

Employers For Childcare written response: Draft budget April 2021 to March 2022

About Employers For Childcare

Employers For Childcare is a charity and social enterprise that supports families by campaigning to address the barriers that prevent parents from entering into, and staying in, the workforce. We address childcare as both an economic and a social issue and lobby for investment in our childcare infrastructure to benefit children and families, as well as the local labour market and economy. We undertake research which provides us with evidence to campaign on these and a range of issues relating to childcare, family and work. Most notably the ability of parents to access affordable, appropriate childcare and the impact this has on families, both financially and in terms of their well-being.¹ We also operate a Family Benefits Advice Service offering free, confidential and impartial advice and guidance on the financial support families are entitled to. Last year, this service helped over 8,000 people, and identified £12.6 million in additional financial support for parents.²

Employers For Childcare also provides the secretariat to the All Party Group on Early Education and Childcare, which was formally established in August 2020, aiming to promote best practice policy and provision, the publication of a Childcare Strategy and underpinning legislation. The Group involves a wide range of stakeholders, from childcare membership bodies, women's sector organisations, charities, trade unions and employer representatives to senior officials from Government Departments (Health, Education, Communities, Economy, Finance) and MLAs. This reflects the cross-cutting nature of childcare and the vital role it plays in our economic and societal infrastructure.

Executive Summary

We appreciate that the Draft Budget has been developed amidst unprecedented pressures on the financial resources of the Executive and all Government Departments. The Finance Minister has publicly acknowledged that this is a "difficult" Budget, and that the funding position announced for the Executive falls short of what might have been expected pre-Covid-19, with the UK Government's Spending Review failing to deliver the level of support required to "kick start our economic recovery from Covid-19 and Brexit".

In this context, it is all the more important to consider how best to strategically apply resources to long-term, sustainable measures for addressing key structural challenges. In an overview of economic context to the Draft Budget, there is recognition that Northern Ireland faces a deep and prolonged economic downturn, which requires long-standing issues to be addressed including:

- Securing more, higher paying jobs for citizens
- Addressing regional economic imbalance
- Tackling economic inactivity and skills deficits
- Addressing low pay, income inequality and deprivation

¹ <https://www.employersforchildcare.org/report/northern-ireland-childcare-survey-2020/>

² <https://www.employersforchildcare.org/report/social-impact-report-2019-20/>

- Improving overall productivity and competitiveness.

A key part of the solution to these issues, and underpinning the achievement of each of the overarching Programme for Government outcomes, is accessible, affordable and high quality childcare. This requires a long-term commitment to, and investment in, a Childcare Strategy – which is totally lacking from this Draft Budget.

Childcare is an essential component of our economic infrastructure, enabling parents with dependent children to go to work, or to work additional hours. As well as benefiting families, this allows employers to recruit, develop and retain the skilled, experienced workforce they need. In removing barriers to employment, particularly for women and for those living in rural areas, childcare also assists in addressing structural inequalities and improving the lives of children, young people and their parents. Longer term, there is clear evidence that children who benefit from quality, enriching children achieve better educational outcomes and, over their lifetime, have higher earning potential.³ UNICEF has stated that Early Childhood Development is globally recognised as one of the most cost efficient investments in human capital which leads to a country's sustainable development.

To address the pressing challenges facing us in the here and now, to put Northern Ireland on the road to economic and societal recovery, and to grow a better place to live and to work, we have specific recommendations in response to this consultation:

1. Allocate funding to develop and implement a fully costed Childcare Strategy, underpinned by legislation, with close links to other relevant strategies in development, for example, Anti-Poverty Strategy, Skills Strategy and new Economic Strategy for Northern Ireland.
2. Continue to provide emergency sustainability and recovery funding to the childcare sector as part of the Covid-19 response.
3. Allocate funding to ensure families and individuals can access essential financial support including by:
 - a. Ensuring there are sufficient staff to deliver the Universal Credit service efficiently
 - b. Continuing to support the independent advice sector
 - c. Continuing and strengthening welfare reform mitigations and adapting Universal Credit processes to meet the needs of individuals in Northern Ireland.
4. Recognise the vital role of the Social Enterprise sector in the economic and social recovery and rebuilding from Covid-19.

