vote 40	Weekly Cost TWSCS - Vote 37	7-Week Cost TWSS	7-Week Cost TWSCS
Early Years Assistant (non-ECCE)	€1,541,984	€694,128	€10,793,888	€4,858,893
Early Years Assistant (ECCE)	€1,815,936	€757,501	€12,711,555	€5,302,508
Room Leader (non-ECCE)	€863,808	€341,054	€6,046,653	€2,387,380
Ancillary Staff**	€1,057,329	€331,230	€7,401,306	€2,318,608
Room Leader (ECCE)	€1,505,482	€573,968	€10,538,376	€4,017,773
Deputy Manager	€464,603	€176,975	€3,252,221	€1,238,824
Centre Manager	€968,678	€381,040	€6,780,749	€2,667,278
	<b>€8,217,821</b>	<b>€3,255,895</b>	<b>€57,524,748</b>	<b>€22,791,264</b>

Source: PBO, based on Pobal's Annual Early Years Sector Profile Report 2018-2019.

Based on these estimates for both Phase 1 and 2, **DCYA spend** on the wage subsidy scheme could reach just over **€41 million over the proposed duration**, with the potential for approximately €85 million being incurred by DEASP via the TWSS. The exact costs of the schemes are difficult to ascertain given the variety of working hours of staff within the sector. **This may require DCYA to fund a larger share of the net income of staff (or a top up to €350 per week) than the standard 30% or 15% shortfall of the TWSS.** By DCYA's own calculations, almost 80% of staff would be eligible for an 85% subsidy via the TWSS in Phase 2, meaning their pre-pandemic net weekly income was less than €412.

DCYA estimates for Vote 40 spending on wage subsidies are €4.99 million per week in Phase 1 (up to 3 May) totalling €19.96 million, and €3.78 million per week in Phase 2 (4 May to 18 June) totalling €26.46 million. DCYA estimates the cost of its combined 11-week intervention to be approximately €46.42 million.

While the Department's estimates are approximately €500,000 per week higher than PBO estimates, it should be noted that the Department's figures are based on an anticipated 29,000 individuals signing up for the TWSCS, while the PBO calculations are based on 30,282 availing of the subsidies. A detailed breakdown of the DCYA estimates, including a profile of the assumed wages and hours worked per job description, would be useful to explain the higher cost for a smaller total staff take-up.

2. Temporary Wage Subsidy Childcare Scheme (TWSCS) – Operation Overhead Contribution  
As part of the TWSCS, DCYA committed to making payments to childcare providers in the form of an operational overhead contribution. Based on the assessment made in the *Independent Review of Cost of Delivering Childcare in Ireland (Crowe)*, due to be published in April 2020 but referenced in the [DCYA Frequently Asked Questions](#), the Department estimates that almost **70% of providers' costs relate to payroll while 10% of costs may continue to be incurred during the service closure. They anticipate these types of costs to include insurance (if paid monthly), equipment leases and rent if not deferred.**

The remaining 20% of costs, either not incurred or potentially deferred, include:

- Utilities, catering, and materials which will not be incurred during closure - 10%; and
- Commercial rates (temporarily deferred)<sup>11</sup> and mortgage repayments (3-month payment breaks possible) - 10%.

To help providers with these cost overheads, DCYA will make payments to the value of 15% of gross weekly payroll costs or €300, depending on which is higher.

According to the Pobal survey, in 2019 the sector averaged 7 members of staff per provider with 6.1 directly working with children and <1 in an ancillary role. Table 5 gives an estimate of the average wage costs in a childcare provider with 7 members of staff, and the resultant DCYA overhead contribution. This costing is based on average values and is not necessarily indicative of the whole industry given the number of employees, their job descriptions, and distribution within providers are likely to differ greatly throughout the sector.

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<sup>11</sup> [Tax and trade: COVID-19 support for Irish business. pwc.ie 13 May 2020](#)

Table 5: Estimated cost of overhead contribution to average childcare provider and DCYA overhead contribution

<i>Full-Time (FT)</i>		<i>Part-Time (PT)</i>	
Centre Manager	€622.40	Early Years Assistant (ECCE)	€328.16
Room Leader (ECCE)	€529.60	Early Years Assistant (non-ECCE)	€312.20
Room Leader (non-ECCE)	€486.80	Ancillary Staff	€351.40
Management	€502.00		
<b>Weekly FT Total</b>	<b>€2,140.80</b>	<b>Weekly PT Total</b>	<b>€991.76</b>
		<b>Total</b>	<b>€3,132.56</b>
		DCYA funding @ 15%	€469.88
		No. of Service Providers	4,598
		<b>Weekly DCYA Support</b>	<b>€2,160,527</b>
		<b>11 Week DCYA Support</b>	<b>€23,765,793</b>

Source: PBO, based on Pobal's Annual Early Years Sector Profile Report 2018-2019.

