

STUDY INTO FUNDING OF CHILDCARE IN CARIBBEAN NETHERLANDS



There will be a new law on childcare in the Caribbean Netherlands. The central government will fund a considerable part of the childcare. In order to ensure that the compensation remains realistic, and organisations can continue to provide good childcare, the Ministry of Social Affairs and Employment (SZW) asked the independent research agency Amsterdam Bureau for Economics (EBA) to carry out a study into the costs of childcare. Based on this study, the researchers have issued advice on the funding system. In their report, they also identify the elements of the calculation model that still require decisions, and the effect of these decisions on the level of the future childcare compensation.

The study

For the purpose of reliable cost price data and advice on the funding system, the study was divided into three phases:

1. A provisional recommendation on the set-up of the childcare funding system (2021).
2. A first, provisional measurement of childcare cost prices (completed in 2021).
3. A second, definitive measurement of cost prices and a final recommendation on the funding system (2023).

The initial measurement involved 90% of all childcare organisations. The definitive measurement involved 29 organisations in Bonaire (73%), six in St. Eustatius (86%) and two in Saba (100%).

Costs of childcare

The study reveals that the costs per day part differ between childcare organisations. Based on the analysis of the costs, the researchers conclude that the cost differences are caused primarily by:

- The number of children per carer: organisations that comply with the staff-to-child ratio look after fewer children per carer than organisations that do not yet comply. There are also organisations which look after fewer children per carer than the number prescribed by the staff-to-child ratio. This is a point for attention especially with regard to out-of-school care.
- The salary costs per carer: the salaries paid to carers differ between organisations, among other things because of differences in training level, or because the organisation applies or does not apply recommended pay scales, holiday pay and/or a pension scheme.
- The number of staff members employed for the performance of other activities, such as cooking, cleaning, transport and odd jobs.

In terms of housing, there are relatively few cost differences between the organisations.

Funding system

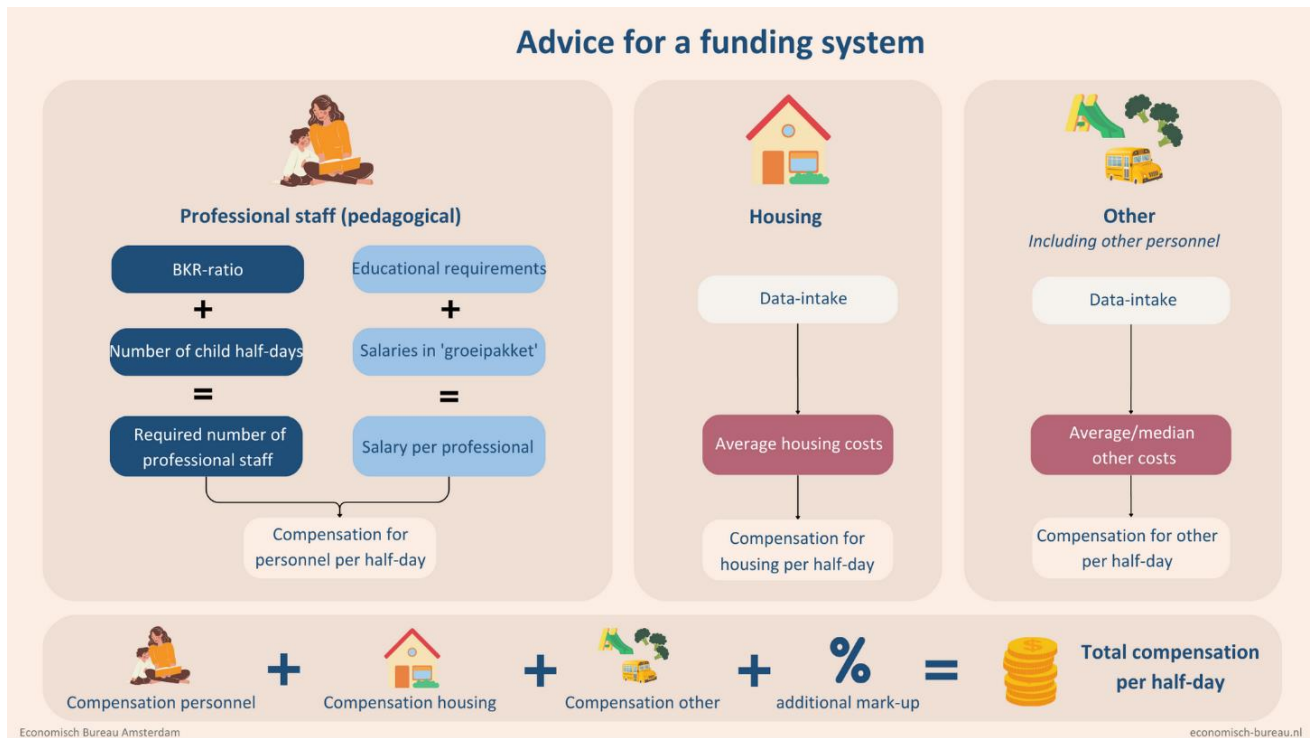
Based on the analysis of the costs, the researchers recommend a system which proceeds from objective criteria where possible. In recommending this system, they also took account of its practicability and of quality improvements that must be implemented, both now and in the future.

