

Limerick Childcare Committee Financial Models

2016

Prepared by



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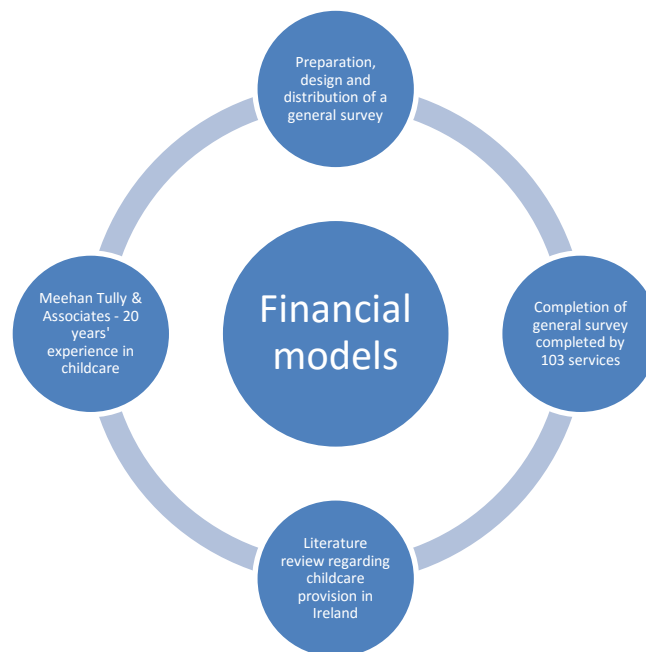
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1 Introduction

The Limerick CC Financial Models assignment was carried out by Meehan Tully & Associates Ltd. at the end of 2015 and start of 2016. The aim of the assignment was to provide an overview of the realistic level of operating costs facing various childcare services, ranging from community-based to privately-owned and part-time to full-time. The assignment involved the extensive collation and analysis of information, gathered from the sources illustrated below.



Sample Financial Models

Sample operational costs for childcares services were devised for a total of six models of childcare services, based on the most common forms identified by the respondents. These were as follows:

- Community-based service open for 41 weeks and 20 hours per week **(Model 1)**
- Community childcare service open for 47.5 weeks and 40 hours per week **(Model 3)**
- Community childcare service open for 52 weeks and 40+ hours per week **(Model 4)**
- Privately-owned service open for 41 weeks and 20 hours per week **(Model 2)**
- Privately-owned service open for 47.5 weeks and 40 hours per week **(Model 3A)**
- Privately-owned service open for 52 weeks and 40+ hours per week **(Model 5)**

It should be noted that, in a similar survey carried out in Dublin City, no model was used for privately-owned services open for 47.5 weeks because this particular model represented only a very small minority of privately-owned services, i.e. it is a childcare model that is used almost exclusively by community-based services in Dublin City. **This is not the case in Limerick where a number of private businesses used this type of service model.**

2 Salaries and Wages

Salaries and wages were surveyed among the 103 childcare services, to provide an average, as well as an overview, of the range of earnings being provided within the childcare sector.

Room Leaders

Childcare Facility Type	Average € per hour	Highest per hour	Lowest per hour
Community-based	€13.33	€18.02	€10.00
Privately-owned	€11.98	€18.00	€9.00

Early Years Educators

Childcare Facility Type	Average € per hour	Highest per hour	Lowest per hour
Community-based	€11.13	€16.00	€9.43
Privately-owned	€10.57	€16.00	€8.65

Montessori Teachers

Childcare Facility Type	Average € per hour	Highest per hour	Lowest per hour
Community-based	€13.43	€18.02	€9.65
Privately-owned	€12.62	€18.00	€9.00

Montessori Workers

Childcare Facility Type	Average € per hour	Highest per hour	Lowest per hour
Community-based	€10.92	€12.00	€9.65
Privately-owned	€10.45	€16.00	€9.00

Cook

Childcare Facility Type	Average € per hour	Highest per hour	Lowest per hour
Community-based	€10.65	€11.79	€9.60
Privately-owned	€10.02	€12.50	€9.50

Relief Panel Workers

Childcare Facility Type	Average € per hour	Highest per hour	Lowest per hour
Community-based	€10.39	€12.00	€9.00
Privately-owned	€10.20	€12.00	€8.65

ECCE Staff outside academic year

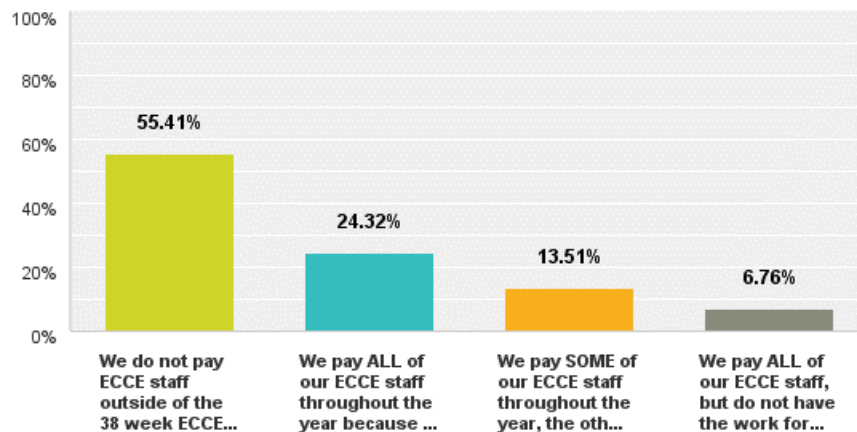
Payments for ECCE services are linked to the academic year, providing a payment of €62.50, or €73 for a higher capitation¹, per child per week for each of the 38 weeks of the academic year². Outside of these weeks no payment is received for ECCE children.

As a result, many childcare services have found themselves in the position of having to review their staffing structures outside of the academic year. For many, this has meant giving employment contracts to childcare staff that are linked only to the 38-week period, i.e. the ECCE staff are not employed by the childcare service outside of the academic year (apart from the annual leave entitlement that may have been taken outside of the 38-week period.)

As part of the survey, childcare services were asked to state which of the following applied to them:

- We do not pay ECCE staff outside of the 38 week ECCE period, or
- We pay all of our ECCE staff throughout the year because we have work for them to do elsewhere, or
- We pay some of our ECCE staff throughout the year, the others are unpaid outside the 38-week period, or
- We pay all of our ECCE staff, but do not have the work for them and need to review this process.

The results are shown below.

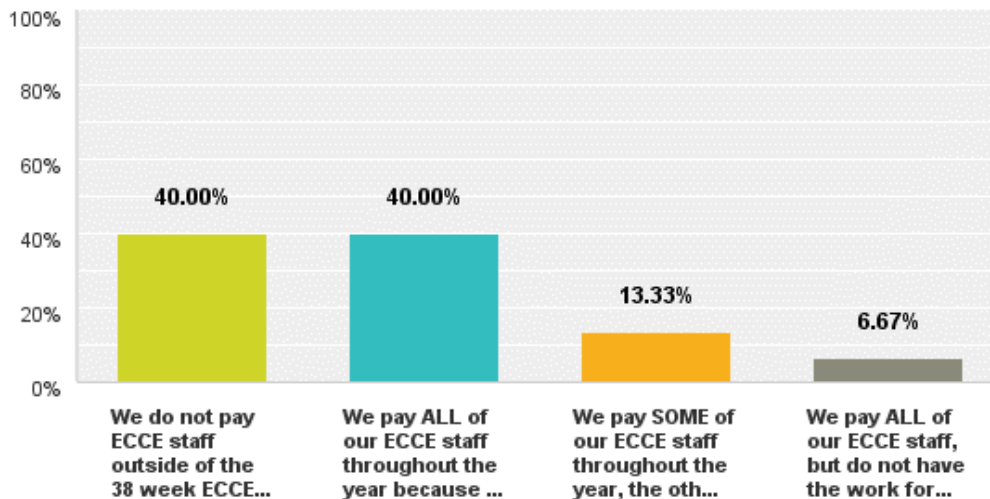


¹ The higher capitation applies when the service meets the minimum staff qualifications required for a higher payment under the scheme.

