THE EARLY YEARS UNION

SIPTU

A ROADMAP TO AFFORDABLE EARLY YEARS

July 2026

Organising for Fairness at Work and Justice in Society

SIPTU is the Union

for Early Years Educators and Managers working in sessional, full day care and school age childcare services in the private and community sector across Ireland.

Together as a Union, we campaign for high quality, affordable and accessible Early Years, where staff are recognised and rewarded for their work, so that children have the best start in life.

THE VISION

The Government's commitment to €200 per month childcare[1] represents a potential 'Donagh O'Malley' moment for children, families, and the economy. However, this vision is unachievable under the current market model and fractured funding system.

To address these structural failures, this paper proposes a new funding model whereby the State assumes direct responsibility for wage expenditure, which currently accounts for approximately 70% of a provider's operating costs. This approach would allow the State to effectively target investment, reducing average parental fees from €190 per week to just €56 for full-day care, while ensuring robust value for money for the Exchequer.

THE PROBLEM: A LEAKY BUCKET

Ireland's Early Years system is a "leaky bucket" where increased public investment fails to fully translate into lower parental fees, increased capacity, or professional wages.

Despite a dramatic surge in government spending, rising from €260 million in 2015 to €1.37 billion by 2025, the subsidy-based model has struggled to deliver affordable, high-quality care or a stable workforce. Because the State does not directly set fees or wages, it lacks the leverage to ensure public investment effectively achieves its core objectives. Consequently, fees remain high, pay remains low and public value for money is weak.

Several key mechanisms explain why the current market model fails:

- **The Fee Gap:** Fees for full-day care range widely from €70 to €346 per week. Simply increasing demand-led subsidies cannot close this structural gap.
- **Core Funding Bypasses:** Providers can bypass the existing fee limit of €295 per week by opting out of Core Funding, resulting in significantly higher fees for parents.
- **Wage Slippage:** Of the €256 million invested by the State to support better pay, as little as €125 million is reflected in sector pay agreements, with the remainder absorbed by overhead or profit.
- **Administrative Strain:** The multiplicity of funding schemes results in a high administrative burden, driving up costs and workplace stress.[2]

[1]For the purposes of this paper, Early Childhood Education and Care (ECEC) and School Age Childcare will be referred to as 'childcare'.
[2]OECD (2025) *Results from TALIS Starting Strong 2024, Strengthening Early Childhood Education and Care*

THE SOLUTION: A NEW FUNDING MODEL

Only a fundamental reform of State investment can fix these structural pitfalls. Since staff pay accounts for approximately 70% of operating costs, if the State funds wages directly, similar to the model used for primary teachers, the cost base for services will drop dramatically.

This structural shift would:

- **Enable Fee Caps:** Empower the State to set standard, significantly lower fees for parents of €56 per week for full day care.
- **Drive Quality:** Give the State genuine leverage over pay scales, quality standards and workforce professionalisation.
- **Cut Red Tape:** Significantly reduce the administrative burden and overhead costs for providers.
- **Ensure Stability:** Support long-term sustainability, financial certainty and a fair income for providers.

CONCLUSION

Despite unprecedented public investment, Ireland's current funding system leaves the State with insufficient control over fees or wages. By directly funding wage expenditure, the State can finally fix the 'leaky bucket' and deliver an affordable, high-quality Early Years system that operates as a true public good.

State Assumess Responsibility for Wages

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Reduce fees for parents

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Professionalisation

PROPOSAL 1: AFFORDABLE FEES

The biggest expenditure in the provision of childcare is employee compensation – wages, PRSI and in-work benefits. This makes up 69% of the total cost of providing childcare services[3].

Breakdown of Key Expenditure (% of Total Expenditure)

Employee Compensation	Premises	Insurance, Bank, Rates,	Material & Equipment Utilities, etc.	Other Costs
69%	12%	9%	6%	4%

We propose the Government assume full responsibility for employee compensation.