In line with the current subsidy, the researchers propose a compensation per day part, made up of separate amounts for staffing, housing and other costs:

- The reimbursement for pedagogic staff will depend on the quality requirements (number of children per pedagogic assistant and qualifications). In anticipation of a collective labour agreement, the salary level will be based on the salary structure recommended by BES(t) 4 kids in the growth package regarding employment conditions.
- The reimbursement for housing and other costs will be determined on the basis of the cost data submitted by the organisations, adjusted for island-specific price differences.

In addition, the researchers propose an extra surcharge. This additional mark-up is intended as compensation for costs not yet taken into account in the funding system. Examples include costs associated with (future) quality requirements which are not yet covered under the funding system.

Advice for a funding system



Decisions to be taken

The researchers indicate what decisions are still to be taken by the Ministry of SZW before the recommended system can be put in place. They describe these decisions and, using lower and upper limits, show the consequences of different decisions:

- **Staff-to-child (BKR) ratio.** The researchers advise to proceed from an average staff-to-child ratio per type of childcare. In this context, they indicate a lower limit and an upper limit. With regard to daycare, the reimbursement for babies is calculated separately on account of the low staff-to-child ratio.
- **Number of professional staff.** The point of departure is that a day part in childcare comprises 5.5 hours and a staff member works 40 hours per week. In the calculation model, the researchers also advise to apply a mark-up factor in calculating the required number of pedagogic assistants, because the occupancy rate in childcare is not always 100%; not every place is occupied all day and every day. Based on an occupancy rate between 95 and 80 percent, this 'efficiency factor' can range from 1.05 (lower limit) to 1.25 (upper limit) for all types of care. A decision is also required about a mark-up factor for work outside normal care hours. The lower limit is that all the work is done within the working hours. The researchers apply an upper limit of 1.15 for daycare and host parents and 1.30 for out-of-school care. This corresponds to around 1.5 hours of extra work outside regular care hours per day.
- **Educational requirements.** A decision is required on whether to fund the requisite higher qualified carer in daycare and out-of-school care for three days a week (lower limit) or on a full-time basis (upper limit).
- **Salary of pedagogic staff.** The question is which pay grade step should be applied in calculating the salary costs. This may vary from step 1 (lower limit) to step 10 (upper limit).
- **Improvement of employment conditions.** Is holiday pay and/or a pension scheme (upper limit) included on top of the statutory employer's contributions? If so, since when?
- **Housing with host parents.** Host parents have to meet fewer quality requirements and provide the care in their own homes. Accordingly, a choice could be made not to grant host parents a reimbursement for housing, or only a partial reimbursement.
- **Compensation for other costs.** There are differences between organisations in respect of the other costs. One option is to calculate the compensation for other costs per day part on the basis

of the median costs of all childcare organisations, which means that major peaks in costs per island will carry less weight. In this context, the researchers propose to apply compensation for island-specific price differences (lower limit). It is also possible to leave the differences in costs and budget between the islands as they are and to base the calculation on the average island-specific other costs (upper limit).

- **Additional mark-up.** It is still to be decided whether to apply the extra surcharge, and for which cost items that are currently not yet included in the calculation model.
- **Implementation.** A decision is also still required on how and when the funding system will be introduced. The researchers suggest that the level of the compensation can be made dependent on the degree to which organisations meet the quality requirements. Another option would be a 'gradual entry model', which would give organisations sufficient time to move towards a lower cost level if their current costs exceed the future compensation.

Indication of future compensation

Using the proposed method, the researchers worked out what the compensation per day part would be if all decisions were based on the lower limit and upper limit respectively. In this way, they provide an indication of the bandwidth of the future compensation per day part. They compare these figures with the average costs in 2022 and the revenue from the subsidy and parental contribution in 2022 and 2023:

Dollars per day part	Costs 2022	Subsidy 2022 + parental contribution	Subsidy 2023 + parental contribution	Indication of new compensation
Bonaire – daycare	\$25	\$12	\$15	\$23 - \$37
Bonaire – out-of-school care	\$30	\$19	\$25	\$19 - \$32
Bonaire – daycare & out-of-school care	\$27	\$16	\$20	\$21 - \$33
Bonaire – host parent excluding housing	\$12	\$8	\$10	\$22 - \$36
St. Eustatius – all childcare	\$32	\$30	\$31	\$22 - \$45
Saba – all childcare	\$44	\$44	\$46	\$22 - \$46

Source: Amsterdam Bureau for Economics (2023)

What happens next?

Based on the study report, a proposal for the funding system will be submitted to the Minister in consultation with the public entities. A proposal will also be issued for the level of the subsidy amounts in 2024.

The plan is to discuss the proposals for the funding system and the subsidy amounts for 2024 with the public entities and the childcare organisations in November 2023.

Expectations are that the final decision on the funding system and the level of the structural childcare compensation will not be taken until the autumn of 2024. This can only be done after the House of Representatives and the Senate have passed the BES Childcare proposal for a new law in the course of 2024.

Because the sitting government is a caretaker government, this timetable has still to be fine-tuned. It is therefore not certain yet whether this timetable is feasible.