

Budget Perspectives 2024

DATE

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VENUE

The Royal College of
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EXTENDING THE NATIONAL CHILDCARE SCHEME TO CHILDMINDERS: COST AND DISTRIBUTIONAL EFFECT

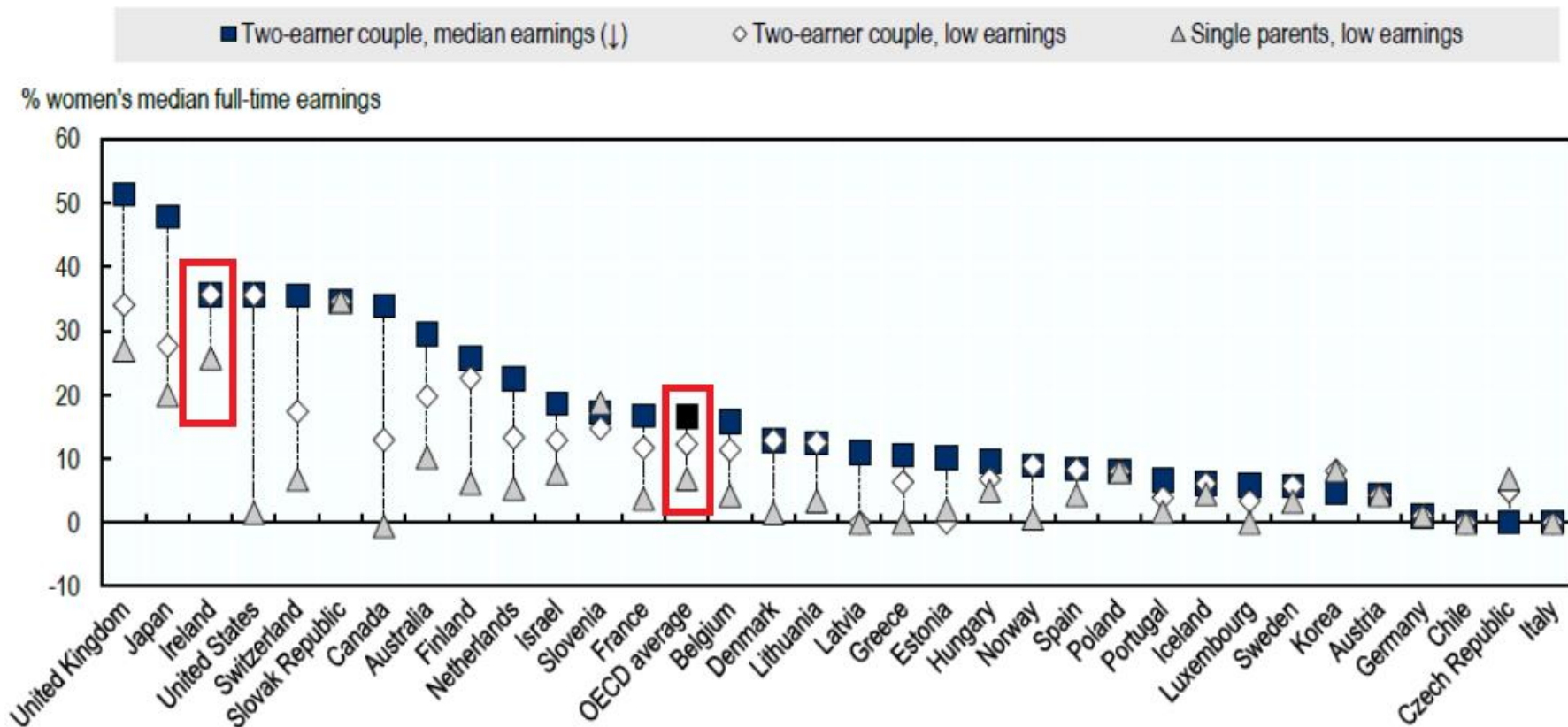
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Cost of childcare 2019 – international context



OECD (2020): Is Childcare Affordable?

Childcare in Ireland

Average monthly full-time childcare for a child under 3 was €771 per month (Motiejunaite-Schulmeister, Balcon, & de Coster, 2019)

Lower income families and lone parents spend a higher share of their income on childcare (Russel et al., 2018)

Childminder care is the second most widely-used form of paid, non-parental care in Ireland (Russel et al., 2016; Byrne & O'Toole, 2016)

Formal childcare (paid, centre-based) is subsidised

Informal childcare (paid, non-relative) can be:

- Nannies – children minded in their own home
- Childminders – children minded in the minder's home

National Childcare Scheme

2019 – National Childcare Scheme introduced and replaced all previous childcare schemes (ECCE remained in place); available for children in **Tusla registered care, 45 hours pw**

