

Employers For Childcare written response: Draft budget 2022-25

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 13,400 people. Over the last five years, our team has identified £54.5 million in additional financial support for families.²

Employers For Childcare also provides the secretariat to the All Party Group on Early Education and Childcare, 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, childcare providers, 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.

Introduction

The Draft Budget 2022-25 fails to make any specific budget allocation to support the development and implementation of a new, long overdue and much needed Childcare Strategy for Northern Ireland, that was a New Decade New Approach commitment. This is a **critical oversight**, that will impact negatively on the Executive's ability to deliver on its four key cross-departmental priorities:

- Health of the population
- Sustainable economic development
- Tackling inequalities
- Green growth and sustainability.

A multi-year Budget, which needs to be a day one priority for a new Executive, must recognise the Childcare Strategy as both critically important and urgent, and allocate resources accordingly.

¹ <https://www.employersforchildcare.org/report/northern-ireland-childcare-survey-2021/>

² <https://www.employersforchildcare.org/report/social-impact-report-2020-21/>

Background to the Draft Budget

We appreciate that the Draft 2022-2025 Budget has been developed amidst unprecedented burdens on the financial resources of the Executive and all Government Departments. The Finance Minister reflects in his opening remarks that years of austerity and the Covid-19 pandemic have created severe pressures. Businesses and families across Northern Ireland are facing significant, ongoing challenges including:

- An emerging cost of living crisis with steep rises in inflation, increased consumer goods prices and higher energy costs
- Skills shortages and hard to fill vacancies across many sectors
- Relatively low productivity and competitiveness
- Low pay
- High levels of economic inactivity
- Regional imbalances
- Deprivation.

In this context, it is critical that the Executive can apply resources strategically to long-term, sustainable measures for addressing key structural challenges, and assisting in the post-pandemic recovery. However, the overall funding position for the Executive is not enough to cover all that the Executive aspires to do. It represents a 'breakeven budget' after factoring in inflation by 2024-25, and with costs increasing and new pressures emerging, the Finance Minister states that "difficult decisions will have to be taken".

Following the publication of the Executive Covid-19 Recovery Action Plan, the focus of the Executive has been on delivering four key cross-departmental priorities, of which health is the top priority:

- Health of the population
- Sustainable economic development
- Tackling inequalities
- Green growth and sustainability.

On that basis, the Executive agreed for consultation a Draft Budget that sets health as its top priority, providing funding for the Department of Health that is significantly above Barnett consequentials and requires other Departments to contribute 2% of their opening baseline towards the Health Service.

Welcome approach to multi-year budgeting

Employers For Childcare welcomes the multi-year approach taken in this Draft Budget, which is essential in providing a more stable basis for the planning and delivery of public services. In particular, it is positive to see ring-fenced allocations proposed for the next three years to include:

- Welfare Reform Mitigations
- Addressing Food Poverty / School Holiday Food Grant.

It is therefore deeply frustrating that current political instability has resulted in the Executive being unable to agree the Budget prior to the Assembly Election in May. We are calling on the parties to come together after the election, whatever the outcome, to form an Executive, appoint Ministers and get on with the business that people will have elected them to do – making progress on the issues that matter to families, to employers and to all of us.

Key recommendations for inclusion in the Budget

Underpinning the achievement of each of the Executive's priorities set out above is accessible, affordable and high-quality childcare through:

- **Health of the population:** helping to lift families out of poverty, which is associated with a wide range of long-term health-damaging impacts, and directly facilitating mental and physical well-being of children through quality early education and care opportunities. Childcare also assists key staff in the health sector to work.
- **Sustainable economic development:** enabling parents to get into, stay in and progress in work, helping employers to recruit and retain the key staff they need for long term growth and development.
- **Tackling inequalities:** removing barriers to employment, particularly for women and for those living in rural areas, addressing structural inequalities and helping to give all children – including those from a disadvantaged background – the best start in life.
- **Green growth and sustainability:** creating and sustaining low-carbon jobs in a sector where the workforce is typically based in their local community, as well as supporting all parents to participate in a green society and economy.

This requires a long-term commitment to, and investment in, an ambitious Childcare Strategy – the funding for which is totally lacking from this Draft Budget. This is despite the development and resourcing of a Childcare Strategy being a long-standing commitment for the Executive and a key part of New Decade New Approach.

The absence of a funded Childcare Strategy over many years has resulted in fragilities and fault lines across the sector, that have only been exacerbated by the pandemic, including:

- rising costs for both parents and providers
- families struggling to access and afford the childcare they need
- many providers finding it impossible to break even
- highly skilled, experienced and professional staff working for low pay and feeling undervalued as a sector.

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 costs for parents and providers

- Parents having to reduce their hours at work or leave work altogether due to an inability to afford the childcare they need
- 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 educational development of our children.

