

Introduction

Investment in early learning and childcare is key to enabling parents to work, lifting families out of poverty and giving children the best start in life through addressing educational underachievement and delivering long term positive outcomes.

For years parents in Northern Ireland have struggled to afford the childcare they need to work, and childcare providers have faced challenges in delivering high quality care sustainably. Over this time costs have continued to rise for both families and providers, with no increase in the level of support available. Families in other parts of these islands have been able to access financial support with childcare that is not available here. This situation is now beyond crisis point. Without urgent, ambitious action from the Northern Ireland Executive, the impact on families, our economy and society will rapidly worsen to the point of collapse. We now have a generationally significant opportunity to design and invest in a world leading early learning and childcare system that delivers for everyone.

In recent years we have seen record investment in early learning and childcare in other regions of the UK and in the Republic of Ireland. Understandably, families and early learning and childcare providers here feel left behind with the gap in terms of support available elsewhere in the UK and Ireland widening.

Significant learning has been shared through the All Party Group on Early Education and Childcare. We need to see this learning used to inform the development of a bespoke scheme for Northern Ireland that learns from the mistakes of elsewhere to create a more progressive and effective model. Otherwise, there is a risk that inappropriately planned and targeted investment will come at the cost of affordability for families, educational outcomes for children, skills shortages for businesses and entrenched disadvantage.

Early Learning and Childcare in Northern Ireland today

Early learning and childcare in Northern Ireland today can be characterised as:

- Not affordable
- Quality at risk
- Not available or accessible
- Insufficiently integrated or family-centred.

Not affordable for parents to access

- Average cost of a full-time place is now £10,036 per annum and rising
- 88% of parents have had to change their work arrangements due to childcare costs
- For 41% of families, childcare is the largest monthly outgoing, ahead of the mortgage
- 56% are using means other than income to pay for childcare (savings, credit, loans).

“We have spent £200,000 in the past 12 years on childcare to enable us both to work in jobs that are contributing to society.” (Family with two children)

“Childcare is the single biggest stress factor for me and my friends who have children. There is practically no financial support. It is causing a career crisis for women and having a poor impact on mental and financial health.” (Lone parent)

Not affordable for providers to deliver

- 84% of childcare providers are making a loss or just breaking even
- 43% describe their financial situation as ‘struggling’ or ‘distressed’
- 53% of providers have seen families reduce or stop their hours because they could no longer afford childcare.

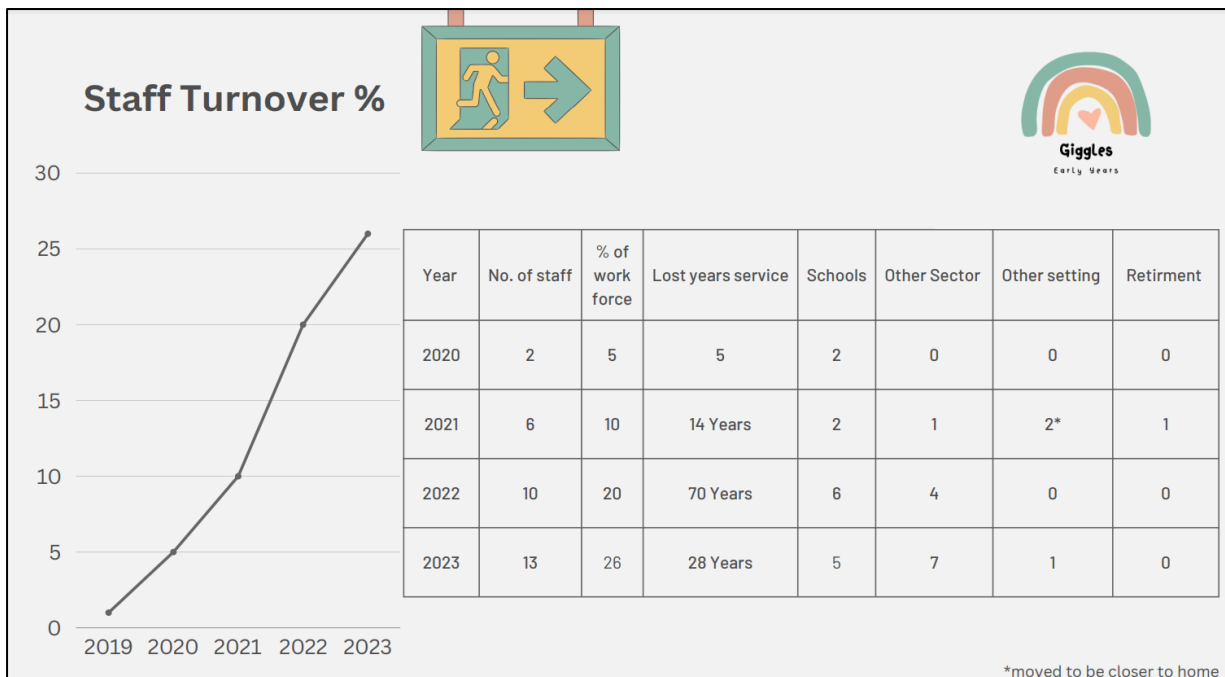
“The price of everything has gone up – for utilities, fuel, food and learning and play resources. We are really struggling but if our prices go up we might lose children to other providers.” (Childcare provider)

