

# 1. Introduction

In July 1997, the Government and the Social Partners established, in the context of Partnership 2000, an Expert Working Group to draw up a national strategy for the development of the childcare sector. The purpose of the strategy as set out in Partnership 2000 is to integrate 'the different strands of the current arrangements for the development and delivery of childcare and early educational services'. The Expert Working Group, which is chaired by the Department of Justice, Equality and Law Reform, has set up seven sub-groups dealing with various aspects of childcare. It is envisaged that the work of the Expert Group will be completed by end 1998.

Area Development Management Limited (ADM) has the role of advising the Department of Justice, Equality and Law Reform on the implementation of the process and providing technical and operational support to the Department. As a result of the deliberations of the Sub-Groups, a need emerged to address the economic issues relating to childcare. In consequence, ADM, on behalf of the Department, has commissioned this study.

The overall aim of the study as set out in the terms of reference was to evaluate the following key aspects of childcare in Ireland:

- the current and future level of need for childcare services;
- the current and future level of demand for childcare services;
- the current and likely future level of supply of childcare services;
- the job potential of the childcare sector;
- the economic cost of childcare provision; and
- the benefits of childcare.

This report is divided into eight sections. Section 2 examines the current demand for childcare services in Ireland and is followed by Section 3 which predicts future demand. The current supply of childcare services is evaluated in Section 4, which includes the results of a survey of childcare providers in the formal sector, which was undertaken during the course of this study. Section 5 assesses the level of expenditure on childcare by the State and the European Union. Section 6 looks at the role of childcare in child development, while Section 7 examines the interaction between childcare provision and the labour market. In the light of the analysis undertaken, Section 8 considers recommendations for childcare policy measures.



## **2. The Demand for Childcare Services**

### **2.1 Introduction**

The role of childcare in society is to support a high quality of life for both parents and children. In Irish society, as in most others, quality of life is determined by access to resources which provide an adequate standard of living, a low stress environment, a sense of achievement, social interaction, progress and self development. This is the case for both adults and children.

For adults, work not only provides access to the resources required to support a high standard of living, but it also provides opportunities for attaining a sense of achievement, progression and self-development.

For most adults also, the rewards which come from child-rearing are hard to surpass. Basic biological needs mean that most adults obtain high levels of self achievement and fulfilment from caring for their children.

While both work and caring for children contribute to the adult's quality of life, there are conflicts between the two. Children are consumers of parental resources and time, and reduce the income available to support parental quality of life. Parents are under pressure both to increase their earnings so as to better support their children and also to switch time from employment into childcare, risking loss of income. These conflicts result in stress, reducing the quality of life for the parent.

Children require emotional and physical security if their quality of life is to be maintained. They rely on their parents to provide these needs, as well as the more basic requirements of food and shelter. Preserving children's quality of life is a compromise, between, on the one hand allowing parents to engage in activities which maintain and improve family material and social well-being, and, on the other, minimising the threat to children's quality of life arising from the reduction in parental care.

Childcare offers parents the opportunities to pursue other activities without necessarily threatening the quality of life of their children. It must be emphasised that these activities are not only employment related. Childcare may offer parents the opportunity for leisure or social activities which they value and which enrich their lives.

A further motivation for childcare is the realisation, on the part of some parents at least, that high quality childcare may offer opportunities for development of their children that the home environment cannot. Childcare arrangements which contain early educational elements or offer increased opportunities for socialisation provide these benefits.

The implication is that parents avail of childcare for many reasons, related to their own and their children's needs. Thus, take-up of childcare is by no means the preserve of working parents solely.

### **2.2 Forms of Childcare**

Childcare may take a number of forms. Children may be cared for by relatives or third parties. Such care may be paid or unpaid. It may be provided on an individual or group basis and may be home-based or external.

In this report, formal care refers to care provided on an individual or group basis, where the provider complies with tax and social welfare legislation and with regulatory control by Government. Carers in the informal sector avoid such strictures. Many individual childminders fall into the latter category.

Caring by **relatives** involves care by an unemployed parent, a sibling, grandparent, or more distant relative.

Many children are cared for by a non-relative in the carer's home. The latter is usually referred to as a '**childminder**'. The bulk of childminders are in the informal sector and care for a small number of children, on average.

In some cases, children may be cared for in their own home by a nanny, au pair or other childminder. This is referred to as '**childminder in child's home**'. Parents are more likely to take this option where they have a number of children requiring care.

There are a number of group arrangements for caring for children. **Playgroups** typically open for a few hours per day and cater exclusively for pre-school children. They are usually operated from the provider's home or in a community setting. Their purpose is to promote the educational and social development of children, and to allow parents a temporary respite from childcare. **Naionrai** are Irish language playgroups.

**Day care centres** or *crèches* offer full or part time day care usually for children from about six weeks old to start of school. Some now offer after school care. Most are privately run businesses but a minority are provided by employers. Increasingly, day care centres are to be found in the community sector, where they are operated to the benefit of parents and children living locally.

## **2.3 Current Demand for Paid Childcare**

### **2.3.1 Introduction**

The focus of this study is on the economic aspects of childcare. The level of demand for *paid* childcare is therefore of crucial importance.

The Survey of Childcare Arrangements undertaken by the ESRI is the most comprehensive data source available with which to measure the demand for paid care. From a national probability sample of 4,276 households, this survey identified 1,278 households containing children aged 12 years or under. It collected detailed information on how children in those households were cared for in the week prior to interview (the 'reference week'). The survey was carried out in the months of November and December 1996 and February 1997. In all cases, the reference week to which the data referred occurred during school term. A basic report on this survey, including an account of the methodology used is available (Williams and Collins, 1998).

The focus here is on households with children in two age-groups: 0-4 years and 5-9 years. The 1997 Survey also provides data on children aged 10-12, but since this data shows that the level of childcare usage in that age-group is negligible, we can discount it here.

### **2.3.2 Household Demand for Childcare**

Table 2.1 sets out basic data on usage of paid childcare in the reference week among households with children aged 0-4 and 5-9, classified by mother's economic status. We can now look in turn at each of the main categories of usage revealed in that table.

### *Non-users of paid childcare*

The first issue of interest in Table 2.1 is the high percentage of households which made no use of paid childcare in the reference week. Among households with youngest child aged 0-4, 62 per cent used no paid childcare, while among households with youngest child aged 5-9, 91 per cent used no paid childcare. It is particularly important to note that among mothers with children aged 0-4 who were in full-time jobs, 22 per cent made no use of paid childcare. The number of sample cases in this category (34) is too small to allow for meaningful further breakdowns, but it is likely that fathers and other unpaid relatives (e.g. grandparents) were the main source of childcare in these cases. Among mothers of children in the 0-4 age-group who were in part-time jobs, almost half (47 per cent) made no use of paid childcare.

### *Crèche/nursery/kindergarten/other pre-school*

The most widely used form of childcare was a formal arrangement of the kind represented by crèches, nurseries, kindergartens or other kinds of pre-schooling.<sup>1</sup> Usage of this form of childcare was largely confined to households with youngest child aged 0-4, of which 21 per cent made use of services of this kind (of these, 17 per cent used these services alone, while 4 per cent combined usage of these services with other forms of childcare, mainly paid individual minders). Households with older children made negligible use of these services.

Usage of this kind of childcare arrangement was only weakly linked to mother's employment status (Figure 2.1). Over half the mothers who used this form of childcare were *not* in paid employment (46 per cent in home duties, 5 per cent unemployed or other). Mothers in full-time paid jobs accounted for only 27 per cent of the users of this kind of childcare, while mothers in part-time paid jobs accounted for 22 per cent.

---

<sup>1</sup> The ESRI survey did not distinguish between crèches and daycare centres on the one hand, and playgroups, kindergartens and nurseries on the other.

Table 2.1. Usage of Childcare by Mother's Employment Status (%)

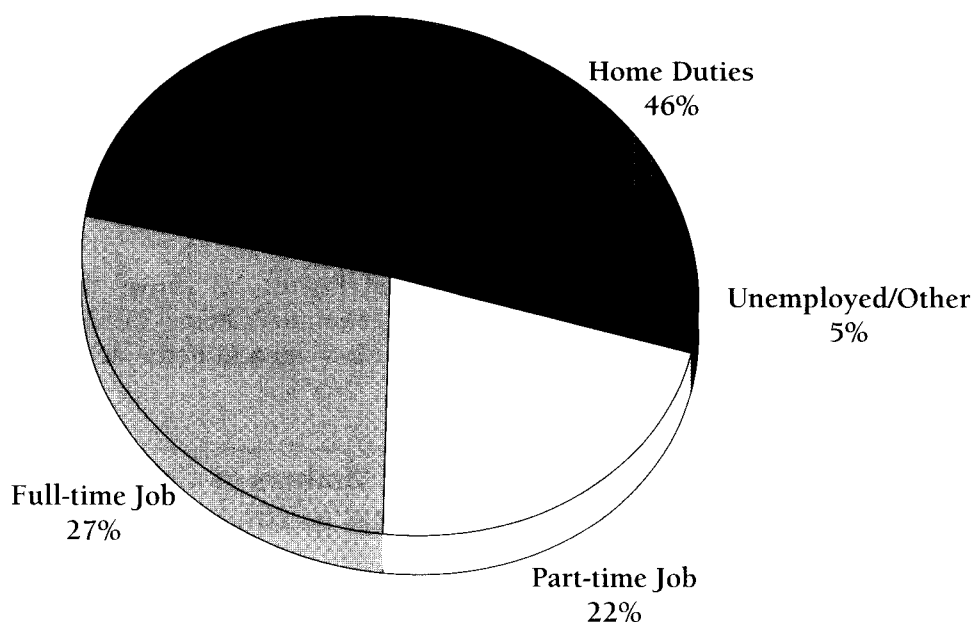
Type of paid Childcare used in reference week	Mother's Economic Status				All
	Home duties	Full-time job	Part-time job	Unemployed/ other	
Mothers with youngest child aged 0-4					
Did not use paid Childcare	82	22	47	75	62
Crèche/nursery/ kindergarten/ other pre-school	16*	14*	21*	25	17*
Minder in minder's home	17**	24**	29**	—	21**
Minder in child's home	1.0	45	18	—	14
Paid relative	—	11	9	—	4
	—	8	5	—	3
Column total	100	100	100	100	100
(Row per cent)	(57)	(23)	(16)	(4)	(100)
N	376	155	106	26	663
Mothers with youngest child aged 5-9					
Did not use paid Childcare	99	68	84	94	91
Crèche/nursery/ kindergarten/ other pre-school	—	—	1	—	—
Minder in minder's home	—	10	8	—	3
Minder in child's home	1	19	3	—	5
Paid relative	—	3	4	6	1
Column total	100	100	100	100	100
(Row per cent)	(63)	(18)	(17)	(2)	(100)
N	309	89	82	13	495