With our last full Childcare Strategy having been published two decades ago, this generation of parents, children and childcare providers need to see progress and investment now. The economic, societal, educational, and health related arguments for doing so are clear.

Accessible, affordable 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.

Importantly, in a context where health is a top budget priority, consideration must be given to the impact on the provision of services should health staff be unable to work, or forced to reduce their hours, if they struggle to access or afford the childcare 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 childcare 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 therefore have two specific recommendations in response to this consultation:

1. Allocate substantial multi-year funding for the development and implementation of a Childcare Strategy.
2. Continue emergency support for the childcare sector as part of the long-term recovery from Covid-19 and to assist in avoiding increased costs for parents as we await a Childcare Strategy.

The sections below provide further information and evidence to support these recommendations.

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

Recommendation 1: Allocate substantial multi-year funding to support the development and implementation of a Childcare Strategy

The funding allocated to the Department of Education is entirely inadequate to deliver the investment needed for a fit-for-purpose Childcare Strategy, or to support the childcare sector and the parents who rely on it at this critical time. The solution is to ring-fence funding for the development and implementation of a Childcare Strategy that will:

- Enable **all parents** to access and afford the high-quality childcare of their choice without it costing a significant proportion of their income
- Support **all childcare providers** to confidently deliver quality, accessible childcare sustainably while investing in their staff and provision
- Ensure **all children** can benefit from the significant developmental benefits of childcare, regardless of their circumstances
- Benefit **all employers** in being able to recruit, develop and retain the staff they need.

This must be underpinned by legislation, with close links to other relevant strategies in development, for example, the Anti-Poverty Strategy, Skills Strategy and new Economic Strategy for Northern Ireland

Rising costs for childcare providers and for parents

The childcare sector offers approximately 60,000 registered places for children aged 12 and under, each of which supports a family 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.

The most recently published Northern Ireland Childcare Survey 2021⁶ highlighted challenges for the sector in terms of rising costs, declining income and ongoing sustainability. Almost three quarters of providers (73%) reported a decrease in their income in the previous year, while 84% had seen their costs for up. 71% reported they were either just breaking even or were making a loss. Almost a third described their current financial position as ‘distressed’ or ‘struggling’, meaning they are at immediate risk of closure or are focused on survival over the next 12 months.

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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-2021/>

Like parents, childcare providers are facing unprecedented challenges. The cost of operating a childcare setting has never been higher. From April 2022, any provider that employs staff will see a significant uplift in their costs for salaries and National Insurance. At the same time, all providers are impacted by rising costs for food, electricity, heating, transport costs and insurance. As a result, a third of providers (34%) anticipated that the fees they charge would increase in the next 12 months, rising to 68% of day nurseries.

Case study

A day nursery has shared how their costs have changed in the year from February 2021 to February 2022:

- *18% increase in the gas bill*
- *8% increase in the electricity bill*
- *22% increase in the food bill*
- *They are anticipating a 12% increase in their staff costs from April 2022.*

As a result, having previously kept their fees unchanged in 2020 and 2021, they are having to increase their fees to parents by 14% from April 2022.

In 2021, a full-time childcare place cost an average of £170 per week, or £8,840 a year. This is equivalent to 34% of the average household income in Northern Ireland. This is amongst the highest in the OECD countries. Looking at data from a range of OECD countries, net childcare costs represent an average of 10% of household income for a couple on the average wage, rising to 21% in Ireland and 28% in the UK. Comparatively, the figure is 16% in Finland, 6% in Norway and 4% in Sweden.⁷ That means the average household would have to work over 17 weeks of the year – from 1 January to 1 May 2022 - just to pay for one full time childcare place.

28% of households reported that they were struggling to meet the costs of childcare. It is the largest monthly bill for a third of families, ahead of their mortgage or rent.

Increases in fees will impact on families and providers

Typically, a childcare provider's only source of income is fees from parents. In the absence of Government investment in the sector through a fully costed and resourced Childcare Strategy, the consequence of rising costs for providers, will be rising costs for parents.

⁷ <https://www.employersforchildcare.org/report/northern-ireland-childcare-survey-2021/>

Case study

A parent recently contacted us to advise that the fees at their day nursery are increasing to £254 per week from April 2022, or £1,100 per month for one child. That is £13,200 per year.

For two children using the service full-time, the fee will be £1,828 per month, or £21,936 per year.

The family is eligible for support through Tax-Free Childcare, but the most they can claim in support is £4,000 - £2,000 per child.

This family's childcare fees are almost equivalent to the 'take home' salary for a full time employee on the average wage, and significantly more than a full time salary for someone on the National Minimum or Living Wage.

This could put the childcare they need out of reach for parents financially. This would push parents out of work, and in turn push providers out of business, which will make it more difficult for other parents to access the childcare they need and has the potential to drive costs up further. This will present real problems for employers, at a time when many are already struggling to recruit and retain the staff they need.