Quality at risk

High staff turnover and recruitment and retention challenges across the sector impact the quality of provision as it is increasingly difficult to secure and progress skilled staff. Low pay is a major problem.

“It is likely we will close in the next few months. The sector is in crisis. Experienced staff are leaving to find higher paid employment with less responsibility and I can’t afford to replace them.” (Childcare provider)

At a recent meeting of the All Party Group on Early Education and Childcare evidence was presented of how the loss of key staff was impacting one setting:



Not available or accessible

- 81% of parents report insufficient provision of childcare in their area
- Over half of providers report demand outstripping capacity for children aged 0-2
- Families who have a child with a disability are twice as likely to be using no childcare.

Insufficiently integrated or family-centred

- Complex multi-regulatory environment
- Difficult to access multi-disciplinary support from other agencies where required
- Distinctions between statutory and non-statutory providers.

Consequences of this situation

- **Parental employment:** Parents, particularly mothers, are more likely to be economically inactive due to caring responsibilities in the first two years of their child's life and more likely to work part-time when children reach pre-school and primary school age. The economic inactivity rate in Northern Ireland (26.9%) remains consistently higher than the UK figure (21.1%). Women are more likely than men to be economically inactive and more likely to work in part-time, precarious employment. Of women with a child aged 1-4, 28% are economically inactive, compared to 8% of males.
- **Poverty:** Child poverty levels remain stubbornly high in Northern Ireland. Children are at higher risk of poverty than any other age group, especially children under age 5. One reason for this is a higher incidence of parents or carers not being in employment, a key driver of which is the affordability of childcare. Parents in low income households are more likely to have had to stop work due to the cost of childcare.
- **Educational inequalities and underachievement:** The Fair Start report showed a clear link between educational underachievement and lower socio-economic background. It recommended a focus on early years as a key first step in addressing educational underachievement. Children in poverty are 50% less likely to meet early milestones because of poverty, as they are less likely to go to childcare, and these early gaps persist through school (Save the Children).
- **Skills shortages:** 68% of Northern Ireland business are facing skills shortages, with 24% prevented from filling roles due to lack of applicants.

And the situation is only getting worse

- **Declining number of childcare providers and places:** Figures at 31 March 2023 showed a 14% decrease in the number of registered providers since 2019/20, and a 7% decrease in places. We have seen recent high profile closures including Birdies Day Nursery in Lisburn, which supports 60 families and has operated for 33 years:

"Unfortunately we are no longer viable as a setting due to increasing cost pressures and severe difficulties with staff recruitment in the childcare sector. We fear that quality of care is not possible in the longer term." (Birdies Day Nursery)

- **Costs set to increase with rise in NLW/NMW:** With the increase to the National Living and Minimum Wages from April, costs will increase for childcare providers. While providers want to pay their staff a proper wage that recognises their experience, skills and value, in the absence of Government investment they can only do so by raising fees for parents. In 2023, 77% of day nurseries anticipated their costs would increase in 2024 – by an average of 8%, with figures ranging up to 25%.

