

PF3.4: Childcare support

Definitions and methodology

Parents pay childcare fees to childcare institutions (e.g. day-care centres, family day care) for the services they provide to them and their children. The data presented here concerns the amount payable for a two-year old and a three-year old, for one month of full-time care not accounting for periods where childcare may not be available or required (e.g. vacation). Where fee information is provided per hour of care, full-time care is assumed to cover 40 hours per week. ‘Fees’ are gross amounts charged to parents, regardless of the subsidy that providers may receive from public authorities or private donations. Gross fee payments also do not reflect the amount of childcare-related cash benefits, tax advantages or refunds/rebates that may be available to parents. Where prices depend on income of family characteristics, the maximum applicable fee is shown. Unless fees are rule-based or uniform across institutions, averages or “typical” fees are shown.

Net childcare costs as defined here include fees minus cash benefits, rebates and tax concessions, and other relevant benefits. Subtracting the latter from the gross fee charged by the childcare provider gives the net cost to parents, i.e. the “out-of-pocket” expenses resulting from the use of a formal childcare facility. Calculations of net childcare cost relate to *full-time care for two children aged 2 and 3 in a typical childcare facility*. The results presented below do account for tax reductions, childcare benefits and “other benefits”, which are not primarily childcare-related (e.g. family or housing benefits) but nonetheless, influence household income position. Childcare costs may vary with family situation and earnings level. Information is presented for two different household situations (please refer to OECD, 2014, for information on average wage - AW):

- A married couple where both spouses work full-time, one the earning average wage (100% of AW) and the other one earning below-average wages (50% of AW).
- A full-time employed sole parent with below-average earnings (50% of AW).

Key findings

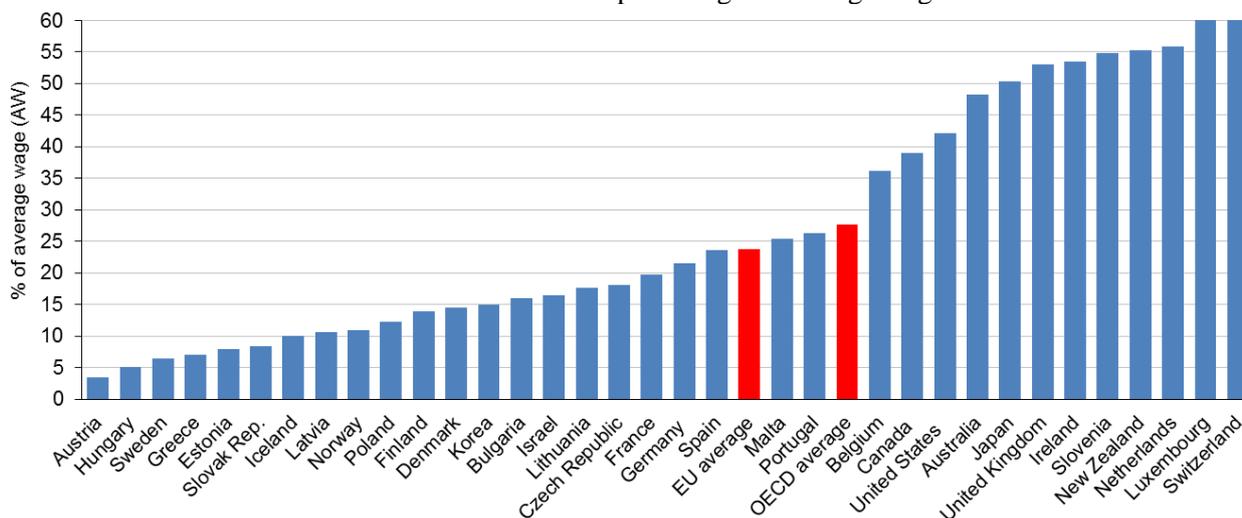
The choice of childcare arrangements (parental, formal and/or informal care) is influenced by a large number of factors, with affordability often being among the most relevant. Chart PF3.4.A shows that across OECD countries, the average “typical” childcare fee paid for a two-year old in full-time care is just over 27% of average earnings with wide variation across countries. This amount ranges from around 5% of AW or less in Hungary and Sweden to above 50% in Japan, Ireland, Luxembourg, the Netherlands, New Zealand, Slovenia, Switzerland and the United Kingdom. The data here represent the “typical” fees charged by accredited childcare centres in the country, and ignore variation in childcare fees by type of care, region/municipality.

In many countries childcare fees are often reduced for low-income families; are sometimes lower for sole parents; can differ by the number of children in care; and, often decrease with a child’s age. The objective of these measures is to address equity concerns (ensuring accessibility of childcare for families with limited means) or to reduce the cost of children to larger families.