Failure to invest in childcare will present 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. Access to affordable childcare is a key part of our economic infrastructure and it is necessary for people to be able to return to workplace settings, as well as for those working from home, and is a key component to any pathway to recovery. As such, investing in childcare will underpin the delivery of the Department for the Economy's Vision for a 10x Economy, and associated Skills Strategy.

In the absence of investment, for 44% of parents, difficulties in accessing or affording the childcare they need have impacted on their ability to work. This rises to 58% of mothers, compared to 27% of fathers. Some have reduced their hours of work, while others have left employment altogether.⁸

40% of the workforce in Northern Ireland are parents with dependent children. If challenges in accessing and affording childcare results in 40% of the workforce struggling to work, that will have a major impact on every aspect of life – from our economic growth and development, to our ability to access critical services.

⁸ <https://www.employersforchildcare.org/report/northern-ireland-childcare-survey-2021/>

Below is a selection of quotes from parents highlighting how vital our childcare infrastructure is to employment:⁹

“When the cost is a substantial part of your salary you do question whether work is worthwhile. It feels like a constant juggling act and at times like there is every possible barrier in place to prevent mothers feeling like they can and should return to work.”

“I am working for basically zero wage whilst my kids are in nursery. Very demoralising but if I take time out to look after them where does that leave me for my future career?”

“I had to reduce my working hours by half so I could afford childcare. Working full time isn’t an option because childcare is too expensive. I’ve had to use food banks to cover us at times. I’m a profession and this shouldn’t be the case.”

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.

Three key themes have emerged from our research with mothers:

- *Face barriers accessing the workforce:* where childcare is not affordable this can lock parents out of the workforce or leave families in a position where one parent is working mainly to cover the childcare bill.
- *Career opportunities are being sacrificed:* Due to traditional gender roles and pay disparities, many mothers find themselves in tough positions when considering childcare and their careers.
- *No financial incentive to remain in work:* Parents feel they are working at a financial loss and question whether it makes financial sense for them to remain in the workforce.

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.

Research conducted by University College London found that women who have children earn less than half (45%) of what their salary would have been without having children, in

⁹ <https://www.employersforchildcare.org/report/northern-ireland-childcare-survey-2021/>

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

the first six years after giving birth¹¹. A key factor was identified as the number of hours a woman can work, with those who returned part-time experiencing a larger reduction in earnings compared to those who were able to work full-time. This is often identified as the ‘motherhood penalty’ as many women experience significant challenges in accessing work, job opportunities and progression once they have children.

Investment in childcare to support parents, and mothers in particular, to work has wider economic benefits, not just for parents but for the economy as a whole. It was recently reported by the Centre for Progressive Policy that investment in childcare could increase the total annual income of working mothers in the UK by up to £10 billion, generating up to £28 billion in economic output per annum.¹²

The Women’s Budget Group has estimated that investment in care – including in childcare – would produce 2.7 times as many jobs as an equivalent investment in construction, highlighting that this is an excellent way to stimulate employment. At a time when many employers, across a wide range of sectors, are struggling to recruit and retain staff, a key part of the solution is to ensure that parents can access and afford the childcare they need in order to work.¹³

A recent survey conducted by the Institute of Directors (IoD) of over 600 business leaders found that a majority, 57%, stated that they believe the cost and availability of childcare restricts the capacity of women to take on more senior business positions. Additionally, 72% of business leaders were in favour of the provision of more generous Government support with childcare costs.¹⁴

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 systems¹⁵.

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.

¹¹ <https://academic.oup.com/esr/advance-article/doi/10.1093/esr/jcab014/6325498>

¹² <https://www.progressive-policy.net/publications/women-in-the-labour-market-2>

¹³ <https://wbg.org.uk/wp-content/uploads/2020/06/Care-led-recovery-final.pdf>

¹⁴ <https://www.iod.com/news/news/articles/Childcare-costs-pose-major-obstacle-to-retention-of-talent-in-the-workplace-says-IoD>

¹⁵ <https://heckmanequation.org/resource/invest-in-early-childhood-development-reduce-deficits-strengthen-the-economy/>

At present, over 90% of the Department of Education Budget directly funds schools and pupils. This needs to be rebalanced to reflect a greater focus on early intervention, targeting funding where it can deliver greatest impact – in the first 1000 days of a child’s life.