\* Used crèche, nursery, kindergarten only (used in calculation of column totals)

\*\* Used crèche, nursery, kindergarten plus other form of childcare

Source: 1997 Survey of Childcare Arrangements (ESRI)

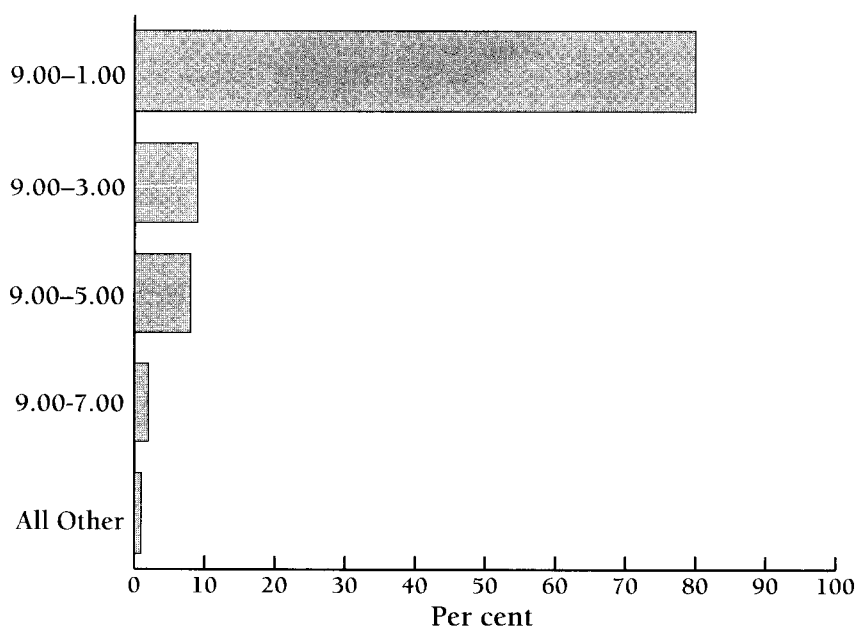
**Fig. 2.1 Economic Status of Mothers of Children aged 0-4 who use Crèches/Nurseries etc.**



Source: 1997 Survey of Childcare

It is also notable that the bulk of usage of crèches, nurseries, etc., was confined to the morning session. Eighty per cent of users had their children in these services in the 9.00 a.m. to 1.00 p.m. period only. A further 9 per cent used the service up to 3.00 p.m., while 8 per cent used it up to 5.00 p.m. and only 2.3 per cent went on after 5.00 p.m.

**Fig. 2.2 Period of Day for which Crèche/Nursery etc. Services were used**

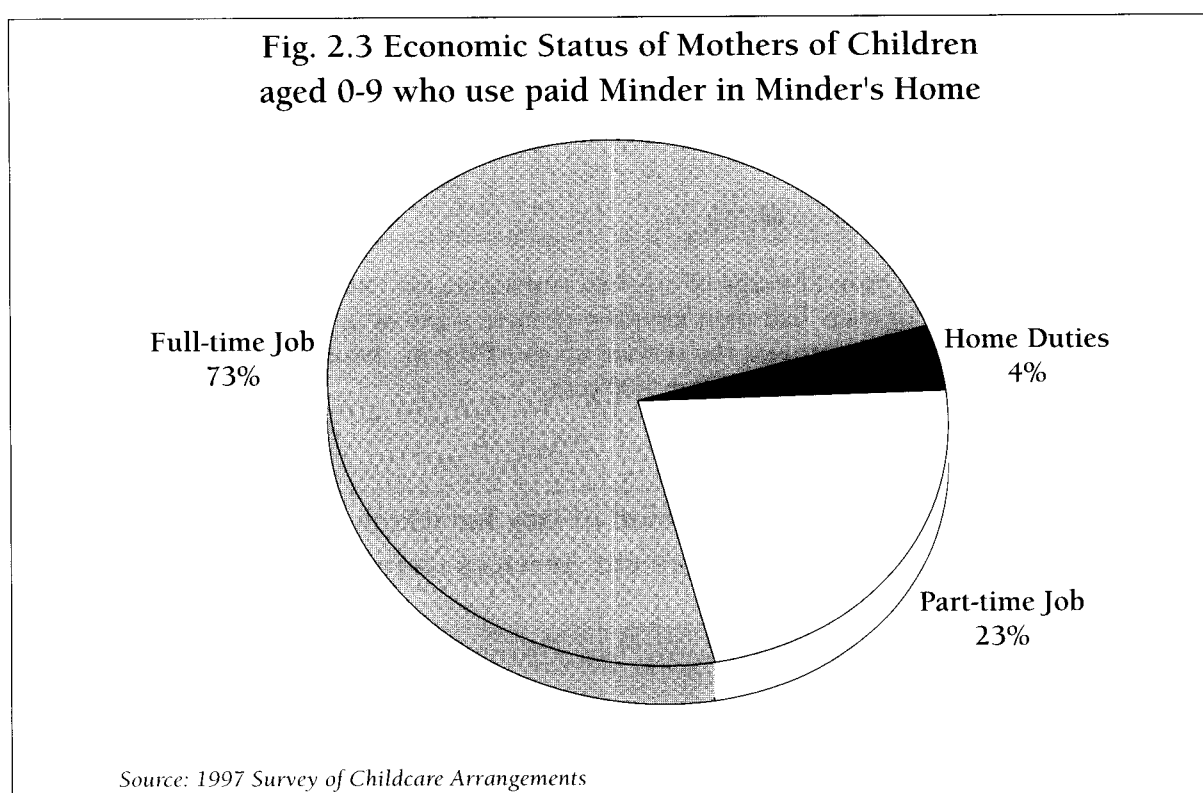


Source: Williams and Collins (1998), Table 5.3

### **Minder in the Minder's Home**

Referring again to Table 2.1, the paid minder who cares for the child in the minder's home is the second most commonly used form of childcare overall (used by 14 per cent of mothers with youngest child aged 0-4 and 3 per cent of mothers with youngest child aged 5-9). However, unlike crèches and nurseries, usage of this kind of childcare scarcely occurs among mothers in home duties: it is largely confined to mothers with paid jobs, and among these it is the most commonly used childcare arrangement. Among mothers of 0-4 year olds, 45 per cent of those in full-time paid jobs and 18 per cent of those in part-time paid jobs use this form of childcare. Among mothers whose youngest child is aged 5-9, 11 per cent of those in full-time paid jobs and 8 per cent of those in part-time paid jobs use this form of childcare.

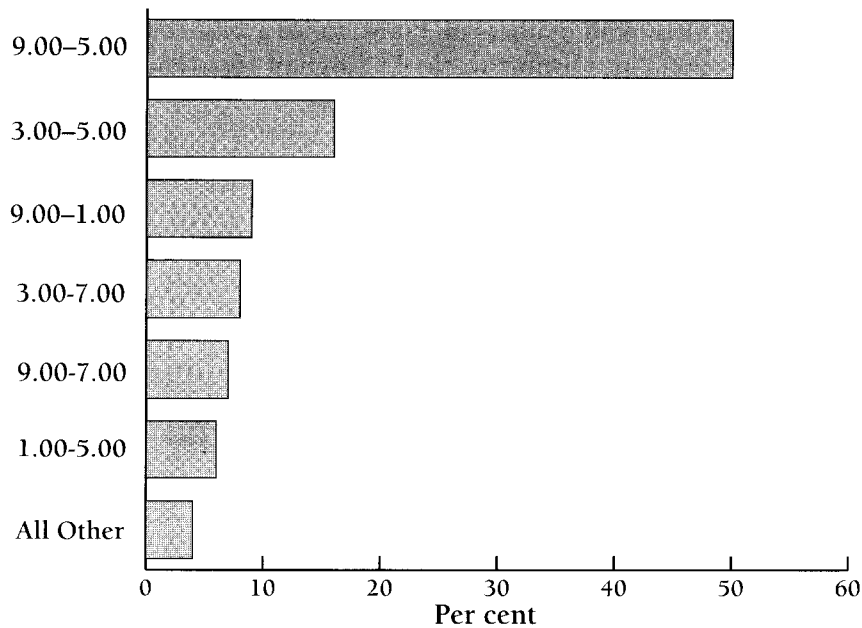
Taking mothers of 0-4 and 5-9 year-olds together, Figure 2.3 shows the economic status breakdown of those who use paid child minders in the minder's home. Mothers in full-time jobs dominate, followed by mothers in part-time jobs, with women in home duties accounting for a very small proportion.



The period of the day for which the child was with the paid childminder in the minder's home was more varied than in the case of crèches, nurseries and kindergartens (Figure 2.4). Whole-day care (from 9.00 a.m. -5.00 p.m.) was the most common arrangement, being used by half of the mothers who relied on this form of care. After-school care (3.00 p.m. -5.00 p.m.) was the next commonest, being used by 16 per cent of mothers. Smaller minorities, ranging from about 6 to 8 per cent in each case, used a variety of other time periods, such as 3.00 p.m. -7.00 p.m., 1.00 p.m. - 5.00 p.m., and, for 7.5 per cent, from some time in the morning until 7.00 p.m.



**Fig. 2.4 Period of Day for which Minder in Minder's Home was used**



Source: Williams and Collins (1998), Table 4.2

#### *Minder in the child's home*

The minder who came into the child's home was the third most widely used form of paid childcare, though the proportions involved are small (4 per cent of mothers with youngest child aged 0-4 and 5 per cent of mothers with youngest child aged 5-9). As with the minder in the minder's home, this form of childcare was almost exclusively used by mothers with paid jobs, and in fact, for mothers of children aged 5-9 who were in full-time jobs it was the most commonly used form. As there were only 47 cases in the sample who used this form of childcare, little further detail can be added about patterns or levels of usage.