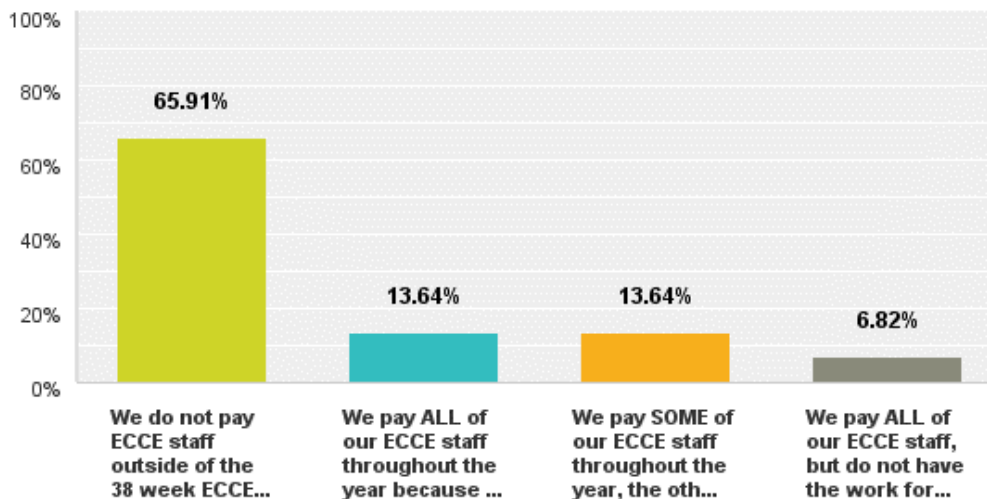
² After the implementation of budget 2016, the capitation rates will increase to €64.50 and €75.

When analysed on a community and private basis, there are differences between the approaches of the two. In the case of privately-owned services, almost 66% of services stated that they do not pay ECCE staff outside of the 38-week academic year, while 40% of community-based respondents do the same. Meanwhile, 40% of community-based services stated that they have enough work to keep all ECCE staff employed during the non-academic year, while this only applies to just over 13% of privately-owned services.

Community-based services

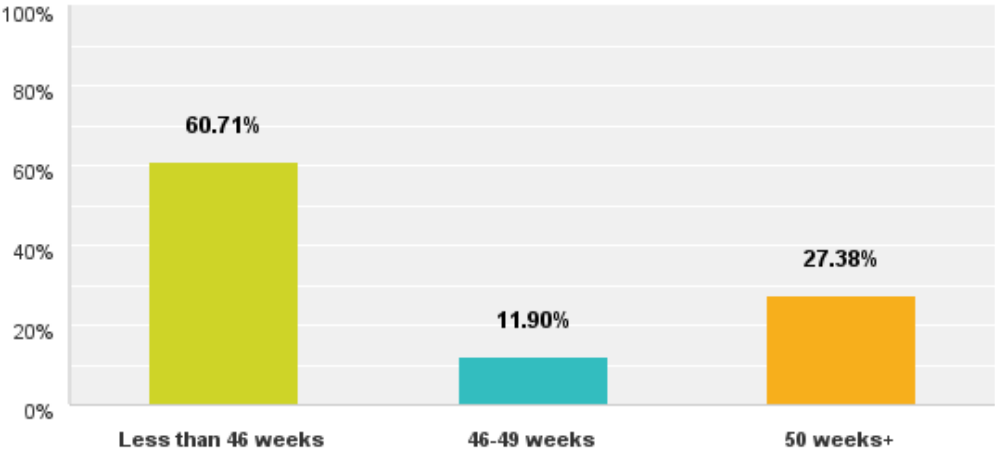


Privately-owned



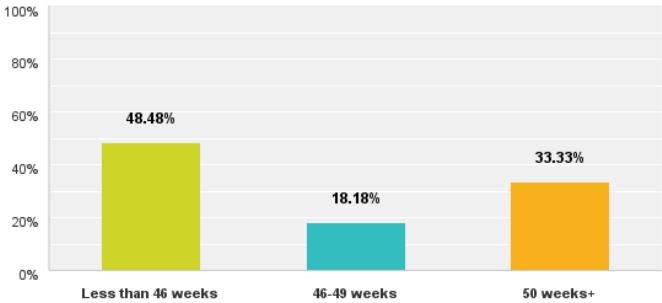
3 Weeks open per year

For the purposes of providing a financial model for varying types of childcare services, the respondents were asked to state the number of weeks that they are open each year.

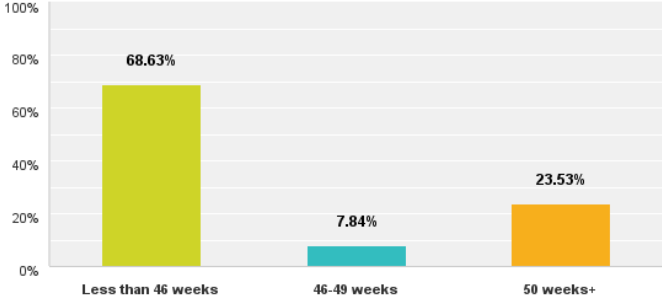


The general spread between services operating for each of the above options is mirrored in the analysis of responses based upon community-based and privately-owned facilities.

Community-based



Privately-owned



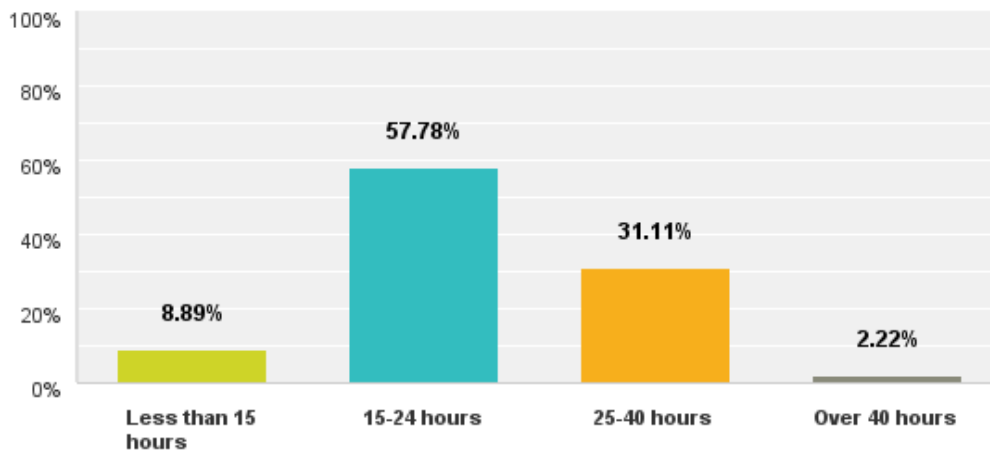
The above information has been used to generate Financial Models for community-based and privately-owned childcare services, which are discussed in greater detail later in the document.

4 Operating hours per week

Each of the respondents was asked to state the number of hours their childcare service is open per week. As will be seen later, this information forms the basis for calculating operational costs and income for each of the financial models, focusing particularly on, for example, average number of hours open for childcare, average number of hours worked per week by staff (to calculate wages), etc.

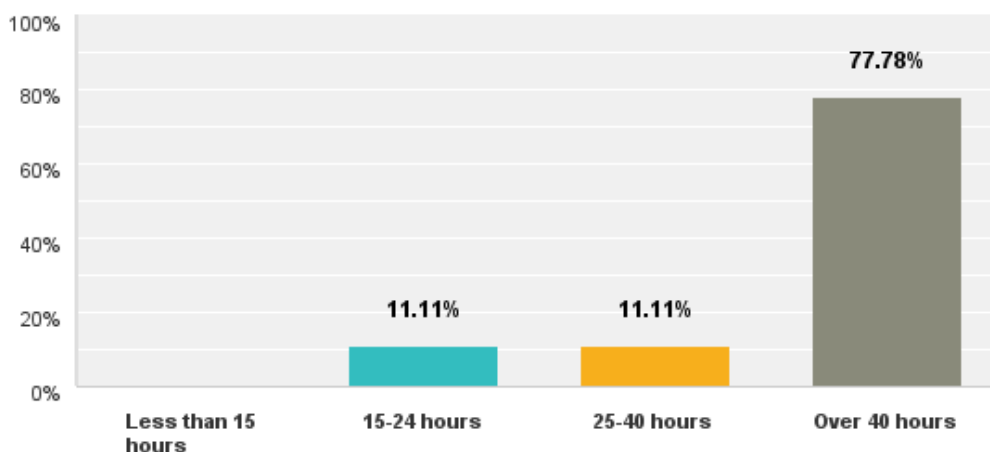
Services open for less than 46 weeks

Of those services open for less than 46 weeks per year, the majority operated on a weekly basis of 15-24 hours, with most of the remaining services operating for between 25-40 hours per week.



