

Can Parents Afford To Work? An Update

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ABSTRACT

This paper documents in empirical detail how government policies impact on the cost of childcare for parents, identifying how these costs interact with tax and transfer policies to determine the financial incentives of parents to seek paid employment. It extends the OECD's 2007 study of childcare costs and assesses how policies affecting the affordability of childcare have changed since 2004. The primary contributions of this paper are to:

- measure and compare the affordability of formal childcare across 35 OECD and EU countries;
- examine how these childcare costs impact on work incentives facing lone parents and second earners in families with young children;
- explicitly quantify the income gain from employment of mothers of young children and their families by combining gender specific earnings data with OECD tax-benefit models; and
- identify circumstances where childcare costs and weak work incentives contribute to the risk of families with low earnings potential being trapped in poverty over the longer term.

The results are disaggregated to identify policy features that represent barriers to work for lone parents and second earners, with young children requiring care, whose employment decisions are known to be particularly responsive to financial work incentives. The barriers to employment they face, particularly by those with low earnings potential, can be reduced by increased targeting of government assistance. Specific policy reforms undertaken by several countries between 2004 and 2008 seeking to lower these barriers have successfully reduced net costs of childcare. This paper highlights that the appropriate policy response requires consideration of current policy settings beyond those directly related to childcare as well as relative priorities over a range of policy objectives. No one simple set of policy prescriptions is appropriate for observed work incentive issues. Effective policy responses must be multifaceted and tailored to the situation in each country.

JEL Classification: D13, H31, J13, J18, J22

Key words: Childcare cost, tax-benefit policies, work incentives

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Introduction

1. This paper considers the affordability of childcare across 35 countries¹² and analyses how these costs influence the pay-offs to parents, particularly mothers, of participation in paid employment. The measure of affordability corresponds to the “out-of-pocket” costs of childcare borne by individual families. It includes all relevant cost components and childcare support measures, irrespective of the way they are administered within particular countries. The results are then used to investigate how childcare costs and existing tax and benefit policies combine to reward or penalise the work efforts of parents with young children. In addition to identifying how these costs, and the consequent work incentives, are shaped by the different policies applied by each country, implications of the finding for strategies to alleviate child poverty by encouraging maternal work-force participation are discussed.

2. The paper builds on, and extends, an earlier OECD study of childcare costs, which examined the financial impact of policies designed to encourage the use of formal childcare, ‘Can Parents Afford to Work?’ (Chapter 4, OECD (2007)). One objective is to assess how policies affecting the affordability of childcare have changed since that study.

3. In addition, this paper responds to three sets of specific questions. Section 1 focuses on the affordability of childcare: How do government policies influence the cost of childcare? How much does childcare reduce a family’s net income? What are the links between policy settings, the costs faced by families and maternal employment? To what extent have policy changes since 2004 impacted costs?

4. Section 2 evaluates the consequences of tax-benefit and childcare policies for work incentives faced by lone parents and second earners: How much do childcare costs contribute to some parents being caught in so-called inactivity traps? Unlike the previous OECD study, the analysis is specifically linked to people’s position in the earnings distribution (for example, it accounts for differences in gender wage gaps across countries).

5. The final section draws out implications of the work incentives analysis for reducing child poverty. This is done by assessing the extent to which childcare costs reduce the standard of living for families with low earnings: How much work effort is required to escape poverty? How much more work effort is required by families reliant on formal childcare to achieve the same standard of living as an

1. This paper presents results for 35 countries in total, including four OECD countries (Estonia, Israel, Slovenia and Spain) and a further five EC countries (Bulgaria, Cyprus, Latvia, Lithuania and Malta) that were not covered in the earlier study. Chile, Italy, Mexico, Russia, Romania, Turkey are not included in this analysis as either tax benefit models for 2008 were not available or there was insufficient information to derive consistent estimates of childcare costs.

2. In this chapter, the statistical data for Israel are supplied by and under the responsibility of the relevant Israeli authorities. The use of such data by the OECD is without prejudice to the status of the Golan Heights, East Jerusalem and Israeli settlements in the West Bank under the terms of international law.
Footnote by Turkey: The information in this document with reference to « Cyprus » relates to the southern part of the Island. There is no single authority representing both Turkish and Greek Cypriot people on the Island. Turkey recognizes the Turkish Republic of Northern Cyprus (TRNC). Until a lasting and equitable solution is found within the context of United Nations, Turkey shall preserve its position concerning the “Cyprus issue”.

Footnote by all the European Union Member States of the OECD and the European Commission: The Republic of Cyprus is recognized by all members of the United Nations with the exception of Turkey. The information in this document relates to the area under the effective control of the Government of the Republic of Cyprus.

otherwise equivalent family that does not purchase formal childcare? Of the families who face weak work incentives which are also at greater risk of being trapped in poverty?

6. Throughout the paper, the perspective is that of the family, which enables childcare costs and work incentives to be compared across countries with very different policy institutions. The focus is on the analysis of affordability. Availability and quality of childcare provision, also important factors influencing employment and childcare decisions of parents with young children, are not explicitly examined in this analysis. As in the previous study (OECD, 2007), cost estimates are based on the *cost to parents*, not the cost of *childcare provision*. The contribution to the debate on childcare and barriers to female employment that can be made using the OECD tax-benefit models lies in the production of cost and financial work incentive measures which are comparable across countries hence.

1 Childcare affordability

7. The most visible determinant of childcare affordability is the fee charged by providers. Across countries there is a wide variation in fees charged to parents for centre-based care of children (see Annex Table A1.1 for details). Averaged across (30) OECD countries, the fees parents typically pay for a two-year old in full-time care amounts to around 15% of average full-time earnings. There is, however, a wide variation of typical fees, with a low around 2% in Slovenia to a high of over 40% in Switzerland (Zürich). The EU (25) average is lower, at just over 12%, mainly because of low fees in countries (particularly in Eastern Europe), where childcare centres are predominantly public and charge relatively low fees.

8. Gross childcare fees are not necessarily indicative of either the cost of *provision* or of the cost to *parents*. Government regulations and differences in market structures and government subsidies paid directly to providers mean that fees often do not reflect the cost of provision. More importantly in the context of childcare affordability, many countries, operate a range of cash benefits and/or tax concessions to reduce the cost of purchased childcare, sometimes to levels that are much lower than gross fees. Support to families, in the form of cash benefits or tax concessions, is particularly important in countries where childcare is predominantly provided by the private sector.

9. The final user cost, not the fee charged by the provider, is a more appropriate concept for considering childcare affordability. Using this measure affordability is defined in terms of net childcare costs faced by parents – their “*out-of-pocket*” childcare expense. This takes into account the wide range of cash benefits and tax reliefs aimed at helping parents reduce the cost of purchased childcare and fee reductions (subsidies) based on family circumstances. Country comparisons of childcare affordability are presented in Section 1.2 below. Before quantifying the overall impact of these support measures on affordability, it is useful to review the various types of support that governments provide directly to families.

1.1 Childcare related benefits and tax concessions

10. Governments encourage the use of formal childcare through a number of different channels and for several different purposes. Financial support that seeks to further child development goals by supporting care patterns believed to be most appropriate to the child tend to be widely accessible and employ little targeting toward particular families and children.³ On the other hand, support directed at encouraging women’s participation in the labour market (and minimising avoidable trade-offs between fertility and employment) frequently target benefits towards mothers whose employment behaviour is

3. Through the 2000s there is evidence of governments increasing support for early childhood education. Since 2004 free pre-school hours have been extended in England (2008) and introduced in New Zealand (2007).

thought to be particularly responsive to changes in childcare costs, namely lone parents and low-income second earners. Country specific childcare provision and policies are detailed in Tables A2.1, A2.2 and A2.3. As an in-depth review of the various policy instruments that governments use (fee reductions/subsidies, cash benefits and tax concessions) and how they can interact to achieve particular policy objectives is included OECD (2007) this section provides only a brief review.

11. *Fee Subsidies:* Differentiated fee structures often reflect differences in the cost of service provision (such as the additional resources required for infant care or variations in childcare quality) or other market-related pricing considerations (commercial providers may price discriminate to increase profits). They are, however, also used by governments and, to some extent, semi-private not-for-profit childcare providers in order to target childcare subsidies or otherwise redistribute between different types of childcare users. Such measures may aim at addressing equity concerns (e.g., ensuring accessibility of childcare for families with limited means), demographic objectives (e.g., reducing the cost of children for larger families), or both. They may also be designed to encourage the use of non-parental care in specific cases. Examples are fee reductions for lone parents (to enable them to stay in employment or look for and take up a new job) or students (to allow them to complete their studies). Rebates targeted at children of certain ages (e.g. pre-school) may aim at supporting their cognitive or social development. An overview of family characteristics that are typically used to administer fee concessions in each country is included in Annex Table A2.2. This table shows that fees per child often decrease with the child's age. They are sometimes lower for lone parents (column "Family status") and can differ by the number of children in care. In many countries income-dependent fee structures reduce the cost of childcare for low-income families.

12. While reduced fees raise the demand for non-parental care, families that are targeted by these measures may be faced with insufficient childcare capacities if providers are unable to offer places to all those who need them.⁴ In such circumstances existing childcare places are sometimes allocated through preferential access for particular groups (column "Priority access"). If availability of formal childcare is generally seen as insufficient this approach can be problematic as it simply shifts the under-supply problem from one group of parents to another. A more comprehensive policy solution, adopted to different degrees by a number of countries, consists of replacing regulated fees with a combination of market prices, government support for providers and appropriately administered government transfers to parents (such as cash benefits that account for the family situation, including the extent to which a family relies on licensed childcare services). For example, the Netherlands moved in this direction in 2005 by replacing supply-side funding provided by municipal authorities with demand-side funding with parents receiving a contribution from the government. With supply-side barriers reduced, cash transfers to parents can be used to moderate net childcare costs and target support to those who need it most (such transfers can also be paid directly to providers on behalf of eligible parents as is the case in Australia and New Zealand).

13. Other *demand-side measures* aimed at supporting families with children requiring care can be categorised in terms of the channels used to deliver financial support – tax deductions, tax credits and cash benefits. In principle, *tax deductions*⁵ or allowances strengthen work incentives by lowering tax payments for those returning to work after childbirth. In practice, however, targeting to low income earners is weak so that support levels tend to be regressive. In particular, low income earners who are already exempted from paying taxes receive no benefit through this form of support and of those who do pay tax, the benefit (increased income) is greater for high-income families who are subject to higher marginal income tax rates.

4. Childcare usage is discussed in Box 1 (see also column "Provision of childcare" in Annex Table A2.2).

5. Tax-deductibility of childcare payments may also, in part, reflect the view that they constitute work-related expenses. Allowing employed parents to claim tax exemptions for childcare expenses is consistent with aims to limit distortions of employment decisions and, more generally, achieve a more balanced tax-treatment of families with different patterns of work in the market and at home.

Some countries providing tax relief in this form also operate parallel measures which provide extra support to low-income families thus offsetting the (*e.g.*, the non-refundable Child and Dependent Care Credit in the United States operates in tandem with the Child Care and Development Fund which provides fee subsidies to low income families). In addition, the benefit or tax deduction is only realised after a tax return has been submitted and, as there may be long delays between purchasing childcare services and receipt of support payments, some parents may see such refunds as a windfall rather than a consequence of their childcare choices and this could weaken any potential incentive effects.

14. *Tax credits* can be more supportive of low-income earners. This is especially the case if they are refundable (meaning that any portion of the credit that exceeds gross tax liabilities is paid out in cash). In this case, they are equivalent to cash benefits. But, as in the case of tax deductions, if credits are only paid out after a tax return has been submitted support may be less timely. In the case of tax credits, one solution is to provide support based in quarterly, monthly or more frequent instalments and on the basis of previous (or expected) income and current expenses. This is, for instance, done in the United Kingdom (where credits can be paid either weekly or monthly in conjunction with the Working Tax Credit) and in Australia (where it is paid quarterly). This does raise the issue, however, of managing over and under payments problems once the final fiscal reconciliation has taken place at the end of the year.

15. *Cash benefits*: Countries also provide a range of cash benefits aimed at helping parents reduce the net cost of purchased childcare. Childcare benefits that operate independently of the tax system tend to provide more immediate support. Childcare-related cash benefits may be targeted towards low-income families, working parents or socially disadvantaged groups, notably lone parents. Support may be conditional on using certain types of childcare such as that provided by approved institutions or specially qualified individuals.

16. Another policy design which indirectly assists low-income parents with the cost of childcare is to make childcare expenses deductible from incomes relevant for calculating entitlements to means-tested benefits. For instance, in the United Kingdom, childcare costs reduce the income basis used to assess entitlement to housing benefits. As a result, these benefits can be higher for families purchasing non-parental care and thus reduce net childcare costs. Where support available for parents caring for their own children at home (home-care or child-raising allowances) is conditioned on the parents not using government subsidized childcare centers this also impacts the cost of formal childcare as parents lose, at least part, of this payment if they use formal childcare. An overview of such policies is provided in Column 2 of Annex Table A2.3. Some case studies of how other social policies can interact with formal childcare are provided in Box 2.

17. In addition to the measures discussed above governments provide support to parents to reduce the cost of informal care (where information is available such policies are included in Annex Table A2.3). For example, the French ‘*Complément de libre choix du mode de garde*’ which reduces the social security contribution due for employment of qualified child minders provides an example. In addition, the measures discussed above, particularly tax concessions but also cash benefits, often cover a range of eligible childcare expenditures including particular types of informal care. For instance, the Australian Child Care Benefit is also payable for childcare provided by registered (non-institutional) carers. Further, some countries (such as Norway and Australia) make care support available to grandparents (these are discussed in Box 2).