The sections below provide further information and evidence to support our recommendations. We also have the following general comments on the consultation and approach to this budget:

- **Multi-year budgets:** Having noted the importance of multi-year budgets in his statement, the Finance Minister should prioritise a move away from one year

³ <https://www.savethechildren.org.uk/content/dam/global/reports/education-and-child-protection/untapped-potential.pdf>

budgets which make it very difficult for departments to plan strategically. Multi-year budgets should be clearly linked to Programme for Government Outcomes and relevant strategies. This is essential to fulfil the commitments made within New Decade, New Approach, which included commitments to tackle disadvantage and drive economic growth underpinned by key supporting strategies, including Anti-Poverty and Childcare Strategies, as well as a range of key equality strategies.

- **Consultation period:** While we recognise that the overall funding envelope was not confirmed by Treasury until November 2020, the short time period allowed for consultation on the draft Budget will inevitably impact on scrutiny and strategic review of planned allocations. Looking ahead, it is important that adequate time is allowed for meaningful consultation on proposals.

Recommendation 1: Funding must be allocated to support the adoption and implementation of a Childcare Strategy

The funding allocated to the Department of Education is of particular concern and is entirely inadequate to deliver the investment needed for a fit-for-purpose Childcare Strategy.

The draft budget states that the Department of Education has lead responsibility for the development and management of the Executive's Childcare Strategy. It is therefore deeply disappointing that the Draft Budget does not include any specific funding for a Childcare Strategy and nor does the Department of Education have any allocation for childcare. This is a long over-due Strategy which was also identified as a key priority in the New Decade New Approach, which states: *"The Executive will publish a Childcare Strategy and identify resources to deliver extended, affordable and high quality provision of early education and care initiatives for families with children aged 3-4"*.

Welcome progress is being made to develop other policies which were also committed to in New Decade New Approach, for example, the Anti-poverty Strategy and Gender Strategy, yet progress on a childcare strategy has been much more limited. This is despite childcare being identified as a key component in both the Anti-poverty Strategy and Gender Strategy. We strongly believe that a Childcare Strategy should be developed in-tandem with these strategies.

Covid-19 has exacerbated challenges for childcare and increased the strain on a childcare sector that was already struggling – in need of investment and a long overdue Childcare Strategy. Without funding for a robust strategy, the risks are clear:

- A collapse in the supply of quality childcare and increase in cost for parents and providers
- Parents having to reduce their hours at work or leave work altogether
- Our overall economic recovery from Covid-19 will be held back
- Increase in levels of household and child poverty
- Prolonged negative impact on the social and education development of our children.

We understand that significant investment is needed for a Childcare Strategy to effectively work for parents, childcare providers and society as a whole, therefore we would emphasise

the need for multi-year budgeting. This would support longer-term planning and strategic direction which is urgently needed for childcare policy in Northern Ireland.

The childcare sector offers approximately 60,000 registered places for children aged 12 and under, each of which supports families to access work, and employs an estimated 10,000 paid workers in Northern Ireland⁴ with more than 4,000 individuals and facilities registered to provide day care provision.⁵ These include private businesses, charities and social enterprise settings.

Even before the Covid-19 outbreak, the childcare sector in Northern Ireland was experiencing challenges. The most recently published Northern Ireland Childcare Survey 2020⁶ highlighted challenges for the sector in terms of its ongoing sustainability. Almost one third of providers (32%) reported a decrease in their income in the previous year, with 72% having either just broken even or made a loss. Almost half (48%) said they had to increase the fees they charge because of their business rates, therefore we would call for a permanent rates exemption for childcare providers, which was introduced in Scotland and Wales for childcare providers in 2018.