- Universal subsidy – non-means tested, €0.50 per hour, children up to age 3
- Standard/enhanced – means-tested, depends on the parental work/education status, children up to age 15

2022 – universal subsidies extended up to age 15

2023 – universal subsidy increased to €1.40 per hour

National Action Plan for Childminding

Action plan published in 2021, DCEIDY, defining steps to include childminders in the national regulatory system (2021-2028)

Very few childminders registered with Tusla – from 2024 childminders will be encouraged to register over a 3-year transition period

- Full implementation of childminders' regulation in 2028 (DCEIDY, 2021, p70)

This report estimates the cost and distributional effect of childminders entering NCS

Data and method

To estimate the cost and distributional impact, we use SWITCH, run on the 2019 Survey of Income and Living Conditions (CSO)

- No information on where the informal minding occurs – nannies (child’s home) vs minders (carer’s home)
- To disaggregate informal care, we use Growing Up in Ireland Survey, infant cohort, wave 5 – predict the probability of using childminders/nannies
- Calculate the share of childminders/nannies in the total informal childcare in SILC, 2019

Profile of users of informal childcare

	No care	Unpaid care	Centre only	Ecce only	Minder only	Centre and minder/nanny	Nanny only
Equivalised household disposable income	2216.4	2236.9	2841.4	1797.9	3036.8	3197.1	3002.6
Fathers' weekly hours of work	34.6	39.9	37.8	38.5	42.3	45.9	43.8
Mothers' weekly hours of work	19.8	26.2	27.6	16.3	32.9	31.7	33.3
Hours of childcare	0.0	11.5	99.2	65.3	58.3	143.8	101.1
Cost of care	0.0	0.0	453.7	0.0	318.2	665.4	1063.7
Hourly cost of care	0.0	0.0	7.0	0.0	9.4	8.3	18.8
NCS subsidy	0.0	0.0	169.4	0.0	0.0	85.3	0.0
Weighted N	1,712,765	102,556	193,826	25,272	83,212	22,693	16,135

Note: Authors calculations using SWITCH linked to 2019 SILC data. Sample is children < 13 in 2019 SILC data. Income is equivalised using the national scale. Means in the last two columns are based on a relatively small sample size of 30-50 observations and should be interpreted with caution.

- Households using informal childcare have higher income and both parents work full-time
- In households that use no childcare or formal childcare only, mothers tend to work part-time

Extending NCS to childminders

Childminders are able to register with Tusla, but only 61 out of 4000 Early Years Services currently registered in Dublin are childminders (DCEIDY, 2023)

Over the next 3-year transition period, childminders will be encouraged to register with Tusla, resulting in an uptake of NCS

4 scenarios of take-up of NCS:

- 25%, 50%, 75%, 100%

For imperfect take-up, 5 random draws of assigning households to take-up, then average over the draws to calculate the policy effects

Exchequer cost

Share of childminders entering NCS	Total cost, €m p.a.	Percentage change in total cost	NCS per month for children cared for by childminders	NCS/cost of childcare
0	417.2	-	0.0	
25	451.9	8.3%	29.3	9.2%
50	479.4	14.9%	50.9	16.0%
75	509.1	22.0%	74.3	23.3%
100	538.8	29.1%	96.3	30.3%