"As a social enterprise we're mindful of the financial burden childcare fees can be for parents & carers, this is reflected in our pricing structure. But I'm very concerned that when staff costs rise again we'll have no option but to increase fees." (Childcare provider)

The minimum wage increase cripples us each year. We pay some staff more due to qualifications. Our staff are worth MUCH more than that but without government support we can't afford to pay more." (Childcare provider)

- **Parents unable to access or afford childcare:** In 2023, 11% of working parents were considering leaving their job due to childcare, 61% expected to change their work pattern and 35% to reduce their working hours. Rising costs and issues with availability will see even more parents having no choice but to leave the workplace, take a career break or reduce their hours of work. With parents of dependent children making up more than 40% of the workforce, this is an issue that affects everyone across society.

"I wish I could go back to work full time but the cost of childcare outweighs the benefits. I'm stressed about how little I'm paying into my pension and can't progress in my career. I tried to go back to education but even with the tech offering free courses, I can't afford childcare. I feel there are barriers everywhere for women getting back into the workplace." (Parent)

"I had to leave my job in which I had worked 13 years to get to where I wanted to be. I took on a part time admin job at a far lower pay band in order to look after my children as childcare costs were so high." (Parent)

- **Children missing out on early learning and development:** More children will be missing out on the long-term benefits of quality early learning, development and socialisation.

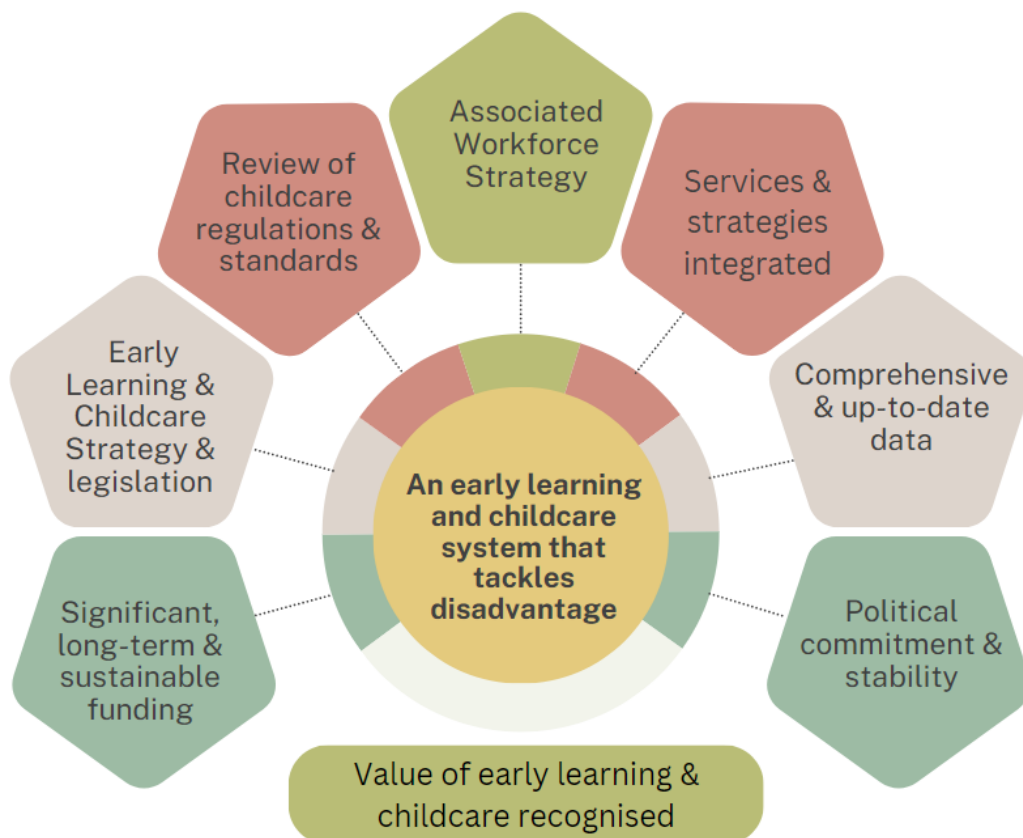
"When you can find it the quality and care given are amazing, the staff are fantastic but they do not get paid enough for what they provide either and so recognition that childcare is an essential part of a functioning and growing economy and society is essential!" (Parent)