Other relevant indicators: LMF1.2: Maternal employment; PF1.4: Neutrality of tax/benefit systems; PF3.1: Public spending on childcare and early education; PF3.2: Enrolment in day-care and pre-schools; PF4.1: Typology of childcare and early education services; and, PF4.2: Quality of childcare and early education services.

Chart PF3.4.A Childcare fees per two-year old attending accredited early-years care and education services, 2012

Gross childcare fees as a percentage of average wage



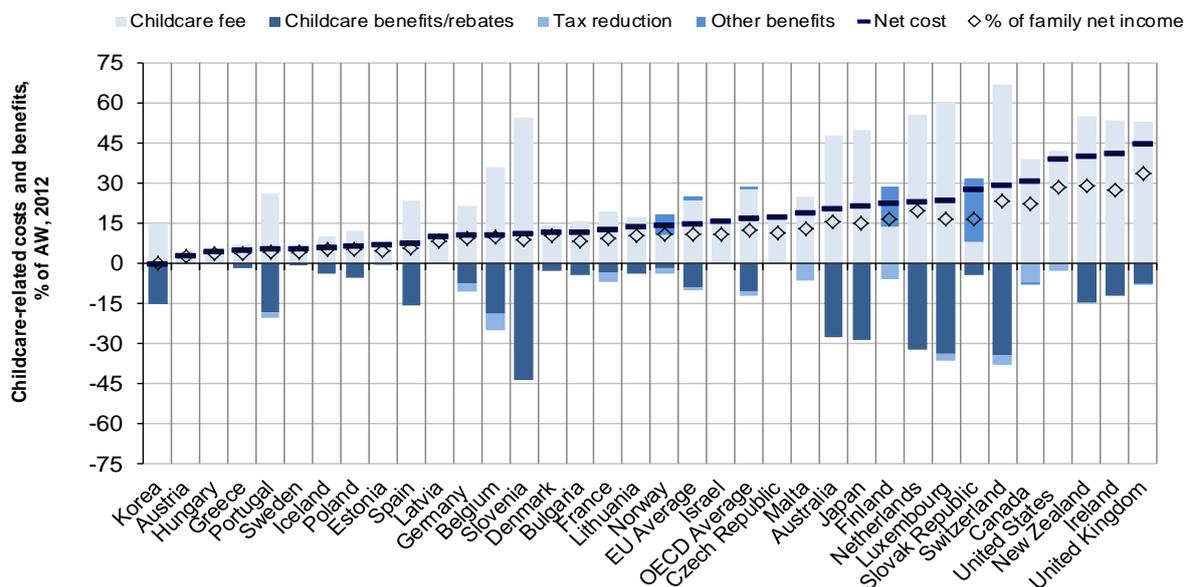
Note: The average wage reflects the earnings of an "average worker"; see OECD (2007) pp. 186-7 for detail.
 Source: OECD Tax-Benefit model 2014.

Country comparisons of gross childcare fees alone are, however, not very informative as *net childcare costs* can be substantially lower. As mentioned above (see OECD, 2014 for more detail), childcare fees are often reduced for families in particular circumstances and these reductions can be both substantial and widespread. In addition, countries provide a range of cash benefits, rebates and tax reductions aimed at helping parents reduce the net cost of purchased childcare. Nevertheless, even after accounting for government support, in many countries overall costs remain substantial.

For dual-earner couples with gross earnings at 150% of the average wage, the average out-of-pocket expenses for two children in full-time care are around 17% of average earnings (Chart PF3.4.B) with wide variation across countries. Net childcare costs are low in countries where gross fees are relatively low and in Korea and Portugal, where there is considerable (income-tested) childcare benefit support. In these countries, net childcare costs for families with two children are around or below 5% of average wage. By contrast, centre-based formal care is most expensive for working couples in most Anglophone countries (except Australia) with net costs above 30% of average wage. In Ireland and the United Kingdom net childcare costs for a working couple with 150% of average earnings are highest at more than 40% of average wage. Calculations, not presented here, for dual-earner families with household earnings equivalent to 133% and 167% of average wages, generate results similar to those presented in Chart PF3.4.B (see OECD, 2014).

Unless they can rely on informal care arrangements, sole parents need to have access to formal childcare to be able to participate in the labour market. For sole parents with earnings at 50% of average wages net childcare costs are almost half that faced by dual-earner families, that is 10% of average wages (Chart PF3.4.C). Compared to dual-earner families, net childcare costs are significantly lower in Luxembourg, New Zealand, Switzerland and the United Kingdom (more than 20 percentage points less), mostly achieved through targeted childcare benefits and rebates. In Canada, Ireland and the United States the out-of-pocket childcare costs are high, at over 30% of average wage, where such targeted benefits are lacking or relatively low.

