Is Childcare Affordable?

Key findings

- The cost of non-parental childcare is high in many OECD countries, e.g. about half of women’s median full-time earnings for a two-earner family with two children in care in Japan, and the United Kingdom. Support programmes often reduce the costs for low-income families, but out-of-pocket costs often still sum to a large share of earnings for low-paid parents, including single mothers (e.g. Ireland, the Slovak Republic, and the United Kingdom).

- The widespread closure of childcare facilities during the unfolding COVID-19 crisis only highlights the importance of access to affordable care. In the absence of special measures to deal with unforeseen childcare needs during lock-down periods, many working parents are struggling to balance their work and family responsibilities (OECD, 2020[1]). Childcare affordability is likely to remain a key concern as parents gradually return to their workplaces.

- High childcare costs are one of the factors contributing to inequalities in childcare use across income groups. In European OECD countries, children under the age of 3 in low-income households are one-third less likely to participate in early childhood education and care (ECEC) than those in high-income households.

- Childcare costs can substantially weaken employment incentives for parents. On average across OECD countries, a low-paid single mother, who takes up full-time work, loses almost two-thirds of her in-work earnings to childcare costs, taxes and the loss of social benefits.

- Accessible, affordable and good-quality ECEC carries many positive social and economic benefits. Where possible, countries should increase investment in ECEC, provide carefully designed targeted support measures to preserve equity and boost work incentives, and introduce suitable price regulations or guidelines to ensure that public support reaches the parents who need it most.

For a number of reasons, early childhood education and care (ECEC) is attracting growing policy attention. First, it is becoming more common. Young children are increasingly cared for out-of-home in day-care centres, kindergartens or pre-primary schools, rather than by parents or relatives at home. On average across OECD countries, one-third of 0- to 2-year-olds participate in out-of-home ECEC, rising to around 60% in Belgium, Denmark, and Iceland (OECD Family Database). Participation rates increase with age, reaching 86% for 3- to 5-year-olds on average across OECD countries, with complete participation (100%) in several countries, e.g. Belgium, France, Israel, and the United Kingdom (OECD Education at a Glance).

Second, high-quality ECEC carries many social and economic benefits. A growing body of research recognises that participation is beneficial for young children, especially those from low-income backgrounds (OECD, 2018[2]; Browne and Neumann, 2017[3]). Accessible, affordable and good-quality ECEC also helps protect against poverty and strengthens equality of opportunity by facilitating parental employment, boosting family income, and by promoting child development, child well-being, and success later in life (OECD, 2018[4]; OECD, 2015[5]; OECD, 2011[6]).

Governments recognise the importance of affordable, high-quality ECEC. All OECD countries provide parents with some help in meeting the costs of non-parental care but the type and extent of public support varies enormously (Rastrigina et al., 2020[7]; OECD, 2007[8]). Total public spending on ECEC, for example, ranges from around 0.1-0.3% of GDP in Ireland, Turkey, and the United States to almost 2% in Iceland (OECD Social Expenditure Database). Methods of delivering public support also differ (see Online Annex Table 1), ranging from direct public provision and/or subsidies to private providers (especially in Europe), childcare fee rebates.
for selected groups (31 countries), targeted cash benefits for parents (10 countries), to tax relief for childcare expenses (15 countries).

The outbreak of the COVID-19 pandemic illustrates how important access to affordable quality childcare is to working parents. Many working parents are finding it difficult to deal with additional care responsibilities due to the widespread closure of ECEC facilities. Working mothers, who in many households perform the bulk of unpaid care work, are being hit hardest. Countries are looking to assist parents by providing additional paid or unpaid leave, cash benefits, and emergency childcare facilities for essential service workers, but the full impact on parents’ work and incomes remains to be seen (OECD, 2020[1]).