Early Intervention and the importance of childcare

Research shows that investing early saves the public purse in later years as the most crucial years for learning and development are from birth to age of six. Early investment in childcare in particular has significant long-term benefits for society. Heckman's cost-benefit analysis of state-provided childcare concluded that there was a 7% to 10% per year return on investment in early years, based on children's increased school and career achievement, and reduced costs in the health and criminal justice systems⁷. Much of this investment is required before school, and even before pre-school. Childcare is key to this investment yet is often omitted as a tool in giving children and young people the best start in life.

Lack of investment in childcare presents a barrier to parental employment

Not only does the childcare sector create jobs, it supports them by enabling parents to access, stay in, and progress at work, as well as supporting parents in education and training. A weak childcare infrastructure, however, characterised by high costs, inflexibility and lack of suitable places, acts as a barrier to parents gaining work and training. Where parents are working, the costs of childcare can place significant pressures on family budgets.

Childcare is key in supporting economic growth and activity, particularly as the latest statistics from the Northern Ireland Research Statistic Agency identified more than 10,000 redundancies, making this the highest annual total on record for Northern Ireland⁸. This

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<https://www.betterworkbetterlives.org/sites/default/files/publications/ICTU%20Childcare%20Report%20June%202019.pdf>

⁵ <https://www.health-ni.gov.uk/news/publication-childrens-social-care-statistics-ni-201819>

⁶ <https://www.employersforchildcare.org/report/northern-ireland-childcare-survey-2020/>

⁷ <https://heckmanequation.org/resource/invest-in-early-childhood-development-reduce-deficits-strengthen-the-economy/>

⁸ <https://www.nisra.gov.uk/statistics/labour-market-and-social-welfare/redundancies>

means that families and households continue to face precarious circumstances with many experiencing job losses and, as a result, reduced household income. In this context, it is deeply concerning that the budget has not included any specific allocation for childcare and there is limited information on how families will be supported. Below is a selection of quotes from parents highlighting how vital our childcare infrastructure is to employment:⁹

“Childcare remains vital for working families and if it’s not accessible I feel it is a massive barrier to work for many people. It is too stressful to balance working from home effectively with small kids.”

“Nurseries and childcare are critical to parents. They play such a vital role in allowing parents to work.”

“Covid-19 has brought into very sharp focus just how much we rely on those who look after our children and the massive benefit they have provided to them... Aside from the fact that childcare allows us to work without worrying about children, the educational / social / emotional support they provide for our children is invaluable.”

Impact on women

The provision of accessible and affordable childcare has a key role to play in enabling all parents to access and stay in work. However, this remains an issue that disproportionately affects women in terms of their economic empowerment. The Feminist Recovery Plan¹⁰ highlights how inequalities have been exacerbated by the Covid-19 pandemic, and childcare is no exception to this. Many women faced stark choices between their work and childcare commitments, as school closures and limited access to childcare settings created significant challenges for families. Women are more likely to care for children, either in addition to their work, or instead of paid work. This applies particularly to parents of disabled children, as childcare options are extremely limited even in ordinary circumstances. This increases the risk of poverty and is also likely to have health impacts for parents.

Access to affordable childcare is a key part of our economic infrastructure and it is necessary for people to be able to return to work place settings, and for those working from home, and is a key component to any pathway to recovery. It will not be possible to transition to a stage where the lockdown is fully lifted without childcare being recognised and treated as a major factor in being able to do this. It is essential for the budget to prioritise creating a childcare infrastructure that support the rebuilding of the economy.