Box 1. Childcare Usage

Availability and quality of childcare provision are important factors influencing employment and childcare decisions of parents with young children. It is not possible, with the childcare data available on use, to analyse supply and demand issues separately and on a consistent basis across countries. For a given family, the choice of the most appropriate childcare package (parental, professional and/or informal care) is influenced by the availability and cost of each mode of care. An appreciation of the usage patterns across countries (as a proxy for availability) assists in interpreting the cost measures in this report.

Participation in non-parental care, 2008 (%)

	Formal care and Pre-school			Regular care ³
	Enrolment rates ¹		Participation (FTE ²)	
	Under 3 years	3 to 5 years	Under 3 years	Under 3 years
Australia	29.0	54.6	15	50
Austria	12.1	77.6	8	28
Belgium	48.4	99.4	47	58
Bulgaria	-	-	15	36
Canada	24.0	56.8	26	-
Chile ²	9.8	62.6	10	-
Cyprus ^{4,5}	32.7	70.7	38	67
Czech Republic	2.2	79.7	1	36
Denmark	72.7	91.5	82	73
Estonia	17.5	85.2	22	40
Finland	24.2	52.3	28	25
France	42.0	99.9	43	50
Germany	27.6	92.7	21	37
Greece	15.7	46.6	16	63
Hungary	8.8	87.1	9	36
Iceland	59.7	95.9	71	61
Ireland	30.8	56.4	26	41
Israel	23.0	86.8	39	-
Italy	29.2	97.4	29	49
Japan	28.3	90.0	-	-
Korea	37.7	79.7	-	-
Latvia	16.1	77.3	20	27
Lithuania	13.7	60.6	19	26
Luxembourg	38.6	85.9	38	57
Malta	6.8	91.4	-	-
Mexico ³	5.8	82.8	8	-
Netherlands	55.9	67.1	34	76
New Zealand	37.9	94.1	25	-
Norway	44.8	94.5	48	49
Poland	7.9	47.3	9	36
Portugal	47.4	79.2	60	66
Romania	-	-	15	56
Slovak Republic	3.0	73.5	3	13
Slovenia	33.8	77.5	40	58
Spain	37.5	98.5	35	51
Sweden	50.3	91.1	55	52
Switzerland	-	47.5	-	-
Turkey	-	23.8	-	-
United Kingdom	40.8	92.7	22	54
United States ¹	31.4	55.7	32	49
OECD -average	31.2	77.0	-	-
EU 27 -average	29.2	80.7	-	-

1. Includes enrolment rates in formal childcare arrangements (such as group care in childcare centres, registered childminders based in their own homes looking after one or more children and, care provided by a carer at the home of the child) for children less than 6 years old. For 3 to 5 year olds these enrolment rates include formal pre-school services, and in some countries 4 and 5 year olds in primary schools.

2. The full-time equivalent rate is calculated as: FTE = Proportion of children attending formal childcare * average number of hours of attendance per week (as % of 30 hours per week).

3. The proportion of children having some form of childcare (formal or informal) during a typical week. These data are generally from national household surveys and are not strictly comparable to the data on formal care use.

NOTE: see source Tables for country notes

Source: Table PF3.2.A, PF3.2.B and PF3.3.C, OECD Family database www.oecd.org/els/social/family/database

Box 1. Childcare Usage (cont.)

The proportion of children in registered (i.e. formal) childcare varies enormously across countries. Enrolment rates for children under the age of three ranges from less than 10% in several central, eastern and southern European countries (in the Czech Republic, Hungary, Malta, Poland and the Slovak Republic) to over 50% in Denmark, Iceland and the Netherlands. Availability and use of childcare facilities is also seen to vary among “low-cost” countries identified in Section 1.3 of this report. Enrolment rates for under-three year-olds ranging from a very low of less than 5% in the Czech and Slovak Republics to over 50% in Iceland. In many of these countries it is availability rather than cost that constrain parental employment decisions.

For children younger than three even larger discrepancies are apparent after adjusting for differences in hours spent in formal care (the full time equivalent rate in the final column). In countries like Denmark, Iceland, Israel and Portugal, full-time equivalent rates are higher than participation rates as many children use formal childcare for over 30 hours per week. While in others children under three do not, on average, spend long hours in formal care and the adjusted rates are much lower. In the Netherlands, where participation in formal childcare for only one or two days per week is not uncommon, the full-time equivalent enrolment rate falls to 34%. The same pattern is evident in Australia, the Czech Republic, New Zealand and the United Kingdom.

Demand for childcare is not only influenced by its cost and the participation rate of parents (particularly mothers) but also by a range of other factors including the availability of informal alternatives (including grandparents), the length of parental leave and school opening hours. Estimates of informal care and of the proportion of children who typically do not use any care arrangements collected in the OECD Family Database (indicators PF3.3.A and PF3.3.C, respectively) indicate that informal care is commonly used in many of the countries where use of formal childcare is relatively low. In Greece, for example, only 16% of children less than 3 years of age are enrolled in formal childcare yet over 60% have some form of non-parental care in a typical week. In the Slovak Republic, Latvia, Lithuania and Austria it appears that usage of any form of childcare for children under the age of three is extremely limited as more than 70% of children in this age group have no typical care arrangements. The sizable country differences observed are a reflection of demographic and labour market characteristics as well as institutional factors such as childcare affordability, tax-benefit systems, other work/family-life reconciliation policies, including workplace practices and the nature of parental leave entitlements (and to an extent incomplete information on childcare use).

These usage patterns are consistent with inadequate provision of formal childcare reported in EGGE (2009). It details shortages of supply for at least some groups of children younger than school-age, in almost all EU countries (the exceptions being most of the Nordic countries, Austria and Belgium). In particular, for children under the age of three availability (particularly of places enabling full-time participation in the labour market) of formal care is particularly limited in Cyprus, the Czech Republic, Hungary, Greece, Poland and Spain, all countries where enrolment in formal childcare falls well short of reported regular use of some form of non-parental childcare.

There are a number of potential links between women’s participation in the labour market and the use of purchased childcare. In fact, one would expect causal links to run in both directions. Higher employment rates lead to increased demand for childcare services while adequate supply of such services enables women to combine work and family life. Another potential link works via the supply of informal care. This type of care can be especially important in countries where extended family networks are common and can serve a valuable buffer function in the face of an inadequate supply of formal childcare. Since childcare (both formal and informal) is predominantly provided by women, their attachment to the labour market has implications for their availability as care givers. This can give rise to a crowding-out effect where higher female employment rates reduce the number of women able and willing to engage in informal childcare work. In turn, this can raise the demand for formal care, reinforcing a positive association between female employment and the use of formal childcare. In situations where the supply of formal childcare is lagging behind this eventually implies a more urgent need for other forms of childcare.

Whether the infrequent use of registered childcare stems primarily from a shortage of childcare places or is a consequence of limited demand for these services is a highly policy-relevant question. Governments wishing to address obstacles to female employment will need to know to what extent employment prospects are inhibited by inadequate supply of formal childcare or by other factors, including work practices, education policies and parental-leave arrangements. It is also important to recognize links between supply and demand. Indeed, insufficient childcare capacities can conserve negative cultural attitudes towards maternal employment.

18. In practice, the distinction between subsidies, refunds, childcare benefits and even tax concessions is often not obvious (for instance, Australia's Childcare Cost Tax Rebate was renamed the Childcare Cost Rebate in 2009 in recognition of this). For individual parents considering the cost of childcare, measures that direct financial support towards the users of childcare services can be functionally equivalent to policies that affect the level and structure of fees charged by providers. For instance, a graduated fee structure can result in the same "out-of-pocket" childcare expense as an income related child benefit. The next section therefore calculates net childcare costs using available information on all relevant support measures. The analysis in this paper is of formal centre based care. The focus on centre based care is the consequence of data availability not because other forms of care are less important (use of both formal and informal care is reviewed in Box 1).

Box 2. Other social policies interact with formal childcare: two examples

Home-care or child-raising allowances Error! Reference source not found.

Generous support is sometimes available for parents caring for their own children at home (home-care or child-raising allowances). An overview of policies is shown in Column 2 of Annex Table A.3 In contrast to cash benefits and tax concessions that help reduce the net costs of childcare to working parents these payments increase family incomes if parents choose to not work and provide childcare themselves.

These child-raising or home-care allowances are generally distinct from maternity payments or benefits available as part of protected parental leave mandates (the latter generally do not affect parents of two or three-year olds as considered in this paper, except in Austria, where the parental leave benefit is available for up to 36 months). In general, these allowances are only paid to parents who have "primary care" of their children, i.e. parents need to be out of work or working part-time (in which case benefits may be reduced). In Finland and Norway, the benefit payment partly reflects equity considerations as it is also contingent on not using subsidised care facilities. The benefit is typically a flat rate payment so replacement rates with respect to earnings foregone as a result of staying at home are higher for low-earning parents. Rates may also be reduced with individual or family income above certain limits. In many countries, the maximum period of benefit entitlement can be long, exceeding 12 months by a large margin and in Hungary extends well into compulsory school-age. Since 2006 parents on these benefits in Australia are required to look for work once their youngest child turns 6 and in the United Kingdom entitlement of lone parents to (non-activity tested) Income Support is being progressively wound back (in 2008 eligibility ceased once the youngest child turned 12). Where the period of income support exceeds that of employment protected leave, as in Austria and Czech Republic, there can be financial incentives to leave the workforce.

Empirical evidence (discussed in some detail in OECD (2011)) suggests that extending parental leave durations can have negative impacts on female labour supply and that low income earners are most likely to make full use of prolonged leave arrangements. In the case of child-related leave, and also more generally, prolonged career breaks have been found to harm career development and point to marked declines of (re-) entry wages. To the extent that these policies promote extended and complete career interruptions they are detrimental to mothers' employment prospects. Rønsen (2009) finds large negative effects on mothers' labour supply of the 1998 Cash for Care Reforms in Norway (a 20% reduction in the participation of mothers of 1 – 2 year olds in response to the Cash for Care reforms introduced in 1998). Alternatively, home-care allowances may be part of more balanced policy packages that also include effective support for purchased childcare.

Grandparent carers

Grandparents are an important source of informal care in many countries. OECD (2011) discusses, and quantifies, the contribution of grandparents in this domain. Some countries make care supports available to grandparents. This can be, at least in part, recognition of the role grandparents play in the provision of childcare as is possibly the case in countries like Hungary where eligibility for the home care allowance is extended to grandparents under some circumstances. Payments explicitly for grandparent who care for their grandchildren introduced recently are also motivated by the desire to expand the range of available childcare options available to parents wanting to take up employment.

The Netherlands, in 2007, introduced a grant for grandparents caring for young (grand) children on a regular basis. Parents can receive an allowance to pay for this type of care if the grandparent is registered in a host parent agency and they satisfy a set of requirements (mostly safety related). Similarly, Australian grandparents can be Registered Carer and, if they charge a fee for the child care provided, the parents can claim the Childcare Benefit (paid at a flat rate and not income tested) for up to 50 hours a week.

In terms of generating additional supply of informal care it is likely that there is a high dead weight cost associated with such policies (the change in grandparent provided childcare is likely to be small relative to the total amount provided in the absence of such a policy). Jongen (2010) finds evidence of this in the Netherlands where, following the 2007 reform, there was a rapid increase of childcare spending, but little effect on formal labour supply. On the other hand, where provision of formal childcare is market based and there are shortages of supply, to the extent such policies do stimulate additional supply they have the potential to relieve the pressure on both fees and the limited formal childcare places available.

a. A discussion of the broad spectrum of child-related leave can be found in OECD (2011).

1.2 Net costs of childcare - “Out-of-pocket” childcare expenses

19. The affordability of purchased childcare services is determined by the interaction of the fee charged by the provider, the financial support provided to parents by the government and the resources a family has at their disposal (and, hence, also by other government policies including tax policy and benefit provision). Fees vary not only by country but by type of care and also frequently by region or municipality and by characteristics of children or parents. While one needs to keep in mind the heterogeneity of childcare arrangements it is, for an international comparison useful to focus on quite specific circumstances. Detailed estimates of net costs of childcare, derived using the OECD’s tax-benefit models, provide a full characterisation of these costs for users of centre-based childcare, and how these differ across countries and family circumstances.

20. The “out-of-pocket” expense resulting from the use of centre-based child care is equivalent to the net reduction in family budgets resulting from the use of centre-based care.⁶ It is quantified by comparing all relevant taxes and benefits between a situation where a family purchases childcare and an otherwise similar situation where no childcare services are bought (as in the case of a family able to use unpaid informal care). In essence, net “out-of-pocket” costs are calculated by subtracting childcare-related tax concessions and benefit amounts (plus any impact of childcare expenditure on tax burdens and other benefits) from the gross fee⁷ charged by the childcare provider.

21. Results for 35 countries are displayed in Figures 1.1 and 1.2 showing both total net costs and the role of individual policy instruments. The calculations relate to *full-time* care for *two children aged two and three* in a typical *childcare centre*.⁸ All calculations make use of the institutional information on childcare settings and support summarised above (and shown in detail in Annex Tables A2.2 and A2.3). For some countries the description and modelling refer to particular cities or regions. Where this is the

6. Typologies of childcare support payments are not free from ambiguities. For instance, should a lower fee payable for the second child be shown as a separate benefit/rebate or should fees be shown net of the rebate? In order to aid transparency, we have attempted to break down individual components as far as possible. Hence, where it was possible to show refunds separately from fees, we have done so. For readers familiar with the childcare cost situation in a particular country, the fee components may thus appear higher than expected if they are used to seeing them net of refunds. The important point is that all relevant components are counted one way or another and that net costs therefore accurately reflect the situation in each country.

