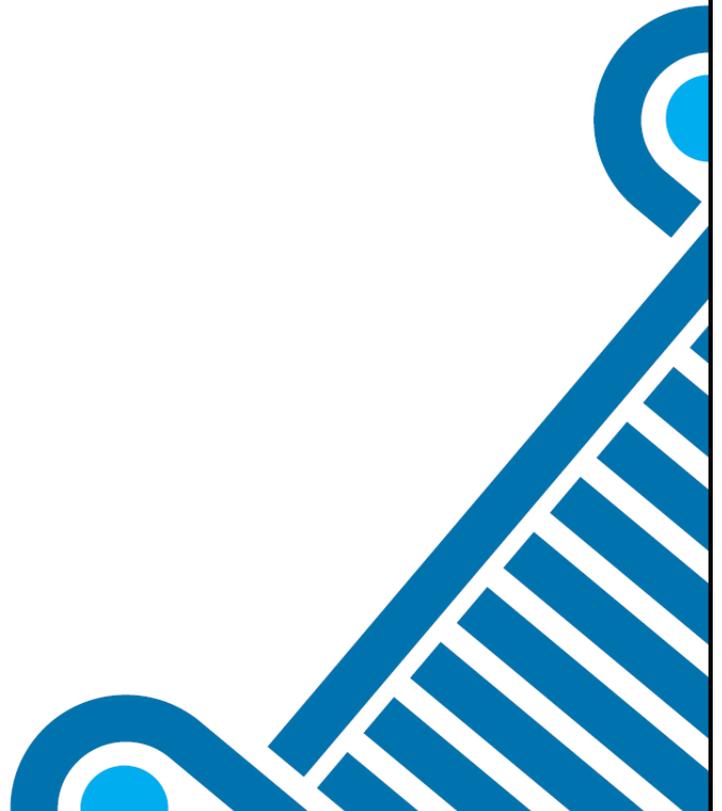


Focused Policy Assessment of the Civil Service Childcare Initiative



Summary

Seven crèches for the children of civil servants have been delivered under the Civil Service Childcare Initiative (CSCI), which was launched in 2001 by the Minister for Finance. The initiative was introduced as part of a broader policy objective to increase female participation in the workforce. This FPA assesses the initiative with reference to a number of standard evaluation questions such as rationale, continuing relevance and effectiveness. The assessment finds that while market failure in the supply of childcare in the early 1990s provided a valid rationale for State intervention, the CSCI quickly became redundant as a result of a parallel and significantly larger programme of State expenditure in support of the overall childcare market – moreover, the CSCI neither has the scale, nor is sufficiently targeted to be more than a very minor driver of change. The supply of private sector childcare has increased substantially since 2001 and the majority of private sector childcare providers now have spare capacity. This supports a conclusion that there is no longer a valid rationale for State subsidised public sector crèches. The assessment recommends that the State should end its involvement (both financial and managerial) in the provision of civil service crèches in a structured and planned fashion.

This Focused Policy Assessment has been carried out by the Department of Public Expenditure & Reform's Central Expenditure Evaluation Unit (CEEU), which is a part of the Irish Government Economic & Evaluation Service, in accordance with the provisions of the Public Spending Code. It does not necessarily reflect the policy position of the Department, the Minister for Public Expenditure & Reform or the Government.

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1. Overview

This Focused Policy Assessment (FPA) has been conducted on the Civil Service Childcare Initiative (CSCI). The assessment is based on a number of core policy evaluation criteria, namely:

1. the rationale underpinning the initiative;
2. the continuing relevance of the objectives of the initiative; and
3. the effectiveness of the initiative.

The structure of the report is as follows:

- *Section 2* provides information on the background to the initiative. Further background information can be found in the Value for Money (VFM) Review of the CSCI which was carried out in 2007¹;
- *Section 3* sets out the analytical approach to assessing the initiative;
- *Section 4* outlines the findings of the assessment; and, finally
- *Section 5* sets out the conclusions of the review.

