

## Employers For Childcare written response: Finance Committee Scrutiny of the draft Executive Budget for 2024-25

### 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.

Since 2010, we have undertaken the most comprehensive and robust research produced into Northern Ireland's childcare sector and the families who use it, providing us with evidence to campaign on these and a range of issues relating to childcare, family and work.<sup>1</sup> 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. We also operate a Family Benefits Advice Service offering free, confidential, and impartial advice and guidance on the financial support families are entitled to. This team supports thousands of families every year. Since 2008, when this service started its work, 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.<sup>2</sup>

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. Alongside its MLA membership, 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). This reflects the cross-cutting nature of childcare and the vital role it plays in our economic and societal infrastructure.

### Understanding of context

We appreciate that the draft Executive Budget 2024-25 has been developed amidst unprecedented burdens on the financial resources of the Executive and all Government Departments. With many competing pressures, the funding requests submitted by Departments ahead of the Budget outweighed funding available for allocation three times over for day-to-day funding. This has necessitated tough choices and, in her Written Ministerial Statement announcing the draft Budget, the Finance Minister acknowledged that the scale of

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<sup>1</sup> <https://www.employersforchildcare.org/report/northern-ireland-childcare-survey-2023/>

<sup>2</sup> <https://www.employersforchildcare.org/report/social-impact-report-2022-23/>

the challenges facing the Executive won't be fixed by one Budget – rather, it needs to be seen as a first step.

As well as the Executive, families and businesses across Northern Ireland are facing significant ongoing challenges including:

- Rising childcare costs
- Continuing high levels of economic inactivity
- Deprivation
- Public sector pay
- Regional imbalances
- Skills shortages and hard to fill vacancies across many sectors
- Relatively low productivity and competitiveness
- Long health waiting lists.

In this context, it is critical that the Executive applies its resources strategically to meaningfully address a small number of the most key structural and underpinning challenges, that will act as economic enablers and support the achievement of other priorities.

### Summary of views

In summary, Employers For Childcare welcomes the agreement of a draft Budget as a necessary first step to enable Departments to progress work in key areas.

We also very much welcome the allocation, for the first time, of an earmarked fund in relation to childcare that is outside of the funding allocated to any specific department, and note that this is reflective of a strong commitment from across the Executive to addressing childcare.

Previously, we have responded to consultations on Executive Budgets to highlight the glaring omission of investment in childcare, so this is important progress.

Specifically, we welcome that the fund is for *“new and additional actions to those undertaken by departments within their remits on childcare.”* This fund has been set at £25 million, but with scope for a potential increase in funding in-year when proposals are brought forward. We see it as positive that this fund is:

- Cross-departmental and Executive wide in scope, reflecting the cross-cutting nature of childcare; and
- Additional to any work already tasked to Departments, such as the development of a new Early Learning and Childcare Strategy, which is within the policy remit of the Department of Education.

However, we also have a number of concerns in terms of the level of funding allocated, the way in which the funding will be spent, and clarity over the remit of the fund. Specifically:

- **Size of fund:** £25 million is insufficient to deliver what is required to support families and the childcare sector at this time. By comparison, more than £40 million was allocated to childcare during the Covid-19 pandemic, while the Education Minister has suggested that upwards of £400 million will be required to deliver a new Early Learning and Childcare Strategy.

- **Absence of proposals for delivery:** In the absence of any proposals in relation to how this money will be allocated, it is impossible to assess what impact it might have on struggling families and childcare providers. There is a risk that this funding could be allocated in such a way that it does not deliver the impact that is needed to alleviate immediate pressures.
- **Lack of clarity over remit:** There is still no clarity on what individual Departments will allocate to childcare through their own Departmental Budgets. This is vital information, as it will help to inform what is seen as “new and additional” actions, which are the remit of the fund. Without this information, there is a risk that this funding could be allocated in such a way that it focuses on actions that should be delivered within a Departmental remit. For example, the Department of Education has already committed to scoping work to progress the standardisation of pre-school education in Northern Ireland – this is not a new or additional action and should not, therefore, be within the scope of this fund.
- **Lack of clarity over ownership:** In response to Assembly questions, the Education Minister has indicated that the £25 million fund is 50% of what he had bid for in the budget making process. This causes confusion as our understanding is that this is a Centrally Held item, rather than a fund within the Department of Education (DE) and is on top of any allocation for childcare made within the DE budget to deliver on the development of a new Early Learning and Childcare Strategy. We would be concerned that there is a risk this fund could be seen as the entirety of funding for childcare in this financial year, rather than funding that is for “new and additional actions” on top of what departments should be allocating to deliver their remits on childcare.