#### *Paid relative*

The final form of paid childcare examined in the survey was the paid relative who minded the child either in the child's home or the minder's home. Only 3 per cent of mothers with youngest child aged 0-4 used this form of childcare, and only 1 per cent of mothers with youngest child aged 5-9. Again, sample numbers are too small to allow for further detail.

#### *Other correlates of childcare usage*

We now turn briefly to an examination of other correlates of childcare usage among families with children. Figures 2.5 to 2.7 set out the variations in childcare usage by socio-economic status of the household, urban-rural location and income group of the household.

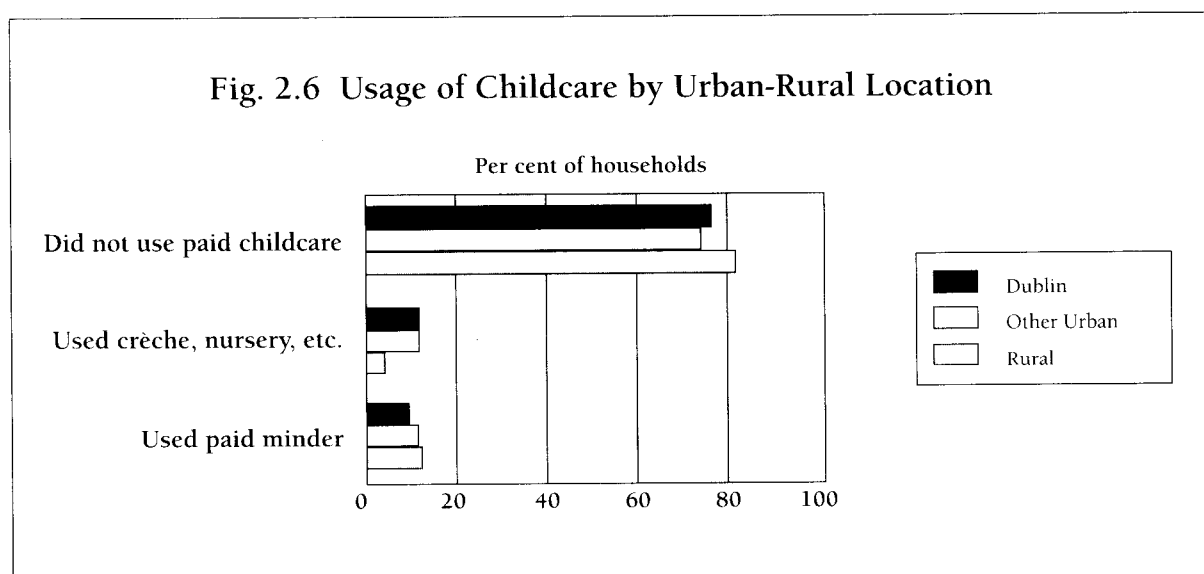
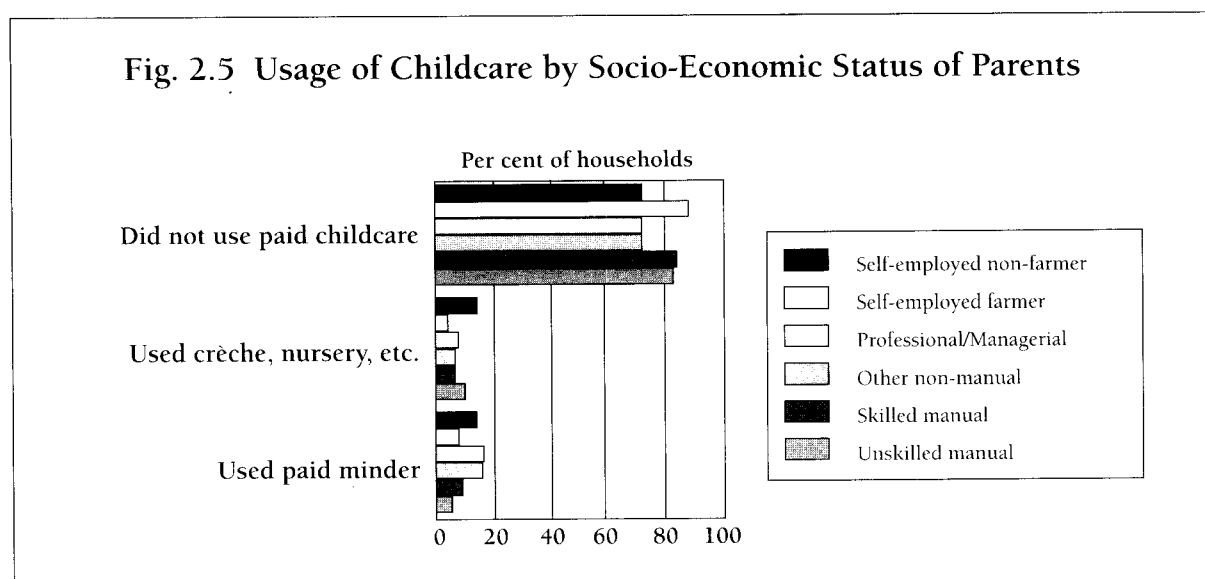
These show that some variations exist and do so in the expected directions. Generally speaking, households which have higher socio-economic status, higher incomes and live in urban areas are more likely to use childcare. However, the variations are not very dramatic, since the proportion of households using childcare is very much in the minority in all categories.

### **2.3.3 Number of Children in Paid Childcare**

Data from the ESRI Survey reveals that 38 per cent of children aged 0 - 4 and 18 per cent aged 5 - 9 avail of paid childcare. When these figures are applied to the total number of children in these

groups, it is estimated that 146,000 or 17 per cent of all children between the ages of 0 and 9 avail of paid childcare (see Table 2.2).<sup>2</sup>

Take-up of paid childcare varies with the employment status of the mother. Table 2.3 shows that only 16 per cent of children with mothers on home duties avail of childcare, as compared to 58 per cent of children of mothers in full-time work. Children of part-time working mothers also have a relatively high tendency (39 per cent) to be in paid care.



<sup>2</sup> The numbers of children over the age of 9 availing of childcare is negligible.

Fig. 2.7 Usage of Childcare by Income Group of Household

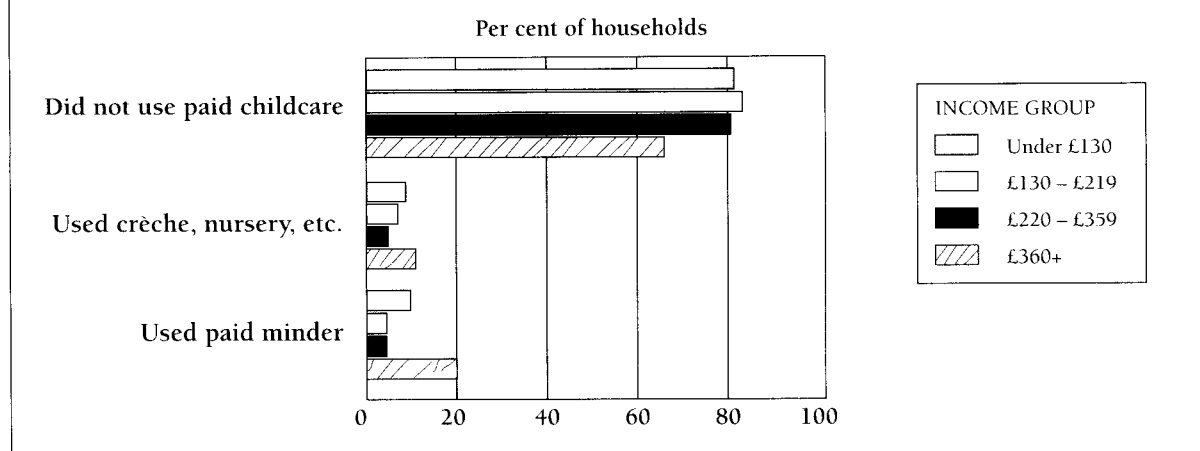


Table 2.2 Estimated Number of Children in Paid Childcare

Type of Childcare	Children Aged 0-4 (000's)	Children Aged 5-9 (000's)	All Children (000's)
Group Care	48	23	71
Childminder	38	14	52
Childminder in Child's Home	10	14	24
All	96	51	147

Source: estimated for this study

Table 2. 3 Proportion of Children in Paid Childcare by Employment Status of Mother

Employment Status of Mother	Proportion of Children age 0-4 in Paid Childcare (%)	Proportion of Children aged 5-9 in Paid Childcare (%)	Proportion of All Children in Paid Childcare (%)
Home Duties	20	9	16
Full-Time Job	73	45	58
Part-Time Job	53	26	39
Unemployed/Other	25	1	12
All	38	18	27

Source: Derived from ESRI Survey

There are also significant differences as between children aged 0 - 4 years and those aged 5 - 9 years. Mothers on home duties and unemployed rarely avail of paid childcare for their older children, whereas those in employment continue to do so.

## 2.4 Childcare in an International Context

Childcare usage varies widely across countries in the European Union. Bradshaw *et al* (1996) reported that in the early 1990s, Ireland had amongst the lowest usage of *formal* childcare facilities at only three per cent of children (it is presumed that this refers to care in group facilities and excludes playgroups). Other countries with a low level (under ten per cent) included Germany (Old Lander), Greece, Austria, the Netherlands and the UK. At the other end, Denmark (60 per cent), Germany (New Lander) (57 per cent), France (33 per cent), Sweden (32 per cent) and Finland (25 per cent) had at least one quarter of under-threes enrolled in formal childcare. The data presented in Table 2.4 suggests that the relevant figure for Ireland is now two to three times the level envisaged by Bradshaw.<sup>3</sup> Nevertheless, use of formal group care arrangements (apart from playgroups) remains low by international standards.

Table 2.4 Proportion of Children in Various Types of Childcare

Form of Childcare	Proportion of Children (Hennessy and Hayes) (%)	Proportion of Children (O'Sullivan) (%)
Relative	16.2	18.0
Childminder in Child's Home	1.3	4.5
Childminder in Childminder's Home	17.5	16.5
Day Care Centre/Crèche	5.9	7.5
Workplace Crèche	0.3	2.0
Playgroup	67.1*	40.0
Other	—	10.5**

Note: \* Playgroup includes Naionrai and kindergartens; \*\*includes care by neighbours

<sup>3</sup> Hennessy and Hayes (1997) collected data on the pre-school childcare experience of 1,065 children in their first year of schooling. Three-quarters of all children were found to have availed of pre-schooled childcare services at some time. The highest attendance was in Dublin where 87 per cent had attended as against only 42 per cent for the more rural county of Galway.