A new system to administer pay and in-work benefits would be agreed between the Department[4], employee and employer representatives. Once agreed, pay and benefits would be negotiated and agreed directly between the Department and representatives of employees.

Were this to be done, expenditure on childcare provision would fall dramatically.

Cost Components of Weekly Median Full-Time Day Care Fees (€190)

Employee Compensation	All other Non-Wage Expenditure	Total Expenditure	Total Expenditure *(Excluding employee Compensation)*
€131	€59	€190	€59

[3]Crowe (2020) *Review of the Cost of Providing Quality Childcare Services in Ireland*. Commissioned by the Department of Children and Youth Affairs
[4]The Department of Children, Disability and Equality

The cost of providing a median full-time childcare place is currently €190 per week, according to Pobal. If the Government assumed responsibility for employee compensation, the cost of providing the service would fall to €59 per week – or €255 per month. The provider would therefore only need to charge parents €59 per week to meet non-wage expenditure.

This single step would bring us within reach of the Government's €200 monthly target with further reductions in fees to be introduced through subsidies for input costs, fee caps and fee subsidies based on family circumstance.

An annual budget to cover non-wage costs would be agreed between the Department and employer representatives including both community and private providers. This would be coupled with fee regulation. This would be an opt-in system. Childcare providers would not be obliged to opt into this arrangement.

PROPOSAL 2: PROFESSIONALISATION

High-quality Early Years education and care supports children's development, improves educational outcomes[5] and delivers wider social and economic benefits[6]. However, these gains depend on the quality of provision: where quality is poor, children's development can be negatively affected[7].

The state taking over the payment of employees' wages is a vital component to support professionalisation and service quality. First, it ensures that employees' investment in their training and educational achievement is properly compensated.

Second, it also boosts service quality by reducing high staff turnover. High staff turnover directly undermines quality for children[8], forces providers to reduce supply and incurs additional expenditure (recruitment and training costs).

- Nationally, the **average** annual staff turnover rate is 26%. This reaches **62%** for large private services in Dún Laoghaire-Rathdown.
- 76% of Early Years and School Age Care settings nationwide reported staff vacancies in the last 12 months.

[5]Sylva, K., Melhuish, E., Sammons, P., Siraj-Blatchford, I., & Taggart, B. (2014). *Students' educational and developmental outcomes at age 16: Effective Pre-school, Primary and Secondary Education (EPPSE 3-16) Project.* UK Department for Education
[6]Heckman, J. J. (2006). Skill formation and the economics of investing in disadvantaged children. *Science*
[7]Baker, M., Gruber, J., & Milligan, K. (2019). The long-run impacts of a universal child care program. *American Economic Journal*
[8]Whitebook, M., & Sakai, L. (2003). Turnover begets turnover: An examination of job and occupational instability among child care center staff. *Early Childhood Research Quarterly*

Low pay has consistently been shown to driving factor behind the persistent staffing crisis. The key to a stable work force that can deliver quality for children and provide the services that families need is with appropriate pay and working conditions. Equivalent public sector grades, should become the base-line for wages in the Early Years' sector with future increases linked to public sector wage agreements. Were this to be phased in:

- **Educators and Lead Educators could receive wage increases in 2026 of between 23% to 37% depending on grade and qualifications.**

Only the Government has the capacity to invest in the childcare sector to ensure appropriate pay levels for employees. An annual budget for total employee compensation would be agreed each year between the Department and employee representatives.

[9]SIPTU (2004) *Early Years Professionals' Survey 2024*
[10]Mercer (2018) *Renumeration Terms for Early Years Professionals.* Commissioned by Crann Support Services and the National Childhood Network

APPENDIX: ESTIMATED COST OF NEW FUNDING MODEL

The following is based on 2025 and 2026 data released by Pobal. Our estimates are approximate.