"Childcare provision is excellent - it is child-centred and promotes all areas of learning and development for children in a safe and friendly environment. Food made daily onsite is great

for health and wellbeing. Our nursery brings the children outside as much as possible which is fabulous for their development. I am kept well informed every day.” (Parent)

What do we need to achieve

1. **Every parent is significantly better off working, after childcare costs:** The high cost of childcare can present a barrier to parents who want to work, to increase their hours of work, to participate in education or training or volunteering and socialisation. This shouldn't be the case. A financial support scheme is required to significantly reduce the cost of high quality, registered childcare to all parents.
2. **Childcare is recognised as essential economic infrastructure, with providers and the workforce invested in and valued accordingly:** The childcare sector has been undervalued over many years; many providers struggle to break even amidst rising costs, and the sector is characterised by low pay for its workforce. Investment is needed that recognises the sector as a driver for economic growth and educational and societal well-being.
3. **There is sufficient, high-quality childcare for all children, including those with additional needs, across the whole of Northern Ireland and for all age groups:** Across Northern Ireland, there are families who struggle to access childcare that is best suited to their family's needs. We need to ensure that there is sufficient provision and that this is of a high quality.



What impact could getting this right have

Enabling parents to move into, stay in and progress in work: Research is clear that investing in childcare results in more money back into the economy. In Northern Ireland, there are currently 31,000 economically inactive women who would like to be in work. 35% of these women (around 11,000) are economically inactive due to family caring responsibilities. A CBI report uses estimated Gross Added Value (GVA) per capita to calculate that GDP could increase by up to £290 million per annum for every 10,000 mothers that return to employment working their preferred hours.

- Research from PwC and the Salvation Army found an increase in state-funded childcare in England in 2017 contributed £22.3bn in GVA to the UK economy and drove a 286,000 increase in labour force participation in the first year after implementation. The report provides clear evidence that improving access to childcare is essential in enabling parents to work.
- Research from the Centre for Progressive Policy (CPP) found that 1.7 million women in the UK would like to work more hours but were unable to do so because of problems with childcare. Another 1.3 million had turned down a job for the same reason. The CPP estimated this could amount to £11 billion in foregone earnings.

Improving educational outcomes for children: The latest evidence from the UK Study of Early Education and Development (SEED) shows gains for children from attendance in early learning and childcare as helping them to meet early milestones and doing better at English and Maths in primary school. These gains are even stronger where there is a focus on quality and for children who are in poverty.

Moving children and families out of poverty: 62,000 children in Northern Ireland are impacted by poverty because their families face barriers to work. 12,000 children in Northern Ireland are living in poverty despite one or both parents working full-time. Ensuring every parent and every child can benefit from affordable, quality childcare is key to lifting families out of poverty by:

- Helping families be better off by enabling parents to work, increase their hours, progress in the workplace and limit the amount of wages spent on childcare.
- Improving long-term educational, developmental and employment outcomes for children and countering some of the negative effects of poverty.
- Enabling the early identification of special educational needs and disabilities in children.

