Options for Investing in Early Childhood Education in Ireland

A Global Gathering for Early Childhood
Dublin, October 17th 2013

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Outline
1. Introduction
2. Current Child Income Supports
3. The Costs and Benefits of ECEC
4. Options for Investing (funding it)
5. Conclusion

1. Introduction

• Three contexts to this research:
  o Growing evidence that investing in children makes social and economic sense
  o Considerations of reform to exchequer expenditure on children
  o Considerations of investment options (stimulus measures) for Irish economy

2. Current Child Income Supports

• Data from the report of the Advisory Group on Tax and Social Welfare

• Expenditure on:
  o Child Benefit
  o Family Income Supplement
  o Qualified Child Increases
  o Back to School Clothing and Footwear Allowance
  o Early Childcare Supplement
  o Others…

• Note, this is for all children…
• Child Benefit expenditure on **under 5 year olds** - 2013
  
  - ignores increased payment for 4th + child (eliminated from 2014)
  - using census 2011 population data

<table>
<thead>
<tr>
<th>No of Children</th>
<th>CB payment</th>
<th>Total cost</th>
<th>% GDP</th>
</tr>
</thead>
<tbody>
<tr>
<td>421,266</td>
<td>€1,560</td>
<td>€657.2m</td>
<td>0.39%</td>
</tr>
</tbody>
</table>

• Child Benefit expenditure on **under 12 year olds** - 2013

  - ignores increased payment for 4th + child (eliminated from 2014)
  - using census 2011 population data

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<th>CB payment</th>
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</tr>
</thead>
<tbody>
<tr>
<td>860,596</td>
<td>€1,560</td>
<td>€1,343m</td>
<td>0.80%</td>
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</tbody>
</table>
• Others
• Leaving out:
  o paid maternity leave
  o the free pre-school year
  o 4 and 5 year olds in primary school

• Two points:
  o Spending a lot already
  o Maybe an issue of the reallocation of existing funds as well as finding additional funds…probably a bit of both

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3. Costs & Benefits of ECEC

• A number of studies on Early Childhood Education and Care
  o US, UK, France,…
• Benefits are broad:
  o more pronounced for children from disadvantaged backgrounds
  o improved literacy and numeracy
  o longer education participation
  o better labour market outcomes
  o better life outcomes
  o reduced societal costs from crime etc
  o benefits to children’s parents
  o additional future tax revenues
• Putting numbers on this:
  o US studies in disadvantaged areas, cost-benefit ratio of 16:1
  o NESF (June 2005):
    * Early Childhood Care and Education
    * Cost Benefit Analysis
      a return of €7.10 for every €1 spent
      a return of €4.60 for every €1 spent
  o There are few such excellent investments available to us as a society

4. Options for Investing

• Two challenges
  o Selling the idea
  o Funding its implementation (x4)
    • some policy pathways

• Borrowing to Invest is ok
  o 3% deficit target and investment
  o maybe we need to be able to count human capital investment as well as physical capital investment
  o why not? It pays for itself
  o ‘Investing to save’…
  o challenges, but…
• Revenue sources
  (i) Questions will arise in the years to come about what we do with additional tax revenue as economy recovers
  o May take a few years, but it will arise
  o Tax cuts?; Reverse expenditure cuts?; something else
  o Could Children be an answer…

  (ii) Some currently needed
  o We remain a low-tax economy…if we want European style social services we have to pay European style taxes…
  o Room on income taxes, capital taxes, property taxes, corporate taxes, tax expenditures…

• Parent Contributions
  o Parent will be willing to contribute
  o Does not have to be 100% state funded
  o Scandinavian precedents

• Reallocation
  o Reforming current payments
  o See earlier, could reverse out some of the last-decades increases in transfers to households and allocate this to the development of long-term services
  o Difficult, but…
5. Conclusion

• The economics and public policy of ECEC
• If it was a bridge…
• Empirical evidence is convincing
• Options exist for funding this investment
• Challenging…all reform is
• But, worthwhile from a societal perspective

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Research for new economic policies