**For many parents, childcare is very expensive**

Despite the multiple types of support, out-of-pocket (or “net”) costs for parents are high in many OECD countries, even after rebates, cash benefits and tax reliefs. Calculations using comparable data on childcare prices charged to parents, and accounting for all relevant support provisions, show that net costs average 17% of women’s median full-time earnings for a middle-income two-earner couple (Figure 1). This rises to more than a third of female median earnings in Canada, Ireland, the Slovak Republic, Switzerland and the United States, and about half or more in Japan and the United Kingdom. (Although, in the case of Japan, results do not account for reforms introduced in October 2019 – see the notes to Figure 1). At the other end of the spectrum, net costs for a middle-income couple are very low or zero in Chile, the Czech Republic, Italy and Germany, where families with children in public childcare centres can benefit from heavily subsidised childcare fees or may be exempt from fee payments altogether, at least as long as there is sufficient supply (see below).

**Figure 1. Childcare is expensive in many countries despite government support**

Typical net childcare costs for two children in full-time care, 2019, in % of women’s median full-time earnings, by family type and in-work earnings

![Graph showing net childcare costs for two children in full-time care, 2019, as a percentage of women’s median full-time earnings, by family type and in-work earnings](http://oe.cd/TaxBEN).

Notes: Data reflect the net cost (gross fees less childcare benefits/rebates and tax deductions, plus any resulting changes in other taxes and benefits following the use of childcare) of full-time care in a typical childcare centre for a two-child family, where both parents are in full-time employment and the children are aged 2 and 3. ‘Full-time’ care is defined as care for at least 40 hours per week. Low earnings refer to the 20th percentile, and median earnings to the 50th percentile, of the full-time gender-specific earnings distribution. Two earners are assumed for couples, male and female. For single parents, women’s earnings distribution is assumed. In countries where local authorities regulate childcare fees, childcare settings for a specific sub-national jurisdiction is assumed. See Box 2 for calculation details and assumptions. For Korea, the results refer to 2018; for Chile to 2015. For Mexico, Turkey and New Zealand information on childcare fees is not available. For Japan, data reflect the situation before the expansion of free ECEC to all children aged between 3 and 5, and to infants aged 2 and under from low-income families, in October 2019.

Several OECD countries provide ECEC through large-scale publicly operated and/or publicly subsidised ECEC systems. Examples include Denmark, Iceland, Norway and Sweden. Direct public provision of ECEC services provides authorities with discretion over the fees charged, allowing governments to keep fees low, if they wish. In many cases, fees vary with income, with low-income families charged lower or no fees. However, direct provision can be expensive for government, and the supply of places is dependent on the level and efficiency of public funding. France, for example, provides children with either free or low-cost public services, depending on age; however, in practice, there are frequently shortages in the supply of public places, especially in public crèche facilities for children under age three (HCFEA, 2018[9]). Germany faces a similar shortage of places in services for very young children (BMFSFJ, 2019[10]).

Other OECD countries rely much more on market-based ECEC systems, with services provided mostly by a mix of for-profit and not-for-profit private facilities. Australia, Ireland, the Netherlands, the United Kingdom and the United States are examples of countries operating (largely) market-based systems. Public childcare support in these countries mostly consists of cash benefits or tax concessions for parents with children in non-parental care, often on an income-tested basis. Public provision or government subsidies to ECEC providers may co-exist with a market-based provision but are typically restricted to services aimed at the most disadvantaged families only.

Market-based ECEC systems have several possible advantages. Agility, including an ability to quickly expand supply in line with (profitable) demand, is one. The recent rapid expansion of ECEC in Korea, for example, has been built largely on growth in private services (OECD, 2019[11]). However, a reliance on the market also means that governments have less control over fees charged to parents. Without fee regulation by government and/or well-designed public benefits for childcare users, net costs can be very high.

Heavy use of the market also exposes service provision to market forces. Evidence from both the Netherlands and the United Kingdom suggests that market dynamics can lead to insufficient coverage in poorer, less-profitable areas (Noailly and Visser, 2009[12]; Lloyd and Penn, 2014[13]). The experience of ABC Learning in Australia – formerly Australia’s largest childcare provider, which collapsed during the global financial crisis in 2008 – also illustrates the risks involved with relying on private services.