The data in the second column of Table 2.4 depict the type of childcare services used. It should be noted that the percentages in the table add to more than 100 per cent, indicating that children availed of more than one type of a service during their pre-school years. O'Sullivan undertook a survey of childcare in the Limerick area, embracing children in junior infant and 4th classes of national schools. The latter were chosen to pick up after-school usage of childcare arrangements. The sample size was 413. Respondents were asked to indicate the principal type of childcare in the last year.

The surveys employed different target groups, assessed childcare over different periods, and differed in whether they allowed respondents to nominate more than one form of childcare. However, the results are broadly similar and differences may be explained by features of the samples.

Playgroups are the dominant form of childcare arrangement. This is especially the case for the Hennessy and Hayes survey which concentrated on pre-school experiences. Relatives and Childminding were the next most prevalent forms. Day-care centres and crèches were significant providers of childcare, but childminding in the child's home was much less important.

These differences both are the result of and result in very different policies within countries.<sup>4</sup> Of major importance is funding and, particularly, State provision, affecting both the availability and the cost of childcare to the family. Also of importance is the nature of provision; for example, the availability of formal and informal care and the hours at which care is available.<sup>5</sup> The availability of care which mothers deem appropriate for their child affects their usage (and hence employment participation). The degree to which the care provision is user friendly obviously affects the ability to combine employment and motherhood. Inter-related with the availability of childcare and the nature of provision is the regulation of childcare, policies on which vary across countries.

## 2.5 Price of Childcare Services

Data on the prices charged for childcare in Ireland are available from the ESRI survey and the interview and postal Surveys of Childcare Providers conducted as part of this study (see Section 4). Prices may be quoted on an hourly or weekly basis, and the above data sources took different approaches in this regard. The approach adopted here was to translate hourly charges into equivalent 40 hour weekly charges for the purpose of comparison. The results are set out in Table 2.5 below. On average, prices are in the range of £56 to £71 per week. It is of note that the data supports the view that childminding in the childminder's home is not necessarily a cheaper option. Part of the explanation for this lies in the fact that many group care facilities are community based, are not for profit and may be in receipt of subsidies through employment of Community Employment workers.

There is evidence from the Survey of Childcare Providers that in group care facilities, charges are higher in urban areas and for babies. Discounts of about 20 per cent apply to care of a second child from the same family.

**Table 2.5 Prices Charged for Childminding (First Child) £ per Week**

Childcare Service	Equivalent Weekly Price per Child (£)
Childminder in Childminder's Home (ESRI)	71
Group Care (ESRI)	56
Group Care (Study Survey)	65

Table 2.6 provides information on childcare costs in a international context. Average costs of full-time childcare for under-fives are compared to the average earnings in each country. Ireland has amongst the highest childcare costs (as a proportion of average earnings) in the European Union, exceeded only by the UK and Greece. Average costs in Ireland are 20 per cent of average earnings, whilst the mean is 8 per cent. The net cost to parents of childcare also depends on taxation and benefits related to childcare. These work to slightly improve Ireland's position within the EU. However, net costs in Ireland for a two parent family on 1.5 times average earnings, at 414 ECUs, are nearly double the EU median of 243 ECUs.

<sup>4</sup> Appendix 1 contains a survey of childcare policies in the Netherlands, Australia, New Zealand and the United Kingdom.

<sup>5</sup> The definitions of formal and informal care vary across countries and tend to include grey areas. For example, in the UK, formal childcare includes state and voluntary sector provided childcare and registered childminders. Unregistered childminders and baby-sitters tend to be categorised as informal, whilst the categorisation of nannies is unclear.

**Table 2.6 Comparative Costs of Full-Time Formal Childcare, 1996**

	Childcare Costs as a Proportion of Average Earnings (%)	Net Childcare Costs* (ECU per month)
Belgium	0	0
France	0	0
Germany	3	76
Sweden	7	244
Austria	8	183
Denmark	8	190
Italy	8	480
Luxembourg	8	546
Finland	9	226
Netherlands	13	458
Portugal	13	200
Spain	18	243
Ireland	20	414
United Kingdom	23	487
Greece	36	338

Source: Ditch et al (1998), p65, Table 3.11.

note: \* refers to two earner couple, 1.5 average male earnings, 1.5 average female earnings.

## 2.6 Conclusions

Among households with youngest child aged 0-4, 62 per cent used no paid childcare, while among households with youngest child aged 5-9, 91 per cent used no paid childcare. This reflects in part the high proportion of women outside the labour force. However, even among mothers with children aged 0-4 who were in full-time jobs, 22 per cent made no use of paid childcare.

The most widely used form of childcare was a formal arrangement of the kind represented by crèches, nurseries, kindergartens or other kinds of pre-schooling. Usage of this form of childcare was largely confined to households with youngest child aged 0-4.

The paid minder who cares for the child in the minder's home is the second most commonly used form of childcare overall (used by 14 per cent of mothers with youngest child aged 0-4 and 3 per cent of mothers with youngest child aged 5-9). However, unlike crèches and nurseries, usage of this kind of childcare scarcely occurs among mothers in home duties: it is largely confined to mothers with paid jobs, and among these it is the most commonly used childcare arrangement.

The minder who comes into the child's home is the third most widely used form of paid childcare, though the proportions involved are small (4 per cent of mothers with youngest child aged 0-4 and 5 per cent of mothers with youngest child aged 5-9). As with the minder in the minder's home, this form of childcare was almost exclusively used by mothers with paid jobs.

Generally speaking, as might be anticipated, households which have higher socio-economic status, higher incomes and live in urban areas are more likely to use paid childcare.

It is estimated that 146,000 or 17 per cent of all children between the ages of 0 and 9 avail of paid childcare. Take-up of paid childcare varies with the employment status of the mother: only 16 per cent of children with mothers on home duties avail of childcare, as compared to 58 per cent of children of mothers in full-time work. Children of part-time working mothers also have a relatively high tendency (39 per cent) to be in paid care.

On average, childcare prices are in the range of £56 to £71 per week for full time care. Ireland has amongst the highest childcare costs (as a proportion of average earnings) in the European Union, exceeded only by the UK and Greece. Average costs in Ireland are 20 per cent of average earnings, whilst the mean for other European countries is 8 per cent.





## 3. Future Demand for Paid Childcare Services

### 3.1 Introduction

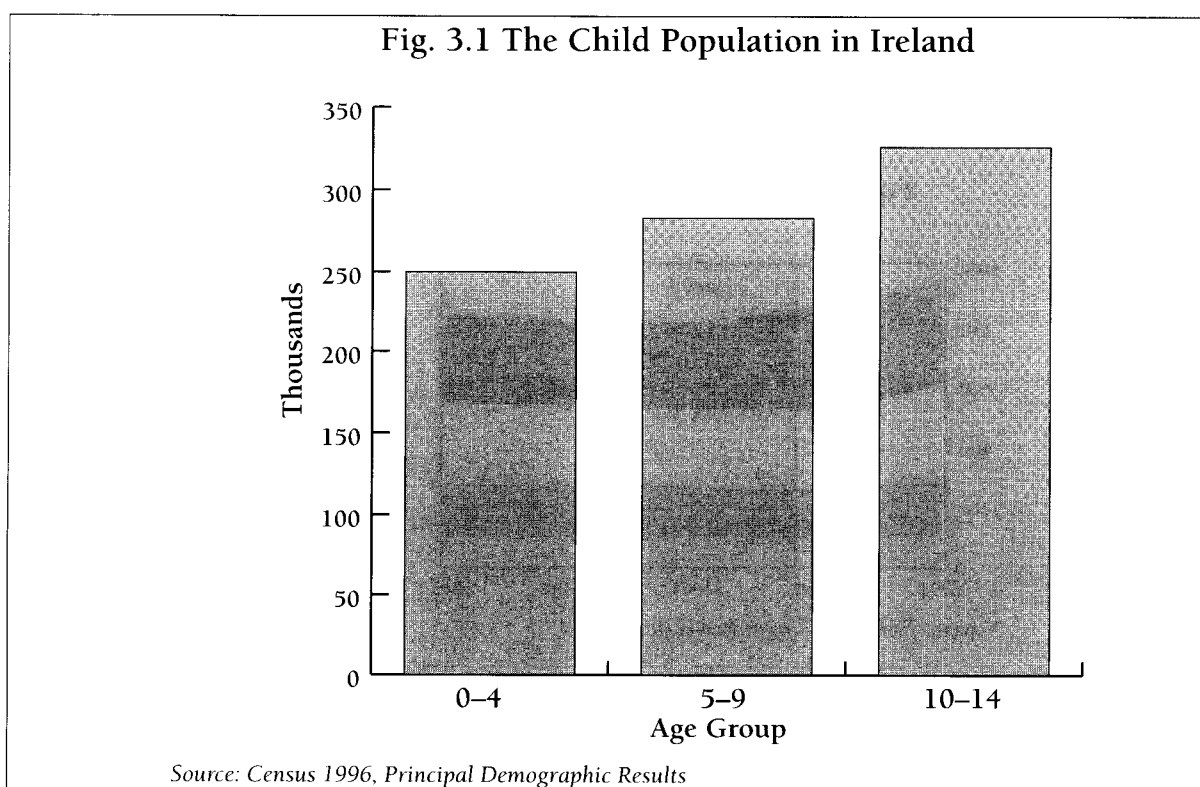
In order to examine the future demand for childcare services it is important to establish the future growth in numbers of mothers and children. As has been demonstrated in Section 2, use of different forms of childcare is strongly correlated with labour force participation. Accordingly, projecting the future labour force participation is a crucial element in determining the demand for childcare services. This section examines these issues and predicts the demand for childcare services to the year 2011 under a number of scenarios.

### 3.2 Children and Mothers: Present and Future Numbers

#### 3.2.1 Present numbers

According to the 1996 Census, there were 859,424 children aged 0-14 in Ireland in that year. These were unevenly distributed by age, reflecting the decline in fertility which had occurred over the previous 15 years (see Figure 3.1). The bottom third of the age-range (those aged 0-4) accounted for only 29 per cent (250,000 children) of the total, while the top third of the age-range (those aged 10-14) accounted for 38 per cent (326,000 children).