Services open for between 46 to 49 weeks

Of those services open for between 46 to 49 weeks per year, the vast majority operated on a weekly basis of over 40 hours.



Services open for 50+ weeks

Of those services open for 50+ weeks per year, the vast majority operated on a weekly basis of over 40 hours, with only a small number of services operating for any other period of time.



5 Operational Costs

Methodology for estimating operational costs

Operational costs can, obviously, vary greatly between childcare services, with costs depending on various factors such as:

- Community-based or privately-owned
- Property rented, owned or freely accessible to the service
- Size of the facility
- Number of weeks open per year, and number of operating hours per week

As a result, a number of means were used during the course of the survey to analyse costs and provide a realistic estimate for each of the financial models. These included the following:

- All responses were categorised under the headings relevant to each of the financial models, e.g. community-based services open for less than 46 weeks and operating for 15-24 hours per week, community-based services open for less than 46 weeks and operating for 40+ hours, etc. This was carried out for all of the childcare types.
- An average was calculated for each of the facilities for each type of costs, based upon the financial headings used for Pobal returns
- Furthermore, using the total staff numbers in each service, a cost per staff member was calculated (giving a reference for each cost, based upon the size of the service)
- An average number of staff was identified for each of the financial models and comparisons were made between:
 - The average cost for each facility, based upon the financial model type

- The average cost for each facility, based upon the financial model type, as well as the number of staff
- The more realistic of the above costs was identified for use in the financial models, based upon the actual costs incurred by childcare services identified in the general survey, the more detailed survey, as well as Meehan Tully & Associates Ltd.'s knowledge of the childcare sector

Types of operational costs

All of the information provided by the responding childcare services has been analysed as follows:

- Average wage and salary levels for staff, including:
 - Manager/ Owner
 - Room Leader and Assistant
 - Montessori Leader and Assistant
 - Cook and SNA
- Average number of weeks and hours open, to identify the most common operational structures for childcare services
- Average number of staff, thereby providing a target number of children as per childcare ratios
- Average operational costs for childcare businesses, including:

○ Salaries and Wages	○ PRSI	○ Food
○ Cleaning and supplies	○ Pest control and security	○ Light and Heat
○ Telephone	○ Office supplies	○ Maintenance
○ Equipment	○ Refuse and Hygiene	○ Advertising & Recruitment
○ Training	○ Petty Cash	○ Accounting and Legal Fees
○ Rent	○ Rates	○ Water charges
○ Bank Fees	○ Insurance	○ Other Costs

Based on the above, an average cost was calculated for a number of childcare service models that reflects the actual costs facing the respondents.

Salaries and Wages

As the most significant costs facing childcare services, salaries and wages were analysed in particular detail, generating an average cost per post for community-based and privately-owned childcare and using the average to identify the expected salary and wage cost for a number of different business models in community-based and privately-owned services. 101 childcare services, incorporating 503 posts in the childcare sector, provided information on their employment details, enabling the survey to generate an overview of the current levels of salaries and wages on offer within the sector.

Full-time and Part-time

Many of the childcare workers are employed on a part-time basis, which, in general, within the childcare sector, refers to employment for 3-4 hours for 5 days per week. 60% of employees in responding childcare services are employed on a full-time basis, while 40% are employed on a part-time basis. Regarding community-based services, 57% of employees in community-based respondents are employed on a full-time basis, with 43% on a part-time basis. Within privately-owned respondents, 62% of employees are employed on a full-time basis with 38% on a part-time basis. The part-time nature of the work performed by many childcare workers has significant impact upon their annual earnings within the sector.³

Community-based salaries and wages⁴

Community-based service	Average hourly rate	Full-time weekly rate	Full-time annual rate	Part-time weekly rate	Part-time annual rate
Manager	€16.65	€665.98	€34,631	€332.99	€17,315
Room Leader	€13.33	€533.05	€27,719	€266.52	€13,859
Early Years Educator	€11.13	€445.11	€23,146	€222.55	€11,573
Montessori	€13.43	€537.04	€27,926	€268.52	€13,963
Montessori Worker	€10.92	€436.91	€22,720	€218.46	€11,360
Cook	€10.65	€425.92	€22,148	€212.96	€11,074

Privately-owned salaries and wages

Privately-owned service	Average hourly rate	Full-time weekly rate	Full-time annual rate	Part-time weekly rate	Part-time annual rate
Manager	€14.31	€572.58	€29,774	€286.29	€14,887
Room Leader	€11.98	€479.33	€24,925	€239.67	€12,463
Early Years Educator	€10.57	€422.93	€21,993	€211.47	€10,996
Montessori	€12.62	€504.67	€26,243	€252.33	€13,121
Montessori Worker	€10.45	€418.00	€21,736	€209.00	€10,868
Cook	€10.02	€400.60	€20,831	€200.30	€10,416

³ Start Strong's Report, 'Childcare' Business or Profession, made a similar point, stating that, while "the Expert Advisory Group estimated, using the Early Childhood Ireland survey, somebody working in a sessional service that operates two sessions a day during term times might have an annual salary of €15,000–16,000. (M)any staff, particularly those working part-time hours, earn much less than this." As a matter of reference, the Start Strong Report stated that their research indicated a starting hourly rate of €9.00 to €10.70 and an hourly rate for senior staff of €10.75 to €17.67.

⁴ The above tables are based on a 52-week year. Where relevant, later in the projections, the annual rate has been reduced to reflect the number of weeks open in each financial model, e.g. 41 weeks, in Model 1.

Operating costs for community-based financial models

The table below provides a summary of the average costs identified by community-based respondents for each of the relevant financial models.

Operating Costs	Model 1	Model 3	Model 4
Salaries and Wages	€38,649	€204,368	€329,696
PRSI	€3,382	€19,926	€32,145
Food	€990	€9,387	€12,156
Cleaning and supplies	€584	€2,592	€3,993
Pest control and security	€237	€821	€923
Light and Heat	€1,187	€2,413	€8,679
Telephone	€443	€1,174	€1,401
Office supplies	€514	€931	€2,458
Maintenance	€435	€1,084	€4,347
Equipment	€556	€4,353	€5,409
Refuse and Hygiene	€396	€1,436	€2,179
Advertising and Recruitment	€98	€380	€416
Training	€312	€502	€1,179
Petty Cash	€429	€483	€1,510
Accounting and Legal Fees	€1,251	€821	€1,805
Rent	€1,234	€727	€2,282
Rates	€993	€251	€1,872
Water charges	€325	€414	€972
Bank Fees	€241	€562	€741
Insurance	€693	€1,296	€3,276
Other Costs	€278	€2,995	€27,755
Total Operating	€53,226	€256,917	€445,195

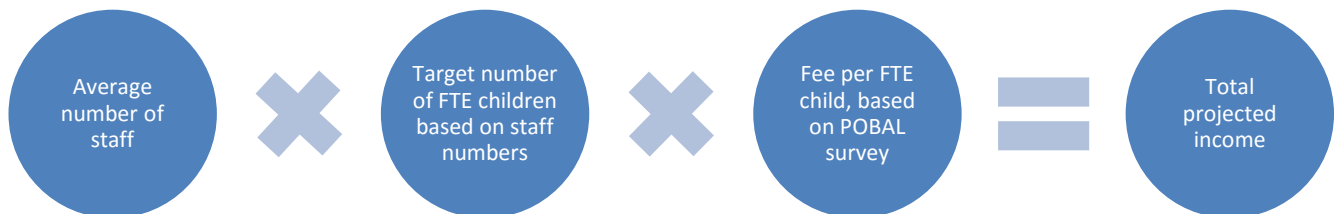
Operational costs for privately-owned financial models

The table below provides a summary of the average costs identified by privately-owned services for each of the relevant financial models.