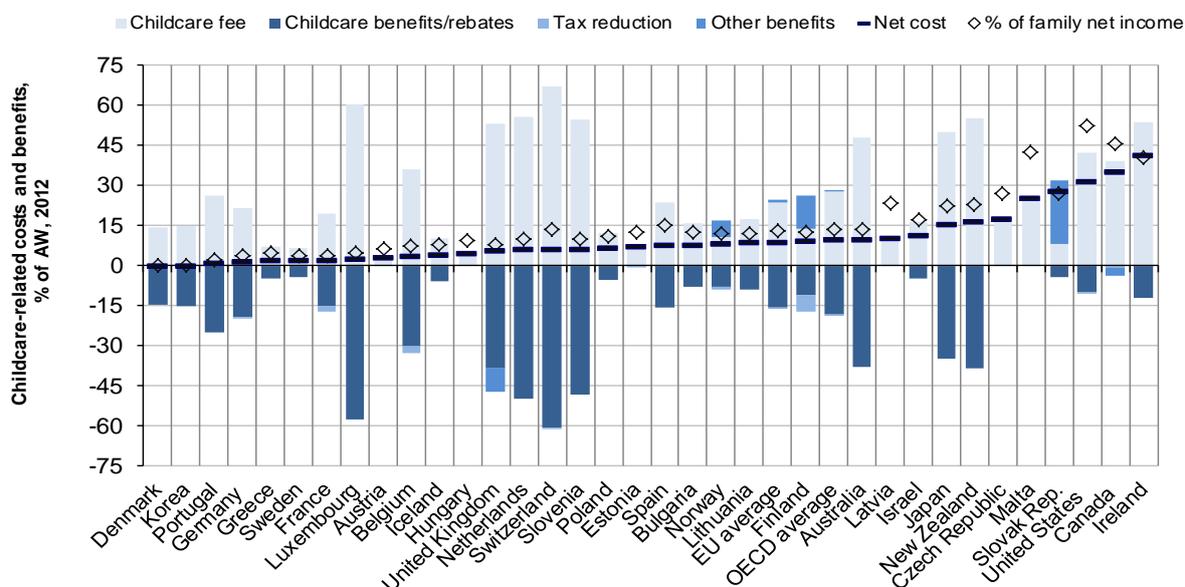
Chart PF3.4.B Net childcare costs for a dual-earner family with full-time earnings of 150% of the average wage, 2012



Net cost	0	3	5	5	6	6	7	7	7	8	11	11	11	11	12	12	13	14	15	15	16	17	18	19	21	22	23	24	24	28	29	31	40	40	42	45	
% of family net income	0	3	4	4	4	4	5	5	5	6	8	10	10	9	11	9	10	11	11	11	11	13	12	13	16	15	17	20	17	17	24	29	22	29	29	27	34

Note: The average wage reflects the earnings of an "average worker"; see OECD (2007) pp. 186-7 for detail.
 Source: OECD Tax-Benefit model 2014.

Chart PF3.4.C: Net childcare costs for a sole-parent family with full-time earnings of 50% of the average wage, 2012



Net cost	0	0	1	2	2	2	2	3	3	4	4	4	5	6	6	7	7	7	7	8	8	8	8	9	9	9	9	10	10	11	12	16	17	18	25	28	32	35	42
% of family net income	0	0	2	4	5	4	4	5	6	7	8	9	8	10	10	11	12	12	12	15	12	12	12	13	14	14	23	17	23	23	27	42	27	52	46	41			

Note: The average wage reflects the earnings of an "average worker"; see OECD (2007) pp. 186-7 for detail.

Source: OECD Tax-Benefit model 2014.

Comparability and data issues

In an effort to provide a meaningful international comparison in an area which is characterised by heterogeneous policy arrangements, the OECD collects data on “typical” fees charged by *accredited childcare centres for children aged two and three years*. Inevitably, assumptions had to be made on the age of the children, family status, different earning levels, the overall fee paid by parents and the intensity of childcare use (see OECD, 2014).

The calculations assume that fees are paid for full-time care, whereas in reality, there is considerable variation in the intensity of participation across countries and children. For example, childcare use in Sweden is typically for 30 hours per week, whereas in the Netherlands childcare participation is often on a part-time basis. These differences should be kept in mind when interpreting the results.

In a number of countries, available fee information relates to a particular region or municipality: Austria (Vienna), Belgium (Wallonia), Bulgaria (Sofia), Canada (Ontario), Finland (Helsinki), Germany (Hamburg), Iceland (Reykjavík), Japan (Tokyo), Poland (Warsaw), Switzerland (Zürich), United Kingdom (England) and the United States (Michigan).

Sources and further reading: OECD (2007), *Benefits and Wages* (www.oecd.org/els/benefitsandwagespublications.htm); OECD (2014) OECD Tax-Benefit model (<http://www.oecd.org/els/benefitsandwagesmodels.htm>).