We must not copy the mistakes of elsewhere

There has been some focus on schemes elsewhere in the UK, particularly the 30 hours 'free' childcare scheme. On paper, this scheme sounds hugely appealing for working parents, helping to reduce the soaring cost of childcare for some families, however the way in which it has been funded, targeted and implemented:

- Has put significant financial pressure on childcare providers, pushing costs up for many families and making it harder to find childcare
- Has widened inequalities between disadvantaged children and their peers
- Does not support parents to access education, training or development opportunities
- Doesn't actually deliver 30 hours free childcare across the whole year
- Has been detrimental to the quality of early learning and childcare delivery
- Doesn't improve pay, terms and conditions for those working in the sector.

Many of these issues are only set to worsen with the planned extension of the scheme. Describing the situation in England ahead of the expansion of the 30 hours free childcare scheme, on 22 February 2024, Neil Leitch, CEO of the Early Years Alliance said:

"Years of sustained underfunding combined with a worsening staffing crisis and limitations on space means many providers simply won't be able to increase places to meet the surge in demand for the new offers, while others will have no choice but to limit the number of places they deliver under the expansion or opt out of the entitlements completely. And, of course, with so many settings still struggling with the impact of inadequate funding rates in the face of sharp cost rises, even those parents who are able to secure a funded space are still likely to face sharp increases in fees and charges for anything outside of their entitlement hours."

Introducing a similar scheme in Northern Ireland has the potential to **significantly destabilise** the childcare sector, making an already challenging financial situation even worse for providers and for families. Phasing in the scheme could result in an **immediate fee shock** for parents who are not initially eligible, pushing their costs up significantly, and make it even more difficult to find the childcare that they need in order to work. This would make childcare affordability worse for families in the short to medium term without improving employment or developmental opportunities for children.

Targeting support only at working families is a false economy and is at odds with the aim of ensuring all children can benefit from the developmental opportunities of quality early learning and childcare. The reality is, in Northern Ireland, most parents are working. With historically low levels of unemployment, where parents are not working this is typically as a result of economic inactivity attributed to caring responsibilities or other factors such as having a disability. For some parents this reflects their choice in terms of how they wish to bring up their children and they will not be seeking to access childcare. Where parents who are economically inactive do wish to enter or re-enter the labour market, they will often benefit from education, training, volunteering or other activities to build their work readiness and confidence. Excluding such parents from a childcare affordability scheme is a barrier to helping those parents to move into the workplace.

A constructive – and bespoke – solution for Northern Ireland

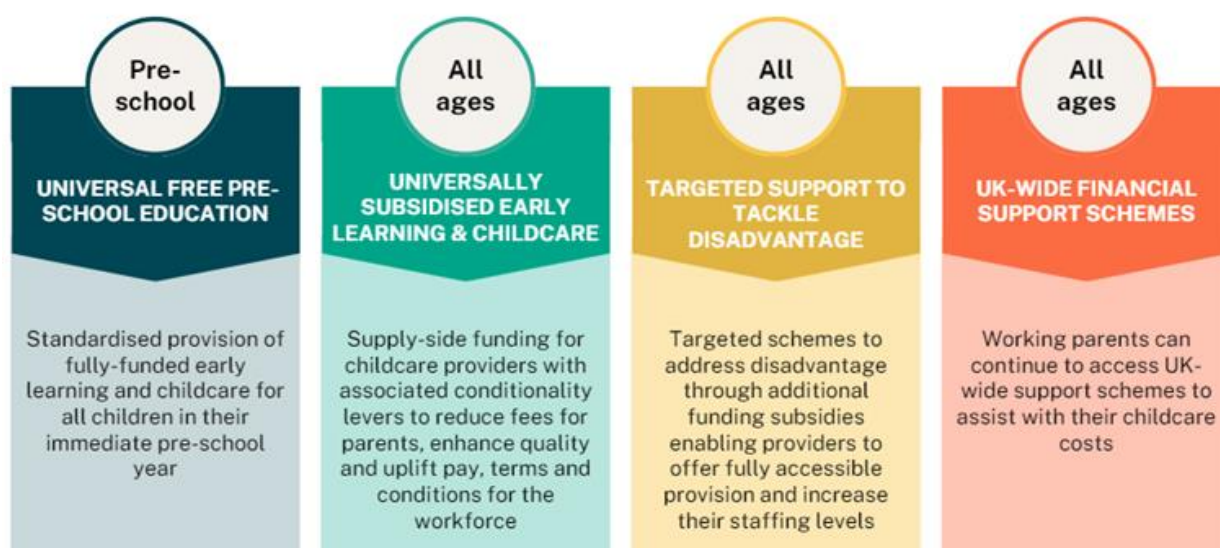
A more progressive scheme will much more effectively achieve the aims of supporting parental employment and developmental opportunities for children without leaving disadvantaged families behind.