Apart from the small number in institutional settings, these children were spread over 405,699 family units, giving rise to an average of 2.1 children aged under 15 per family unit. All but 1.5 per cent of these family units had a mother present (the balance being headed by lone fathers). There were thus some 400,000 mothers with children aged 0-14 living with them in 1996.

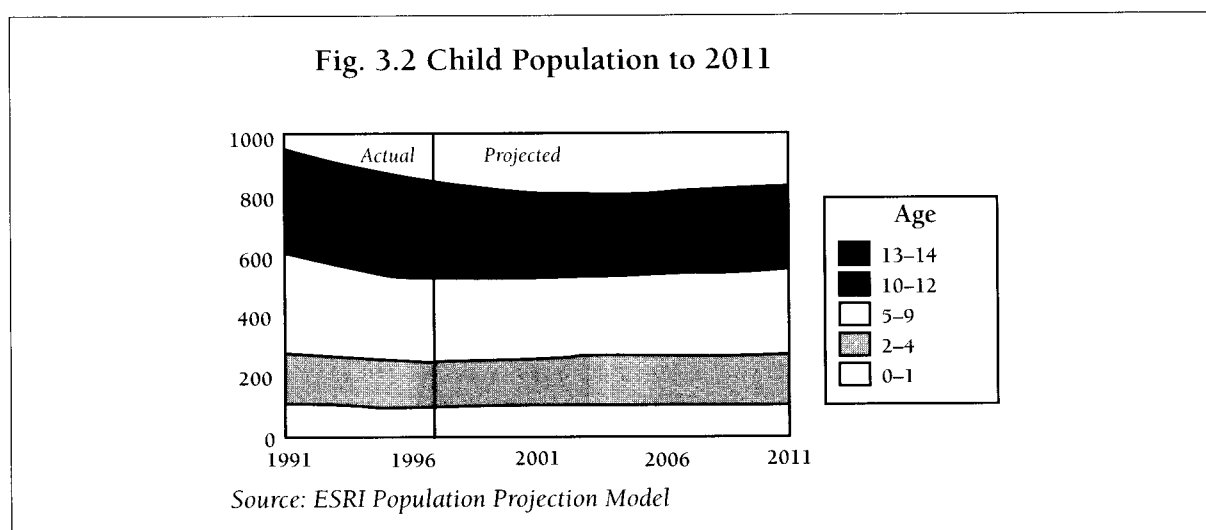


### 3.2.2 Future trends

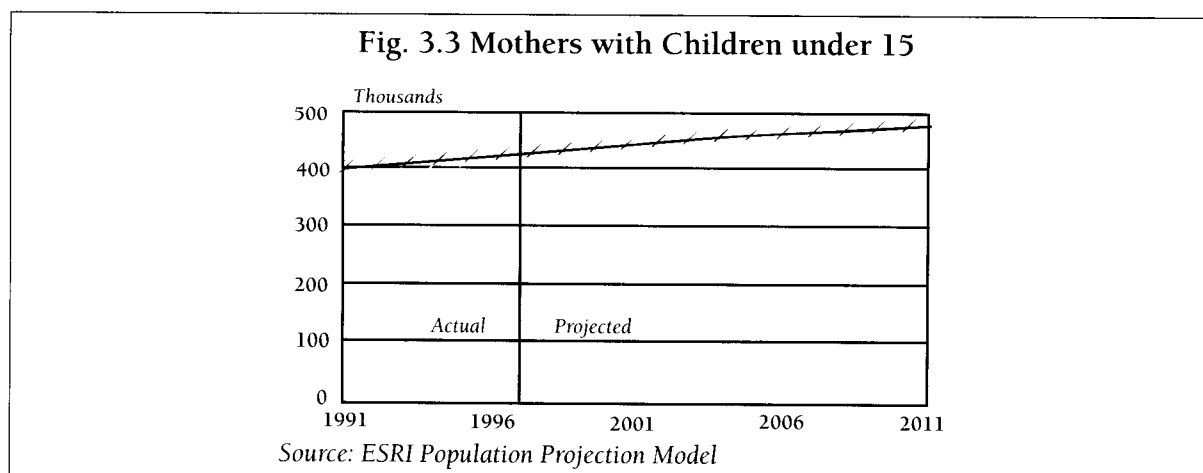
Recent projections of population trends in Ireland have varied considerably in their estimates of the direction as well as the size of population change, reflecting some uncertainty about the underlying pace and direction of population trends. The principal source of this uncertainty is the volatility in migration over the past decade or so. Net emigration surged in the latter half of the 1980s, fell off to low levels in the early 1990s, and has turned into substantial inward migration more recently (net inward migration amounted to 15,000 in the year to April 1997). It is extremely difficult to predict how migration will behave over coming years. There is also some uncertainty over fertility. Following some 15-16 years of near-continuous decline, there are some recent indications that the decline is bottoming out, and may even be starting to rise again, but here also future trends are hard to guess.

For the purpose of the present projections, the assumption has been made that, over the period up to 2011, net migration will be zero and the total fertility rate will stabilise at the 1996 level of 1.88. The resulting projections could understate future population growth if net migration turns out to be positively inward or if the fertility rate rises, both of which could be counted as plausible possibilities. The projections could overstate population growth if net outward migration resumes or if the fertility rate falls, and both of these are also plausible possibilities. Alternatively, changes in migration and fertility might move in opposing directions and cancel each other out as far as effects on population growth are concerned, so that the present projections might prove to be reasonably accurate but for the wrong reasons.

In any event, based on the assumptions of zero net migration and stable fertility rates, Figures 3.2 and 3.3 set out projected trends in the numbers of children and mothers up to the year 2011. Figure 3.2 shows that the number of children fell in the early 1990s, especially in the older age groups. With the slowing down in fertility decline, the downward trend is easing off and *the present projection is that up to 2011 there will be little overall change in the number of children compared to the levels of the mid-1990s*. The main difference in the picture projected for 2011 compared to the present is a more even distribution of children by age-group. There will be some 270,000 – 280,000 children in each five year age-band up to age 15 in 2011, compared to the present skewing of the distribution towards the older age-group.



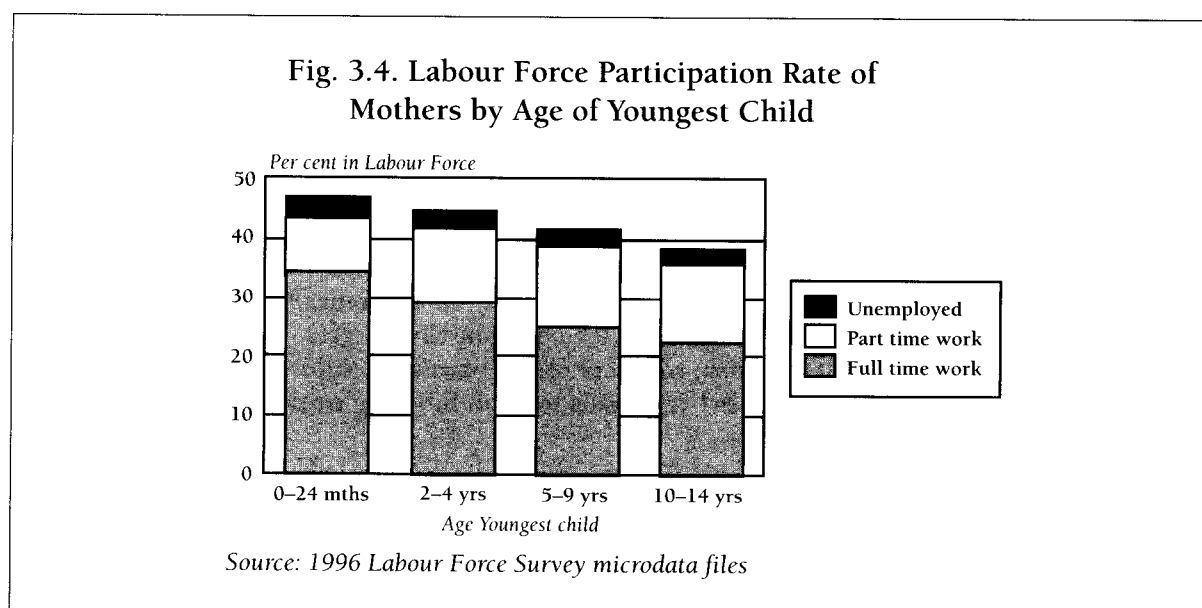
As Figure 3.3 shows, this projection envisages a slight increase in the number of mothers (these data relate to the numbers of mothers who give birth rather than numbers who subsequently co-reside with their children and so are not fully comparable with the census data on mothers quoted earlier). This in turn reflects the assumption that the average fertility rate from now until 2011 will be slightly lower than the average fertility rate over the past 15 years, but that greater numbers of mothers will counterbalance the effect of lower fertility on the number of children.



### 3.3 The Labour Force Participation of Mothers

#### 3.3.1 Present patterns

Figure 3.4 sets out the labour force participation rate among mothers with children aged under 15 in 1996, classified by the age of youngest child and distinguishing between full-time work, part-time work and unemployment.



The pattern revealed is quite striking. The total participation rate, (and the participation rate in full-time work as opposed to either part-time work or unemployment), is highest among mothers with the youngest children and decline steadily as the age of youngest child rises. Thus, among mothers whose youngest child is aged 0-24 months, the labour force participation rate is 46.8 per

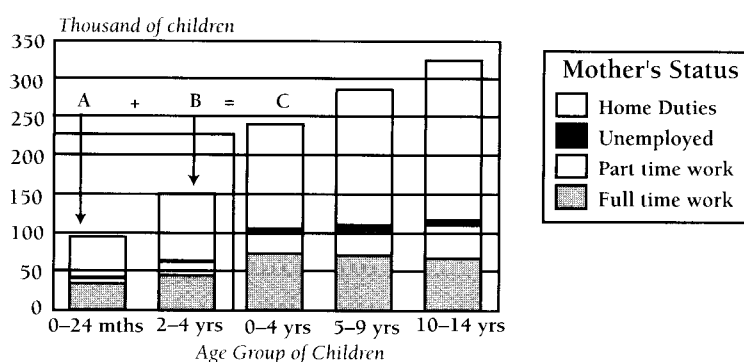
cent, compared to 38.5 per cent among mothers whose youngest child is aged 10-14. The gap is even larger with regard to participation in full-time employment: among mothers with youngest child aged 0-24 months, 34 per cent are in full-time employment, compared to 22.4 per cent among mothers with youngest child aged 10-14 years.