7. Government fee subsidies based on individual family circumstances are explicitly modelled and gross fees reflect the price before such subsidies are applied wherever sufficient information is available. Where this is not possible gross fees reflect the price net of the subsidy. See Annex A – Methodology for further details.

8. The calculations are therefore relevant for the period after maternity leave but before children enter (pre-) school. The choice of ages also reflects the scope of childcare support policies, which frequently employ age cut-offs that differentiate between very young children up to two years of age and older children aged three and above. Clearly, even within this narrow range of family circumstances, actual patterns of childcare use will differ between households. An ideal way to account for the heterogeneity of childcare use would be to assess the costs faced by a representative set of households that captures the diversity of family situations. Yet, empirically grounded approaches are hampered by a lack of internationally comparable and representative data. More specifically, there are no internationally comparable micro-data that contain all the information (notably income and employment status for each family member as well as childcare use and childcare costs) necessary to analyze how different employment and care patterns may affect family budgets.

case the city or region modelled is also identified in Annex Table A1.1. Costs vary depending on family situation and earnings level.⁹ Five situations are shown here as an illustration:

- A “high income” married couple: both spouses work full-time, both with average earnings (100% AW, 200% AW in total).¹⁰
- A “moderate income” couple. The same couple but with the male earning at the 25th percentile of the male full-time earnings distribution and the female earning median wages (at the 50th percentile point of the female earnings distribution. In countries where no earnings distribution data are available it is assumed they earn 50 and 100% AW respectively).
- A “low income” couple. The same couple but with the female at the 10th percentile point of the female earnings distribution and the male at the 25th percentile point on the male earnings distribution (i.e. both spouses earn below average wages). In the absence of earnings distribution data 67 and 50% AW are used.
- An “average income” lone parent working full-time at the median wage of the female earnings distribution (100% AW where there are no earnings distribution data.)
- A “low income” lone parent working full-time (at the 10th percentile point of the female earnings distribution (50% AW, where there are no earnings distribution data).

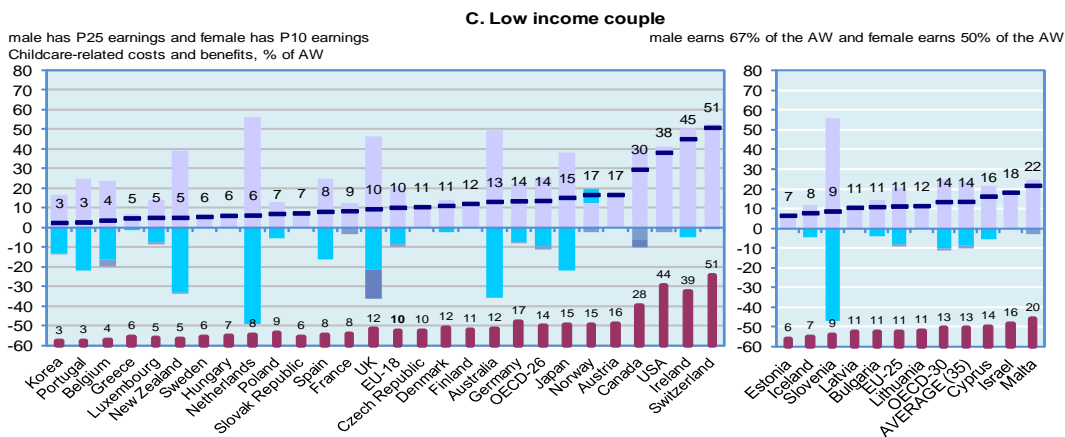
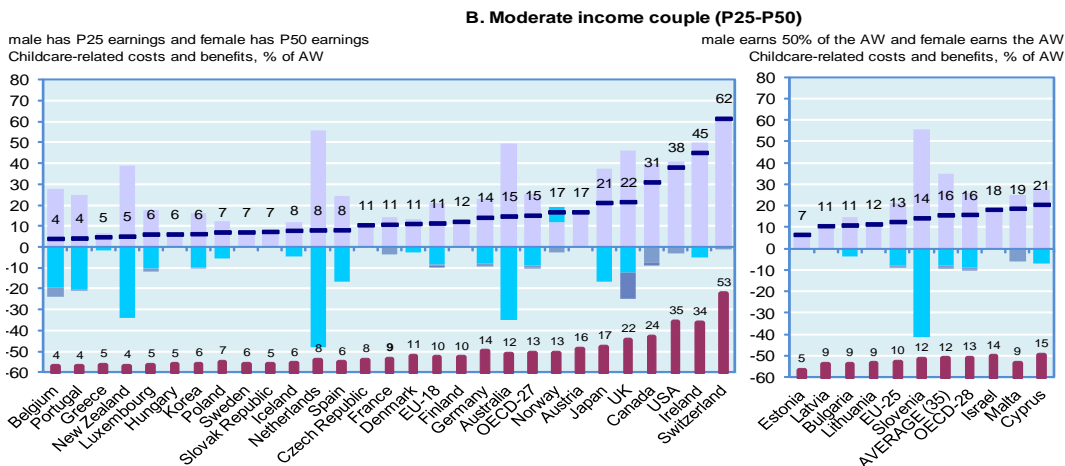
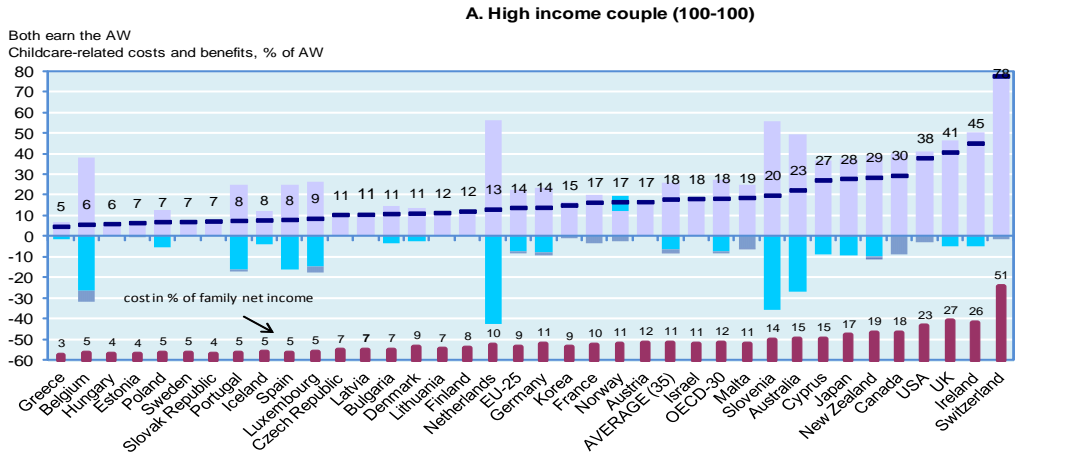
22. Across countries the range of cost estimates is wide and, even after accounting for tax reductions and childcare benefits, overall costs remain substantial in many countries. Net childcare costs range from less than 5% of the average wage for couples in Greece to over 50% in Switzerland (Zürich). Net childcare costs faced by couple families are also very high in Canada (Ontario), Ireland and the United States (Michigan) ranging from 30% to 45% of the average wage. At around 20% of the average wage they are also relatively high for all couple families in Israel and Malta and for all but the lowest income couples in the United Kingdom and Japan.

23. The range of childcare cost estimates across countries is also substantial for lone parents. Net childcare costs are low (5% of the average wage, or less) in countries where fees are relatively low for lone parents: Hungary (where lone parents do not pay any fees), Greece, Sweden and Iceland; but also in Belgium, Portugal, Luxembourg, New Zealand and the Netherlands where fees are higher. Even after accounting for all relevant government support, however, overall costs faced by lone parents are at least 25% of the AW in Canada (Ontario), Ireland and Malta. In Israel, Switzerland (Zürich) and the United States (Michigan) where low income lone parents do face lower net costs of childcare these costs are still at least 15% of the average wage.

9. Where possible, earnings levels are related to specific points on each country’s earnings distribution. For those countries where earnings distributions were not available earnings levels at percentages of the average wage corresponding (in some way) to the chosen point on the earnings distribution have been used (e.g. close to the AW percent corresponding to the average across countries at the chosen point or the AW for the median).

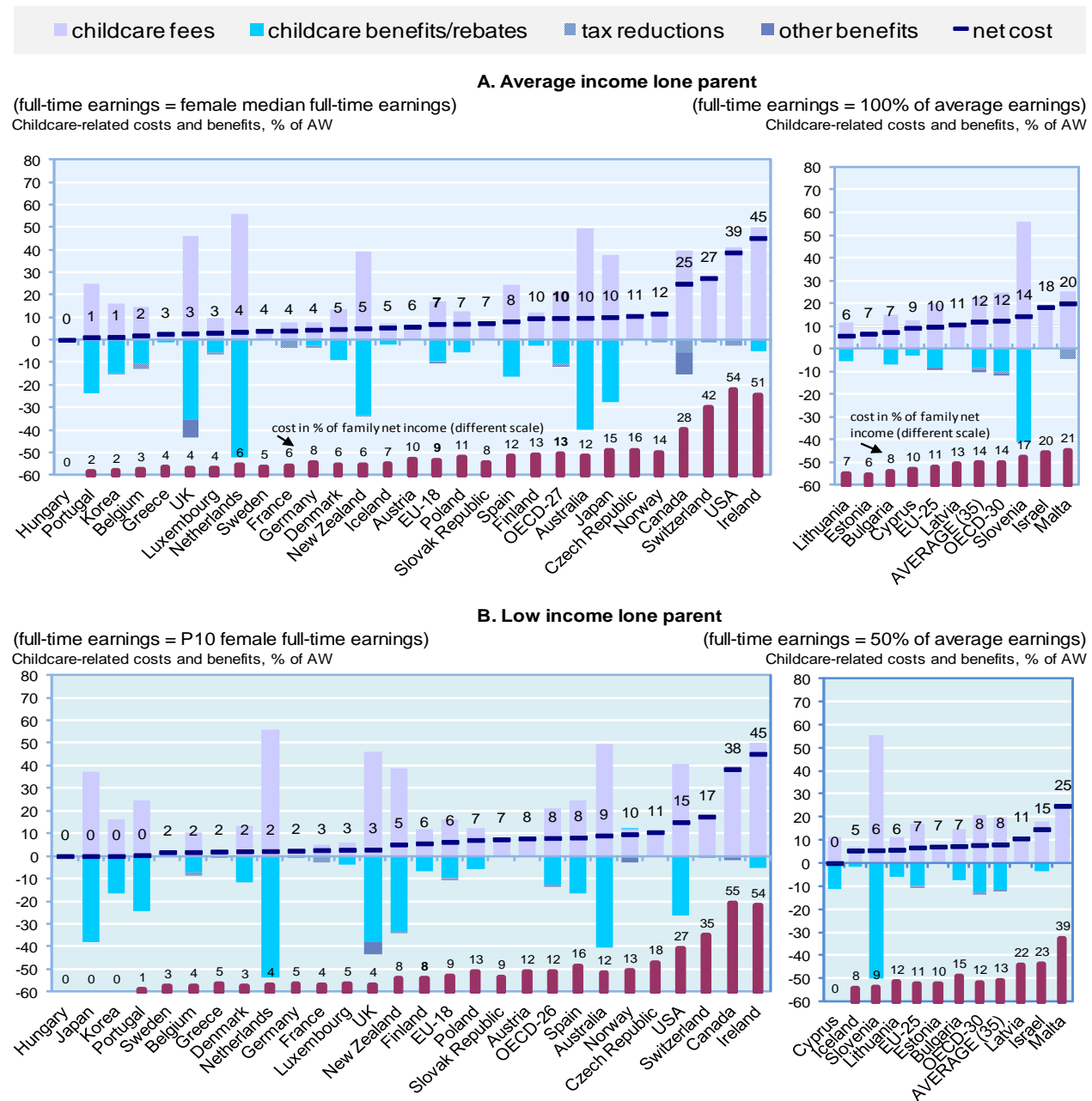
10. This family type is included to aid comparisons with the earlier calculations reported in OECD (2007). For both partners in the couple, the AW is typically higher than the median of their gender-specific earnings distribution. In countries where earnings-distribution data are available, female median full-time earnings range from 60 to 80% of the AW and the male median ranges from 75 to 100%.

**Figure 1.1: Out-of-pocket childcare costs of full-time care at a typical child care centre^{1,2}:
For a couple family couple**



1. Results are for 2008. Two children aged two and three. "Family net income" is the sum of gross earnings plus cash benefits minus taxes and social contributions. See Annex 1 for full details of modeling assumptions.
2. See footnote 2 on the first page of this document.
Source: OECD Tax-Benefit Models, 2010.

**Figure 1.2: Out-of-pocket childcare costs of full-time care at a typical child care centre^{1,2}:
For a (female) lone parent couple**



1. Results are for 2008. Two children aged two and three. "Family net income" is the sum of gross earnings plus cash benefits minus taxes and social contributions. See Annex 1 for full details of modeling assumptions.
2. See footnote 2 on the first page of this document.
Source: OECD Tax-Benefit Models, 2010.

24. The degree of targeting of childcare support to low income families is evident on inspection of Figures 1.1 and 1.2 (moving down to the lower panels of the figures family incomes decline). Across the 35 countries the average out-of-pocket expense faced by two earner couples falls from 18% of AW for high income couple (Figure 1.1 panel A) to 14% of AW for the low income couple (Figure 1.1 panel C) and then to 12 and 8% of AW respectively for the average and low income lone parent (Figure 1.2 panels A and B respectively).

25. These graphs show that two thirds of the countries target childcare support on the basis of family income. This is indicated by the absolute cost in terms of AW (i.e. the dark horizontal markers in Figures 1.1 and 1.2), being progressively lower as the earnings of the family decline. For instance, in some of the countries with above-average fees (and predominantly private provision) such as the United Kingdom, net costs are much lower for the lower-income families.