Operating Costs	Model 2	Model 3A	Model 5
Salaries and Wages	€21,979	€136,713	€360,821
PRSI	€1,923	€13,330	€35,180
Food	€392	€4,914	€16,497
Cleaning and supplies	€649	€867	€5,019
Pest control and security	€238	€1,248	€2,516
Light and Heat	€1,295	€6,174	€13,228
Telephone	€624	€839	€2,618
Office supplies	€631	€1,532	€2,422
Maintenance	€835	€2,137	€4,595
Equipment	€1,220	€2,526	€5,391
Refuse and Hygiene	€380	€1,395	€2,876
Advertising and Recruitment	€241	€436	€641
Training	€639	€1,369	€4,492
Petty Cash	€1,423	€1,833	€681
Accounting and Legal Fees	€907	€3,689	€4,123
Rent	€936	€4,810	€33,664
Rates	€470	€1,533	€9,082
Water charges	€165	€630	€2,252
Bank Fees	€390	€351	€2,651
Insurance	€715	€2,256	€4,013
Other Costs	€808	€3,099	€27,442
Total Operating Costs	€36,862	€191,682	€540,201

6 Operational Income

Operational income for the financial models has been calculated as follows:



Average number of staff and Target number of children

The method for calculating the average number of staff and target number of children is described in the previous section.

Fee per FTE child

The fee per FTE child is based upon the POBAL Annual Early Years Sector Survey, 2014, which provides findings regarding the average fees charged in the community-based and privately-owned childcare services.

Service	Community-based	Privately-owned
Babies	€165.09	€179.85
Full Time	€158.82	€172.18
Part Time	€80.60	€105.76
Sessional	€60.08	€67.81
Breakfast	€64.50	€64.50
After School	€25.28	€27.92
Drop In	€64.17	€84.72

Source: POBAL Annual Early Years Sector Survey, 2014, p47

The total income for a childcare service is therefore dependent upon the number of children using each available service within the childcare setting, e.g. babies in full-day care, toddlers in sessional care, etc. To calculate an average number of children per service within each Model, an assumption was made, based upon the POBAL Annual Early Years Sector Survey, 2014, which provided the following breakdown of the % of users accessing various types of childcare services:

Service	Full-time	Part-time	Sessional	Total
Babies	1.9%	0.7%	0.7%	3.3%
Toddlers	6.0%	4.6%	2.7%	13.3%
Pre-school	12.1%	10.5%	43.1%	65.7%
SAC	0.0%	10.0%	7.7%	17.7%
Total	20.0%	25.8%	54.2%	100.0%

Source: POBAL Annual Early Years Sector Survey, 2014, p49

The % amounts identified by POBAL above were used in conjunction with the number of FTE children assumed for each financial Model, to provide a detailed analysis of assumed income, based upon the average fees in community-based and privately-owned services in an urban setting. In conjunction with the above, an assumption was made regarding the number of ECCE pre-schoolers attending each childcare service, which has an impact upon total potential income.

Income for the Financial Models

Using the information gathered from the survey, in conjunction with data from Pobal's Early Years Sector Survey, assumptions were developed to provide estimates for income for each of the Models. As per the Pobal Survey, the income focused particularly on services for the care of Babies, Toddlers, Pre-school and School Age Childcare (SAC). For the purposes of this document, an assumption was also made regarding participation in the ECCE scheme, primarily because of its impact upon the fee that can be charged for sessional services. Both SAC and ECCE services were calculated on a 38-week basis, i.e. in accordance with the academic year.

Model 1

Service	Full-time	Part-time	Sessional	Total
Babies	€0.00	€28.53	€21.27	€49.80
Toddlers	€0.00	€139.42	€61.00	€200.42
Pre-school	€0.00	€214.10	€327.55	€541.65
Total Regular Weeks				€791.87
ECCE	€0.00	€0.00	€340.74	€340.74
SAC	€0.00	€132.44	€101.98	€234.42
Total School Term				€575.17
No. of Regular Weeks				41
No. of School Weeks				38
Total Income for Year				€54,322.90

Model 2

Service	Full-time	Part-time	Sessional	Total
Babies	€0.00	€21.60	€13.85	€35.45
Toddlers	€0.00	€105.04	€39.53	€144.58
Pre-school	€0.00	€161.32	€212.28	€373.59
Total Regular Weeks				€553.62
ECCE	€0.00	€0.00	€195.66	€195.66
SAC	€0.00	€100.40	€77.31	€177.71
Total School Term				€373.37
No. of Regular Weeks				41
No. of School Weeks				38
Total Income for Year				€36,886.60

Model 3

Service	Full-time	Part-time	Sessional	Total
Babies	€139.06	€52.00	€38.76	€229.82
Toddlers	€422.46	€328.74	€143.83	€895.03
Pre-school	€851.96	€750.39	€1,147.99	€2,750.34
Total Regular Weeks				€3,875.19
ECCE	€0.00	€0.00	€810.37	€1,194.23
SAC	€0.00	€386.09	€297.29	€1,007.08
Total School Term				€2,201.31
No. of Regular Weeks				47.5
No. of School Weeks				38
Total Income for Year				€267,721.64

Model 3A

Service	Full-time	Part-time	Sessional	Total
Babies	€101.00	€45.71	€29.31	€176.01
Toddlers	€305.33	€287.57	€108.22	€701.13
Pre-school	€615.75	€656.42	€863.79	€2,135.96
Total Regular Weeks				€3,013.11
ECCE	€0.00	€0.00	€796.15	€796.15
SAC	€0.00	€500.79	€385.61	€886.40
Total School Term				€1,682.55
No. of Regular Weeks				52
No. of School Weeks				38
Total Income for Year				€207,059.62

Model 4

Service	Full-time	Part-time	Sessional	Total
Babies	€221.84	€82.95	€61.83	€366.62
Toddlers	€673.93	€524.42	€229.45	€1,427.79
Pre-school	€1,359.08	€1,197.04	€1,831.32	€4,387.44
Total Regular Weeks				€6,181.86
ECCE	€0.00	€0.00	€1,905.08	€1,905.08
SAC	€0.00	€907.65	€698.89	€1,606.54
Total School Term				€3,511.62
No. of Regular Weeks				52
No. of School Weeks				38
Total Income for Year				€454,898.12

Model 5

Service	Full-time	Part-time	Sessional	Total
Babies	€258.72	€117.10	€75.08	€450.89
Toddlers	€782.17	€736.67	€277.24	€1,796.08
Pre-school	€1,577.37	€1,681.54	€2,212.77	€5,471.68
Total Regular Weeks				€7,718.65
ECCE	€0.00	€0.00	€2,039.50	€2,039.50
SAC	€0.00	€1,282.87	€987.81	€2,270.67
Total School Term				€4,310.17
No. of Regular Weeks				52
No. of School Weeks				38
Total Income for Year				€565,156.11

7 Number of staff & children

An average number of staff was calculated for each of the childcare models, based on the responses of the participating childcare services. This provided a basis for calculating a potential target number of children for the service, based upon childcare ratios (giving the maximum number) and common practice within the sector (giving a more realistic number.)

For the purposes of the models being used within this document, the number of FTE children has been based upon the number of staff in each facility that are involved directly in the provision of childcare. The average number of children has been calculated at 8 children per member of staff, which reflects a general anecdotal average within the sector.

It should also be noted that the total number of employees includes the Manager/ Owner. In the smaller Models, e.g. Model 1 and Model 2, an allowance was made for a portion of this post being unavailable for childcare duties and, as a result, was excluded from the childcare ratio, reflected in the number of FTE spaces available and ensuing income. In Model 3 and 3A, a larger allowance was made, reflecting the greater amount of time required in administration, management, HR, etc. This was increased to a full-time post in the cases of Model 4 and Model 5, which was excluded entirely from the childcare ratio.

	Model 1	Model 2	Model 3	Model 3A	Model 4	Model 5
Number of Employees	3	2	8	6	12	13
Owner/Manager	0	1	1	1	1	1
Room Leaders	1	0.5	2.5	1.5	3.5	4
Early Years Educators	2	0.5	4.5	3.5	7.5	8
Total no. of FTE children	10	6	44	30	71	76

Community-based facilities are coloured blue in the above table.

The total number of employees provided the basis for calculating an average level of Salaries and Wages, while the total number of FTE children provided the basis for calculating income (discussed further in the next Section.)