This downward gradient in labour market participation with rising age of youngest child is evident not only in comparisons of mothers whose youngest children are infants compared to those whose youngest children are a good deal older. It is also present to some degree even as youngest child ages from 0 - 4 years. This is mainly so with regard to participation in full-time work: only 29.3 per cent of mothers with youngest child aged 2-4 years are in full-time work, compared with (as already mentioned) 34 per cent of mothers with youngest child aged 0-24 months.

These relationships are not what one would expect. The traditional wisdom in Ireland has been that mothers of very young children are most likely to stay out of the labour market, while some mothers who left employment when their children were small are likely to re-enter the labour market as their children come to school-going age (more especially second level school going age). This traditional wisdom has frequently been substantiated by statistical analysis. A recent paper by Murphy and Walsh (1997), for example, showed on the basis of an econometric analysis of 1993 Labour Force Survey micro-data that the age of youngest child was significantly related to labour force participation among women and in the expected direction: the younger the child, the less likely the mother was to be in the labour force. The unexpected patterns revealed by the 1996 data might not be inconsistent with these earlier findings, since the introduction of adequate controls for age, educational level and total family size of mothers could reverse the bi-variate relationship between age of youngest child and labour force participation which those data reveal. It is beyond the scope of the present account to explore these issues further, but clearly the questions raised by patterns in labour force participation among mothers of children are important.

Figure 3.5 shows the distribution of children in various age-groups according to their mothers' labour force status (data for children aged 0-24 months and 2-4 years old are shown both separately and as a total for 0-4 year olds in this graph). Reflecting the fertility decline of the period 1980-96 which has already been mentioned, this shows that, in absolute terms, numbers of younger children is less than the absolute numbers of older children. However, higher rates of participation in the labour force among mothers of younger children mean that there is less variation across age-groups in the numbers of children who have mothers in the labour force than one might expect. There are somewhat fewer children aged 0-4 with mothers in the labour force (107,000) than children aged 10-14 with mothers in the same position (115,000). However, the number of children aged 0-4 whose mothers are in *full-time work* (74,000) is somewhat greater than the corresponding number of children aged 10-14 (66,000). Within the age-band 0-4, it also appears that mothers of the youngest children (0-24 months) have a somewhat higher labour force participation rate than those of the slightly older children (2-4 years). The difference arises particularly in relation to full-time work: mothers of the youngest children (0-24 months) are somewhat more likely than mothers of 2-4 years olds to be in full-time work rather than part-time work.

**Fig. 3.5. Numbers of children by labour force status of mothers**



Source: 1996 Labour Force Survey microdata files

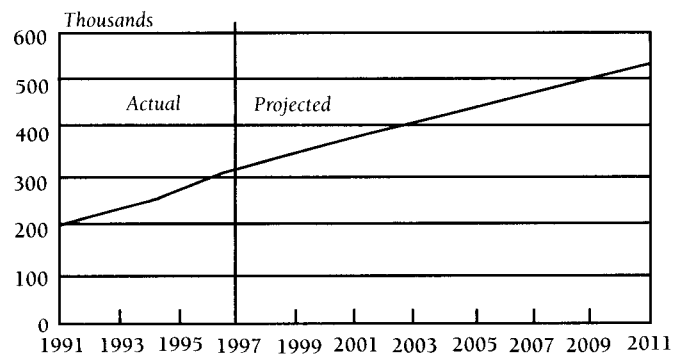
### 3.3.2 Future trends in Labour Force Participation

No labour force projection model has been developed for Ireland which provides projections for labour force participation among mothers and other women separately. We therefore have no basis on which to estimate directly the number of mothers who will be in the labour force in future years (or the numbers of dependent children such mothers will have). In the absence of such direct estimates, the best indirect means of arriving at broad projections in this area is to take trends in labour force participation among the *married* female population as a proxy for trends among mothers. This is an imperfect solution, since many married women are not mothers (or are no longer mothers of dependent children, since their families have grown up), while many mothers are not married. However, recent trends suggest that close parallels exist between the behaviour of married women and mothers in the labour market, so it is not unreasonable to take one as a proxy for the other.

According to the most recent revisions of the ESRI's labour force projection model, the total labour force in 2011 is likely to be of the order of 1,899,000, an increase of almost 25 per cent (374,000) over the 1997 level of 1,525,000. A large share of this increase is projected to come from growth in the number of women, and especially of married women, in the labour force. The female labour force is projected to grow by 218,000 (from 589,000 in 1997 to 807,000 in 2011), an increase of 37 per cent, accounting for 58 per cent of the total increase.

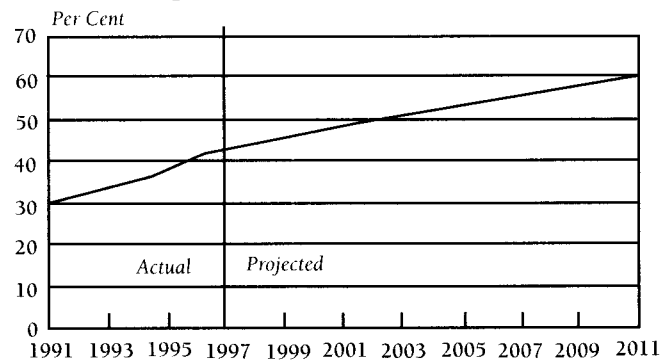
Almost all (97 per cent) of the growth in the numbers of women in the labour force is accounted for by married women. As Figure 3.6 shows, the number of married women in the labour force is projected to grow from 313,000 in 1997 to 525,000 in 2011, an increase of 211,000 (67 per cent). Figure 3.7 shows the corresponding trend in the labour force participation rate of married women, which is projected to increase from 43 per cent in 1997 to 60 per cent in 2011.

**Fig. 3.6. Number of Married Women in Labour Force. 1991–2011**



Source: ESRI Population Projection Model

**Fig. 3.7. Married Women's Labour Participation Rate, 1991–2011**



Source: ESRI Population Projection Model

## 3.4 Predictions of Demand for Paid Childcare

### 3.4.1 Scenarios

A number of predictions of the demand for paid childcare in the year 2011 were made based on the projections of children and labour force participation of married women. These projections comprised a number of scenarios. Common to all scenarios was the assumption that the number of children aged 0 – 9 years increases marginally from 533,000 in 1996 to 550,000 in 2011. The scenarios were as follows:

#### Scenario A:

- labour force participation of mothers increases by 41 per cent;
- the ratio of part-time working mothers to full time working mothers remains the same as in 1996; and
- the rate of take up of childcare by mothers of different employment status remains the same as in 1996.

This scenario envisages that demand for childcare will rise because there will be a higher level of labour force participation on the part of women and women in the workforce avail of childcare to a greater extent than those on home duties.

**Scenario B:**

- labour force participation of mothers increases by 41 per cent;
- the ratio of part-time working mothers to full time working mothers halves compared to 1996; and
- the rate of take up of childcare by mothers of different employment status remains the same as in 1996.

In contrast to Scenario A, Scenario B allows for the possibility that a greater proportion of working mothers will be in *full-time* employment in 2011.

**Scenario C:**

- labour force participation of mothers increases by 41 per cent;
- the ratio of part-time working mothers to full time working mothers halves compared to 1996;
- the rate of take up of childcare by mothers at work remains the same as in 1996; and
- the rate of take-up of childcare by mothers on home duties doubles.

This Scenario differs from Scenario B in that it is assumed that mothers on home duties will have a greater tendency to avail of childcare facilities in 2011.

### 3.4.2 Predictions of Total Demand

The results are set out in Table 3.1. It is predicted that, at a minimum, the number of children in childcare will increase by some 40,000 or 27 percent, despite the fact that the numbers of children will rise only slightly. Predictions are sensitive to the level of full-time as opposed to part-time working. A halving of the ratio of part-time to full-time working mothers could increase the demand for childcare by another 14,000. However, the greatest sensitivity relates to the take-up rate among women on home duties. If this doubles, then demand for childcare rises by another 43,000 to 220,000 places.

The Scenarios indicate that under a set of reasonable assumptions, the demand for childcare could increase by between 25 and 50 per cent over the period to the year 2011.

**Table 3.1 Predicted Numbers of Children in Childcare for the Year 2011**

Scenario	Children 0-4 years (000's)	Children 5-9 years (000's)	All Children (000's)
Existing (1996)	95	51	146
Scenario A	125	60	185
Scenario B	131	67	198
Scenario C	148	72	220

### 3.4.3 Future Demand for Childcare Services by Type

It has been demonstrated that the type of childcare services used is related to the employment status of the mother and the age of the child.<sup>6</sup> For example, children aged 0 - 4 whose mothers are in full time employment are more likely to be cared for by a minder in the minder's home than by

<sup>6</sup> A note of caution should be sounded with regard to these figures. The ESRI survey does not distinguish use of daycare centres/crèches from playgroups. It is clear that those in employment and especially full time employment use the former to a significant degree. It follows, therefore, that as participation rates rise, the demand for this form of group care will also rise.

any other means. The predictions set out in Table 3.1 may be used to determine how the demand for each type of childcare arrangement will increase as the labour force participation of mothers rises. Table 3.2 sets out such a prediction in relation to Scenario B. This relies on the assumption that, for mothers with a given employment status, the choice of childcare arrangement will not change over time.

**Table 3.2 Current and Future Demand by Type of Childcare Used (Scenario B)**

Type of Childcare	Children Aged 0 - 4		Children Aged 5 - 9		All Children	
	1996 (000's)	2011 (000's)	1996 (000's)	2011 (000's)	1996 (000's)	2011 (000's)
Group Care	48	50	23	19	71	69
Childminder	38	63	14	24	52	87
Childminder in Child's Home	10	18	14	24	24	42
All	96	131	51	67	147	198

Table 3.2 indicates that if current childcare choices remain, then all of the increase in demand (52,000 places) will be for other than group care arrangements. This reflects the fact that at present those at work tend to use childminders, while those on home duties are usually availing of playgroup facilities. This situation is likely to alter rapidly. The provision of 52,000 places with childminders would create a need for approximately 20,000 extra minders. This is a significant increase in the context of existing numbers of 30,000 to 40,000. Given the tightening labour market such an increase in supply may not be forthcoming, as potential childminders may find alternative employment. Increased use of group based facilities offers advantages in this regard as there are economies of scale in operation, which means that fewer childcare workers would be needed.