While the composition and costs incurred by childcare providers will differ, the data available points to the operation overhead contribution potentially costing in the region of €2.16 million per week or €23.77 million until 18 June. When factoring in the minimum overhead contribution to all eligible providers of €300 per week, **the resulting spending from Vote 40 (based on 4,598 providers) would be at least €1.38 million per week or €15.17 million over the 11 weeks.**

- Minimum costing (€300 per provider per week): €15.17 million
- **PBO Estimate: €23.77 million**
- DCYA Estimate: €24.86 million

Therefore, the PBO estimates are broadly in line with DCYA estimates, which are €2.26 million per week or €24.86 million over the 11 weeks. The Department has advised that circa 2,400 providers will be getting the basic €300 per week payment (€720,000 per week or €7.92 million over 11 weeks). Again, a detailed breakdown of the DCYA estimates would be useful to explain the costs.

#### Other Support Schemes

To date, no direct financial supports to business owners/managers have been announced. The Department's statements have indicated that, depending on the commercial structure of their operations, some providers may be eligible for financial support schemes to businesses operated by other Government Departments e.g. Business, Enterprise and Innovation.

**For these reasons, it is not possible to estimate the total cost of Exchequer funded interventions to the childcare sector.**

## Concerns Raised by Stakeholders

Following the Department's announcement of the support schemes in late March, sectoral interests have highlighted their concerns about delays in introducing the schemes and fears they had about the ability of some providers to continue paying staff over the intervening period.<sup>12</sup>

A [joint statement from the Minister for Children & Youth Affairs and the Minister for Public Expenditure/Finance](#) published April 10, committed to introducing the scheme as announced, but deferred issuing contracts to providers until the week beginning 13 April. It advised that, once the scheme was established, payments would be backdated to 6 April.

The Department has advised the PBO that the first tranche of payments to providers was made on 24 April, with *ex-gratia* scheme payments ceasing 6 April. It has also been announced that a proportion of the annual [Programme Support Payment](#) made to providers in June each year to assist implementation of the National Childcare Scheme, was paid on 17 April.<sup>13</sup> It is understood that as of 29 April, a total of 3,655 (80% of providers) had signed up for the TWSCS, with applications still being accepted.

Notwithstanding the above supports, media reports have suggested that the Department remains concerned about the continued viability and operation of a number of childcare providers once restrictions are lifted and facilities are allowed to re-open.<sup>14</sup>

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<sup>12</sup> [Early Childhood Ireland seeks urgent clarification on wage subsidy scheme for childcare sector, www.earlychildhoodireland.ie 7 April 2020](#)

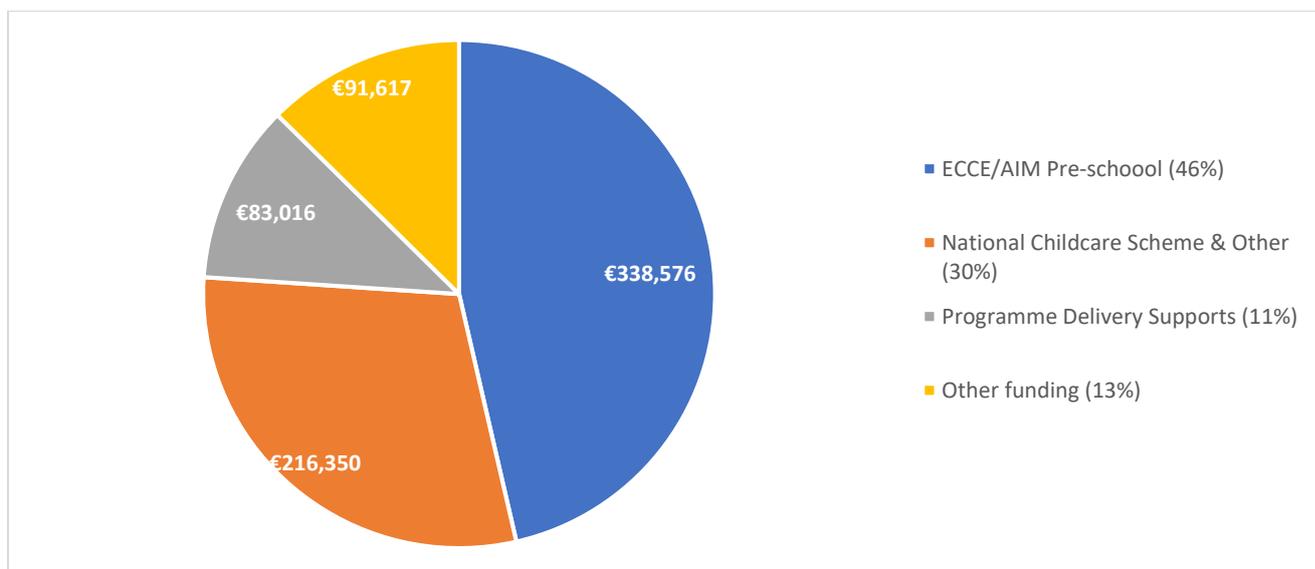
<sup>13</sup> [Crèches face delays in State support payments. The Irish Time, 10 April 2020](#)