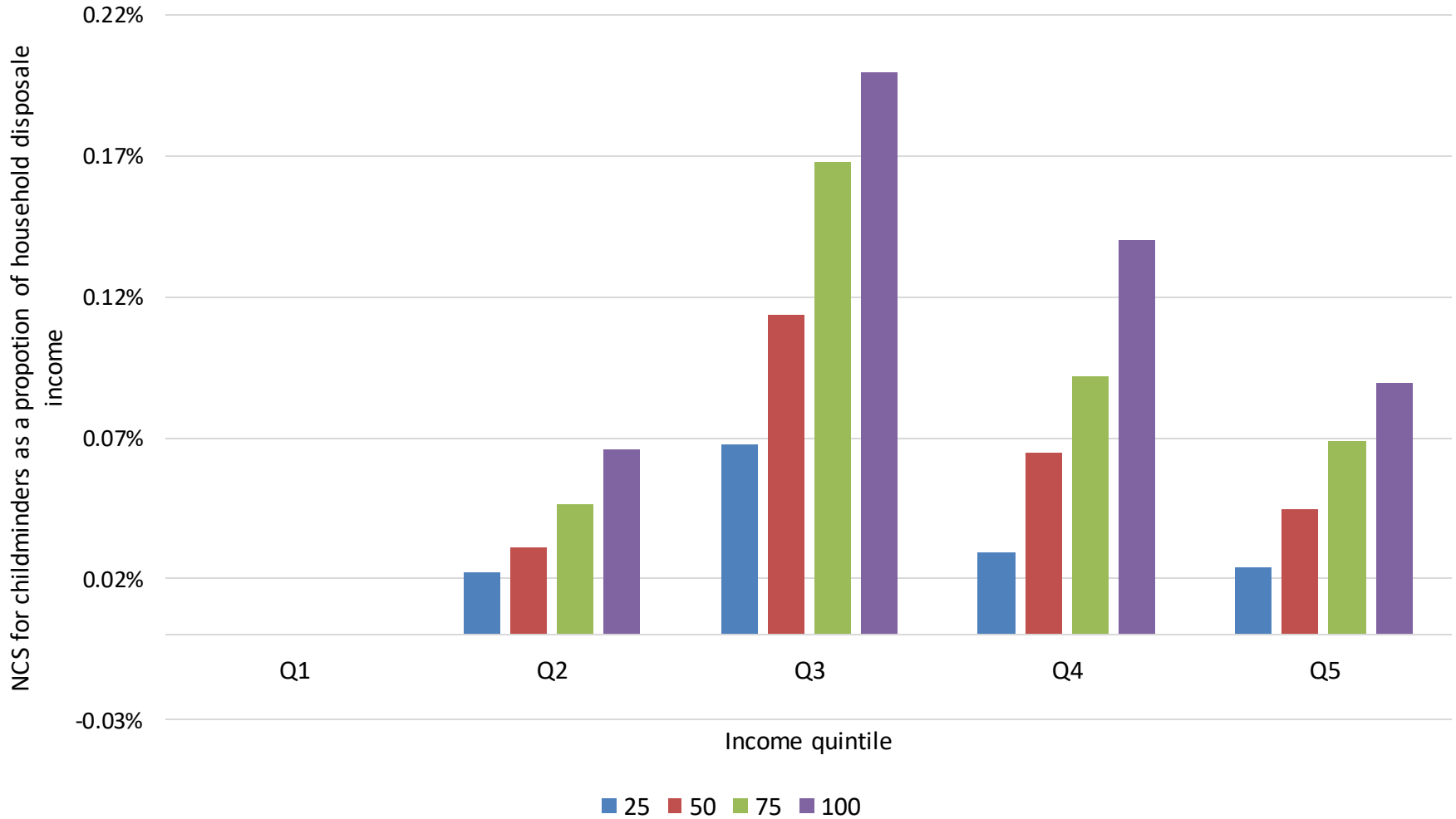
- Bringing childminders into NCS would increase the exchequer cost by 8-29%, depending on the take-up
- It would bring the cost of childcare down by €30-100 per month, per child

Breakdown of the NCS by type

- Extending NCS to childminders would benefit over 80,000 children in the full take-up scenario
- 67% of those children would be eligible for the universal subsidy
- Extra expenditure amounts to €122 million per annum

	Number of extra recipients	Extra Expenditure (€pa)	Change
Universal	54,219	66	37%
Standard/Enhanced	26,487	56	23%
Total	80,705	122	29%

Distributional effects



Conclusions

We estimate that extending NCS to childminders would:

- Benefit 80,000 children that are in childminders' care
- Increase in the NCS exchequer cost by 8-29%
- Full take-up around €100 per month, per child – 30% of the current childcare cost
- Mostly benefit middle income households

But also, wider societal benefits could be:

- Alleviate pressure on centre-based care (Doorley et al., 2023)
- Increase mothers' labour supply (Doorley et al., 2023)
- Fewer socio-emotional difficulties, more vocabulary progress compared to children in centre-based care (McGinnity et al., 2013, 2015; Russell et al., 2016)
- More regulation to the informal childcare sector – effects on quality, health and safety

Further comments

- Take-up and registration of childminders may depend on perceived and real requirements
- Administrative (e.g. ease of registration) and financial (e.g. adjustment to the minder's home) requirements are expected to be minimal and appropriate to the home setting
 - Otherwise, possible behavioural responses: price increases, sector exit
- National Action Plan for Childminding commits to supports for childminders and appropriate training – expected increase in quality of care

