

THE FIRST 1000 DAYS FOR THE NEXT 100 YEARS

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WE ALL KNOW THAT WHEN WE ARE BORN, OUR BRAIN IS LIKE AN UNWRITTEN BOOK. We have tens of billions of neurons, but the connections between them do not exist from the beginning. Synapses begin to form fast, our brain creating more and more synapses in the learning process which continues, for some of us more, for others less, throughout our lifetime, but not in a linear way. We now know that the synapsis formation process is much faster in the first part of our life, 80% of the synapses being formed in the first 1000 days of life (3 years), and 90% of them being already formed at the age of 5. I have to confess that I found out this information only 5 years ago, when a good friend of mine, Ioana Grindean, invited me to a conference on early education organized by Step by Step (RO) and Ready Nation (US).

WOW! 80% of the synapses are formed in first 1000 days of life, the foundation on which we further build our life is laid in the first 3 years, i.e. before kindergarten! As Masaro Ibuka wrote since 1972, the engineering genius behind Sony, in the book "Kindergarten is too late", and the foundations should be laid sooner in nurseries.

The nursery was not even regarded as an educational institution in our country, not to speak about the number of places in nurseries that fail to cover at least 5% of the required ones...

The need for a nursery system, as early education institutions, is clear for reasons related not only to education. They are truly needed to stimulate the birth rate, the lack of a trustworthy solution for children's care and education being one of the reasons why young families – in particular those formed of young professionals – unfortunately postpone their decision to have children. For

decades, far too little was done, but things start to change.

The Parliament amended Education Law to include nurseries in the list of educational establishments, but much more needs to be done in terms of defining the standards and training teachers. Additionally, the Parliament has recently adopted a law (Law 239/2020) that we deem to be extremely important to ensure funding in this highly important field: tax credit for nurseries and kindergartens up to RON 1,500/month/child.

The model is already successfully used by Romania ever since 2004, when the tax credit was introduced for sponsorships from companies to NGOs, up to 0.3% of the turnover (later 0.5%), but no more than 20% of the corporate income tax due by companies. This has allowed funding NGOs in several social protection areas, the refurbishment of wards in public hospitals, and even allows the construction of the first new hospital after the Revolution.

Law 239/09.11.2020 allows employers to pay for the nursery and kindergarten of their employees' children, up to RON 1,500/month and to deduct such amounts from the taxes due. Unlike the tax credit for sponsorships, the amounts may be deducted not only from the corporate income tax, but also from the salary tax, VAT or excise duties due by the employer. Unfortunately, Law 239 provides that, for the employee, the amounts paid for nursery or kindergarten are only eliminated from the calculation base for the salary tax, and not also for CAS or CASS, which is wrong since it fails to reflect the initial idea. Fortunately, the error is to be rectified soon based on another law amending the Tax Code that we hope to see approved, promulgated and published in the Official Gazette in the next days.

Why is the tax credit so important for nurseries and kindergartens?

Because it stimulates the development of early education, ensuring a certain funding instrument. Practically, it creates creditworthy demand, based on which I am sure that supply will not take long to appear. Besides, the amount of RON 1,500 is not the result of any calculation, but the average amount for which places were offered in the nurseries in Bucharest in 2018, when the draft law was initiated. Early education is essential to stimulate the child to learn basic things that now seem to be missing and to reduce functional illiteracy which impacts a huge percentage (46%) of the 15-year old youth. Practically, early education is the foundation to create human capital without which it is difficult to imagine the attraction of investments, the creation of well-paid jobs, prosperity.

Because it stimulates employment, and only the employees with employment agreement will benefit from this facility. Additionally, it stimulates the return to the workplace sooner for the parent who benefits from the 2-year leave for childcare. For many young parents, two years may be a long period in which their professional career is put on hold. We can definitely discuss about discrimination between those working based on an employment agreement and those carrying out independent activities, so the solution will likely need to be extended. Nevertheless, it is a (first) major step which can be improved, step by step.

Because it stimulates the birth rate. The development of nurseries allows young families to have more children, the example of France being particularly revealing in this respect.

Because it can stimulate the return back home of the Romanians who went to work abroad. A non-taxable net benefit of RON 1,500 (circa EUR 300) means a gross salary benefit of EUR 500/month, making the salary packages in Romania comparable to those existing abroad.

Because new jobs are created, hopefully well-paid, that would attract more and more teachers in the education system.

Because it is a true public – private partnership in which companies become a distribution chain



between the budget and the providers of early education services.

Because it relieves the state from making investments into nurseries and kindergartens, and it may easily focus to invest into education in areas where, at least for now, there are no investors to fund such services.

These measures may reverse the negative trend existing in Romania in the last 3 decades, which affects the birth rate, migration, increase in the functional illiteracy percentage.

The measure will also impact the way in which real estate developments (offices, retail, industrial and logistics) are designed, areas that bring together large numbers of employees. I am sure that even the residential developers will have to adjust their offer.

Do I sound too optimistic? Maybe, but Romania needs good news, and this law is one of them.