<sup>14</sup> [Fears young mothers will be forced out of work as many crèches go to the wall. The Irish Independent, 4 May 2020](#)

## Appendix 1 - Current State Subsidies for the Childcare Sector

Funding provided by the Department of Children and Youth Affairs for early years and school age childcare schemes is apportioned from Vote 40's annual budget via Programme B – Sectoral Programmes for Children and Young People. In 2020, this Programme has been allocated an estimated €730 million, with approximately €638 million, or 87%, of this funding being utilised in subsidy schemes for families and service providers (Figure 2).

Figure 2: Programme B funding allocation (€ 000)



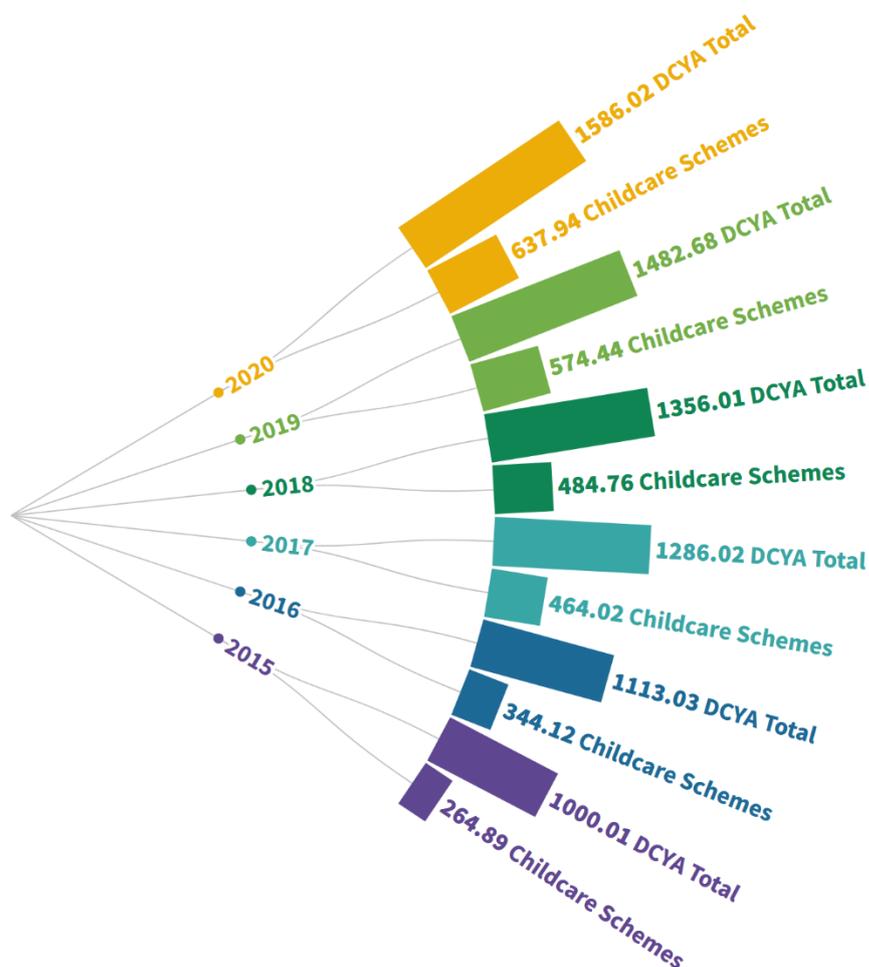
Source: PBO, based on the Revised Estimates for Public Services 2020.