26. Lone parents, on average, face lower childcare costs than do couple families. The average costs shown in Figure 1.2 are around 40% lower than those faced by couples. In most countries this is largely the consequence of support for childcare being targeted to all low-income families. Cost reductions for lone parents in Bulgaria, Hungary, Iceland and Lithuania are achieved, however, by providing explicit support for childcare costs to lone parents rather than by targeting income as such.¹¹

27. Childcare costs in nine countries are similar for all family types. In Ireland, the Czech Republic, Latvia, Poland, the Slovak Republic and Spain, where childcare support is not targeted on the basis of income or specifically to lone parents, the net cost of childcare is the same in absolute terms (and, hence, in % of the AW). With the exception of Ireland, all these countries, however, either provide public childcare or significant subsidies to providers so that net costs are mostly below 10% of the average wage. In Ireland, the cost of full-time childcare for two young children is much higher, at 45% of the AW for all families. For some low income lone parents in Canada (Ontario), Estonia and Malta childcare costs *more* than it does for some two-earner couples with higher net incomes (the consequence of tax advantages being worth more to higher-income groups). As a result, in absolute terms a low-income lone parent in Ontario paid 50% more than did a lone parent earning the female median wage (38% compared to 25%).¹² Despite targeted childcare benefits, net costs are still high for low income lone parents in Zürich (Switzerland) at 17% of AW and Michigan in the United States (15%).

28. How affordable childcare is also depends on its relative cost, or how much of the family's budget (disposable income) it consumes. This is shown by the dark red bars at the bottom of each graph, which express childcare cost as a fraction of family net income. Looking first at two-earner couples (Figure 1.1), centre-based care in the countries where the net cost of childcare is highest in absolute terms (Switzerland (Zürich) and some of the English-speaking countries) these out-of-pocket expenses consume over 20% and as much as 50% of the entire family budget of couples with two young children. At the other end of the spectrum is a group of mostly eastern and southern European countries where childcare costs for two children consume no more than 10%, and in some scenarios less than 5%, of family net income. The impact on the family budget is also relatively low in Belgium, Luxembourg, Sweden and Iceland and also, for families with below average earnings, in New Zealand and Korea.

29. In countries where the absolute cost of childcare is similar across families with different incomes, childcare can be considerably less affordable for low-income families. In most of these countries

11. Hungary provides 100% fee relief to lone parents and to families with incomes below a specified level, but the latter is not evident from the graphs as the assumed income levels for couple families are above the relevant threshold for the relief. This is also the case for income-based fee rebates available in Malta. Austria provided childcare tax concession for lone parents specifically (this has recently been extended to all families) but this is not accounted for in the results reported here as relevant information on the parameters of these concessions was unavailable.

12. Since 2007 Ontario has been phasing in the Ontario Child Benefit (OCB) to replace the OCCS and the 2008 results reported here account for that part of the OCB that was in place in July 2008. In July 2009 the phasing in of OCB was accelerated and maximum payments to low-income families increased. The OCB is available to all low-income families with children independent of employment status or childcare use. This is likely to increase the net cost of formal childcare particularly for low income families who are eligible for the maximum OCB whether or not they use formal childcare.

families with very low-earnings spend over 50% more of their limited budget on childcare than do families with relatively high combined earnings. In the United Kingdom and New Zealand where fees are relatively high, support is heavily targeted and succeeds at keeping the share of the budget that low-income families need to devote to childcare much lower than for better-off families. As tax burdens on equivalent families vary across countries families in countries where the absolute cost of childcare is lower can have those costs consume a greater share of their budget than families in higher childcare cost countries because they face a higher tax burden before childcare. This is illustrated by comparison of the results for high income couples in Denmark and Lithuania. While childcare costs are lower in Denmark than in Lithuania much higher tax burdens in Denmark reduce family budgets so that Danish families end up spending a larger share of their net income on childcare.

30. Cost considerations, both absolute and relative, are arguably more important for lone parents. In the absence of a partner, lone parents with young children are more likely than couple households to rely on formal childcare to meet work commitments. As such, childcare costs are critical for a lone parent's decision to work. Despite absolute costs being lower for lone parents than for couple families in many of the countries considered they consume a sizeable share of their budget when they do work. For those who do not work, the prospect of high childcare costs can further weaken their incentives and their ability to look for a job.

31. In the 'high cost' countries (Canada (Ontario), Ireland, Switzerland (Zürich) and the United States (Michigan)) a working lone parent would typically have to spend between a quarter and a half of their available budget on childcare – an amount many would be unable to afford. Even in countries where costs are relatively low some low income lone parents pay between 15% and 25% of their limited family budget on childcare (Bulgaria, the Czech Republic, Latvia and Spain). In the majority of countries, however, low-income lone parents spend a smaller proportion of their limited resources on childcare than those with higher earnings.

32. The provision of good-quality childcare is expensive in all countries. But well-structured and appropriately targeted support policies can reduce the costs to parents substantially. Where such support measures do not exist, the cost of childcare can consume a third or more of family budgets and will therefore often be unaffordable, especially for low-income families and lone parents.

1.3 Impact of recent policy changes

33. Over recent years, several EU and OECD countries have adjusted policies that directly impact the cost of childcare. The 2008 estimates discussed above can be combined with the equivalent estimates for 2004¹³ in order to assess the impact such policy changes have had for families with young children.

34. The net cost of childcare in both 2004 and 2008 are shown in Figure 1.3. Over this period, averaged across countries for each family type, the net cost of childcare declined but only marginally. This small fall masks the fact that there have been large changes within some countries and some change in most. Childcare costs for all family types fell markedly in New Zealand and Iceland and more moderately in France, Norway, the Slovak Republic, the United Kingdom, Canada (Ontario) and Spain. Only in Ireland, Switzerland (Zurich) and the United States (Michigan) did all family types face higher childcare

13. The OECD tax-benefit models are continually reviewed, updated and corrected as new information becomes available. To maximise comparability the 2004 estimates were re-calculated concurrently with the 2008 estimates so the estimates here may not correspond exactly to those contained in OECD (2007). Estimates for Germany and Poland are not included in this comparison as the regions used for modelling childcare costs changed between 2004 and 2008.

costs in 2008 than in 2004. In 2008 low income families in Korea faced lower net costs while higher income families faced higher net costs than they had in 2004.

35. Figure 1.3 provides evidence that changes to childcare support policies have altered the net costs of childcare in some countries.¹⁴ Increased targeting of support to lower income families has lowered the cost to low income families and increased generosity of benefits have lowered costs for all families. On the other hand, increases in fees, in the absence of policy change have resulted in increased costs.

36. *Increased targeting:* In countries where targeting of income based support has been tightened there is evidence of costs falling more for the lowest income families than for those earning more. The increased generosity of subsidies targeted more tightly to lower income families in Korea combined with higher fees is clearly reflected by the increase in costs faced by the two highest income families and the much lower costs faced by the lower income couples. The increased generosity of the childcare tax credit¹⁵ (which is effectively an income tested benefit) in the UK is reflected in the much larger reduction in costs for lone parents than for couple families.

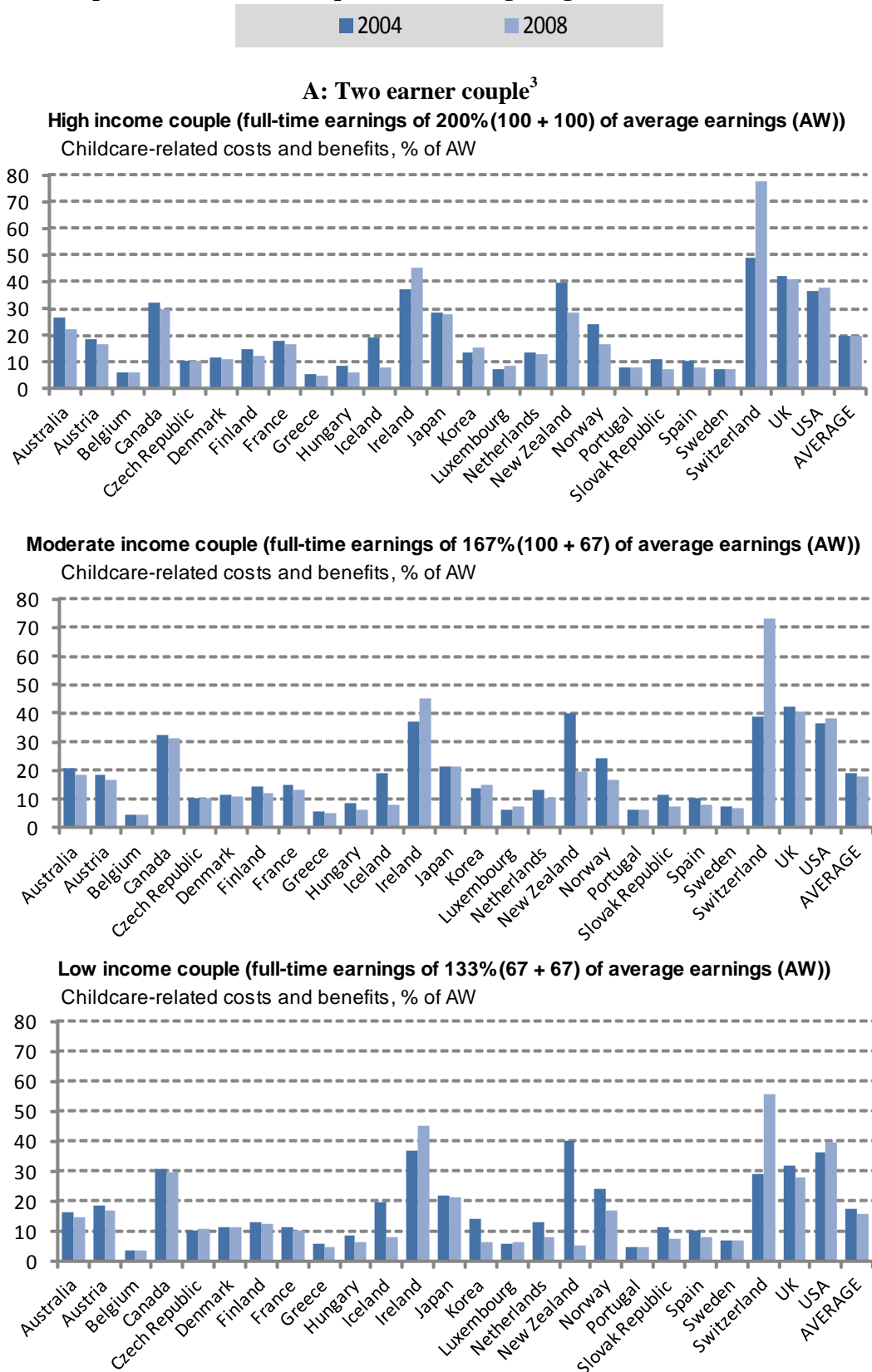
37. *Increased generosity:* Has lowered costs to all family types in some countries. The absolute reduction in fees for all families and the increase in the fee subsidy for the second child (from one third to 100%) in Iceland is clearly evident as all families pay less while the reduction in net costs is greater for the higher income families. New Zealand increased the generosity of its means tested subsidy and its associated income test and also introduced 20 hours a week free pre-school. This is reflected by the smaller declines in costs for both the high income couple (who only benefitted from the free pre-school hours) and for the low income lone parent (who already received the highest rate of subsidy). In the United Kingdom the impact of the extension of free pre-school hours is also seen in the small cost decreases for higher income families.

38. The small declines in net costs in France and Australia can also be linked to increased generosity of support. In France the tax credit was increased from 25 to 50% while net costs fell by 2 percent (of the average wage). Larger declines in net costs for higher income families in Australia suggests that they have benefitted relatively more than lower income families from the combination of policy changes, all of which increased the generosity of support to at least some groups.

14. Childcare costs change due to a range of other factors. Fees growing at a faster rate than average wages (Switzerland) and failure of benefit amounts and/or income thresholds for determining subsidies to keep pace with wage growth can result in benefit erosion and consequent increases in net costs. On the other hand nominally fixed fees (as in the case of Hungary) or fees that grow at a rate lower than that of average wages (as in the case of most countries where fees are regulated but also where current fee information was not available as estimates using inflation adjusted fees from earlier years) will result in costs falling.

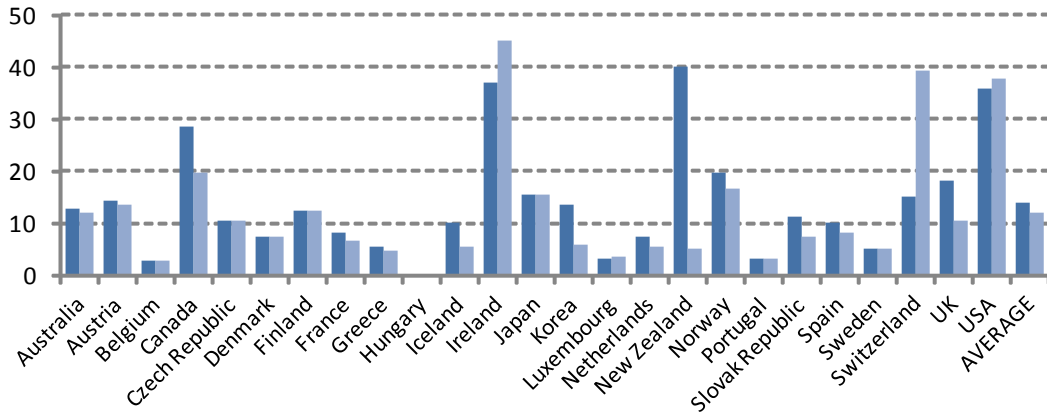
15. In April 2011, the proportion of eligible childcare expenses that could be claimed reverted, from 80, to 70% (as was always the intention). This will have a significant impact on the costs faced by low income parents, potentially increasing them by up to 50%.