Disadvantaged families receive additional support, but targeting is not effective everywhere

In many OECD countries, families on lower incomes receive additional public childcare support. Details vary, but fees/fee reductions, cash benefits for parents, and tax reliefs for childcare expenses are frequently adjusted with income, so that lower-income families face lower net costs (see Online Annex Table 1). Some countries also provide further assistance to specific groups, such as large families and single parents. This most often takes the form of additional financial support (e.g. Belgium, Denmark, Greece, Norway), but can also include priority access to services (e.g. France, Germany, Italy) (European Commission/EACEA/Eurydice, 2019[14]).

On average across OECD countries, net costs for low-earning single parents are less than half the costs faced by average-earning couples (Figure 1, compare square and triangular markers). Indeed, despite their much lower incomes, low-earning single parents often spend a smaller share of disposable income on childcare than two-earner couples (see Online Annex Table 1). Canada and the United States stand out as countries that provide generous additional support to low-earning single parents, which reduce net childcare costs towards zero.

However, not all countries succeed in making childcare (more) affordable for working parents on low incomes. In some countries (e.g. Ireland and the United Kingdom), net childcare costs are lower for low-earners than for better off families but are still high in absolute terms, at around 25% of women’s median full-time earnings. In others (e.g. Slovenia and the Slovak Republic), net childcare costs are at least as high for lower-income families as they are for their middle-income peers. In the latter two cases, this can be explained by the loss of homecare
or child-raising allowances, which are at least as valuable for low-earners, once children are in non-parental care (see Box 1). In the Czech Republic and Korea, net childcare costs for low-income families are actually slightly higher than for middle-income families, although both remain low compared to the OECD average. This is the result of a childcare tax relief that is less valuable to low earners, since they often pay little or no income tax.

Despite public support, many low-income families still struggle with childcare affordability. Data from the European Union Statistics on Income and Living Conditions (EU-SILC) survey indicate that one in ten low-income households with young children in European OECD countries would like to use childcare, or purchase additional childcare hours, but cannot afford to do so (Figure 2). In the Netherlands, Spain and the United Kingdom, this rises to around one in five, and in Ireland to around one in four. Many middle-income households in these countries also report that they cannot afford childcare, notably in the United Kingdom.

However, affordability is not an issue everywhere. In Denmark and Sweden, where government provides heavily subsidised public ECEC from a very young age, only around 2% of low-income households say they would like to make more use of childcare but cannot afford to do so (Figure 2). In some countries, the availability of places is just as likely to be an issue for low-income parents as affordability (e.g., Finland and France, see Online Annex Figure 2).

**Figure 2. Up to one in four low-income households with young children say they need more childcare but cannot afford it**

Share of households reporting that they would like to use (more) formal childcare but cannot afford it, households with at least one child aged 0-5, by income level, 2016

Note: Data refer to the share of households with young children (ages 0-5) who report an unmet need for (more) formal childcare services, and state the main reason for the unmet need as “cannot afford it”. Income level is based on the household's position in the national income distribution. "Low income" households are those in the first three deciles, "middle income" households those in the middle four deciles, and "high income" those in the top three deciles of disposable income.


Affordability issues translate into inequalities in childcare use across income groups, especially for very young children under age 3. On average across European OECD countries, 0- to 2-year-olds in low-income households are one-third less likely to participate in ECEC than 0- to 2-year-olds in high-income households (Figure 3, Panel A). In several countries – including Finland, France, Ireland, Switzerland and the United Kingdom – the participation gap between low-income and better-off households is even bigger (50% or more).
Inequalities in childcare use are usually smaller for 3- to 5-year-olds (Figure 3, Panel B), in part because many OECD countries provide free or subsidised ECEC as a guaranteed right for children in this age group.

Costs and affordability are not the only reasons why low-income parents are less likely to put their children in childcare – availability, cultural norms, parents’ labour market prospects and, in some countries, the availability of lengthy homecare allowances (see Box 1) may all play a role too (OECD, 2016,[15] Pavolini and Van Lancker, 2018[16]). Nonetheless, many countries must do more to ensure ECEC services are an economically realistic proposition for families that struggle to make ends meet.