On this basis, we would make the following recommendations:

- The Centrally Held fund for childcare should be allocated for immediate investment into the childcare sector, conditional on reducing fees for parents. This is an action that can be taken in-year to alleviate current pressures facing families and the sector. It will provide a solid base on which to build the new Early Learning and Childcare Strategy, and a good test ground for the development of new policy.
- To ensure that this investment is meaningful and sustainable, further funding will be required. The amount required can be established following review of the impact delivered through the initial tranche of funding.
- Concurrently, all Departments must identify funding that has been allocated to deliver progress *within their current remits* on childcare, and provide a clear timeline for these. For example:
  - Department of Education: Development of the new Early Learning and Childcare Strategy and work to standardise pre-school provision.
  - Department of Health: Review of the Minimum Standards and alleviating pressures felt by group setting providers in terms of recruitment and retention of staff.
  - Department for the Economy: Skills development, workforce planning, and support for the establishment of workplace nurseries.
  - Department of Finance: Providing rates relief for childcare providers, in line with Scotland and Wales.
  - Department for Communities: Supporting independent advice giving services for families to ensure parents are aware of and accessing financial support they are entitled to.

Looking further ahead, we would strongly advocate for:

- An agreed Programme for Government, within which the critical role of childcare is reflected, and multi-year budgeting to enable a strategic approach to be taken to delivery.
- Earmarked, ambitious investment in early learning and childcare reflected in a Centrally Held fund, with a continued cross-departmental approach to childcare, involving all Departments in developing proposals.

### Rationale for identifying and investing in childcare as a priority action

We strongly advocate for the Executive to agree a small number of key aims where they can make a meaningful difference and focus on effective delivery. Childcare has rightly already been identified as an Executive priority. It is a uniquely cross-cutting issue that will underpin the delivery of all Executive aims. It is also key to delivering a thriving economy and enabling Northern Ireland to achieve an improved budgetary position. Much more costly to the Northern Ireland economy than ambitious investment in childcare, would be the failure to make ambitious investment in childcare a priority.

At present, childcare is an area where ‘sub-parity’ decisions have resulted in much less generous financial support for childcare than in GB.<sup>3</sup> This has created a situation where it is increasingly difficult and unaffordable for parents to access the childcare they need in order to work. As a consequence:

- **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.

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<sup>3</sup> Northern Ireland Fiscal Council, The NI Executive’s 2024-25 Budget: an assessment

- **Costs are rising:** A recent Employers For Childcare poll with childcare providers found that 72% have either increased their fees for parents since the start of 2024, or plan to do so before the end of June, with the average increase sitting at 14%.
- **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.
- **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.

Positively, we have a solution to these challenges – investment in a world leading early learning and childcare infrastructure. Getting this right will deliver key benefits:

**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 are economically inactive due to family caring responsibilities. This is around 11,000 women.

- 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 Gross Added Value 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 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. The Institute for Fiscal Studies has estimated that:

- A child who attends any childcare earns an extra £27,000 over their lifetime
- A child who attends a high-quality childcare 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.<sup>4</sup>

**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 increase earnings 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.

## Conclusion

We appreciate the opportunity to share our views on the draft Executive Budget for 2024-25, specifically the strategic approach taken and suggestions for in-year funding allocations. We understand that specifics around individual Departments are outside the remit of this review, so have not focused on what we believe needs to be reflected in their work (eg the content of an Early Learning and Childcare Strategy developed by the Department of Education).

Employers For Childcare appreciates the significant budgetary pressures faced by the Executive and, in that context, we warmly welcome that, for the first time, a Central Fund has been allocated to childcare. This is an indication of the priority given to childcare by new Ministers, and a vital strategic direction for the new Executive.

However, as set out in this response, we have a number of concerns around:

- The level of funding, commensurate with what it needs to achieve.
- How the funding will be allocated and a timeline for when we will see support to the sector and parents.
- The absence of any indication as to what funding will be allocated within Departments to childcare, and clarification that the new Central Fund really will be “new and additional” to that work.

Ambitious investment in childcare is essential if the Executive is to achieve any of its wider objectives and to make a real difference. Looking forward, we need to see:

- A clear plan for how funding will be spent and a timeline for investment.
- Planning for multi-year budgeting, underpinning a proper Programme for Government.
- A continuation of the cross-departmental and Executive wide approach to childcare, with clear earmarking of funds.
- Open policy making with clear timelines and effective co-design with stakeholders.

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<sup>4</sup> <https://www.savethechildren.org.uk/content/dam/global/reports/education-and-child-protection/untapped-potential.pdf>

The £25 million fund for childcare has the potential to deliver immediate and much needed support for parents and childcare providers, enabling providers to remain open and delivering their essential services, and parents to remain in or to get into work. In the short term, further in-year funding allocations should be used to build on this support as a building block to the long term Early Learning and Childcare Strategy. 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 to access the childcare they need in order to work, and subsequently on the capacity of government, businesses, our key services and the economy as a whole.

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.

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