Proposed funding model

Employers For Childcare has been constructive in developing proposals for a bespoke funding model for the childcare sector in Northern Ireland to better meet the needs of all families, incorporating:

1. **Universal, free provision of 22.5 hours of early learning and childcare** for children in their immediate pre-school year.
2. A **core-funding subsidy** for all registered childcare providers covering a portion of the costs of delivering quality early education and childcare, enabling them to reduce the fees they charge all parents. The subsidy should be increased over time, as public finances allow, further reducing fees for parents.
3. A strengthening of the **support aimed specifically at tackling disadvantage**, including targeted subsidies for providers and expansion of Sure Start services.
4. Ensuring all working parents can access **UK-wide support schemes** to assist with their childcare costs.

Together, these would comprise four pillars of support making an immediate positive difference for all families, for our early learning and childcare sector and for our wider economy and society as a whole.



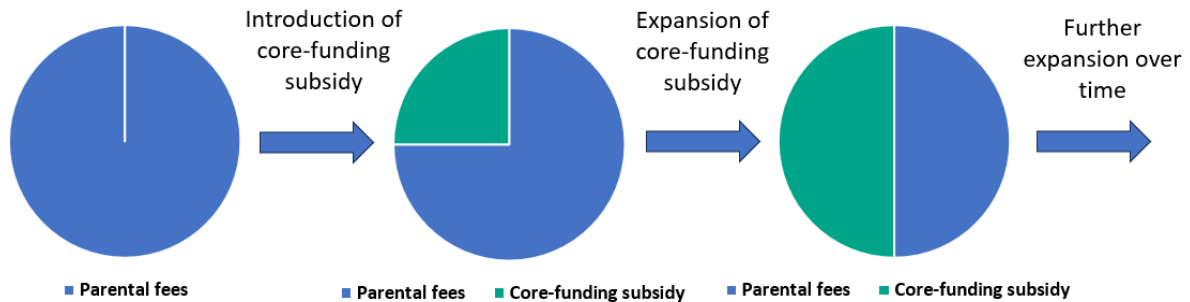
The result will be:

- Reduced childcare fees for all parents, for children of all ages, across the full year
- Better pay, terms and conditions for those working in the sector
- A relentless focus on quality early education and childcare for all children

- Financial sustainability for our vital early learning and childcare sector.

The scheme can be phased in over time through increasing the core-funding subsidy without the destabilising effects of phasing in a ‘free’ childcare offer.

Re-balancing supply-side funding for an early learning and childcare place over time



Taking the funding that would be required for a ‘free’ childcare offer and allocating it in a more progressive way, that learns from the experiences elsewhere, will deliver better outcomes more effectively and more efficiently.

Immediate support needed in the interim

In five weeks time, childcare providers’ costs will increase significantly due to the increase in the National Living and Minimum Wages. Staff wages account for around three quarters of group providers’ costs. We spoke recently with a daycare provider anticipating increased salary costs in 2024/25 of £66,000 as a direct result of these uplifts.