**Figure 3. Children from low-income households are often much less likely to use childcare**

Participation rates in early childhood education and care, by income level and age group, 2017

Panel A: 0- to 2-year-olds

Panel B: 3- to 5-year-olds

Note: Data for Switzerland refer to 2014, and for Iceland to 2016. Data refer to children in centre-based care (e.g. nurseries or day care centres and preschools, both public and private), organised family day care, care services provided by (paid) professional childminders, and, in some countries, children in primary education. Income level is based on the child’s position in the national income distribution. “Low income” refers to children in the first three deciles, “middle income” to those in the middle four deciles, and “high income” to those in the top three deciles of disposable income. Countries are sorted by the participation rate among 0- to 2-year-olds from low-income households.

Box 1. Homecare allowances and the cost of non-parental childcare

Some benefit entitlements can make using non-parental childcare more costly, rather than less. This can happen if countries provide homecare or “child-raising” allowances to parents who care for children at home and/or do not use publicly provided or subsidised childcare. These entitlements are lost when parents start using non-parental care, which produces an added implicit cost on top of the fees they have to pay for childcare itself. The effects of these homecare allowances can be seen in the results for Finland, Korea, the Slovak Republic and Slovenia (see the effect of “other benefits” in Online Annex Figure 3). As homecare allowances are typically conditional on childcare being provided by one of the parents, they also weaken parents’ financial incentives to work, notably for women.

In some countries, homecare allowances are available on a part-time or flexible basis. This helps parents to combine part-time work with part-time care for children at home. For example, in Finland, parents with children under age 3 who work no more than 30 hours per week are entitled to a “flexible care allowance”. The flexible care allowance can be paid to both parents at the same time if they make work arrangements that allow them to look after the child at different times, and is also available (at a lower rate) to parents with 7- and 8-year-olds during the first two years of compulsory school.

High childcare costs are a barrier to employment

Accessible and affordable ECEC makes it easier for parents to participate in paid work. While causal links between childcare use and employment among parents are complex, a growing body of research suggests that providing families with access to affordable ECEC can boost maternal employment in particular (Browne and Neumann, 2017[3]). The OECD’s Faces of Joblessness reviews have examined a broad range of employment barriers and found that unmet care responsibilities affect up to one quarter of all jobless people, and much higher shares of jobless women.

Part of the reason is that high childcare costs can substantially weaken incentives for parents to engage in the labour market (Figure 4). On average across OECD countries, when a low-earning single mother takes up full-time work, she loses more than half of her gross earnings through higher taxes and withdrawn benefits. Once childcare costs are factored in, this effective tax rate on entering employment – also called the participation tax rate – increases to about two-thirds of gross earnings (Figure 4, Panel A). Financial work incentives are stronger for mothers in two-parent families, but a low-earning mother in a two-earner couple loses on average just under 40% of their gross earnings before accounting for childcare costs, and slightly less than 60% after (Figure 4, Panel B).

In some OECD countries, low-wage employment offers mothers no financial gain at all once childcare costs are taken into account. In Japan (prior to recent reforms) and Slovenia, low-earning single mothers entering work lose 100% or more of their earnings to childcare costs, higher taxes and the withdrawal of social benefits that depend on income or working hours. The same happens in Canada, the United Kingdom, and the United States for mothers in low-income two-earner families. In all of these countries (as well as in Ireland), childcare costs play an important role in weakening work incentives. In Austria, Denmark, and Switzerland, effective tax rates on entering employment are also very high for at least some parents (90% or more); however, in these countries, work disincentives are not specifically linked to childcare use but are instead driven mainly by high tax burdens and/or the withdrawal of other cash benefits once parents take up a job.
Figure 4. High childcare costs erode parents’ work incentives

Effective tax rates on entering full-time employment for low earners, by family type, with and without childcare costs, 2019

Panel A: Single parent, low earnings, with two children in full-time care

Panel B: Second earner in a two-earner couple, low earnings, with two children in full-time care

Notes: Data reflect the net cost of full-time care in a typical childcare centre. Children are aged 2 and 3. ‘Full-time’ care is defined as care for at least 40 hours per week. Family has no childcare costs if one parent is not in paid work. Low earnings refer to 20th percentile on the full-time gender-specific earnings distribution. Two earners are assumed for couples, male and female, with the female partner as the second earner. For single parents, women’s earnings distribution is assumed. In countries where local authorities regulate childcare fees, childcare settings for a specific sub-national jurisdiction are assumed. See Box 2 for calculation details and assumptions. For Korea the results refer to 2018; for Chile to 2015. For Mexico, Turkey and New Zealand, information on childcare fees is not available. For Japan, data reflect the situation before the expansion of free ECEC to all children aged between 3 and 5, and to infants aged 2 and under from low-income families, in October 2019.