Predicting the share of childminders

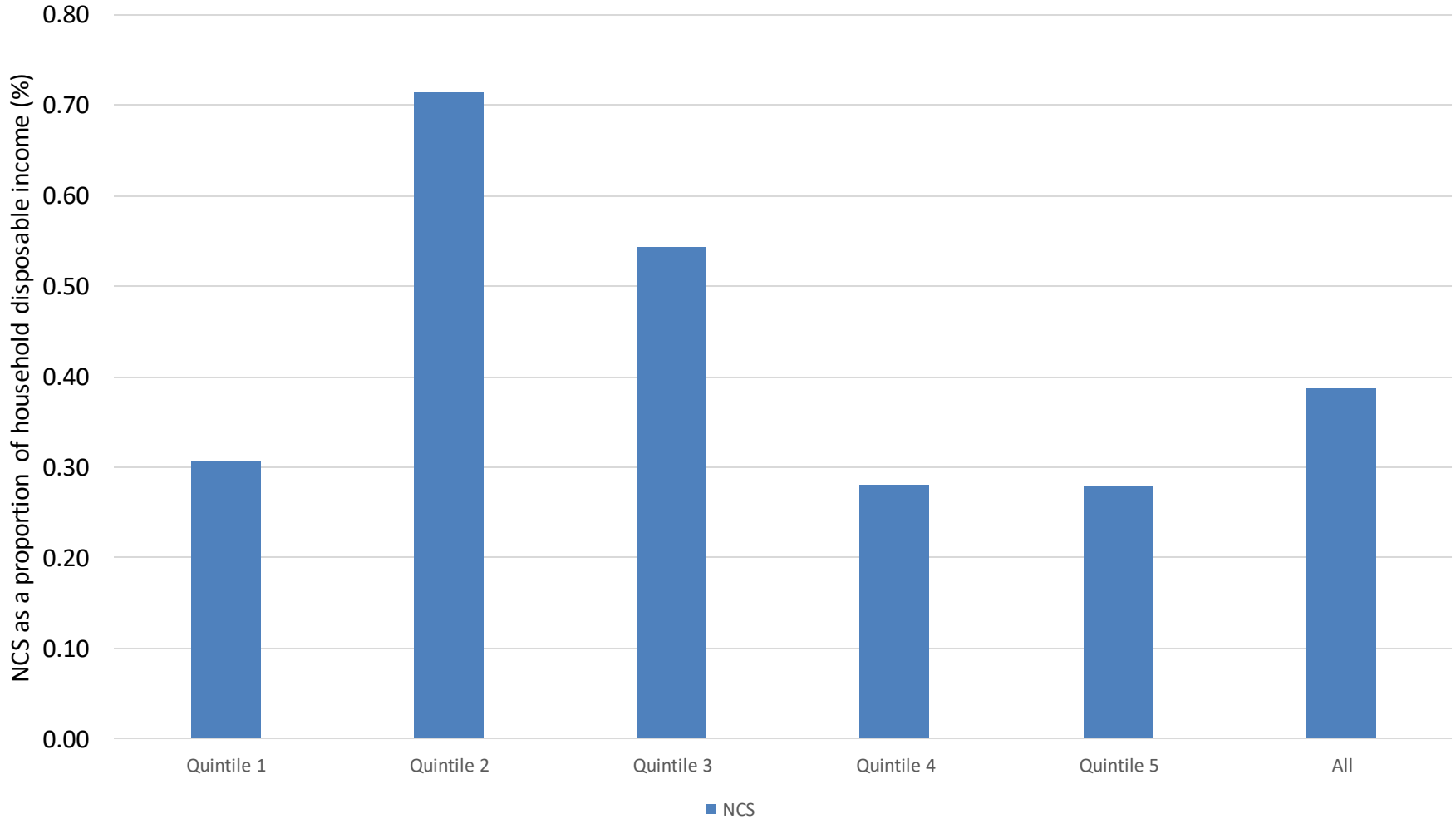
Predict share of nannies/minders, linear probability model:

$$P(\text{nanny})_i = \beta_1 \text{Cost}_i + \beta_1 \text{Hours}_i + \beta_1 \text{Age}_{eldest}_i + \beta_1 \text{Age}_{youngest}_i + \epsilon_i$$

Use predictions from this model to calculate the share of childminders/nannies in the total informal childcare in SILC, 2019

Notes: Ipsos CSP survey conducted by the DCEIDY – 1000 children under 15 age

Dependent variable: nanny = 1, childminder = 0	(1)	(2)	(3)
Weekly childcare cost/100	0.250 (0.0182)	0.240 (0.0210)	0.196 (0.0294)
Weekly childcare hours/100	0.00412 (0.000293)	0.00441 (0.000370)	0.775 (0.397)
Age of the youngest child	-0.0304 (0.00646)	-0.0299 (0.00679)	-0.0303 (0.00800)
Age of the eldest child	0.0352 (0.00476)	0.0304 (0.00564)	0.0184 (0.00920)
Annual equivalised household income/100		0.00240 (0.00201)	0.00162 (0.00206)
PCG weekly hours of work			0.00207 (0.00158)
N	902	857	643
Adjusted R ²	0.495	0.502	0.504



GUI profiles

To disaggregate informal care, we use Growing Up in Ireland Survey, infant cohort, wave 5

	Nanny only	Minders only
Equivalised hh income	2564.9	2238.5
Hourly cost of childcare	10.2	8.4
Weekly hours of childcare	40.1	10.4
N	371	531

Notes: Sample is children in the GUI '08 cohort Age 9 who are in centre-based care or cared for by either a nanny or a childminder, with siblings under age 14.