Recommendation 2: Continue emergency support for the childcare sector as part of the Covid-19 response

To date, as part of the Covid-19 response, approximately £20.5 million of emergency funding has been provided to the childcare sector, to the end of December 2020, to alleviate the pressures they have faced as a result of the pandemic. This vital support has

⁹ <https://www.employersforchildcare.org/report/northern-ireland-childcare-survey-2020/>

¹⁰ Feminist Recovery Plan 2020 <https://wrda.net/wp-content/uploads/2020/07/WPG-NI-Feminist-Recovery-Plan-2020.pdf>

been welcomed by the sector and we would like to recognise the constructive working relationship facilitated by senior officials from the Departments of Education and Health, together with sectoral stakeholders, in prioritising childcare as an issue. However, the roll-out of this funding has been largely retrospective, making it difficult for childcare providers to plan and leading to deep uncertainty over sustainability and viability. As we progress out of the tightest Covid-19 restrictions the need for parents to have access to affordable childcare will increase. Certainty of funding and the ability to plan with advance knowledge of support packages will be critical to this. It is important therefore that this Budget includes an allocation of core funding to support our vital childcare infrastructure to remain viable and sustainable as we await the Childcare Strategy. Failure to do so could result in:

1. Childcare settings unable to provide care in the immediate future when it is needed, impacting on the ability of parents, including key worker parents to work, and subsequently on the capacity of our key services.
2. Some childcare settings being unable to re-open or struggling to regain their sustainability in the medium to longer term, resulting in a loss of places and an increase in costs for parents, impacting on the ability of working parents to access and afford care and subsequently on broader economic recovery.

It is clear that the childcare sector will not be operating ‘as normal’ for some time, so Government needs to ensure that the sector’s funding is temporarily re-balanced, so that it can continue to provide care now for those who need it while continuing to experience a shortfall in funding from parental fees. This will give settings the time they need to adapt their business models potentially reduced levels of attendance.

Recommendation 3: Allocate funding to ensure families and individuals can access essential financial support

Overall, the Draft Budget fails to provide sufficient resources to support those families who are most in need by not making resources available to fund a range of recommended new or strengthened welfare reform mitigations including retention of the bedroom tax and benefit cap mitigations, and introduction of mitigation for the two child cap.

We are also deeply concerned that the proposed Department for Communities allocation includes no funding for the independent advice sector to support welfare changes. Although Employers For Childcare is not directly impacted by the proposed reduction of £1.5m in funding to the advice sector, we must emphasise how vital the advice sector is particularly as more people are experiencing financial hardship due to the Covid-19 pandemic.

We are also concerned that at a recent meeting of the Committee for Communities (4 February 2021)¹¹, officials from the Department for Communities reported a shortage in staff to assist with Universal Credit workload. They highlighted that if they are not provided with adequate staff resource, they will not be able to keep pace with new claims which could result in a significant delay for a first payment for claimants, potentially up to six or seven weeks. From our work with families and claimants who receive Universal Credit, we already know that the current wait for a first payment is already too long. This unacceptable

¹¹ <http://data.niassembly.gov.uk/HansardXml/committee-25216.pdf>

wait can leave families in a negative financial situation and has the potential to push people into financial crisis rather than supporting them or lifting them out of poverty. As a result, some families are left without enough money to cover the basics essentials and may be pushed into debt.

We are concerned that with furlough due to end in April, this may create further job losses and increase workload for the Department. To ensure the Department has the ability to manage and deliver these services, it is vital that the budget prioritises funding to support the Department for Communities to recruit staff needed to support workload and Universal Credit claimants.

Recommendation 4: Recognise the vital role of the Social enterprise sector

While the draft budget highlights the impact of Covid-19 on the local economy, we are disappointed that it fails to include any specific mention of the social enterprise sector. Many businesses benefit the local economy and labour market while also addressing key social issues. We strongly emphasise the importance of social enterprises and social clauses which we would advocate should be included in all commissioning and public procurement contracts. At the same time, we would also highlight the need for a Social Value Act which would ensure that the social value which social enterprises bring to our local economy is realised.

Conclusion

Employers For Childcare appreciates the significant budgetary pressures faced by the Executive. However, it is vital that savings within each Department are analysed in terms of the broader and longer-term repercussions that they could have. We hope that our response is useful. We would be happy to discuss the points that we have raised in more detail and meet with you in order to do so. My contact details are alexandra.chapman@employersforchildcare.org or telephone 028 9267 8200.

Yours faithfully

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