8 Financial Models

Summary financial models are provided below, based on the estimated operating costs and income discussed in the previous sections.

Model 1

Model 1 is a community-based service, open for 41 weeks and 20 hours per week, with 3 full-time equivalent (FTE) staff and 10 FTE children.

Model 1	€
Income	
Babies	€2,042
Toddlers	€8,217
Pre-school	€22,208
ECCE	€12,948
SAC	€8,908
Total Income	€54,323
Operating Costs	
Salaries and Wages	€38,649
PRSI	€3,382
Food	€990
Cleaning and supplies	€584
Pest control and security	€237
Light and Heat	€1,187
Telephone	€443
Office supplies	€514
Maintenance	€435
Equipment	€556
Refuse and Hygiene	€396
Advertising and Recruitment	€98
Training	€312
Petty Cash	€429
Accounting and Legal Fees	€1,251
Rent	€1,234
Rates	€993
Water charges	€325
Bank Fees	€241
Insurance	€693
Other Costs	€278
Total Operating Costs	€53,226
Net Profit	€1,097

Model 2

Model 2 is a privately-owned service, open for 41 weeks and 20 hours per week, with 2 FTE staff and 6 FTE children.

Model 2	€
Income	
Babies	€1,454
Toddlers	€5,928
Pre-school	€15,317
ECCE	€7,435
SAC	€6,753
Total Income	€36,887
Operating Costs	
Salaries and Wages	€21,979
PRSI	€1,923
Food	€392
Cleaning and supplies	€649
Pest control and security	€238
Light and Heat	€1,295
Telephone	€624
Office supplies	€631
Maintenance	€835
Equipment	€1,220
Refuse and Hygiene	€380
Advertising and Recruitment	€241
Training	€639
Petty Cash	€1,423
Accounting and Legal Fees	€907
Rent	€936
Rates	€470
Water charges	€165
Bank Fees	€390
Insurance	€715
Other Costs	€808
Total Operating Costs	€36,862
Net Profit	€25

Model 3

Model 3 is a community-based service, open for 47.5 weeks, 40 hours per week, with 8 FTE staff and 44 FTE children.

Model 3	€
Income	
Babies	€10,917
Toddlers	€42,514
Pre-school	€130,641
ECCE	€45,381
SAC	€38,269
Total Income	€267,722
Operating Costs	
Salaries and Wages	€204,368
PRSI	€19,926
Food	€9,387
Cleaning and supplies	€2,592
Pest control and security	€821
Light and Heat	€2,413
Telephone	€1,174
Office supplies	€931
Maintenance	€1,084
Equipment	€4,353
Refuse and Hygiene	€1,436
Advertising and Recruitment	€380
Training	€502
Petty Cash	€483
Accounting and Legal Fees	€821
Rent	€727
Rates	€251
Water charges	€414
Bank Fees	€562
Insurance	€1,296
Other Costs	€2,995
Total Operating Costs	€256,917
Net Profit	€10,805

Model 3A

Model 3A is a privately-owned service, open for 47.5 weeks, 40 hours per week, with 6 FTE staff and 30 FTE children.

Model 3A	€
Income	
Babies	€8,361
Toddlers	€33,304
Pre-school	€101,458
ECCE	€30,254
SAC	€33,683
Total Income	€207,060
Operating Costs	
Salaries and Wages	€136,713
PRSI	€13,330
Food	€4,914
Cleaning and supplies	€867
Pest control and security	€1,248
Light and Heat	€6,174
Telephone	€839
Office supplies	€1,532
Maintenance	€2,137
Equipment	€2,526
Refuse and Hygiene	€1,395
Advertising and Recruitment	€436
Training	€1,369
Petty Cash	€1,833
Accounting and Legal Fees	€3,689
Rent	€4,810
Rates	€1,533
Water charges	€630
Bank Fees	€351
Insurance	€2,256
Other Costs	€3,099
Total Operating Costs	€191,682
Net Profit	€15,377

Model 4

Model 4 is a community-based service, open for 52 weeks, 40+ hours per week, with 12 FTE staff and 71 FTE children.

Model 4	€
Income	
Babies	€19,064
Toddlers	€74,245
Pre-school	€228,147
ECCE	€72,393
SAC	€61,048
Total Income	€454,898
Operating Costs	
Salaries and Wages	€329,696
PRSI	€32,145
Food	€12,156
Cleaning and supplies	€3,993
Pest control and security	€923
Light and Heat	€8,679
Telephone	€1,401
Office supplies	€2,458
Maintenance	€4,347
Equipment	€5,409
Refuse and Hygiene	€2,179
Advertising and Recruitment	€416
Training	€1,179
Petty Cash	€1,510
Accounting and Legal Fees	€1,805
Rent	€2,282
Rates	€1,872
Water charges	€972
Bank Fees	€741
Insurance	€3,276
Other Costs	€27,755
Total Operating Costs	€445,195
Net Profit	€9,703

Model 5

Model 5 is a privately-owned service, open for 52 weeks, 40+ hours per week, with 13 FTE staff and 76 FTE children.

Model 5	€
Income	
Babies	€23,446
Toddlers	€93,396
Pre-school	€284,527
ECCE	€77,501
SAC	€86,286
Total Income	€565,156
Operating Costs	
Salaries and Wages	€360,821
PRSI	€35,180
Food	€16,497
Cleaning and supplies	€5,019
Pest control and security	€2,516
Light and Heat	€13,228
Telephone	€2,618
Office supplies	€2,422
Maintenance	€4,595
Equipment	€5,391
Refuse and Hygiene	€2,876
Advertising and Recruitment	€641
Training	€4,492
Petty Cash	€681
Accounting and Legal Fees	€4,123
Rent	€33,664
Rates	€9,082
Water charges	€2,252
Bank Fees	€2,651
Insurance	€4,013
Other Costs	€27,442
Total Operating Costs	€540,201
Net Profit	€24,956

9 Financial and Variance Analysis

The financial models provided in the previous section describe the current situation facing an average childcare service operating in the Limerick CC catchment area. For the purposes of discussion, the following section provides an overview of the impact on the average childcare service if there were changes in items such as average wage, ECCE rate, numbers attending, etc.

The table below illustrates the scenario facing the average financial models identifying during the survey, which forms the basis for comparing and contrasting with any financial changes.

Financial Models	Model 1	Model 2	Model 3	Model 3A	Model 4	Model 5
Total Income	€54,323	€36,887	€267,722	€207,060	€454,898	€565,156
Total Operating Costs	€53,226	€36,862	€256,917	€191,682	€445,195	€540,201
Net Profit	€1,097	€25	€10,805	€15,377	€9,703	€24,956

The following comments can be made about the financial models described above:

- All of the models reflect a break-even scenario, relative to their size, which, as will be seen later, can be adversely impacted, in a significant manner, by reductions in occupancy. On the other hand, increases in occupancy, which would impact positively upon the viability of the services are difficult to achieve and/ or are not in the best interests of the provision of quality childcare (due to the number of children in each room.)
- Model 3 reflects the most viable option for community-based services, primarily because of the reduction in wage costs arising from the fact that wages are not paid for the full 52-week period.
- While the services may look somewhat viable, based on the table above, the following should be noted:
 - A number of the private providers reduce their salary significantly, or do not take any payment, to ensure the survival of the childcare service
 - The majority of community-based providers do not pay a rent towards the use of their facilities, which is in contrast to the privately-owned services. As a result, there is likely to be a significant amount for depreciation within their own financial accounts, not reflected in the figures above. This is likely to negate any book profit for community-based facilities and, in some cases produce a book loss (as opposed to the cash-flow, which may be positive.)

The following sections review the above financial models further using variance analysis, which demonstrates the significant impact of changes upon the services that are currently operating on a breakeven basis.

Comparison with average hourly earnings for workers in Ireland

CSO statistics, published in Q2 of 2015⁵, reported that the level of average hourly earnings for workers in Ireland was €21.84, which is 182% of the average hourly rate of a Room Leader in a privately-owned business. Furthermore, within the Education sector, which incorporates pre-primary childcare and statistics referring to the average hourly earnings of childcare staff, the level of average hourly earnings was €34.26, which is 286% of the average hourly rate of a Room Leader in a privately-owned business.