Expensive childcare can frustrate families’ efforts to escape poverty

Families who are at risk of poverty can face significant additional burdens as a result of high childcare costs. When childcare is expensive, poverty can be difficult to escape even with full-time work (Figure 5). In OECD countries, working single parents have to earn on average at least 32% of female median full-time earnings to escape poverty. Once the costs of full-time childcare are accounted for, this increases to almost 40% of the female median wage, on average across countries. But the required earnings are much higher in Chile, Korea, Switzerland, and the United States (around 75% or more).
Even in countries where childcare support is generous for those on very low incomes, expensive childcare can still stand in the way of families’ efforts to leave poverty behind. In the United States, for example, generous assistance for very low-income families is quickly withdrawn as earnings increase, effectively trapping many working parents below the poverty line until they earn well over the female median wage. In other countries, such as Korea, the withdrawal of other means-tested benefits can have a similar effect even though childcare itself is relatively affordable.

**Figure 5. High childcare costs make it more difficult for low-income families to escape poverty**

Earnings required for a single parent to escape poverty and cover childcare costs, as % of women’s median full-time earnings, 2019

![Bar chart showing earnings required for single parent to escape poverty and cover childcare costs](chart.png)

Notes: Results are based on a poverty threshold of 50% of median household disposable income. In Germany, Ireland, Japan, and Slovenia no earnings from work are required to escape poverty and cover childcare costs because out-of-work support is sufficient to keep the family above the poverty line. Data reflect the net cost of full-time care in a typical childcare centre. Children are aged 2 and 3. ‘Full-time’ care is defined as care for at least 40 hours per week. In countries, where local authorities regulate childcare fees, calculations refer to a specific sub-national jurisdiction. See Box 2 for calculation details and assumptions. For Korea the results refer to 2018; for Chile to 2015. For Mexico, Turkey and New Zealand, information on childcare fees is not available. For Japan, data reflect the situation before the expansion of free ECEC to all children aged between 3 and 5, and to infants aged 2 and under from low-income families, in October 2019. Source: OECD Tax and Benefit Models, 2019, [http://oe.cd/TaxBEN](http://oe.cd/TaxBEN).

**Policy directions for making ECEC more affordable**

*Increase public investment in early childhood education and care, especially for services aimed at children under age three*

Quality childcare comes at a price, and there are few shortcuts available to governments looking to offer quality, affordable ECEC to all parents regardless of circumstance. Those countries that have succeeded in providing affordable ECEC on a wide scale – most notably, the Nordic countries – have directed substantial public resources to ECEC. In Sweden, for example, public spending on ECEC comes to 1.6% of GDP; in Iceland, it is 1.8% of GDP (Figure 6). This is a larger share of national income than most OECD countries spend on primary education ([OECD Education Database](http://data.oecd.org/edautos/)).

In many OECD countries, ensuring equitable access to good-quality ECEC requires greater investment in services aimed at children under age three in particular. Public spending on pre-primary education services – services that are generally targeted at children age three and above – is often much higher than spending on younger children (Figure 6). Part of the reason is that several OECD countries provide children aged three and above with guaranteed access to free full-time pre-primary education (e.g. Belgium, France, Luxembourg,
Portugal and Spain) or with entitlements to free ECEC for a limited number of hours (e.g. Ireland and the United Kingdom). In all of these countries, public childcare supports are less generous for younger children.