1 Cost of Government Assuming Employee Compensation

We estimated the net cost of the Government assuming payment of employees compensation (wages, employers' PRSI, holidays, other payroll costs) to be **approximately €640 million.**

While the total cost of employee compensation is in excess of €1.2 billion, much of current expenditure is already at subsidising providers' payroll expenditure: ECCE Programme, Core Funding, AIM, the indirect impact of National Childcare Scheme subsidies, etc. Therefore, we remove these expenditures already occurring.

2 Raising Early Years Wages

We propose that rates of pay be aligned with comparable occupations as proposed by the Mercer Remuneration Review .

We estimate the increased expenditure over the current average pay levels in the Early Years Sector to be **approximately €290 million.**

We propose that once wages in the Early Years Sector have been brought up to Mercer's Remuneration Review levels, the next step in professionalisation would be to introduce a pay scale.

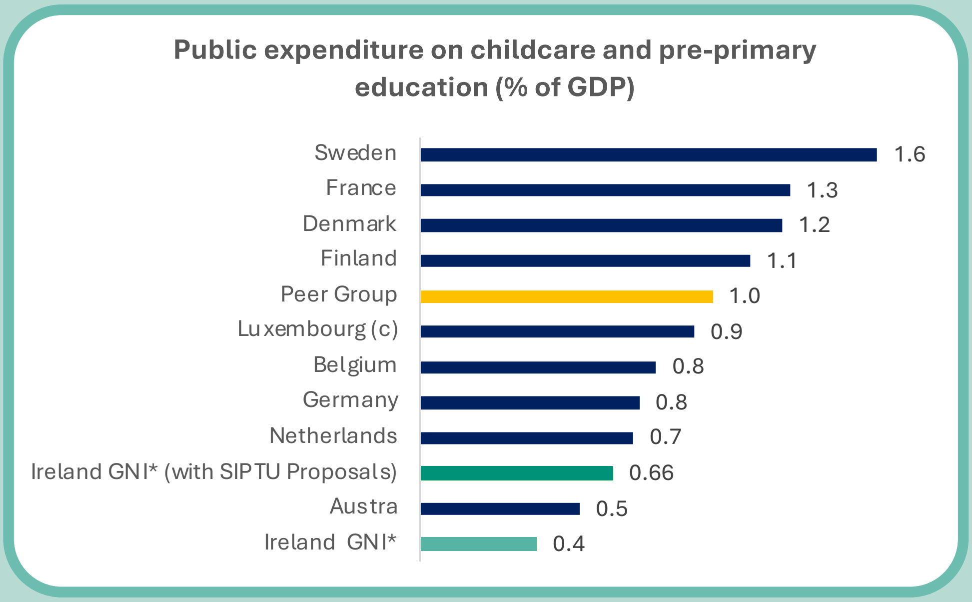
3 Total Expenditure and 3-Year Phase In

We estimate the total increase in expenditure, including both Government assumption of Employee Compensation and raising Early Years' wages to SNA levels, to be approximately €930 million. It should be noted that this is an expenditure estimate and does not estimate increases in government revenue arising from our proposals. For instance, increased wages will return a marginal tax rate of 27% to the Exchequer, while the significant reductions in childcare fees (down to €200) will release household spending in the productive economy.

We propose a 3-year phase in. This would mean an increase of **approximately €300 million per year,** for the next three years.

4 How We Compare

Even after the substantial increase in Early Years' investment that we are proposing, Ireland will still fall far behind our peer group in terms of expenditure on young children.



Even after our proposals, Ireland would still be spending less than 0.7% of national income, compared to our peer group average (other high-income economies) of 1%. UNICEF has also targeted 1% of national income to be spent on early years education and care.

To reach both the UNICEF target and our peer group average, Ireland would have spend an additional €2.2 billion above what we are spending in 2026. Even after adopting SIPTU's proposals the Government would have to spend more than €1 billion on early childhood education and care.

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