## **3.5 Conclusions**

In 1996, there were 859,424 children aged 0-14. The number of children fell in the early 1990s, especially in the older age groups. With the slowing down in fertility decline, the downward trend is easing off and the present projection is that, up to 2011, there will be little overall change in the number of children compared to the levels of the mid-1990s.

A slight increase in the number of mothers is projected for the year 2011. The greater numbers of mothers will counterbalance the effect of lower fertility on the number of children.

The total labour force in 2011 is likely to be of the order of 1,899,000, an increase of almost 25 per cent (374,000) over the 1997 level of 1,525,000. A large share of this increase is projected to come from growth in the number of women, and especially of married women, in the labour force. The female labour force is projected to grow by 218,000 (from 589,000 in 1997 to 807,000 in 2011), an increase of 37 per cent, accounting for 58 per cent of the total increase.

On the basis of the increased participation of married women and mothers, it is predicted that, at a minimum, the number of children in childcare will increase by some 40,000 or 27 percent, despite the fact that the numbers of children will rise only slightly.



Predictions are sensitive to the level of full-time as opposed to part-time working. A halving of the ratio of part-time to full-time working mothers could increase the demand for childcare by another 14,000 to 52,000. However, the greatest sensitivity relates to the take-up rate among women on home duties. If this doubles, then demand for childcare rises by another 43,000 to 220,000 places.

This indicates that under a set of reasonable assumptions, the demand for childcare could increase by between 25 and 50 per cent over the period to the year 2011.

If current childcare choices persist, then all of the increase in demand (52,000 places) will be for other than group care arrangements. This reflects the fact that, at present, those at work tend to use childminders, while those on home duties are usually availing of playgroup facilities. This situation is likely to alter rapidly. Given the tightening labour market such an increase in supply of childminders may not be forthcoming, as potential childminders will find alternative employment. There will then be significant additional demand for use of group based facilities.



## **4. Supply of Childcare Services in Ireland**

### **4.1 Introduction**

This section of the report examines the supply of childcare services in Ireland. Little official information exists on the number of childcare providers in operation, their structures or of the services they provide. The information presented below was generated during the course of this study, through *inter alia* postal and interview surveys.

### **4.2 Forms of Childcare Provision**

Childcare provision can be generally divided into two broad categories: 'centre-based' care and 'home-based' care. Centre-based care in Ireland includes services such as nurseries, crèches, day-care centres, Naionrai (Irish Medium Playgroups), Montessori schools and employer-based crèches. They are run in custom-built or refurbished premises, accommodating upwards of four children. The children range in age from a few weeks old up to twelve years of age, with older children availing of after-school care. Hours of operation generally range between 8am and 6pm, depending on the type of care being provided, i.e. full day-care, part-time care, after-school care, or a combination of all three. Some centre based care is provided by the community sector, and these are sometimes in receipt of State or EU aid.

Home-based care usually involves up to four children being cared for in a private home, that of the carer or the child. Care may be provided as full-day care, part-day care or flexible hours. In Ireland today, the typical family day carer is a mother caring for a small number of mixed-age children, including her own. No national statistics are available on the number of childminders providing these services, although we provide an estimate in Section 4.3 below.

Family day care is a private arrangement between the parent and the family day carer. Carers in Ireland are self-employed, negotiating the terms and conditions of their work directly with the child's parents.

No childcare service in Ireland is currently under direct State or public management. Even those facilities in receipt of State subsidies are managed by voluntary or charitable organisations. The State-subsidised services are operated in association with organisations such as the health boards and the Department of Education and Science.

The Regulations for the Childcare (Pre-School Services), 1996 made under Part VII of the Childcare Act, 1991 stipulated that family day carers minding more than three children under 6 years of age (not including their own children) are required to notify their local health board and are subject to inspection. As the overwhelming majority of childminders in Ireland care for fewer than four children, the Regulations in practice cover a minority of childminders. However, centre based providers are larger and usually come within the scope of the legislation.

### **4.3 Number of Childcare Providers**

No information currently exists on the number of childcare service suppliers in Ireland. However, we have estimated figures from a number of sources. For the 'formal' sector, i.e. the notified sector,

we have relied on figures from the health boards on numbers notifying under Part VII of the Child Care Act, 1991. For the 'informal' sector we have estimated the number of childminders, using figures from the ESRI survey on Childcaring Arrangements for the Commission on the Family.

The health board figures indicate that 2,300 pre-school providers had notified by April 1998. These numbers include full day care providers, including employer-based crèches, playgroups, Montessori schools and casual providers (drop in crèches etc.). The Department of Health and Children is currently seeking to amend legislation to ensure full notification of all providers outside the school sector for children up to and including 6 year olds. This move would indicate that the numbers currently notifying are an underestimation of the total number of childcare providers operating within the formal sector.

Added to this are the unknown number of providers who are on the 'edge' of the formal sector; that is, those providers that are caring for a significant number of children (over six) in their own home but are continuing to operate in the black economy and are not coming forward to notify. It would seem reasonable therefore to conclude that there could be 3,000 or more providers that are, or should be, classified as being within the formal sector.

In relation to the informal sector, defined as paid minders in their own home or in the child/children's home, we must rely on estimates derived from the ESRI survey to which reference was made above. From this survey we can deduce that 19 per cent of children in Ireland aged 0-4 are minded by a paid childminder and 10 per cent of 5-9 year olds. According to the 1996 Census of Population, we know that there are 250,000 children in total aged 0-4 and 282,900 aged 5-9. This would indicate that 47,500 children aged 0-4 are minded by paid childminders and 28,300 aged 5-9.

If it is assumed that each minder cares for two children on average, it may be estimated that there are 37,900 paid childminders providing a childminding service in Ireland at the current time. However, if we assume that half of those minding 5-9 year olds (after school) are also minding 0-4 year olds, the figures reduce to just over 30,000. Table 4.1 provides details of how these figures were derived.

Table 4.1 also indicates that the use of childminders in the minder's home is much more prominent in the 0-4 age group, while minding in the child's home is the preferred choice for 5-9 year olds where care is most likely to be part-time, after school/holiday care.

The ESRI figures also indicate that, as described in Section 2, the majority of children in Ireland are minded in unpaid family care by parents or other relatives - 62 per cent of 0-4 year olds and 82 per cent of 5-9 year olds.

Table 4.1 Estimates of Number of Childminders in Ireland

Type of Minder	% Children minded by Paid Minders*		No. of Children in Ireland**		Estimated No. being Minded		Estimated No. of Minders***		
	by Age		Age		Age		Age		
	0-4	5-9	0-4	5-9	0-4	5-9	0-4	5-9	0-9
Childminders Home	15	5			37,500	15,150	18,750	7,575	26,325
Child's Home	4	5			10,000	15,150	5,000	7,575	12,575
Total	19	10	250,000	303,000	47,500	30,300	23,750	15,150	38,900

\* Source: ESRI Survey on Childcaring Arrangements

\*\* Source: 1996 Labour force Survey

\*\*\*Source: Assuming an average of two children per minder

In summary, it is estimated that there are 3,000 providers in the formal childcare sector and a further minimum of 30,000 in the informal childminding sector, minding children aged 0-9. These figures include an unknown number of part-time providers in both the formal and informal sectors, as well as a significant number of providers on the 'edge' of the formal sectors that are providing care for a relatively large number of children in their own home and not currently notifying under the voluntary registration system.

## 4.4 Profile of Formal Full-Time Childcare Providers

This profile is based on information obtained from members of the National Children's Nurseries Association (NCNA). There are approximately 400 members in the Association. It is fair to assume that these providers are more likely to be subject to notification and to be providing a service that meets the standards and regulations contained in the Childcare Act 1991. They are also more likely to have qualified staff although we have no information to substantiate this.

The profile of these providers was developed using two methodologies:

- in-depth interviews with seven members in both rural and urban areas, and in middle and working class areas; and
- a postal survey of all NCNA members.

### 4.4.1 Postal Survey

The questionnaire used in the survey drew heavily on the key issues identified in the in-depth interviews referred to above and is reproduced in Appendix 2. With the co-operation of the NCNA, the survey was posted to 400 childcare providers. A telephone follow-up was conducted to encourage response. The overall response rates was 20 per cent with 77 questionnaires proving to be suitable for analysis. Some responses from providers were omitted because the respondents were involved in childcare on an intermittent basis only.

The findings from the survey are presented under the following headings:

- type of provider;
- numbers of children cared for;

- changes in demand and response of providers;
- staffing and staff costs;
- prices;
- impact of regulations; and
- key issues for the future.

#### **4.4.2 Type of Provider**

Almost 80 per cent of centres are owner managed. Just over half (50.6 per cent) operate from converted homes; 36.4 per cent from other converted premises; and 13 per cent from purpose built facilities.

Providers were asked to indicate the typical socio-economic status of the bulk of the parents using their facility. The results are presented in Table 4.2.

**Table 4.2 Childcare Providers by Socio-Economic Status of Customers**

<b>Predominant Socio-Economic Status of Parents</b>	<b>Proportion of Respondents (%)</b>
Disadvantaged	9.1
Lower Socio-Economic Group	3.9
Middle Socio-Economic Group	46.8
High Socio-Economic Group	7.8
Mixture of Above Groups	32.5
All	100.0

It may be seen that 79.3 per cent of respondents indicated that the middle socio-economic group or mixed socio-economic groups formed the bulk of their customers; with only 13 per cent focussing exclusively on the disadvantaged.

#### **4.4.3 Numbers of Children Cared For**

The average number of places per centre in the formal sector is 42. One quarter of centres have over 50 children (see Table 4.2). There are a small number of larger providers, particularly in the Dublin area. The survey suggests that NCNA members cater for some 13,000 children.