Without immediate intervention these costs will have to be passed on to parents, and in some cases have already been, in the form of increased fees. With parents and providers already at breaking point, to stem a haemorrhaging of parents from the workforce, the closure of settings, and the loss of educational opportunities for children, urgent action is needed:

- **Stability funding for the sector:** provide stability funding for the sector, similar to the sustainability funding recognised as essential during the Covid-19 pandemic. This was designed to assist the short-term viability of childcare providers and help ensure they remain sustainable. A similar scheme could be rolled out quickly to the sector, conditional on providers not increasing fees for parents or, if they have already done so, returning them to their previous rate. This would be a short-term measure designed to prevent setting closures and fee increases until an affordability scheme is rolled out.
- **Remove childcare settings from the requirement to pay rates:** unlike schools, private nurseries are required to pay business rates. In Wales and Scotland, all childcare providers are exempt from paying business rates.

- **Expedite the review of the Minimum Standards:** encourage the Department of Health to progress its review of the Minimum Standards as a matter of urgency and to take steps to remove current barriers to recruitment into the childcare sector.
- **Advocate for an increase in support available through Tax-Free Childcare:** advocate for cross-party support calling on the UK Chancellor to remove the current cap on Tax-Free Childcare, and increase the allowance, for families in Northern Ireland.

Conclusion

Since the restoration of the Northern Ireland Executive, there has been a welcome focus on childcare, with new Ministers and MLAs from all parties pledging their support to tackling the childcare crisis facing families and the childcare sector.

We welcome this commitment and are clear that new Ministers need to deliver on two things:

1. **Short-term:** Urgent financial support to offset impending childcare fee increases as a result of the increase to the National Minimum Wage from April.
2. **Long-term:** An ambitious Early Learning and Childcare Strategy, incorporating a fully funded affordability scheme, that delivers transformational investment in quality, accessible and affordable early learning and childcare. We need to see a timeline for this as a matter of urgency.

The level of commitment to addressing this issue from our political leaders gives a strong sense of optimism that the will is there to deliver a world-leading early learning and childcare infrastructure for Northern Ireland. But we now need to see that translated into meaningful action.

Anything less than transformative ambition, that reflects the learning of recent years, will not be acceptable to families, our early learning and childcare sector and our wider economy and society.

Employers For Childcare

*Employers For Childcare comprises a Social Enterprise and a registered charity. **100% of the profits from our Social Enterprise businesses** – a Childcare Voucher company and High Rise (an indoor family adventure centre) are invested into our charity. Since 2008, we have **invested £7.4 million** from our Social Enterprise activities, into our charity, and helped parents to identify **£105 million in financial support** they didn't know they were entitled to.*

As a charity, our aim is to make it easier for parents with dependent children to get into work and to stay in work. We address childcare as a labour market and economic issue, as well as a social one.

*Our charity's work includes providing a **Freephone helpline** and **outreach service** through our **Family Benefits Advice Service** alongside carrying out research and lobbying work on behalf of parents.*

Last year we helped over 11,000 people directly and carried out more than 4,400 personalised benefits checks – working parents who received one of these checks identified average savings of over £5,600.

Marie Marin, Chief Executive, Employers For Childcare

Marie Marin is the founder and Chief Executive of Employers For Childcare, which has led the campaign for investment in childcare in Northern Ireland over the past 20 years, to support families, employers and the childcare sector. Marie is a former Chair of Social Enterprise NI and in 2013 she received an OBE for her services to Social Enterprise. In 2019, Marie was named Woman of the Year at the UK wide Social Enterprise UK (SEUK) Awards. She was also presented with a Lifetime Achievement Award at the Social Enterprise NI Awards in 2019, where Employers For Childcare was named Social Enterprise of the Year.



Aoife Hamilton, Consultant, Employers For Childcare

Aoife is a Director at CARD Group Research & Insight and a consultant for Employers For Childcare, having previously worked with the organisation for over six years as Head of Charity Services. She co-ordinates the secretariat for the All Party Group on Early Education and Childcare at Stormont and has led effective lobbying, campaigning and advocacy work to advance childcare policy in Northern Ireland and across the UK. Aoife is driven to see effective evidence being used to shape public policy and organisational processes for the better. She leads on the Northern Ireland Childcare Survey, the longest running and most comprehensive study into the experiences of parents and childcare providers.