2. Background to the Initiative

In Budget 2001, the Minister for Finance allocated €12.7 million for the provision of 10-15 crèches for the children of civil servants throughout Ireland, as part of a large package of supports for children and their parents which was launched in response to a shortage of affordable childcare. The strategic objective of the Civil Service Childcare Initiative was to contribute to improving childcare provision, increasing the number of childcare places available in the State, and thereby, within the Civil Service, to support equality policy and increase female participation in the workforce.

In reviewing the initiative, it is important to be aware of the context in which it was introduced. The supply of childcare generally in Ireland in the late 1990s had not kept pace with the transformation of the economy in that decade which had resulted in the economy reaching full employment, and increased participation of women in the labour market. A 1999/2000 National Childcare Census indicated that children on waiting lists for childcare was

¹ Value for Money and Policy Review of the Civil Service Childcare Initiative
<http://www.finance.gov.ie/documents/publications/reports/2008/vfmchildcarenov08.pdf>

equivalent to 23% of the total number of children attending childcare – however, this was higher still for children under 12 months (75%) and children between 1 and 3 years (30%). At this point in time the size of the labour force was a key constraint for continued economic growth, and an increase in the availability of affordable childcare was viewed as a necessary enabler of increased labour force participation. In response to the supply shortage, a number of large private sector companies had announced an intention to provide on-site childcare.

It seems fair to conclude that there was a market failure in the provision of childcare, and that the resulting State intervention was necessary. Over €900 million in public funds has been invested in the early childhood care and education sector since 2000, resulting in the provision of 65,000 additional childcare places, to benefit all citizens. The CSCI was just one of the interventions made.

Seven crèches have been delivered under the CSCI: two in Dublin (Mount St. and Marlborough St.) and one each in Backweston (Kildare), Athlone, Ennis, Sligo and Cork, at a total capital cost of €10 million. All capital costs for providing the crèche premises were borne by the State. The State owns these premises² (except for the Mount St one which is leased) which are provided to the operators rent and rate-free, and pays all internal and external maintenance costs which arise. In the case of the Mount St. and Marlborough St. crèches the State also pays for electricity and heat. The State also incurs costs in administering and monitoring the civil service crèches. The annual cost to the State of this support (including the opportunity cost of rent foregone) is estimated at c. €600,000 per annum. A proportion of this subsidy is passed on to crèche customers by way of fees which are on average 8% below the rate charged by private sector crèches.

The crèches are run by external operators, under a license. The licensee is responsible for the employment of staff and pays all staff costs.

A VFM review of the initiative was undertaken by the Department of Finance in 2007, and as a result of that review no further crèches have been provided and responsibility for the maintenance of the crèches has been transferred to the Office of Public Works. The Department of Public Expenditure and Reform (DPER) now chairs the Board which is responsible for oversight of the initiative and the licensing arrangements with the crèche operators.

² Only the Cork crèche is a standalone premises – the other crèches are located within State agency/civil service campuses.

3. Analytical Approach

This FPA considers the CSCI in relation to standard policy evaluation questions of rationale, continuing relevance and programme effectiveness.

3.1 Rationale

In order to arrive at an informed evaluation of this policy intervention, the analysis first examines the rationale for State investment in on-site childcare for civil servants – i.e. what is the reason for the commitment of public resources to this programme.

3.2 Continuing Relevance

The initiative was launched in 2001 in a context of a chronic shortage of affordable childcare, and a policy objective of increased female participation at Higher Executive Officer level and above in the civil service workforce. The analysis looks at how the context has evolved in the interim, in particular the steady state supply of affordable childcare offered by the private sector. This informs an assessment as to whether this particular intervention by the State continues to be a relevant one.

3.3 Effectiveness

Finally the analysis assesses the level of State support for the programme – both in the form of cash spend and non-cash areas such as rent forgone - and the related outputs. It asks if this spending represents deadweight, and looks at the potential for market distortion or displacement.