**Figure 6. OECD countries spend much more on pre-primary services than on childcare services for very young children**

Public expenditure on early childhood education and care, disaggregated by type, as a % of GDP, 2015 or latest available

<table>
<thead>
<tr>
<th>% GDP</th>
<th>Childcare</th>
<th>Pre-primary</th>
<th>Total (no distinction)</th>
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Note: Data for Poland refer to 2014. For Austria, Czech Republic, Denmark, Estonia, Ireland, Luxembourg, Slovenia, Poland, and Portugal, data cannot be disaggregated by level. These countries are excluded from the OECD-25 average. In some countries local governments play a key role in financing and providing childcare services. Such spending is comprehensively recorded in the Nordic countries, but in some other (often federal) countries it may not be fully captured by the OECD social expenditure data.


There is no universal “correct” way for countries to increase ECEC investment. While many of the countries with the most affordable, large-scale ECEC (e.g. the Nordic countries) run publicly operated ECEC systems, Korea, for instance, has recently constructed an extensive system of affordable ECEC through a mix of public and private services. Policies implemented by Korea include direct subsidies to many providers and generous childcare benefits for parents, all supported by a ten-fold increase in public spending since the mid-2000s (OECD, 2019[11]). The most suitable and efficient way of ensuring equitable access to good-quality ECEC will depend on countries’ existing policies, the balance between public and private services, disparities in incomes and family circumstances, and the wider economic and fiscal environment.

**Introduce or strengthen regulations of childcare markets**

Higher spending and increased public childcare support does not guarantee better access to affordable ECEC. Without suitable regulations in place, there is a danger that providers ‘capture’ public support for themselves, rather than passing it on to parents through lower costs. Possible scenarios include providers accepting direct subsidies from government but not reducing prices accordingly, and providers raising fees following an increase in public childcare fee rebates, benefits or tax reliefs for parents.

One option to prevent capture is to combine public support with fee caps and regulations, such as maximum fees. Fee regulations are common in countries that operate public ECEC systems. For example, in Denmark, fees vary locally but regulations stipulate that parents can be charged no more than 25% of the operating cost of care, with additional discounts for families on low incomes, single parents, large families and children with disabilities. Finland, France, Norway, Portugal, and Sweden also all apply fee caps for public (and sometimes private) services.
Fee regulations are less common and more difficult to implement in countries with market-based systems. However, the Netherlands provides one example of a “de facto” cap in a market-based system: there, the government provides parents with childcare benefits to cover fees, but only up to an (annually adjusted) hourly maximum. Knowing that most parents will be reluctant to use services that charge fees much above this maximum, many providers use the maximum threshold as guidance for fee setting and adjust fees in-line with the threshold each year (BOINK, 2019[17]).

Regulatory measures should be designed carefully, however. In market-based systems, if price standards are set too low, regulation could lower quality or lead to market exit if service provision becomes economically unviable. Regulation could have similarly damaging effects in public ECEC systems if not accompanied by adequate public subsidies. Price caps that vary with families’ ability to pay can reduce these problems while still promoting equitable access for all. Caps for high-income earners may be unnecessary. Fee regulations should also be accompanied by well-specified and fully enforced quality standards, to prevent providers cutting back on quality following regulation.

**Improve targeting of childcare support while preserving strong work incentives**

While most OECD countries provide considerable public childcare support to low-income families, significant support is often available for middle- and high-income families as well. This is particularly the case in countries where ECEC is offered free-of-charge as a guaranteed right to all children of a certain age (e.g. Belgium, France, Portugal, Spain), but also in countries where fee reductions, childcare benefits, and tax reliefs are universal (e.g. the free-hours entitlements in Ireland and the United Kingdom) or only loosely targeted at lower-income families (e.g. Denmark, Norway, Sweden).

There are equity concerns around providing higher-income families with generous childcare support (Van Lancker and Ghysels, 2012[18]). Indeed, since in many countries children from high-income families are much more likely to use childcare (see Figure 3), universal or broadly available public childcare support often effectively redistributes towards families that are already well-off. But there are also efficiency concerns around providing support to better-off families, as well. If budgets for public support are tight, improving targeting in public support and shifting assistance towards low-income families is one option for ensuring that support reaches those who need it most.