Figure 1.3: Out-of-pocket childcare costs (percent of average wage), 2004 and 2008^{1,2}:

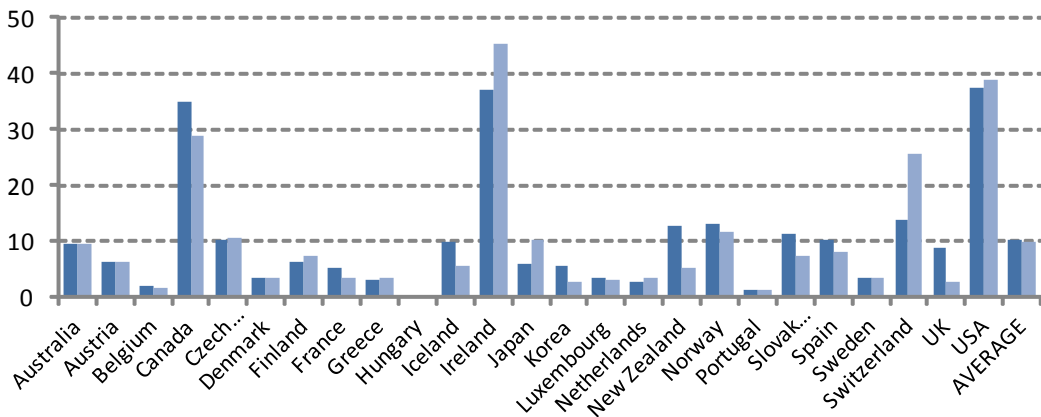


B: Lone parent³

Average income lone parent (full-time earnings of 100% of average earnings (AW))
Childcare-related costs and benefits, % of AW



Low income lone parent (full-time earnings of 67% of average earnings (AW))
Childcare-related costs and benefits, % of AW



1. Results are for 2008 and 2004 (calculated in 2010). Two children aged two and three. "Family net income" is the sum of gross earnings plus cash benefits minus taxes and social contributions. See Annex 1 for full details of modeling assumptions.

2. See footnote 2 on the first page of this document.

3. With the exception of the high income couple the definitions of family types, in terms of gross earnings, differ to those used in the rest of this report. They are the same income levels used in OECD (2007).

Source: OECD Tax-Benefit Models, 2010

39. *Fee changes:* Net costs also reflect changes in fees. Increases in net costs in both Ireland¹⁶ and Switzerland (Zürich)¹⁷ were the result of fee increases outstripping average wage growth (20% compared to 15% in Ireland and 23% compared to just over 5% in Switzerland (Zürich)). In other countries, where fees rose in nominal terms but declined relative to the average wage net costs (expressed as a proportion of

16. The results presented here for Ireland use the average wage for both 2004 and 2008 where as the results in OECD (2007) used the average production wage so the results here may seem quite different.

17. The fee used for the 2004 estimation was nominally adjusted from 2001 using the CPI while that used for 2008 was up-to-date. To the extent that the 2004 estimate underestimates the actual cost in 2004 the change in net costs is exaggerated.

the average wage) have tended to fall. Similarly, net costs have also fallen where regulated fees have not been changed (). In some countries (Canada (Ontario), Germany, Iceland, Ireland, New Zealand, Poland and Portugal) 2008 fee levels are based on estimates as up-to-date information on fees was not available.¹⁸ The resulting changes over time need to be interpreted with care in these cases.

2 Work Incentives

40. The cost of childcare is not the only factor relevant for parents considering employment versus household work and other non-paid activities (including but not limited to leisure). Childcare costs can be a major expenditure item for families with young children, and as employment behaviour of mothers is thought to be particularly responsive to changes in childcare costs, they should be included when assessing the financial work incentives of lone parents or second earners in families with young children. (Evidence on the relationship between childcare costs and employment behaviour is discussed in Box 3.)

41. Apart from childcare costs, the financial gains from work are determined by benefit entitlements, the tax treatment of employment incomes as well as the level of in-work earnings. Even in countries where childcare is well supported, the financial payoff from employment may still be limited or non-existent if other policies fail to provide suitable work incentives. This section evaluates how tax-benefit and childcare policies combine to shape the payoff from employment at different earnings levels.

2.1 *What is left after paying for childcare?*

42. To assess the effects of childcare costs on family resources across countries, incomes before and after a transition into employment for different “model families” and a range of different earnings levels are compared. Importantly, family incomes are measured after childcare cost (assuming that households where all adults are employed purchase childcare services on a full-time basis, while families with at least one labour market inactive adult do not require any non-parental childcare). As childcare is assumed to be provided on a full-time basis for both children the resulting cost estimates can be considered as upper bounds of the costs actually faced by most parents (although the fees used as a basis for the calculations are often country averages so that fees charged can be even higher in some regions or for some types of care).

43. As women spend significantly more time on childcare and domestic activities than men, the cost of non-parental childcare is particularly relevant to maternal employment. In combining the gender specific earnings data with OECD tax-benefit models, this paper explicitly quantifies the income gain from employment of mothers of young children and their families.¹⁹

44. Figure 2.1 (Panel A) plots income gains at different earnings levels relative to a “no work” scenario. It shows that across the 35 countries net childcare costs are indeed a critical factor for parents’ employment decisions. Compared to a “no childcare” scenario (dashed lines), the financial reward from employment is substantially reduced by childcare costs (solid lines). At low earnings levels, childcare costs reduce the returns to lone parents by as much as 40% and for second earners by up to 50%. Even before accounting for childcare, the net gain from employment for lone parents earning around 30% of the AW is less than 20%, and for second earners at the same wage level (whose partners earn the average wage) it is 25%. That the cost of childcare halves already meagre gains, suggest there is little financial benefit from employment in a number of countries.

18. In these cases fees are nominally adjusted using the consumer price index (see Annex A for details).

19. As far as possible, the earnings levels used for this analysis correspond to different points in the earnings distribution of women and men. The results therefore also account for country differences in gender wage gaps in order to provide a realistic picture of the financial trade-offs faced by mothers in particular.

Box 3. Labour supply effects of the cost of purchasing childcare: an update of the empirical evidence

The belief that the labour supply of mothers is responsive to childcare costs is one of the main driving forces behind childcare policy in many countries. The available evidence on the relationship between childcare costs and employment behaviour were summarized and discussed in the previous report (OECD, 2007 – Box 4.1).^a

At that time, studies estimating parents' behaviour in terms of both childcare demand and labour supply (which is consistent with observed behavior) consistently found negative impacts of childcare costs on maternal employment (the impact on fathers' employment patterns had been studied less frequently). Additional Australian evidence (Kalb and Lee (2008) and Gong, *et al.* (2010)) find stronger evidence of negative impacts than earlier Australian studies.^b Similarly both the participation and hours elasticities in Haan and Wrolich (2009), a revision of Wrolich (2006), are stronger than the labour supply responses in the earlier version.

This more recent research supports the earlier conclusions that changes in childcare costs do not seem to produce large movements of overall employment rates but that they are important for individual sub-groups. In most cases, labour supply responses are found to be substantial for low-skilled women or low-income families, for mothers of younger children and for lone parents. Full-time employment rates react significantly more strongly to changes in childcare costs than part-time employment rates.

The commonly held belief in the existence of a negative relationship between childcare costs and maternal employment is also supported by empirical evidence that is not focused on estimating this relationship directly. For instance, Rønsen (2009) finds large negative effects on mothers' labour supply of the 1998 Cash for Care Reforms in Norway, a reform which effectively increased the relative cost of formal child care.

To avoid misinterpreting the available evidence, especially when employment effects are compared across countries, the characteristics of existing childcare policies should still be considered carefully. Some of the relevant factors are listed below.

Childcare costs faced by parents differ enormously both within and between countries. Where cost differences are large, a comparison of elasticities provides only a partial picture of the influence of childcare costs on employment. While knowing the labour supply consequences of a given percentage change of childcare costs is of interest when considering alternative childcare policies in a given country, elasticities are not sufficient for assessing whether childcare costs are "more important" for employment in one country than in another. Detailed information on these costs – as derived here – is a prerequisite for making such comparisons as responses will tend to be small in countries where childcare costs are low (the same applies to cost differences within a country). In particular, elasticities are not very useful where existing costs are very low (as shown above, net costs can be close to zero in some cases).

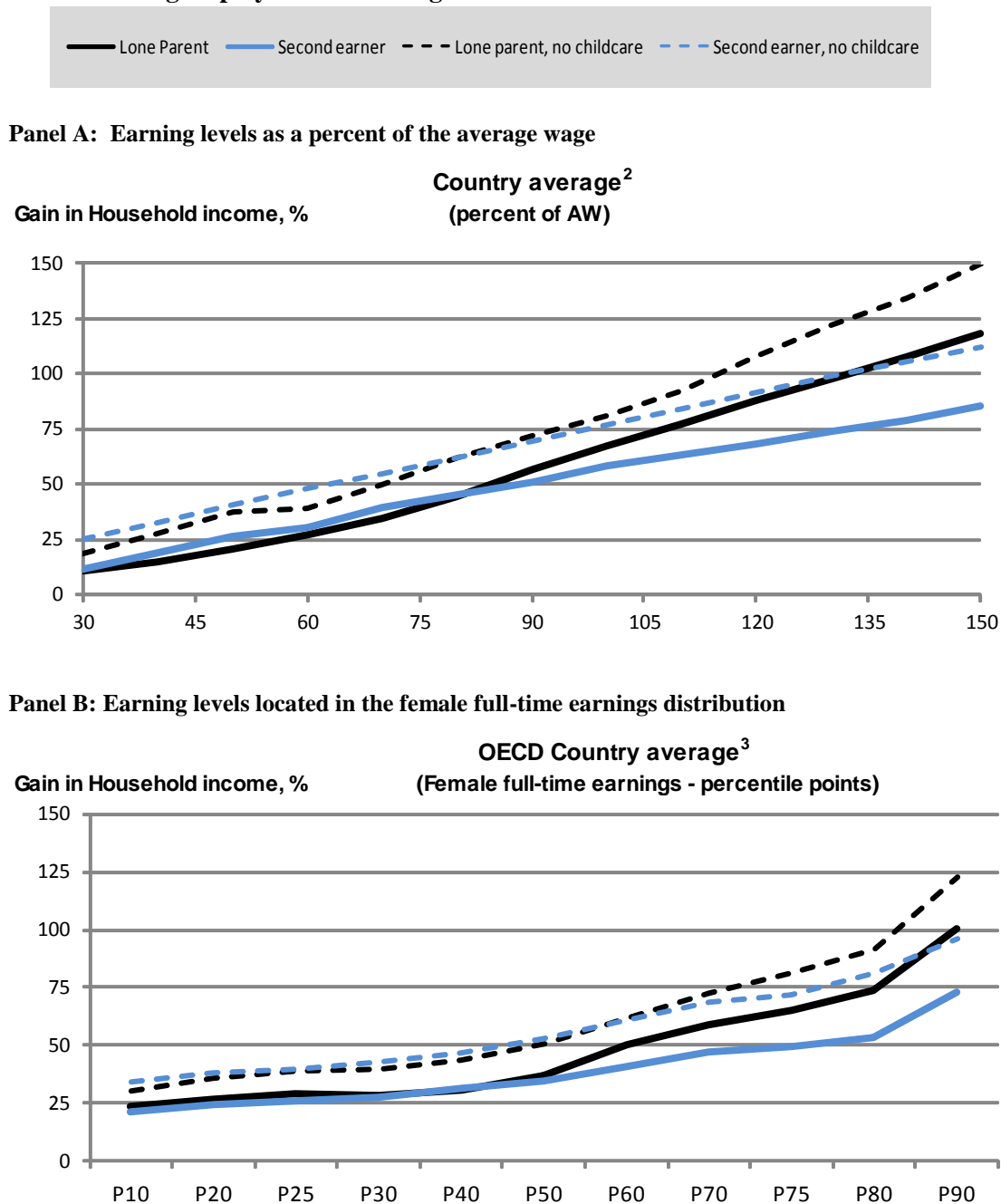
Labour supply studies differ with respect to the particular childcare cost variable they investigate. As shown in Section 2 above, changes in childcare fees (the prices charged by providers) are often partially compensated by tax concessions or childcare-related cash transfers to parents. Changes in these fees will then result in smaller expenditure changes than changes in the net cost to parents. As a result, studies analysing the effect of altering the net costs to parents, tend to find larger labour supply effects than those investigating the impact of higher or lower fees.^c

There are barriers to the use of childcare that are not primarily cost-related. Supply is severely constrained in some countries or regions. Where demand exceeds supply, costs have a limited impact on childcare use and, thus, labour supply. For similar reasons, employment effects of childcare costs will tend to be small if parents do not use available childcare services for reasons of insufficient care quality.

Other social and fiscal policies can also present employment barriers. Results in section 2 of this report show that adverse work incentives are frequently caused by high tax burdens or the withdrawal of benefits once individuals start to work. Small labour supply effects of childcare costs then do not necessarily suggest that high childcare expenses do not present an obstacle to employment. Rather, costs may need to be brought down while at the same time re-balancing tax and benefit provisions to address existing work incentive issues.