4. Findings of Assessment

4.1 Rationale

The stated rationale of the CSCI when it was launched was "*to improve childcare provision and increase the number of childcare places available in Ireland and to contribute to the equality agenda and increase female participation in the civil service at higher executive officer level and above.*"

This policy intervention was very much of its time. As set out in section 2, the initiative was launched at a time when a material shortage of affordable childcare was acting as a constraint both to further economic growth and to work-place equality by way of increased female participation. It is reasonable to conclude that this was a clear example of market failure, and State intervention in the childcare market was justified. The CSCI was one of a

number of interventions, however, its small scale, limited geographic reach, and lack of targeting means it could never be more than a very minor driver of change.

4.2 Continuing Relevance

This section looks at the changes in the overall context since the CSCI was first launched, and assesses the continuing relevance of State investment in this programme. It asks if there continues to be a shortage of affordable childcare in the areas in which the civil service crèches operate, and it looks at whether this initiative is an effective tool to achieve the objective of increased female participation at higher grades in the civil service.

4.2.1 Is there a shortage of affordable childcare in the areas where there are civil service crèches?

The assessment looked at the increase in supply of private sector crèches since the launch of the initiative in 2001. It also evaluated the current level of spare capacity in private crèches – both nationally and in the areas where the civil service crèches are located. The following points were of note:

- Significant investment has been made in the early childhood care and education sector since 2000: €449 million under the Equal Opportunities Childcare Programme (EOCP) 2000-2006 and €463 million under the National Childcare Investment Programme (NCIP) 2006-2010³. This has resulted in the provision of 65,000⁴ additional childcare places since 2000.
- In a National Consumer Agency survey on prices in private childcare facilities which was published in February 2011, over 61% of childcare providers surveyed indicated that they had availability for babies, and 67% indicated that they had availability for toddlers.
- A survey commissioned by Early Childhood Ireland in June 2011 showed that 71% of childcare providers were operating at less than full capacity⁵.
- Discussions with the local childcare committees⁶ in the areas where the CSCI crèches are located also supported a conclusion that there is spare capacity in the private sector childcare market in these localities.

³ Department of Children and Youth Affairs.

⁴ Department of Children and Youth Affairs. To put this in context, census 2011 records total births of 363,500 over the five year period from 2006 to 2011.

⁵ Early Childhood Ireland members' survey of June 2011 found that 29% of respondents are operating at full capacity, with 64% operating at 80% capacity.

⁶ Thirty three City and County Childcare Committees (CCCs) were established in 2001, as part of the Government's policy in relation to childcare, to encourage the development of childcare locally. They offer a wide variety of services locally including: advice on setting up a childcare business; childcare information sessions; training courses for those considering a career in childcare; and advice and support on applying for a National Childcare Investment Programme grant.

- Finally, with the exception of the Athlone crèche, none of the civil service crèches were fully occupied at the date of the 2011 audit which was done by Canavan & Byrne⁷. The Cork crèche, which has a capacity of 135 has just 63 FTE (*full time equivalent*) occupants.

Based on the above evidence, it is the conclusion of the assessment that there is no shortage of private sector childcare places in the areas where the civil service crèches are located at this point in time.

4.2.2 Is this initiative an effective measure to promote increased female participation at Higher Executive Officer level and above in the civil service workforce?

At the time the initiative was launched low participation of women in the workforce was a key constraint on national economic growth. Higher female participation was (and is) also desirable from an equality perspective. Levels of female participation have improved materially - both in the national workforce and at higher grades in the civil service – since that time.

- On a national basis female participation in the workforce has increased from 47.8% in 2000 to 54.6% in 2011, while total workforce participation is almost the same at the end of the period as it was in 2000 (*59.5% in 2000 vs. 61.9% in 2011*).
- At the time when the policy was launched women represented just 23% of civil service staff above HEO level. Female participation at the AP grade (the level immediately above HEO) was 27%. The most recent figures on staff numbers compiled by the Department of Public Expenditure and Reform show that 38% of staff above HEO grade are female, and 41% of APs are female.