**Table 4.3 Distribution of Childcare Providers by Number of Children Cared For**

Proportion of Childcare Centres with	%
up to 10 children	4.1
11 to 25 children	29.7
25 to 50 children	41.9
over 50 children	24.3
All	100.0
Mean Number of Children per Centre	42.1
Median Number of Children per Centre	32.0

*Source: Sample Survey of NCNA Members*

The great majority (70 per cent) of children are cared for full time. Where part-time places are provided, efforts are made to balance morning sessional care with after school places. As demand increases and as margins tighten, due in the main to enforcement of the regulations regarding staff/children ratios, there is growing tendency to limit part-time places and to maximise full-time places. Discussions with providers indicate that this is resulting in a particularly acute shortage of places within the formal sector for babies and for parents wanting part-time and flexible provision. There is an increasing tendency to charge for a place on a year round basis including the school holiday period, thus increasing the annual cost to the parents.

#### **4.4.4 Changes in Demand and Response of Suppliers**

Interviews with providers also indicate that there is a growing demand for places within the formal sector. One third of respondents are in receipt of more than eight queries per week for places. Some 96 per cent of respondents reported that the level of queries had increased in the past year. Queries have increased by a minimum of 200 per cent in the last year.

Almost three-quarters of respondents reported that queries in respect of places for babies predominated, with part-time places being the next most frequent. The increased demand appears to be greatest in cities.

There is little evidence that formal providers are responding to meet these increases in demand. This is due to a number of factors:

- a 'wait and see' situation arising from the slow implementation of the regulations;
- low profitability resulting in lack of capital for expansion;
- reluctance to expand beyond a level that can be run effectively by one owner/manager;
- perception that there will be difficulties recruiting additional staff; and
- difficulties finding suitable premises and obtaining planning permission.

The interviews also indicate that the number of providers in their local areas is not increasing to meet growing demand. Only one of those interviewed considered that the number of formal

providers in their local area had increased in the last year. However, all considered that the number of informal providers in their local area was continuously increasing.

These findings indicate that increasing demand is not being met within the formal sector. This is due to the following factors: uncertainty, low profitability, difficulty in finding premises and staff, and general difficulties running a business above a certain size. It would appear, therefore, that such increased demand is being met primarily within the informal, unregulated childminding sector. Those interviewed also expressed the view that childminding within the informal sector is more profitable due to the fact that such providers are operating in the black economy, and therefore not paying tax, business rates, insurance etc. Many are charging similar or only slightly lower rates to those in the formal sector. However, such childminders are likely to have lower overall annual incomes, and capacity levels, due to more part-time and school period only provision.

#### **4.4.5 Staffing & Staff Costs**

The average number of staff is eight. Over 40 per cent have less than five staff, while only 8 percent have more than twenty staff. Of all staff employed by centres, 62 per cent are full-time, 22 per cent are part time and 16 per cent are participants in the Community Employment scheme.

The average number of children per staff member is 5.1. This is simply the total number of children divided by the total number of staff employed by centres. This approach does not take account of the fact that some children are cared for part-time and that some staff are part-time. Assuming that part-time means half day in each case, the total number of equivalent care-days was calculated and compared to full time equivalent staff numbers. This indicated that the number of care days per full-time staff equivalent is 5.3.

**Table 4.4 Distribution of Childcare Centres by Number of Staff**

<b>Proportion of Childcare Centres with</b>	<b>%</b>
up to 5 staff	41.6
6 to 10 staff	36.4
11 to 20 staff	14.3
over 20 staff	7.8
All	100.0
Mean Number of Staff per Centre	7.9
Median Number of Staff per Centre	6.0

*Source: Sample Survey of NCNA Members*

Staff costs average £130/£140 gross per week for junior staff, (averaging £3.15 per hour for a 40 hour week) and £160/£200 for senior staff (averaging £4-£5 per hour for a 40 hour week). Pay rates are higher in Dublin, reflecting higher prices charged. In most cases there is a desire to pay staff more but this cannot be done at existing prices. The providers consider that parents will not and cannot pay more out of after tax income, without some form of State support.

Three quarters of centres surveyed indicated that they had difficulties in recruiting or retaining staff. The major reasons were the lack of qualified people applying and alternative job opportunities with better wage rates becoming more widely available, particularly in the major urban areas. A view was expressed that childcare workers must live at home with their parents as



their wages will not support them living in rented accommodation. This obviously reduces mobility within the sector.

These findings indicate that there are increasing difficulties recruiting and retaining suitable staff with appropriate qualifications, due to low pay and the perception that there are limited career opportunities within the sector.

#### **4.4.6 Prices**

Prices were found to vary by location with higher rates in Dublin. Prices average £55 per week for full-time care outside Dublin, and £65-£70 for over 1 year olds and £75-£80 for babies in the Dublin area. Higher prices for babies was a practice found only in Dublin at the moment, but is likely to emerge in other areas in the near future. All providers offer a reduction for second or third child. This had a negative effect on commercial viability and poses a major difficulty for providers. The view was expressed that, as parents were required to pay for a place on a 52 week per year basis, parents with two or more children needing childcare would increasingly be forced, by cost considerations, to find it within the informal childminding sector.

The price rates referred to above work out at £1.50 to £2 per hour per child. Almost 60 per cent of those surveyed intended to raise their prices in the short term. Price increases of £30 per week on average are considered necessary if a high quality, comprehensive service, which also produces a profit for the owner, is to be provided. The most immediate reasons for raising prices were to increase wages, to finance building costs and to meet the cost of compliance with the regulations.

#### **4.4.7 Impact of the Regulations**

All of the providers interviewed had registered and all but one were still awaiting inspection. The main impact of the regulations for this group appears to have been to tighten margins and encourage more rigidity and less flexibility in service provision, as providers sought to remain viable while meeting staff ratios and paying staff a reasonable wage. In a number of cases the regulations have meant that providers have had to improve their premises e.g. more toilets, changes in the kitchen etc. There is concern that enforcement of the regulations will cause the supply of childcare services to stagnate or even diminish in the immediate future, at a time when the potential for demand to expand is large.

It should be noted that these providers may *not* be representative of the formal sector as a whole. Other providers may face much greater costs in meeting the regulations, both in terms of capital and infrastructural costs and employee costs.

### **4.5 The Informal Sector**

Because childminders are operating in the black economy, it was not possible to undertake a survey to profile them or establish the problems facing this sector. However, many of the issues are well known.<sup>7</sup> These are :

- there is a lack of regulation of the sector: many childminders are not required to notify under current legislation and those that are have no incentive to do so; as a result, the quality of care is not ensured;

---

<sup>7</sup> Childminders have been subject to separate research which identified the issues listed. See *Family Day Provision (Childminding): An Overview*. Sarah Craig and Margaret Kernan. Centre for Social and Educational Research. DIT. 1998.

- if efforts were made to ensure their compliance with tax and social welfare legislation, many if not most would withdraw from the sector;
- childminders operate with few supports and in particular do not have access to training or knowledge of best practice; and
- their services are often undervalued and as a consequence they may suffer from low levels of self-esteem.

## **4.6 The Potential for Childcare as a Business**

Using the estimates of demand for paid childcare, it is possible to make an estimate of the value of the paid childcare market of £260m per annum.<sup>8</sup> Under Demand Scenario B, this may be expected to grow to £450m at 1998 prices by the year 2011, an increase of 42 per cent. This growth in demand arises because of the predicted increase in the labour force participation of women. The additional value of £190m represents the potential growth in the market for the group childcare market. In practice, some of this will be catered for by childminding in the home or in the childminder's home, although as noted in Section 3, the latter may be limited by the alternative employment opportunities which the expanding labour market will produce.

The job potential of the industry is very significant. If all of the additional demand were to be met by the formal group childcare sector, then based on the relationship between care-days and labour inputs established in the course of the Survey of Childcare Providers, an estimated 11,000 full-time equivalent jobs would be created. This is equivalent to 13,500 full and part time jobs.

## **4.7 Conclusions and Key Issues for the Future**

### **4.7.1 Conclusions**

Childcare services are provided by some 3,000 group based providers in the formal sector and a minimum of 30,000 childminders. The formal sector, which provides services to a broad range of socio-economic groups, is not expanding despite a substantial increase in demand. The sector suffers from staffing problems and is finding it difficult to address the requirements of the 1996 Child Care Regulations. As a result, there is a substantial shortage of places, particularly for babies and part-time care. Despite low wages for workers in the sector, profitability is low as there is a constraint on the prices which parents are willing to pay for childcare. There is concern that enforcement of the regulations will cause the supply of childcare services to stagnate or even diminish in the immediate future, at a time when the potential for demand to expand is large.

There is evidence of market failure in that profitability is very low and is insufficient to generate the capital required to grow the industry. Many providers would not be seen by the banking system as good risks because of low profitability, their small scale, and failure of the banking system to recognise childcare as commercial business activity. There is little potential for raising prices to improve profitability, as the Irish tax system so reduces the married woman's net earnings that higher prices cannot be afforded. In these circumstances, there is a strong case for State intervention on a temporary basis to support the development of childcare as a viable industry.

The market for childcare services is set to grow from an estimated £260m in 1996 to £450m in the year 2011.

---

<sup>8</sup> This assumes, *inter alia*, that full-time care costs £60 per week and part-time £30 per week.

### **4.7.2 Key Issues**

The key issues for childcare provision are:

- how to stimulate an increase in the supply of providers in the formal sector to meet growing demand;
- how to ensure that such providers can meet agreed quality standards and regulations, can pay their employees a reasonable wage and can become commercially viable companies, given the current constraints on raising prices to parents;
- how to ensure that all parents looking for childcare, particularly for babies, for young children and school children on a part-time basis, or for children with special needs, can find such care, at an affordable price, within the regulated commercial sector, if they wish to do so; and
- how to bring about a situation whereby the informal sector will become subject to monitoring and control and will be given the support which it needs.

Overall, there would appear to be an urgent need for interventions to bring demand and supply more into line within the formal sector. There is also a need to ensure that the recently introduced regulatory requirements do not result in a diminution in supply at the very time when increased labour force participation of mothers is increasing the demand for childcare services.

This will necessitate the introduction of supports which will:

- encourage new providers to set up childcare businesses within the formal sector;
- assist in making existing providers in the formal sector commercially viable;
- encourage/require informal providers to come into the regulated, formal sector; and
- given the large number of children currently being cared for outside the regulated sector, as defined, ensure that this sector is supported and monitored in order to encourage a sufficient amount of 'quality' provision.