- a. At that time the research had mostly focused on North America (Anderson and Levine, 2000; Michalopoulos and Robins, 2002; Powell, 2002), the United Kingdom (Blundell *et al.*, 2000), continental Europe (Choné *et al.*, 2003; Del Boca and Vuri, 2004; Kornstad and Thoresen, 2007; Wrolich, 2004) and Australia (Doiron and Kalb, 2004).
- b. Earlier Australian studies had found elasticities at the lower end of the range found in the international literature. Kalb and Lee (2008) found higher elasticities for lone parents with preschool children and/or on relatively low wages than previously and Gong *et al.* (2009) find a significantly negative effect on the labour supply of married mothers with young children in line with the evidence from comparable countries.
- c. Even this relationship can be ambiguous. Kalb and Lee (2008) find the opposite and also provide an interesting example of how critical it is to understand the policy environment within which parents make labour supply and childcare decisions. Their (counterintuitive) finding of stronger responses (by lone parents) to a 10% increase in gross prices than to an equivalent increase in net costs is understandable in the light of the fee increase generating a greater than equivalent increase in net costs - the consequence of many lone parents who received the maximum, effectively flat rate, benefit (and as such paying only a small proportion of the gross fee) before the fee increase having a significant (70% prior to 2008) portion of the fee increase directly incorporated into their net cost.

Figure 2.1: Starting employment: income gain net of childcare cost¹:



1. In the case of the couple family the first earner is employed full-time at the average wage.

2. Median of the 35 countries with data on childcare.

3. Median of 27 OECD (excludes Chile, Estonia, Israel, Italy, Mexico, Russia, Slovenia and Turkey) and only quartiles measures are included for Iceland

Source: OECD Tax-Benefit Models, 2010

45. Panel B of Figure 2.1 plots the same income gains against the female full-time earnings distribution. It demonstrates weak work incentives over a significant part of the female full-time earnings distribution. Before childcare is considered, many mothers of young children working full-time are unable to increase their family income by even 50%. Even those working full-time at the median wage achieve only a 50% increase. When childcare costs are included median earning mothers manage to increase their

family income by less than 40%. A single mother has to command a full-time wage in the top 40% of the earnings distribution and a second earner must be able to earn a wage in the top 25% to achieve a 50% increase in her family's income.

46. Targeting of support for childcare costs is evident in both panels of Figure 2.1. The higher work incentives for second earners, over the lower half of the earnings distribution, in a “no childcare” setting evaporate when childcare costs are taken into account. In fact, work incentives are actually stronger for lone parents across most of the lower half of the earnings distribution once childcare costs are included in the assessment (Panel B).

47. Compared to 2004, across the OECD countries, little has changed for lone parents once childcare is taken into account or second earners both before and after childcare. The only notable change is the improvement in returns from employment for low earning lone parents *before childcare* is taken into account. In 2004 in the “no childcare” setting relative income gains for lone parents were much lower than those available to second earners. While still lower in 2008, the difference is not as extreme. This suggests that while policy reforms have attempted to make employment more attractive for low earning lone parents this has not, been achieved by reducing relative childcare costs.

48. Detailed results for each country are shown in Annex Figures A2.1 (for two parent families) and A2.2 (for lone parents). For each country and family type, the graphs display the net income gain from taking up employment at different earnings levels (in terms of decile points on the female full-time earnings distribution or in terms of proportions of the AW) with and without childcare. The distance between the “with” and “without” childcare numbers represents the influence of childcare costs on work incentives. The depiction of income gains against earnings deciles provides an indication of the potential share of mothers facing adverse work incentives.

49. Existing policy regimes generate hugely different work incentives for parents across countries. For instance, for lone parents moving into low-wage employment, income gains range from plus 50% and more (Denmark, Estonia, Hungary, the Slovak Republic and, over the lowest quarter of the earnings distribution, in the United States (Michigan)) to minus 30% (Canada (Ontario), Ireland and Switzerland (Zürich)). In addition, the impact of childcare costs on work incentives (identified by the gap between the “no childcare” and “childcare” scenarios) varies enormously (for low earning lone parents from over 70 percentage points in Canada (Ontario) to zero in countries where low earning lone parents childcare costs are fully subsidised).

50. While the heterogeneity of policy configurations across countries drive these observed differences it is also evident that very different institutional setups can lead to remarkably similar outcomes. To facilitate the discussion of these results, it is useful to group countries according to net income gains from employment after taking childcare costs into account and the extent to which childcare costs drive the results. A resulting set of clusters is shown in Table 2.1. Countries where work incentives are poor are located in the low net income gain column (and are marked in red if there is no net income gain from taking up employment) and those where the net cost of childcare has a large adverse impact on work incentives (where the gap is large relative to income gains in the “no childcare cost” scenario) are in the bottom row). Countries towards the bottom left corner are those where childcare support policies would be most crucial to address existing incentive issues.

Table 2.1 Work incentives and the contribution of childcare costs

A. Second earner

		Financial incentives to take up employment (net income gain)		
		<i>Low</i>	<i>Moderate</i>	<i>High</i>
Impact of childcare on net income gain	<i>Low</i>	Czech Republic (-) Denmark (-) Netherlands United Kingdom (-)	Belgium (-) Iceland (-) New Zealand (-) Slovenia (-)	Estonia (+) Greece Latvia (+) Luxembourg Poland (+) Portugal (+) Slovak Republic (+) Sweden (+)
	<i>Moderate</i>	Canada (-) Switzerland (-) Latvia (-) Austria (+) Belgium (+) Czech Republic(+) Denmark (+) Finland (+) Germany Hungary (+) Iceland (+)	Australia Finland (-) Japan (-) Malta (-) Norway (-) Poland (-) Sweden (-) Canada (+) New Zealand (+) Slovenia (+)	Bulgaria Estonia (-) France Hungary (-) Korea (-) Lithuania Portugal (-) Slovak Republic (-) Malta (+) Norway (+) Spain (+)
	<i>High</i>	Ireland (-) United States (-) Switzerland (+)	Austria (-) Ireland (+) United States (+) United Kingdom (+)	Cyprus Israel Spain (+) Japan (+) Korea (+)

B. Lone Parent

		Financial incentives to take up employment (net income gain)		
		<i>Low</i>	<i>Moderate</i>	<i>High</i>
Impact of childcare on net income gain	<i>Low</i>	Japan (-) Czech Republic (+) Belgium (-) Germany Luxembourg (-) Netherlands Portugal (-)	Belgium (+) France Korea Luxembourg (+) Sweden	Cyprus (-) Denmark (-) Hungary Lithuania (+) Portugal (+)
	<i>Moderate</i>	Czech Republic (-) Latvia Slovenia (-) Switzerland Bulgaria (-) Iceland (-) Israel (-) Lithuania (-) New Zealand (-) Norway (-) Poland Austria (+) Canada (+) Finland (+)	Australia Austria (-) Cyprus (+) Finland (-) Iceland (+) Malta (+) New Zealand (+) Norway (+) Spain (-) United Kingdom	Bulgaria (+) Denmark (+) Estonia Greece Slovak Republic (+)
	<i>High</i>	Canada (-) Ireland Malta (-) Poland (-)	United States (-)	Slovak Republic (-) United States (+)

Note: 1 A country is classified in more than one cell if its position differs significantly between low-wage (-) and higher wage (+) jobs.

2 Countries in red indicate negative income gains.

Source: Figures A2.1 and A2.2.

51. Several observations stand out. As in 2004 it is striking that the groupings do not mirror commonly-used categorisations in terms of welfare state regimes (for example the low-low cell in Panel A). Adverse work incentives can occur as a result of high childcare costs or because of other factors. Work incentives vary widely within countries. These observations suggest that no simple set of policy prescriptions is appropriate for addressing the observed work incentive issues. Policy responses need to be multifaceted and tailored to each country.

52. Weak or non-existent financial work incentives are found in a large number of countries, particularly for lone parents. In Bulgaria, Canada (Ontario), the Czech Republic, Iceland, Ireland, Japan, Latvia, Lithuania, Malta, Slovenia and Switzerland (Zürich) lone parents with low prospective wages are better off (sometimes substantially so) staying at home and collecting welfare benefits than seeking employment (negative income gains in Figure A2.2). The cost of childcare acts as a major barrier to work and can be particularly influential in determination of the net income gains for second earners.

53. The graphs at Figure A2.2 for Canada (Ontario), Ireland and the Malta (and Michigan from where the fee subsidy is phased out at about the 25th percentile point on the earnings distribution of the AW) very clearly show that childcare costs create inactivity traps. Reducing childcare fees would move income gains towards the dashed line, which would make employment more attractive. A strong and sustained policy commitment would be required to reduce costs to a level which improves work incentives including supply-side measures if there is evidence of shortages (as reported for Ireland and Malta EGGE (2009)). These changes may include subsidies to reduce the cost of childcare provision and to direct investment in childcare facilities. High start-up costs can hold back investment, especially in disadvantaged areas that may be less attractive to privately-owned childcare operators (but where maternal employment is required to contain poverty risks).

54. Inactivity traps also exist in countries where childcare is much more affordable for low-wage lone parents, such as in the Czech Republic, Iceland, Japan or Slovenia. When the payoff from employment is very low even without childcare (dashed line in Figure 4.A1.2), changes to childcare-related policies may not be sufficient to make work more financially attractive. Instead it may require rebalancing of tax and benefit policies more generally to improve such work incentives. A balanced approach is also required for Bulgaria, Latvia and Switzerland (Zürich). High childcare costs further exacerbate the weak work incentives prevailing for lone parents.

55. Figure A2.2 shows that the gap in Ontario between the “no childcare” and “childcare” scenarios narrows at higher earnings levels. This implies that childcare support is targeted towards higher income families, who benefit disproportionately from the tax-deductibility of childcare expenses. In addition to treating childcare costs as tax-deductible work-related expenses, further support measures would be needed if lone parents with low prospective wages are to financially benefit from employment. This could be achieved, for example, by combining tax-deductibility with a refundable tax credit or targeted fee reductions (as in Belgium or New Zealand: see Annex Table A2.3).

56. In Denmark, Estonia, Greece, Hungary and the Slovak Republic, even after accounting for childcare costs, low wage employment brings significant income gains for most lone parents. This is generally the consequence of relatively low out of work incomes combined with low cost (mostly publicly provided) childcare. Work also pays for very low earning lone parents in the United States (Michigan). The tightly targeted childcare subsidy (financed through the CCDF), combined with low out of work incomes, ensures that employment results in significant income gains for these lone parents despite high childcare costs. There is, however, a significant low wage trap: the consequence of the rapid withdrawal of this childcare support. Around the earnings range where the subsidy is entirely phased out lone parents are subject to particularly distorted work incentives. A graduated withdrawal of the subsidy would reduce this distortion. Low wage traps are evident in the graphs for Austria, Cyprus and Poland although only in

Cyprus is this, at least in part, the consequence of withdrawal of income-based assistance with childcare costs.

57. There are a number of countries where moderate work incentives at very low full-time earnings levels improve rapidly even for small increases in earning capacity. For Belgium, France and Sweden, this is, in part, achieved by keeping fees very low (and relatively low in Korea, Norway and Poland), particularly for low-income parents. Fees are higher in Australia, New Zealand, Portugal and Spain but financial incentives for low-wage work are nevertheless more favourable than in many other countries. In Australia and New Zealand, balanced child-care policy packages are combined with relatively generous benefits for those without a job while still maintaining incentives to take up employment, even for those facing high childcare fees in order to work.

58. Elsewhere the returns from employment rise slowly, if at all, particularly in the lower half of the earnings distribution. This suggests that a large proportion of lone mothers face relatively poor work incentives. For lone parents in Finland, Germany, Luxembourg and the United Kingdom formal childcare is relatively inexpensive. Steep benefit withdrawals, high tax burdens for employees, or both, prevent further gains from employment, particularly for low earners. In Israel, where childcare is more expensive, work incentives are also further compromised by concurrent withdrawal of social assistance and childcare support combined with the requirement to make of social security contributions.

59. While the payoffs from employment can be very unfavourable for lone parents, a general pattern that emerged from the clusters in Table 2.1 is that childcare costs can be a particularly powerful determinant of net income gains in the case of second earners, especially at lower wage levels. Indeed, the influence of childcare costs, indicated by the vertical distance between the “with” and “without” childcare lines in Figures A2.1 and A2.2, is frequently larger for second earners than for lone parents. Childcare benefits are frequently targeted to the poorest families so two-earner couples may only be entitled to reduced support payments or may be ineligible altogether.

60. As a result, childcare costs can be substantially higher in absolute terms (notably in the United States (Michigan) and Switzerland (Zürich) but also in Slovenia, Japan, Denmark, Germany and Austria). Whereas inactivity traps for lone parents can arise from a range of different policy features (notably benefit withdrawals), for second earners, childcare costs, combined with means tested withdrawal of support for these costs, tend to be the main driver of reduced income gains (as for example for Japan and New Zealand).

2.2 *Where did it go?*

61. The mechanics behind incentive problems can be seen in Figure 2.3. These average effective tax rate (AETR) graphs examine the extent to which individual policy instruments contribute to the overall erosion of the financial gains from work. Relative to standard AETRs, calculated using the OECD tax-benefit models,²⁰ the main difference is the inclusion of the influence of childcare fees alongside tax burdens and benefit withdrawals. The contribution of childcare costs to the AETRs is represented, in Figure 2.2, by the gap between the “with childcare” and “without childcare” markers.²¹

62. The dominant role of childcare costs is confirmed by the decomposition of the two-parent AETR. Inclusion of childcare costs almost doubles the average AETR of a low-wage second earner

20. See, for example, the depiction in Chapter 3 of OECD (2007). Differences also arise for the other income components as the use of childcare affects income taxes and, especially, benefits for those taking up a job.

21. Whenever the size of this gap is smaller than the fees, parts of these fees are compensated so that working parents do not bear the full burden.