For discussion purposes, it should be noted that all of childcare sector jobs listed above, apart from Manager, Room Leader and Montessori Teacher, earn an average hourly rate that is lower than the estimated Living Wage for a worker in Ireland has been provisionally calculated at €11.50 per hour⁶.

Increase relative to average earnings in Education sector

If wages and salaries were increased within the childcare sector to reflect the average hourly earnings within the Education sector, €34.26⁷, which incorporates childcare, the impact on childcare businesses would be detrimental to their financial viability. For example, if the role of Room Leader received the average Education hourly rate, and other posts were increased pro-rata, childcare fees within Limerick City & County would need to increase by 113%, just to ensure that the childcare services breakeven (an average fee of €353 per week for a full-time childcare place, equating to €1,528 per child per month and €18,331 per child per year.)

Variance Analysis	Model 1	Model 2	Model 3	Model 3A	Model 4	Model 5
Original						
Total Income	€54,323	€36,887	€267,722	€207,060	€454,898	€565,156
Total Operating Costs	€53,226	€36,862	€256,917	€191,682	€445,195	€540,201
Net Profit	€1,097	€25	€10,805	€15,377	€9,703	€24,956
New						
Total Income	€54,323	€36,887	€267,722	€207,060	€454,898	€565,156
Total Operating Costs	€111,760	€73,014	€591,629	€451,340	€994,206	€1,234,238
Net Profit	-€57,437	-€36,127	-€323,907	-€244,280	-€539,308	-€669,082
Variance	-€58,534	-€36,152	-€334,712	-€259,657	-€549,011	-€694,038

⁵ Earnings and Labour Costs Quarterly, Q2 Final, CSO, 2015.

⁶ Living Wage Technical Group, 2015.

⁷ As stated in the Earnings and Labour Costs Quarterly, Q2 Final, CSO, 2015.

Increase relative to hourly earnings of substitute Primary Teacher

As above, if wages and salaries were increased within the childcare sector to reflect the average hourly earnings of substitute Primary Teachers, €30.45⁸, the impact on childcare businesses would be detrimental to their financial viability.

Variance Analysis	Model 1	Model 2	Model 3	Model 3A	Model 4	Model 5
Original						
Total Income	€54,323	€36,887	€267,722	€207,060	€454,898	€565,156
Total Operating Costs	€53,226	€36,862	€256,917	€191,682	€445,195	€540,201
Net Profit	€1,097	€25	€10,805	€15,377	€9,703	€24,956
New						
Total Income	€54,323	€36,887	€267,722	€207,060	€454,898	€565,156
Total Operating Costs	€100,948	€66,794	€529,803	€406,667	€892,796	€1,114,834
Net Profit	-€46,625	-€29,907	-€262,081	-€199,608	-€437,898	-€549,677
Variance	-€47,722	-€29,932	-€272,886	-€214,985	-€447,601	-€574,633

Increase relative to annual salary of new Primary Teacher

Disregarding the hourly rate of Primary Teachers, if the total annual salary of Leaders, as opposed to the hourly rate, was increased to reflect the annual salary of a new Primary Teacher, i.e. €30,702⁹, the overall financial impact upon the services would, once again, be significant. This is particularly the case with the larger servicers, operating with a greater number of staff, many of whom would be rendered unviable.

Variance Analysis	Model 1	Model 2	Model 3	Model 3A	Model 4	Model 5
Original						
Total Income	€54,323	€36,887	€267,722	€207,060	€454,898	€565,156
Total Operating Costs	€53,226	€36,862	€256,917	€191,682	€445,195	€540,201
Net Profit	€1,097	€25	€10,805	€15,377	€9,703	€24,956
New						
Total Income	€54,323	€36,887	€267,722	€207,060	€454,898	€565,156
Total Operating Costs	€57,327	€41,332	€280,368	€223,790	€483,661	€626,022
Net Profit	-€3,004	-€4,446	-€12,647	-€16,731	-€28,763	-€60,866
Variance	-€4,101	-€4,471	-€23,452	-€32,108	-€38,466	-€85,822

⁸ Hourly rate for a qualified casual Primary Teacher, as per Circular 0015/2015.

⁹ This is the basic salary for a Primary Teacher on Point 1 of the salary scale, post 1st February 2012.

Increase in current wages to support Career Pathways within childcare

National and international research has established that the skills and qualifications of adults working with young children is a critical factor in determining the quality of young children's early childhood care and education experiences.¹⁰ As a result, it is important to have a career development path that rewards the qualifications and experiences of childcare workers.¹¹ For the purpose of reflecting this career development path, an assumption has been made in this section of a % increase being allocated by childcare services, which is outlined below:

Post	% Increase to reflect experience and/ or qualifications
Room Leader	20%
Early Years Educator	10%
Montessori Teacher	20%
Montessori Worker	10%

Assuming that the childcare service models implemented increased in line with the above, the following would be the impact upon their profitability:

Variance Analysis	Model 1	Model 2	Model 3	Model 3A	Model 4	Model 5
Original						
Total Income	€54,323	€36,887	€267,722	€207,060	€454,898	€565,156
Total Operating Costs	€53,226	€36,862	€256,917	€191,682	€445,195	€540,201
Net Profit	€1,097	€25	€10,805	€15,377	€9,703	€24,956
New						
Total Income	€54,323	€36,887	€267,722	€207,060	€454,898	€565,156
Total Operating Costs	€56,692	€37,884	€284,490	€208,488	€493,349	€587,330
Net Profit	-€2,369	-€997	-€16,769	-€1,428	-€38,451	-€22,174
Variance	-€3,466	-€1,022	-€27,574	-€16,805	-€48,154	-€47,130

Assuming that the childcare service models implemented wage increases in line with the above, without any other increases in income, it is certainly not viable for the financial models to provide higher wages to reflect the higher qualifications or experience. The increase in wage costs would be detrimental to the viability of the business, without being accompanied by a significant increase in childcare fees. As expected, the models particularly impacted by the wage increase are those with a large number of staff.

However, it should be noted that, if all relevant staff were at a higher level of qualifications, e.g. above Level 7 qualifications, the childcare services would be able to avail of the higher ECCE capitation fee. This would have an impact upon the income potential for the service, and is reviewed on the next page.

¹⁰ Workforce Development Plan for Early Childhood Care and Education (ECCE) Sector in Ireland, 2010.

¹¹ Workforce Development Plan for Early Childhood Care and Education (ECCE) Sector in Ireland, 2010.

Greater access to the higher ECCE capitation rate

If the higher wages, described above, were implemented to reflect the employment of staff above Level 7 qualifications, the childcare services would have access to the higher capitation rate for the ECCE, which would mean a higher level of potential income. However, having reviewed the financial models, the higher capitation is not sufficient to address the viability issue arising from the increase in wages, as illustrated in the table below.

Variance Analysis	Model 1	Model 2	Model 3	Model 3A	Model 4	Model 5
Original						
Total Income	€54,323	€36,887	€267,722	€207,060	€454,898	€565,156
Total Operating Costs	€53,226	€36,862	€256,917	€191,682	€445,195	€540,201
Net Profit	€1,097	€25	€10,805	€15,377	€9,703	€24,956
New						
Total Income	€56,498	€38,136	€275,346	€212,142	€467,060	€578,176
Total Operating Costs	€56,692	€37,884	€284,490	€208,488	€493,349	€587,330
Net Profit	-€194	€252	-€9,145	€3,654	-€26,289	-€9,154
Variance	-€1,291	€227	-€19,950	-€11,723	-€35,992	-€34,110

Furthermore, there is a relatively limited impact of the higher capitation rate **among the private providers** due to the fact that, for some, the higher capitation rate is either lower or only slightly higher than the current sessional fee being charged by a number of private childcare services. At the moment, the ECCE is viewed by many private providers as a means of ensuring occupancy, as opposed to ensuring viability. **With the extended ECCE programme, to be implemented in September 2016, eligibility for ECCE will increase. This will further reduce the number of children using the current sessional services at the existing, higher fee, thereby compounding this issue further.**

Higher ECCE capitation rate and increased sessional fees

In relation to community childcare providers, the higher capitation rate has an impact, due to the fact that it is higher than their average sessional fee, although it is still not sufficient to offset the losses. However, for discussion purposes, a review was carried out of the scenario where, based on the above, the childcare providers also increase their non-ECCE sessional fee to reflect that of the higher capitation, i.e. all session fees are charged at the €73 rate. The resulting increase in community-based sessional fees has a significant impact on these services but, apart from those open for less than 48 weeks (due to the smaller wage cost), it is not enough to offset the viability issue arising from the increase in wages, i.e. they would operate either at breakeven or at a loss, which would not be a sustainable model for services of this size.