The Institute for Fiscal Studies recently estimated that:

- A child who attends any childcare earns an extra £27,000 over their lifetime
- A child who attends a high-quality setting earns an additional extra £19,000 over their lifetime
- Attending childcare leads to a per person benefit, over a lifetime, of around £11,000 to the Government, increased to £16,000 where the individual has attended high-quality childcare.¹⁶

Helping to reduce persistently high levels of child and family poverty

Allocating funding to support the development and implementation of the Childcare Strategy will help to reduce child and family poverty in the following ways:

- flexible, affordable childcare will reduce pressures on family income and help more parents to participate in work, education or training, reducing a family’s short and long-term poverty risks
- high quality early education and care will improve long-term educational, developmental and employment outcomes for children and counter some of the negative effects of poverty
- reduce the gender pay gap and social inequality through ensuring no-one – including women – are constrained in their employment options by an inability to access or afford childcare.

A European Commission Technical Report published in March 2019 found that *“to achieve significant poverty reductions among young children, both additional childcare slots and increased mothers’ employment should be well targeted.”* They also reported that the expenditure could to a large extent be recovered through the financial benefits of additional employment.¹⁷

Recently published research from the National Institute of Economic and Social Research (NIESR) has suggested that the combined effect of higher prices and higher National Insurance contributions will push more households into destitution. It finds that all regions across the UK will see an increase in extreme poverty, but this rise is set to be highest in Northern Ireland, where we could see a 67% increase in levels of extreme poverty over the coming year.¹⁸ This is deeply concerning, and will contribute to greater pressure on an already struggling health service. Ensuring that funding is available to develop and implement a Childcare Strategy that supports parents to work, or increase their hours, and

¹⁶ <https://www.savethechildren.org.uk/content/dam/global/reports/education-and-child-protection/untapped-potential.pdf>

¹⁷ <https://journals.sagepub.com/doi/abs/10.1177/0958928719868448>

¹⁸ <https://www.niesr.ac.uk/wp-content/uploads/2022/02/UK-Economic-Outlook-Winter-2022.pdf>

reduces household outcomes is a key part of the solution to combatting rising poverty levels.

Recommendation 2: Continue emergency support for the childcare sector as part of the longer-term recovery from Covid-19 and to assist in avoiding increased costs for parents as we await the Childcare Strategy

Since April 2020, almost £40 million in emergency Covid-19 funding has been provided to the childcare sector to alleviate the pressures they have faced because of the pandemic. This vital support has 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 Covid-19 Childcare Temporary Closure Fund has been extended only until 31 March 2022, and there is yet to be confirmation as to whether the Childcare Sustainability Fund will be re-opened to cover the period 1 January to 31 March 2022.

While we are now starting to progress out of the pandemic, the childcare sector will be operating in immensely difficult circumstances for some time, impacted by rising costs, continuing uncertainty in relation to occupancy levels and the evolving working patterns of parents. The case studies above reflect the significant increases in costs childcare providers are already experiencing, and the further challenge that increases in salary costs and National Insurance Contributions will bring from April. The rising cost of providing childcare is already having an upward effect on the fees charged of parents, long before a draft Childcare Strategy is published for consultation.

These increases in fees will not necessarily be matched by an increase in financial support through schemes that the parent may already be availing of, as many families have typically already reached the 'caps' on support that can be allocated. For example, a family using Tax-Free Childcare can claim 20% of their childcare costs from the Government, up to a maximum of £2,000 per year, per child. That means they receive no support for any fees beyond £10,000. If a family paying £10,000 for their child's childcare in 2021 sees their fees increase to £12,000 in 2022, they will receive no additional support. Instead, they will have to meet the full cost of the increase on top of other cost of living increases.

We are calling therefore for the Budget to include an allocation of core funding to support our vital childcare infrastructure to remain viable and sustainable as we await the finalisation and implementation of the Childcare Strategy, that avoids providers having to pass costs on to parents in terms of fee increases.

Failure to do so could result in:

1. A significant increase in fees for parents, as childcare providers are otherwise unable to cover their increased outgoings without operating at a loss.
2. Childcare settings being forced to close, impacting on the ability of parents, including health sector and other key worker parents to access the childcare they need in order to work, and subsequently on the capacity of our key services.

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. Channelling funding into an unreformed health system should not be at the expense of investments that will improve health and other societal outcomes across our population as a whole for years to come.

We need a Northern Ireland Executive that will tackle the issues that matter to families and to the economy, and that includes early education and childcare. The absence of investment in our childcare infrastructure is a glaring omission from the NI Executive Budget 2022-25.

With a new, and already long overdue, Childcare Strategy in development, identifying and allocating the necessary funding must be a day one priority for a new Northern Ireland Executive. This will be an investment, rather than a cost, that benefits all of us – whether or not we have children.

We have a real opportunity to learn from the experience of the pandemic, and build on local evidence as well as learning from international developments, to invest in securing a world class Childcare Strategy. Given the guaranteed return on such an investment, and the benefits it will bring in both the short and long term, neither we – nor the parents or childcare providers who we work with – believe this is too much to ask.

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 aoife.hamilton@employersforchildcare.org or telephone 028 9267 8200.