Figure 3 (over) shows the proportion of total DCYA funding which was allocated to childcare subsidy schemes between 2015 and 2020.

Both the Vote total and scheme allocations have been increasing year on year, with subsidies now accounting for **40%** of the Vote's total annual expenditure (increasing from 26% in 2015). This equates to a **141%** increase in subsidy funding over the period, rising from **€265 million in 2015** to **€638 million in 2020**.

The Department estimates that over 195,000 children will receive financial support under an ELC or SAC subsidy scheme in 2020. A detailed analysis of the targeted childcare schemes, and their impact, available in October 2018 was conducted by the Irish Government Economic & Evaluation Service (IGEES) and can be found [here](#).

Figure 3: Total DCYA Voted allocation & comparative funding of Early Learning and Care and School Age Childcare Services 2015-2019 (€ millions)



Source: PBO, based on the Revised Estimates for Public Services 2015 to 2020.

Currently, the aggregate weekly DCYA spending on these subsidies is approximately **€12.27 million per week**, or **€638 million per annum**. These are not fixed costs and can fluctuate depending on the time of year and number of children in attendance on a given day. PBO estimates indicate that the COVID-19 related subsidy schemes already announced for the sector, may result in a cost to the Exchequer in the region of **€13.63 million per week**.

In the current situation, total Exchequer funding exceeds existing State subsidies to the childcare sector by approximately €1.4 million per week and may exceed Exchequer funding already budgeted for in the same 11-week period in excess of €12.54 million. Any estimates, however, do not take into account costs such as the remaining 20% of service provider costs, employers PRSI, pension contributions (if applicable), or any other payroll deductible benefits provided by employers.

When DCYA funded spending is viewed in isolation, pandemic-related interventions may cost approximately €6.72 million per week in Phase 1 and €5.42 million per week in Phase 2. Assuming weekly expenditure on childcare subsidies of €12.27 million, the TWSCS may result in weekly savings of €5.55 million in Phase 1 and €6.85 million in Phase 2 from Vote 40's allocation.

19/05/2020

DEASP (Vote 37) funding will account for 57% of the sectoral interventions with DCYA funding the remaining 43% of payments.

The cost of any intervention for the childcare sector during the crisis should be compared to the economic cost of the long-term closure of childcare facilities both in terms of immediate unemployment benefits of sectoral staff as well as the reduced access to the labour market for parents with young children.

## Appendix 2 - Expansion of the National Childcare Scheme (NCS)

The National Childcare Scheme, announced in Budget 2017 and commenced in October 2019, is a financial support mechanism for parents and carers utilising some form of registered childcare for children up to the age of 15. It “establishes a system of universal and income-related subsidies”<sup>15</sup> and aims to amalgamate the range of direct Exchequer supports to the childcare sector under one over-arching scheme by 2021.<sup>16</sup>

In his contribution to the Dáil debate on the [Emergency Measures in the Public Interest \(Covid-19\) Bill 2020](#) on 26 March, with regard to childcare and education funding, the Taoiseach said:

*“When it comes to childcare, our plan always had been to expand ECCE, early childhood care and education, and to expand the national childcare scheme incrementally, thereby reducing the amount parents have to pay. In some ways we have done that in one fell swoop, an incremental measure done very quickly. The House might decide not to roll back that entirely.”*

Contained in the government formation policy document agreed between Fine Gael and Fianna Fáil on 14 April, under the heading of ‘A New Social Contract’, was reference to the need to reform and modernise the Childcare Sector in order to “improve accessibility, reduce costs, raise standard, and provide childcare workers with a sustainable career pathway”.

No further information was provided as to the nature or scope these reforms might take, whether current funding of schemes would be maintained, expanded or replaced, or if cost reduction would entail further family subsidisation or the direct funding of the sector by the State.

Given the restrictions in other jurisdictions imposed on childcare settings, following their reopening, it is likely that continued Exchequer funded assistance for the childcare sector will be required for the foreseeable future.

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<sup>15</sup> [National Childcare Scheme, www.ncs.gov.ie.](http://www.ncs.gov.ie)

<sup>16</sup> [National Childcare Scheme NCS, www.pobal.ie.](http://www.pobal.ie)