(across the 26 OECD countries for which earnings distribution data was available it increases from 35 to 67%).²² This is an impact equivalent to taxes, social contributions and benefit losses combined. AETRs facing low-wage second earners are over 70% in almost a third of the countries. In a few cases, tax burdens (for example, Denmark and Belgium) or the withdrawal of home-care allowances (the Czech Republic and Finland) contribute substantially to above average AETRs. Predominantly, however, high AETRs, and associated adverse work incentives are the result of very high childcare fees (. A few countries employ childcare-related tax concessions and cash benefits in order to counteract most of the adverse impact of childcare fees (Australia, the Netherlands and the United Kingdom; to a lesser extent Belgium and New Zealand). Whenever the size of this gap is smaller than the fees, parts of these fees are compensated so that working parents do not bear the full burden.

63. For second earners concessions which reduce the parental cost of childcare play a much smaller role than they do for lone parents (comparing Panels A and B in Figure 2.2 the “gap” is almost 50% larger, on average, for second earners – 32% compared to 19% for lone parents earning at the 10th percentile of the female earning distribution, 27% compared to 16% for lone parents earning 50% of the AW). Nonetheless, AETRs faced by lone parents exceed those faced by second earners in most countries (exceptions are Australia, Austria, Denmark, Germany, Greece, Hungary, the Slovak Republic, the United Kingdom and the United States (Michigan)).

64. Work incentives for most low-wage lone parents are often limited, despite an emphasis in many countries of promoting work as a means of reducing poverty and targeting of childcare assistance to low earners. The effect of childcare costs on the financial work incentives they face is apparent in Panel B of Figure 2.2. On average, low-wage lone parents are effectively left with only 20% of their gross earnings available for the family to consume. In several countries, they are not financially better off in paid work (Canada (Ontario), the Czech Republic, Ireland, Japan, Latvia, Malta, Slovenia and Switzerland (Zürich)).

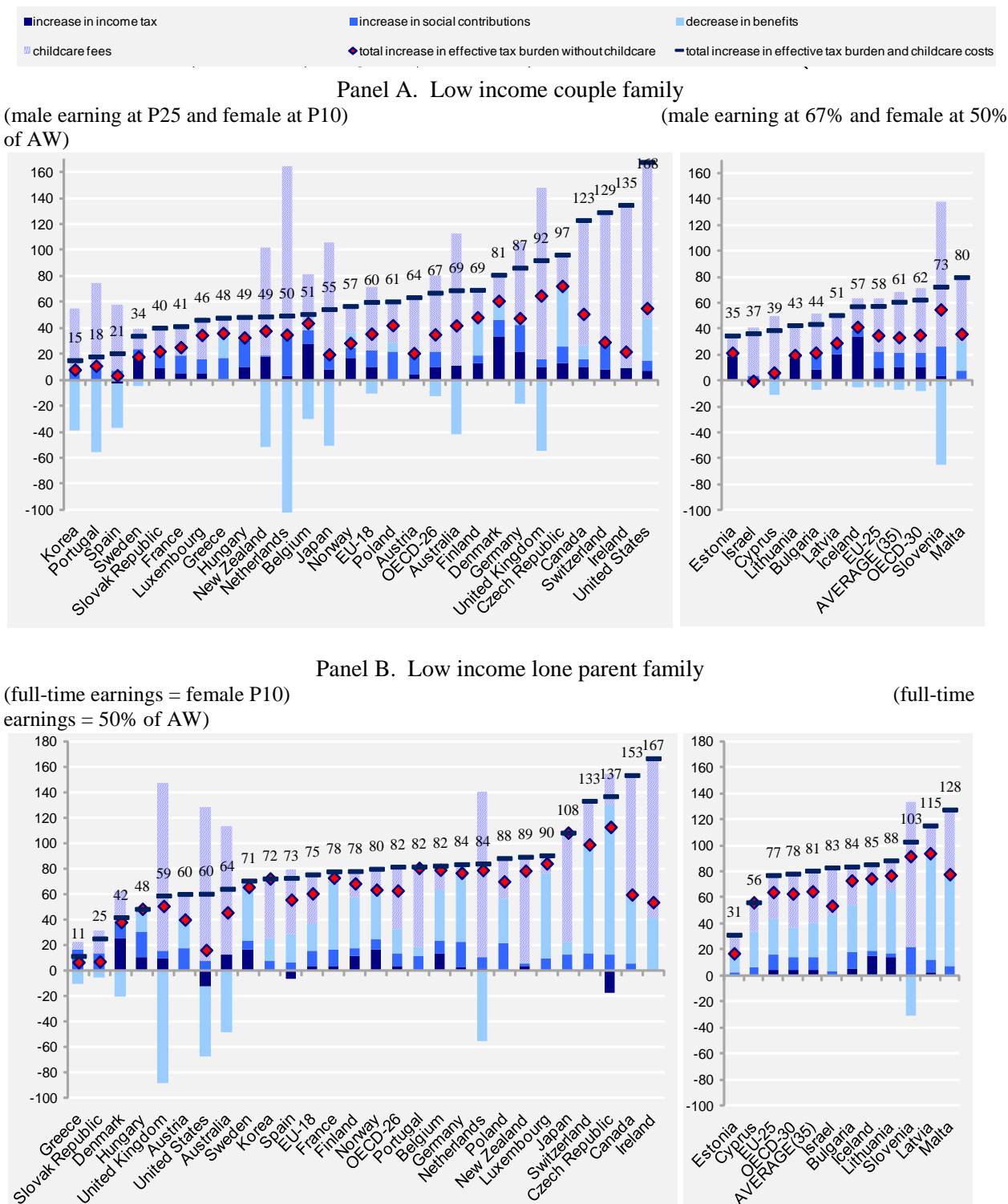
65. The cost of child care acts as a major barrier to work in Ireland and Canada (Ontario) where it more than doubles the AETRs faced by low earning lone parents and pushes the AETR above 100%. Childcare costs also more than double the AETR in the Slovak Republic even though the overall rate is low. In Malta and Switzerland (Zürich), already weak work incentives are further diminished when childcare costs are taken into account. In contrast, childcare costs are well supported for low earning lone parents in Japan, Latvia, Slovenia and the Czech Republic where the weak work incentives (high AETRs) are largely the result of high benefit withdrawal before childcare costs are considered.

66. Gains from employment after childcare costs are evident for Greece, the Slovak Republic, Estonia, Denmark and Hungary (where low-wage lone parents retain at least half their employment earnings). In Australia, Austria, Cyprus, the United Kingdom, and the United States (Michigan) low wage lone parents are able to retain at least 30% of their employment earnings.

67. In some countries, particularly in southern and Eastern Europe, making work pay is achieved by keeping fees low, often through public provision of childcare centres. Where the capacity of such centres is limited it is access, not the cost of childcare, which is the key constraint on maternal employment. In other countries, such as Denmark, moderate fees are combined with income-based fee subsidies to reduce the impact of childcare costs on the work incentives of low earners.

22. The average AETR across all 35 countries increases from 33 to 61% when childcare costs are taken into account (estimated for the low income couple where the male earns at 67% and the female at 50% of the AW).

Figure 2.2: What is gained from taking up low-paid employment¹
 (Childcare fees and change of taxes and benefits relative to earnings in new job², percent)



1. See footnote 2 on the first page of this document.

2. Transitions from labour-market inactivity (*i.e.*, without unemployment benefits) to a full-time low-wage job (10th percentile of female earnings distribution or 50% of AW if no earnings distribution data). Assumes full-time centre based care while in work and no childcare costs while out of work. Benefits available only on a temporary basis immediately following the transition into work are not taken into account.

Source: OECD Tax-Benefit Models, 2010.

68. In Australia, the United States and the United Kingdom, childcare is largely privately provided and the effect of relatively high market-based fees on work incentives is moderated by income-based fee subsidies and/or fully refundable tax credits. In United States (Michigan), income-based support for childcare fees is tightly targeted and the effect of childcare costs on work incentives for lone parents earning the average wage is much more evident, as reflected by its contribution to the effective tax rate.

2.3 *Have incentives to work changed?*

69. Changes in childcare costs since 2004 were identified in Section 1.3. It is of interest to know how these changes in costs, particularly those related to specific policy initiatives, have translated into changed work incentives. AETRs from 2004 are presented alongside those for 2008 in Figure 2.3 for a low earner lone parent and for a second earner in a low earning couple. The graph provides evidence of large changes in AETRs despite the fact that across these OECD countries AETRs faced by both have fallen by barely one percent.

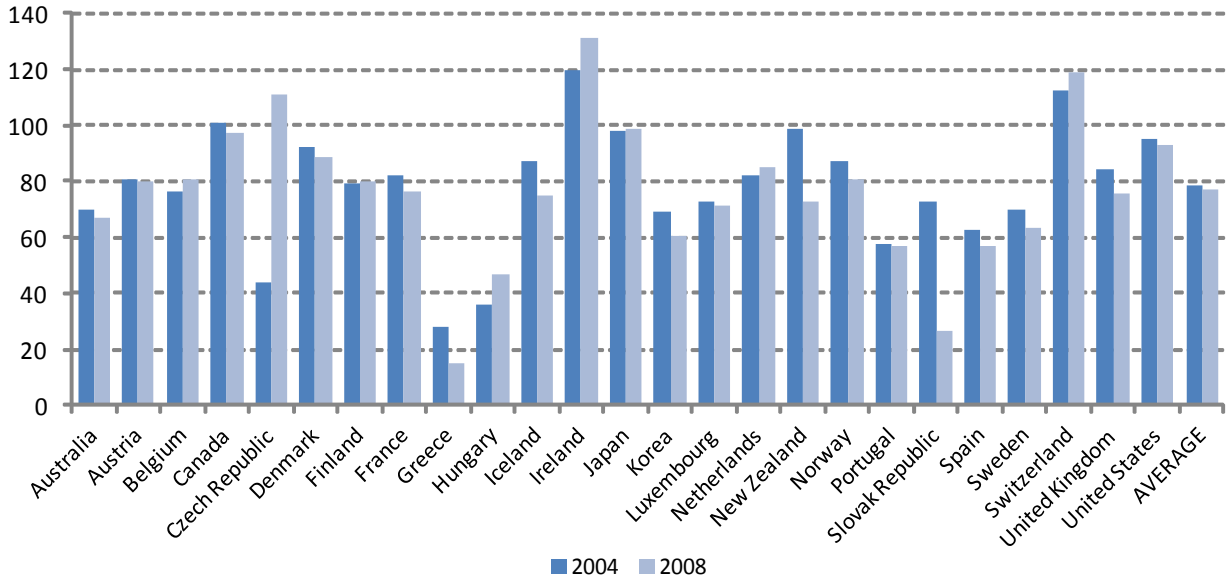
70. Changes in childcare costs are reflected in AETRs. The large change in the AETR for the second earner in Switzerland (Zürich) is entirely due to increased childcare costs and the smaller change observed for the lone parent would have been higher if there had not been any offsetting policy changes.

71. Childcare related policy changes contribute to changes in AETRs but so to do other policy changes. AETRs for both the second earner and the lone parent in New Zealand declined which is consistent with the increased support provided in that country. Here though the decline is greater for the lone parent than for the second earner whereas childcare costs fell much more for the second earner. If there had been no other policy changes the AETR for the second earner would have fallen more than twice as much (by 30 percentage points) and that of the lone parent only half as much (by only 11 percentage points). Increased generosity of childcare related benefits are also, at least in part, responsible for the observed decline in AETRs in Iceland and for lone parents in Korea.

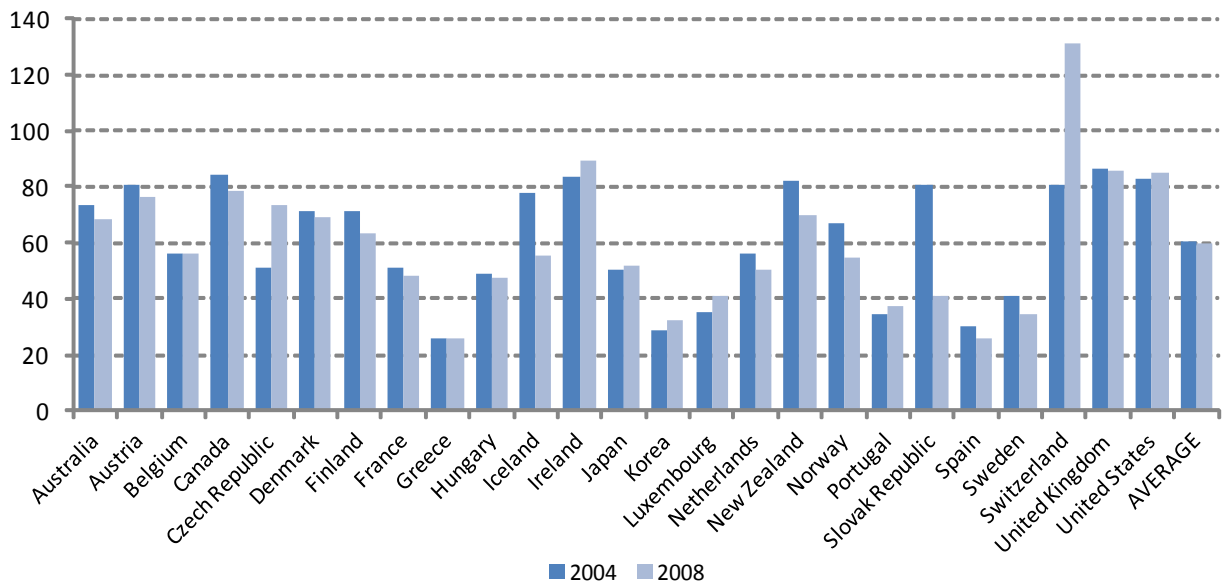
72. The largest changes to AETRs occurred in the Slovak Republic (where they fell by more than 50%) and the Czech Republic (where those faced by low earning lone parents more than doubled). The fact that the largest changes in AETRs occurred in countries where there was no change to childcare policy settings serves as a reminder that if the objective is to improve work incentives for mothers childcare policy needs to be considered in the context of the broader policy environment.