Introducing or tightening income tests on childcare cash benefits and fee reductions is one way of improving targeting. However, as with fee regulations, this needs to be done carefully. Targeting too sharply can lead to “cliff edges” as benefits are withdrawn, damaging work incentives for parents on low earnings (see the example of the United States discussed above). Very tight means tests can also leave middle-income families without support. Assistance should be phased-out only gradually. If disadvantaged groups can be well identified on characteristics other than income (e.g. single parents, large families, recent migrants), then targeting on these characteristics may be preferable. As with all forms of targeting, there are also risks that narrowing the group of recipients may erode political support for government programmes.

**Avoid “reverse targeting”**

Reverse targeting, the situation where more generous support goes to better-off families, is difficult to justify from an equity perspective. Often unintended, it is usually the result of childcare support offered through tax allowances and non-refundable tax credits. The effects of such measures are most visible in countries where these are the main channels for delivering support for childcare expenses (for example, the Czech Republic). If such measures are aimed at encouraging and rewarding work, they should be carefully balanced with additional measures for low-income families. Another drawback of most tax-based measures is that they are usually paid with a considerable delay (e.g. after filling in the tax return). The time gap between the moment when the costs are incurred and the benefits are received should be minimised for families under tight budget constraints.
Box 2. OECD Tax-Benefit models and the measurement of parents’ net childcare costs

Parents’ net childcare costs depend on many factors, including gross childcare fees, rebates that reduce these fees for some parents, as well as cash benefits and tax reliefs for childcare expenses. The OECD’s tax-benefit models allow estimating the resulting net childcare costs to parents in a consistent way across countries. They also allow isolating the effects of specific policy measures on childcare costs, family budgets and financial work incentives. Results in this brief specifically relate to:

- Mothers: as women overwhelmingly remain the main carers when non-parental childcare is unaffordable or unavailable, because childcare costs are a greater constraint for women whose earnings tend to be lower than men’s, and because women’s employment is therefore more responsive to childcare costs.
- Families with two pre-school children aged two and three: as the needs of very young children are best served by a carefully balanced broader set of policies including effective maternal and paternal leave entitlements and measures that actively encourage employment before childbirth and after child-related career breaks. The choice of ages two and three reflects the structure of ECEC systems and support policies in many OECD countries, which frequently make a distinction between services and supports for very young children up to two years of age and those for older children aged three and above.
- Full-time care in a typical childcare centre assuming the use of public providers where these are commonly available: in some cases, this may not be enough to cover needs of full-time working parent(s) and other forms of care may be important, pushing up total costs for parents.

The results cover 33 OECD countries; Mexico, Turkey, and New Zealand are currently not covered as the information needed to model childcare costs was not available at the time of writing. Colombia was not an OECD Member at the time of preparation of this publication.

Much of the focus of the brief is on low-income and single-parent families, in large part because these families have been shown to benefit most from good-quality non-parental childcare. Low-income (middle-income) scenarios relate to mothers with full-time earnings at the 20th (50th) percentile of the female full-time earnings distribution. In two parent families, fathers are assumed to work full-time with earnings at the 20th (50th) percentile of the male full-time earnings distribution.

The calculations seek approximate a childcare setting that is “typical” in each country. In countries where local authorities regulate childcare fees, childcare settings for a specific sub-national jurisdiction (region, municipality or other) have been used as follows:

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<thead>
<tr>
<th>Country</th>
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<td>Australia</td>
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All calculations make use of the institutional information on childcare settings and support, including all relevant cost components, as provided by national delegates to the OECD Working Party on Social Policy and available at: http://oe.cd/TaxBEN. For more details see Methodological guidelines for calculating net childcare cost indicators.
References


Rastrigina, O. et al. (2020), *Net childcare costs in EU countries – Impact on family incomes and work incentives*,
Citation:

Figures and tables available online:
All figures plus additional Annex tables and figures are available to download here.

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In figures, OECD averages refer to unweighted averages of OECD countries for which data are available. (↓) (or ↑) in the legend relates to the variable for which countries are ranked from left to right in decreasing (or increasing) order

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