Variance Analysis	Model 1	Model 2	Model 3	Model 3A	Model 4	Model 5
Original						
Total Income	€54,323	€36,887	€267,722	€207,060	€454,898	€565,156
Total Operating Costs	€53,226	€36,862	€256,917	€191,682	€445,195	€540,201
Net Profit	€1,097	€25	€10,805	€15,377	€9,703	€24,956
New						
Total Income	€60,111	€38,969	€288,937	€215,783	€490,796	€588,385
Total Operating Costs	€56,692	€37,884	€284,490	€208,488	€493,349	€587,330
Net Profit	€3,420	€1,086	€4,447	€7,295	-€2,553	€1,055
Variance	€2,323	€1,061	-€6,358	-€8,082	-€12,256	-€23,901

Variance in ECCE and Leader Posts only

The previous two sections described the scenario where total wages were increased, reflecting a higher level of qualification and experience for staff. However, it is possible for services to avail of the higher ECCE capitation rate by employing Leaders with the relevant qualifications and keeping all other staff at the original wage levels, while also increasing childcare sessional fees to mirror the higher ECCE capitation. The table below illustrates the scenario where the childcare providers increase the Leader posts, i.e. Room Leader and Montessori Teacher, to avail of the higher ECCE capitation fee, **but leave all other posts at their current levels**. It also reflects the increase in childcare sessional fees to mirror the higher ECCE capitation.

Variance Analysis	Model 1	Model 2	Model 3	Model 3A	Model 4	Model 5
Original						
Total Income	€54,323	€36,887	€267,722	€207,060	€454,898	€565,156
Total Operating Costs	€53,226	€36,862	€256,917	€191,682	€445,195	€540,201
Net Profit	€1,097	€25	€10,805	€15,377	€9,703	€24,956
New						
Total Income	€60,111	€38,969	€288,937	€215,783	€490,796	€588,385
Total Operating Costs	€55,671	€37,571	€276,369	€203,343	€479,166	€572,903
Net Profit	€4,440	€1,398	€12,568	€12,439	€11,630	€15,482
Variance	€3,343	€1,373	€1,763	-€2,938	€1,927	-€9,474

The following comments can be made on the above scenarios:

- For Models 3A and 5, the impact of the increase in wages remains too great to be offset by the increase in the ECCE capitation fee. This is mainly due to:
 - The number of staff employed by the services and
 - The limited impact of the increased ECCE capitation fee, due to the fact that it does not represent a significant increase on the average sessional fee being charged
- Model 4 has a positive impact, but this is limited, due to the increase in wages offsetting the increase in ECCE capitation.
- Model 1, 2 and 3 benefit from the change, due to the increase in ECCE capitation and the fact that they do not pay all staff wages for the full 52 weeks of the year.

On a wider note, keeping the wages at current levels, while also employing staff with higher qualifications does not represent an effective way of implementing a career development path that rewards the qualifications and experiences of childcare workers.

Incremental increases in wages and salaries

If wages and salaries were increased in a similar incremental manner to the original scheme used for Primary Teachers, i.e. an increase of 3% per year, all of the childcare models would be operating at a loss by the end of Year 3.

The effect of the incremental increases by the end of Year 3 is summarised below.

Variance Analysis	Model 1	Model 2	Model 3	Model 3A	Model 4	Model 5
Original						
Total Income	€54,323	€36,887	€267,722	€207,060	€454,898	€565,156
Total Operating Costs	€53,226	€36,862	€256,917	€191,682	€445,195	€540,201
Net Profit	€1,097	€25	€10,805	€15,377	€9,703	€24,956
New						
Total Income	€54,323	€36,887	€267,722	€207,060	€454,898	€565,156
Total Operating Costs	€57,123	€39,078	€277,715	€205,595	€478,748	€576,921
Net Profit	-€2,800	-€2,192	-€9,994	€1,464	-€23,850	-€11,764
Variance	-€3,897	-€2,217	-€20,799	-€13,913	-€33,553	-€36,720

Effect of increases in occupancy

The survey looked at the scenario where childcare services succeed in increasing their occupancy by 10% without affecting their staff ratios. As expected, and reflecting the breakeven nature of the average childcare service, increases in occupancy, closer to capacity, have a positive impact upon profitability, demonstrated most clearly in the case of the larger childcare services.

The following table illustrates the scenario where the childcare services operate at their current average levels, but succeed in increasing their occupancy by 10% without affecting their staff ratios.¹²

Variance Analysis	Model 1	Model 2	Model 3	Model 3A	Model 4	Model 5
Original						
Total Income	€54,323	€36,887	€267,722	€207,060	€454,898	€565,156
Total Operating Costs	€53,226	€36,862	€256,917	€191,682	€445,195	€540,201
Net Profit	€1,097	€25	€10,805	€15,377	€9,703	€24,956
New						
Total Income	€59,152	€40,187	€290,267	€224,496	€493,205	€612,748
Total Operating Costs	€53,226	€36,862	€256,917	€191,682	€445,195	€540,201
Net Profit	€5,926	€3,325	€33,350	€32,814	€48,010	€72,548
Variance	€4,829	€3,300	€22,545	€17,437	€38,307	€47,592

The scenario above illustrates the breakeven nature of the average childcare service. Increases in occupancy, closer to capacity, have an impact upon profitability, demonstrated most clearly in the case of the larger models, Models 3-5. **However, it is very difficult to promote 'higher occupancy' as a solution to the viability issue within the childcare sector.** Feedback from the majority of respondents highlighted the difficulties in achieving such higher occupancies, as well as the fact that many childcare services have often stated that, for quality reasons related to the provision of care to the children, operating at the full staff-child ratio was not an option they should pursue.¹³ For example, many believe that, if they were to increase occupancy levels in the rooms, it would raise concerns among parents and, over time, reduce the actual number of people looking to use the service.

¹² This is a conservative approach and it is most likely that an increase in wages would occur in many services, due to the need to employ extra staff to accommodate the increase in occupancy.

¹³ See, for example, Dublin City Financial Models Survey 2015.

Variance in Lower Occupancy

The following table illustrates the scenario where capacity for the childcare services reduces by 10%, compared to their current average position.

Variance Analysis	Model 1	Model 2	Model 3	Model 3A	Model 4	Model 5
Original						
Total Income	€54,323	€36,887	€267,722	€207,060	€454,898	€565,156
Total Operating Costs	€53,226	€36,862	€256,917	€191,682	€445,195	€540,201
Net Profit	€1,097	€25	€10,805	€15,377	€9,703	€24,956
New						
Total Income	€49,494	€33,586	€245,177	€189,623	€416,591	€517,564
Total Operating Costs	€53,226	€36,862	€256,917	€191,682	€445,195	€540,201
Net Profit	-€3,732	-€3,276	-€11,740	-€2,059	-€28,605	-€22,637
Variance	-€4,829	-€3,301	-€22,545	-€17,436	-€38,308	-€47,593

As in the previous section, the above scenario demonstrates the breakeven nature of the average childcare service. A reduction in 10% of occupancy has a devastating impact upon the viability of the service.

Based upon the feedback from the surveys and anecdotal evidence from the sector, for many of the private services in this situation, the Owner/ Managers tend to address the financial difficulty by reducing their salary significantly, or eliminating it entirely. This may, on the face of it, improve the viability of the service, but it is an artificial scenario that does not reflect the true cost of running the childcare service.

Increase in Capitation Fee for 2016

With the introduction of the new capitation fees for 2016, i.e. increase in regular capitation from €62.50 to €64.50, there will be an impact upon the income of each of the models discussed in this. This effect, outlined below, does not reflect any other increases in wages, etc. arising out of the use of the new fees.