It seems reasonable to assume that the substantial State investment in childcare over the period (as set out in section 2 above) has had some influence on these improved outcomes. However, the CSCI specifically neither has the scale, nor is sufficiently targeted, to be more than a very minor driver of change. Moreover, the context has changed significantly– there is no longer a shortage of affordable childcare in the State (as set out in 4.2.1 above).

⁷ As part of the oversight process, an independent audit of the crèches is carried out on a periodic basis.

At a time where material reductions in public expenditure must be made, the continued necessity of individual spending programmes must be challenged. In this case the original market failure has been remedied, and there is no rationale for continued State support of the civil service crèches.

4.3 Effectiveness

Annual State support of the crèches amounts to c. €600,000 per annum (including the value of rent forgone). This is in respect of 344 FTE places available (of which 254 are currently occupied) in 7 locations. On average these childcare places are provided to customers at an 8% discount to the private sector rates (as determined by market forces).

The key policy evaluation implications arise in the areas of deadweight and displacement. Firstly, State investment in this area can now be viewed as deadweight due to developments in the private sector childcare market (as set out in 4.2.1) which have resulted in an ample supply of private sector childcare places in the areas where there are CSCI facilities.

The displacement issue is particularly relevant in the current economic context. In providing subsidised childcare places to its staff there is a risk that the State is causing distortion in the local childcare markets in which the CSCI crèches operate.

5. Conclusion

5.1 Rationale and Continued Relevance

As set out above, market failure in the childcare market in the late 1990s provided a strong rationale for State intervention in that market. Large scale intervention by way of the EOCIP and NCIP led to the provision of 65,000 additional childcare places, which has successfully addressed the market failure of the time. However, the CSCI had neither the scale nor was it sufficiently targeted to be more than a very minor driver of change. Based on the findings of this assessment as set out above, there is no longer any rationale for continued State support of the civil service crèches.

There is no shortage of childcare places in the private sector. As set out in 4.2.1 above, there has been a substantial increase in the number of private sector childcare places available, and the majority of private sector crèches are now operating at less than full capacity. It is likely that this increased availability of affordable childcare generally is one of a number of drivers behind the increased female participation at higher grades in the civil service since 2000 – however private sector supply is no longer a constraint, so there is no justification for continued allocation of State resources to the Civil Service Childcare Initiative.

5.2 Effectiveness

The State subsidises the annual running costs of the seven civil service crèches, through the provision of rent-free accommodation and the incurring of internal and external maintenance costs and other expenses. The assessment has concluded in section 4 above that there is no longer market failure, and accordingly the annual State spend can be viewed as deadweight. The risk is now that the State subsidy in these crèches may be causing distortion in the local childcare markets in which the CSCI crèches operate.

5.3 Recommendation

It is the strong recommendation of this assessment that no further public moneys be spent in respect of the civil service crèches, and that the State make a structured and planned exit from this initiative.

5.4 Lessons Learned

It was noted in the 2007 VFM report that there is a lack of data with regard to what, if any, analysis was undertaken at the time of the initial formulation of the CSCI. The initiative was announced in the Minister's budget speech December 2000, and a circular on a scheme of capital grants for the CSCI was issued by the Department of Finance in May 2001 (which had a closing date of June 2001 for proposals for suitable premises for crèches, based on likely childcare needs of staff). The limited timeframe meant that only a snapshot analysis of the need for crèche places took place in the locations rather than any comprehensive analysis. Only one of the crèches is operating at full capacity, despite the fact that its clientele – civil service workers – has been largely insulated from the rise in unemployment in the wider economy. In the case of the Cork crèche, the original plan was for 49 childcare places in 2003. No detailed analysis of the likely demand for a civil service crèche was undertaken, however, it was decided in October 2006 to build a crèche with a capacity for 135 children. The crèche finally opened in 2009 and is less than half full with 63 FTE children.

The experience set out above underscores the importance of ex-ante analysis in respect of expenditure programmes. In hindsight, the CSCI quickly became redundant as a result of the parallel and significantly larger programme of expenditure in support of the overall childcare market. A thorough ex-ante analysis might have predicted this, and might have predicted the factors that led to the underwhelming levels of demand among civil servants for these on-site crèches.