Variance Analysis	Model 1	Model 2	Model 3	Model 3A	Model 4	Model 5
Original						
Total Income	€54,323	€36,887	€267,722	€207,060	€454,898	€565,156
Total Operating Costs	€53,226	€36,862	€256,917	€191,682	€445,195	€540,201
Net Profit	€1,097	€25	€10,805	€15,377	€9,703	€24,956
New						
Total Income	€54,737	€37,125	€269,174	€208,028	€457,215	€567,636
Total Operating Costs	€53,226	€36,862	€256,917	€191,682	€445,195	€540,201
Net Profit	€1,512	€263	€12,257	€16,345	€12,019	€27,436
Variance	€415	€238	€1,452	€968	€2,316	€2,480

10 Summary of findings

Comparison with average hourly earnings for workers in Ireland

CSO statistics, published in Q2 of 2015, reported that the level of average hourly earnings for workers in Ireland was €21.84, which is 182% of the average hourly rate of a Room Leader in a privately-owned business. Furthermore, within the Education sector, which incorporates pre-primary childcare, the level of average hourly earnings was €34.26, which is 286% of the average hourly rate of a Room Leader in a privately-owned business.

For discussion purposes, it should be noted that all of childcare sector jobs listed above, apart from Manager and Room Leader, earn an average hourly rate that is lower than the estimated Living Wage for a worker in Ireland has been provisionally calculated at €11.50 per hour.

Increase in wages and salaries to reflect average hourly earnings in the Education sector

If wages and salaries were increased within the childcare sector to reflect the average hourly earnings within the Education sector, €34.26, which incorporates childcare, the impact on childcare businesses would be detrimental to their financial viability. For example, if the role of Room Leader received the average Education hourly rate, and other posts were increased pro-rata, childcare fees within Limerick City & County would need to increase by 113%, just to ensure that the childcare services breakeven (an average fee of €353 per week for a full-time childcare place, equating to €1,528 per child per month and €18,331 per child per year.)

Increase in current wages to support Career Pathways within childcare

National and international research has established that the skills and qualifications of adults working with young children is a critical factor in determining the quality of young children's early childhood care and education experiences.¹⁴ As a result, it is important to have a career development path that rewards the qualifications and experiences of childcare workers.¹⁵

Assuming that the childcare service models implemented wage increases of between 20% and 10%, without any other increases in income, it is certainly not viable for the financial models to provide higher wages to reflect the higher qualifications or experience.¹⁶ An increase in wages would be detrimental to

¹⁴ Workforce Development Plan for Early Childhood Care and Education (ECCE) Sector in Ireland, 2010.

¹⁵ Workforce Development Plan for Early Childhood Care and Education (ECCE) Sector in Ireland, 2010.

¹⁶ The Workforce Development Plan for Early Childhood Care and Education (ECCE) Sector in Ireland, 2010, also highlights the importance of a relevant and comparative process for qualifications to support a career path, taking into account experience and the National Framework of Qualifications.

viability, without being accompanied by a significant increase in childcare fees. As expected, the models particularly impacted by the wage increase are those employing a large number of staff.

However, it should be noted that, if all relevant staff were at a higher level of qualifications, e.g. above Level 7 qualifications, the childcare services would be able to avail of the higher ECCE capitation fee. This would have an impact upon the income potential for the service, and is discussed below.

Greater access to the higher ECCE capitation rate

If the higher wages, described above, were implemented to reflect the employment of staff above Level 7 qualifications, the childcare services would have access to the higher capitation rate for the ECCE, which would mean a higher level of potential income. However, having reviewed the financial models, the higher capitation is not sufficient to address the viability issue arising from the increase in wages.

Furthermore, there is a relatively limited impact of the higher capitation rate **among the private providers** due to the fact that the higher capitation rate is either lower or only slightly higher than sessional fees being charged by some private childcare services. At the moment, the ECCE is viewed by many private providers as a means of ensuring occupancy, as opposed to ensuring viability.

Higher ECCE capitation rate and increased community-based sessional fees

In relation to community childcare providers, the higher capitation rate has an impact, due to the fact that it is higher than their average sessional fee, although it is still not sufficient to offset the losses. However, for discussion purposes, a review was carried out of the scenario where, based on the above, the childcare providers also increase their non-ECCE sessional fee to reflect that of the higher capitation, i.e. all session fees are charged at the €73 rate. The resulting increase in sessional fees has a significant impact on the services but, apart from those open for less than 48 weeks (due to the smaller wage cost), it is not enough to offset the viability issue arising from the increase in wages, i.e. they would operate at a loss.

Higher ECCE capitation rate while keeping wages at current levels

It is possible for services to avail of the higher ECCE capitation rate by employing Leaders with the relevant qualifications and keeping all other staff at the original wage levels, while also increasing community-based childcare sessional fees to mirror the higher ECCE capitation. However, such a scenario is only of benefit to community-based services, due to the greater impact of the higher capitation rate. On a wider note, keeping the wages at current levels, while also employing staff with higher qualifications does not represent an effective way of implementing a career development path that rewards the qualifications and experiences of childcare workers.

Incremental increases in wages and salaries

If wages and salaries were increased in a similar incremental manner to the original scheme used for Primary Teachers, i.e. an increase of 3% per year, the operating profits for each of the childcare models would be wiped out, with all operating at a loss at the end of Year 3 of such increments.

Effect of increases in occupancy

The survey looked at the scenario where childcare services succeed in increasing their occupancy by 10% without affecting their staff ratios. As expected, and reflecting the breakeven nature of the average childcare service, increases in occupancy, closer to capacity, have a positive impact upon profitability, demonstrated most clearly in the case of the larger childcare services.

However, it is very difficult to promote 'higher occupancy' as a solution to the viability issue within the childcare sector. Feedback from the majority of respondents highlighted the difficulties in achieving such higher occupancies, as well as the fact that many felt that, for quality reasons related to the provision of care to the children, operating at the full staff-child ratio was not an option they should pursue. For example, many stated that, if they were to increase occupancy levels in the rooms, it would raise concerns among parents and, over time, reduce the actual number of people looking to use the service.

Effect of decreases in occupancy

A reduction in 10% of occupancy has a devastating impact upon the viability of all service models; once again demonstrating the breakeven nature of the average childcare service.

Full-time and Part-time

As mentioned earlier, many of the childcare workers are employed on a part-time basis, which, in general, within the childcare sector, refers to employment for 3-4 hours for 5 days per week. 60% of employees in responding childcare services are employed on a full-time basis, while 40% are employed on a part-time basis. Regarding community-based services, 57% of employees in community-based respondents are employed on a full-time basis, with 43% on a part-time basis. Within privately-owned respondents, 62% of employees are employed on a full-time basis with 38% on a part-time basis. It is important to note that the part-time nature of the work performed by many childcare workers has significant impact upon their annual earnings within the sector, and is not conducive to the development of an effective career pathway within the childcare sector.

Salaries for Owner/ Managers

Based upon the feedback from the surveys, many of the Owner/ Managers in private childcare services tend to address any financial difficulties by reducing their salary significantly, or eliminating it entirely; resulting in little or no salaries being drawn from the services by Owner/ Managers, particularly of smaller services. This may, on the face of it, facilitate the short term survival of the business, but it is an artificial scenario that does not reflect the true cost of running the childcare service and is certainly not sustainable as a good business model.

General ECCE rate

The regular ECCE capitation rate is lower than the average sessional fee being charged by the average private childcare service and lower than the average sessional fee being charged by both community-based and privately-owned services.

Higher ECCE rate

The higher ECCE capitation rate is greater than the average sessional fee being charged by community-based services. While this also applies to private providers, the difference is not as significant due to the higher sessional fee being charged by privately-owned services.

ECCE and private providers

At the moment, the ECCE is viewed by many private providers as a means of ensuring occupancy, but is not regarded as a means to improve their financial profitability.

Community-based services and depreciation of premises

The majority of community-based services own their own premises or have access to premises at a nominal amount of rent. This reduces their potential costs but it should be noted that, taking account of depreciation, it is likely that any profit for such facilities that are operating close to the breakeven scenario will either be negated or reduced to a book-loss. Any significant levels of depreciation facing the community-based services should be matched somewhat by a build-up of cash reserves to meet significant capital costs involved in the long-term physical depreciation of their premises.

Increase in Capitation Fee for 2016

With the introduction of the new capitation fees for 2016, i.e. increase in regular capitation from €62.50 to €64.50, there will be an impact upon the income of each of the models discussed in this. However, this increase has only a slight impact, even when discounting any other increase in costs such as wages, etc. in late 2016 and onwards.