Figure 2.3: Changes in AETRs since 2004, entering at low earnings^{1,2}

A: Lone Parent



B: Second Earner



1. Transitions from labour-market inactivity (*i.e.*, without unemployment benefits) to a full-time low-wage job (67% of AW as in OECD (2007)). Assumes full-time centre based care while in work and no childcare costs while out of work. In the case of the second earner the other parent is assumed to be working full-time at the average wage Benefits available only on a temporary basis immediately following the transition into work are not taken into account. Results for both 2008 and 2004 were calculated in 2010.

2. See footnote 2 on the first page of this document.

Source: OECD Tax-Benefit Models, 2010

3 Childcare costs and income adequacy

73. Countries attach high priority to reducing child poverty. The economic vulnerability of children is linked to the employment status of their parents. Activation strategies, including child care policies directed at encouraging maternal employment, recognize the role of work in helping people achieve higher living standards and break adverse generational cycles. These policies aim to encourage employment and self-sufficiency by supporting transition from unemployment or inactivity into work. When effective, such policies can markedly improve a child's development, well-being and later life opportunity with consequent positive impacts on the next generation.

74. The previous section highlighted how current policy settings in many countries result in many lone parents and second earners in families with young children who require formal childcare in order to take up employment facing weak work incentives. For workless families with children there is evidence that changes to tax and benefit policies narrowed the gap between social assistance benefits and the poverty threshold for families (OECD 2007). Yet, in a clear majority of OECD countries, these families still have net incomes below commonly-used poverty thresholds.²³ Work is therefore critical for reducing risks of poverty for families with children.

75. By examining the poverty status of families with young children and assessing the work effort required to ensure these families have an adequate standard of living (60% of equivalised median income) this section draws out implications of the cost of childcare on the effectiveness of 'activation' strategies for reducing child poverty. In doing so it provides a measure of how much families would have to earn to escape poverty after accounting for childcare costs.

3.1 Work to escape poverty

76. Childcare costs can significantly increase poverty risks. Comparison between countries of the work effort required by a family to achieve a higher standard of living (before and after childcare costs) provides an objective measure for countries to assess activation strategies and to identify situations where childcare costs contribute to the risk of perpetual poverty.

77. The higher risk for jobless families is demonstrated in Table 3.1 where poverty rates²⁴ of jobless families (both lone parent and couple families) are, on average, three times higher than those of working families. Poverty rates are also higher, on average, in families where only one parent is employed (working lone parents and couple families with one worker) than in (couple) families with two workers. Families with one parent employed are at least four times more likely to be in poverty than are those with both parents in work.

78. Families where mothers work are much less likely to experience economic hardship. The extent to which maternal employment can reduce poverty risks is illustrated Figure 3.1.²⁵ The focus is on mothers and maternal employment as 85% of lone parents are women and in couple families where only one parent works over 80-90% of the non-working parents are women (OECD (2010) Tables SF1.1.A and LMF2.2G).

23. In around two thirds of the countries considered, net income of families with two children relying on minimum-income cash benefits (excluding housing assistance) were below the 40% median income threshold. After allowing for cash housing benefits, net incomes exceeded the 50% median income measure for less than a third (OECD 2007 and Immervoll 2010).

24. Poverty rates are measured with respect to half the median disposable income.

25. There is also ample evidence that long-term absences from the labour market harm women's future career prospects and the economic well-being of the family (e.g., Beblo *et al.*, 2009; Buligescu *et al.*, 2009). In many respects, work therefore clearly does pay for women and their families.

Table 3.1 Child poverty and parental employment, mid-late 2000s¹

	Children (0-17)	Sole parent		Two parents		
		Not working	Working	No worker	One worker	Two workers
Australia	11.8	67.8	6.1	50.8	7.9	1.0
Austria	6.2	51.3	10.5	36.3	4.5	2.9
Belgium	10.0	43.2	10.1	36.1	10.6	2.5
Canada	14.8	90.5	29.6	79.4	28.7	4.1
Chile	20.5	87.2	37.6	32.8	27.2	5.8
Czech Republic	10.3	71.4	10.3	43.2	9.5	0.7
Denmark	3.7	33.9	5.1	29.2	7.8	0.6
Estonia	12.4	94.5	29.2	75.4	16.3	3.1
Finland	4.2	46.3	5.6	23.4	8.9	1.1
France	8.0	35.8	14.6	18.1	8.7	3.0
Germany	8.3	46.2	11.6	23.2	3.7	0.6
Greece	13.2	83.6	17.6	39.2	22.1	4.0
Hungary	7.2	30.8	21.3	9.6	6.5	3.1
Iceland	8.3	22.9	17.1	51.0	28.8	4.1
Ireland	16.3	74.9	24.0	55.4	15.7	1.9
Israel	26.6	81.1	29.6	86.4	37.5	3.6
Italy	15.3	87.6	22.8	79.3	22.5	2.7
Japan	14.2	52.5	54.6	37.8	11.0	9.5
Korea	10.3	23.1	19.7	37.5	9.5	5.3
Luxembourg	12.4	69.0	38.3	27.4	15.8	5.3
Mexico	25.8	48.2	31.6	68.7	34.7	11.2
Netherlands	9.6	56.8	23.2	63.1	14.6	1.8
Norway	5.5	42.5	5.9	45.4	7.3	0.2
New Zealand	12.2	75.7	14.0	68.6	9.3	1.0
Poland	21.5	74.9	25.6	51.2	28.4	5.7
Portugal	16.6	90.2	26.2	53.2	34.3	4.8
Spain	17.3	78.0	32.2	70.6	23.2	5.1
Slovak Republic	10.9	65.9	23.9	66.0	18.2	1.8
Slovenia	7.8	72.8	19.6	76.6	22.0	2.1
Sweden	7.0	54.5	11.0	46.0	18.5	1.4
Switzerland	9.4	21.6		7.6		
Turkey	24.6	43.6	31.9	28.1	18.9	20.2
United Kingdom	10.1	39.1	6.7	35.8	9.0	1.0
United States	21.6	91.5	35.8	84.1	30.6	6.6
OECD34 average	12.7	61.4	21.3	49.4	17.3	3.9
Russian Federation	20.1	56.0	24.5	57.2	29.8	15.0

1. Data refers to 2008 for Germany, Israel, Italy, Korea, Mexico, Netherlands, New Zealand, Norway, Sweden and the United States; 2007 for Canada, Denmark and Hungary; 2006 for Chile, Estonia, Japan and Slovenia; 2005 for France, Ireland, Switzerland and the United Kingdom; 2004 for Australia, Austria, Belgium, Czech Republic, Finland, Greece, Iceland, Luxembourg, Poland, Portugal, the Slovak Republic, Spain and Turkey.

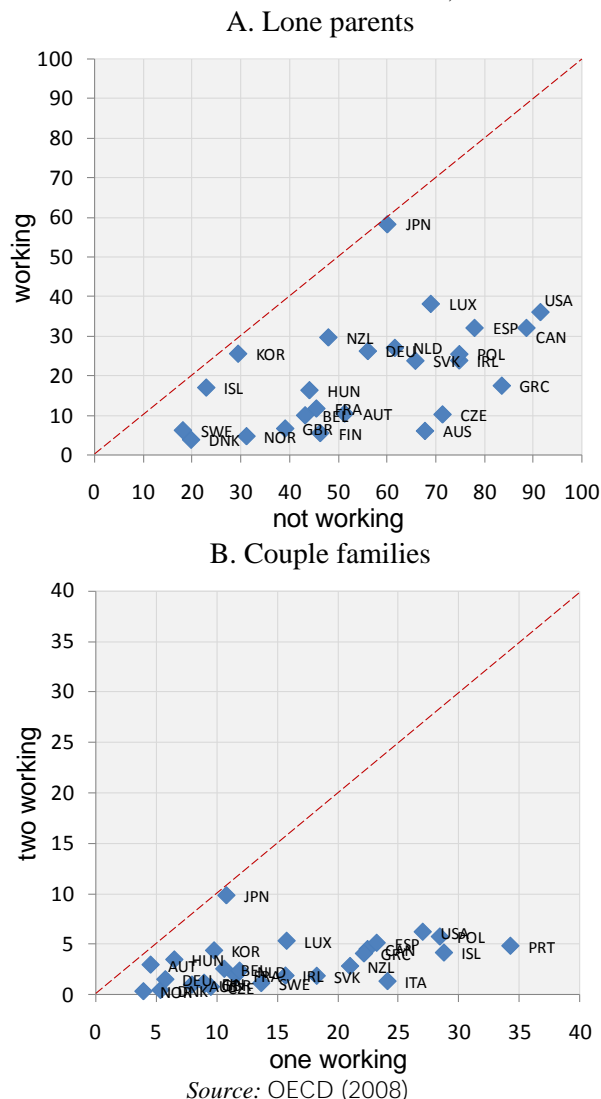
The child poverty rate is defined as the share of children living in households with equivalised incomes less than 50% of the median for the entire population.

2. See footnote 2 on the first page of this document.

Source: Table 1.3 OECD (2011)

Figure 3.1: Employment and poverty risks

Percent of non-elderly households with income below 50% of the median, mid-2000s



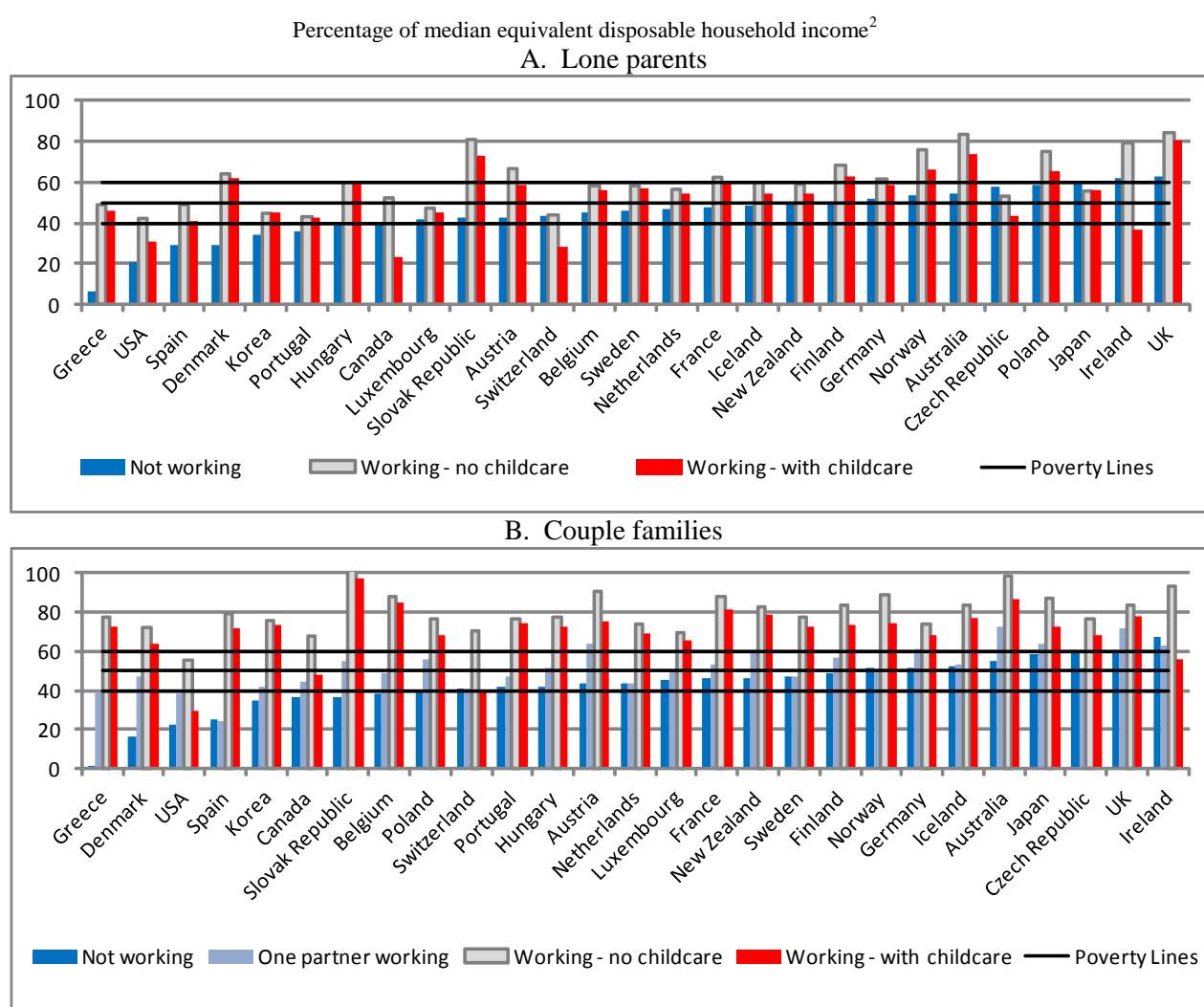
3.2 Income adequacy for families with young children

79. Families with young children, particularly lone parent families, are likely to require formal childcare to meet work commitments. If families where all parents work full-time have net incomes only slightly above (or even below) commonly used poverty thresholds, childcare related expenses expose a family to the risk of poverty.

80. In over two-thirds of the countries, workless families (with two young children) reliant on social assistance (not working and not eligible for Unemployment Insurance) are at risk of poverty (relative to common poverty measure of 50 percent of equivalised median income). Only in Ireland, the United Kingdom and, but only for lone parents, Japan is the disposable income of workless families at or above 60 percent of median household income (Figure 3.2 – dark blue bars in Panel A for lone parents and Panel B for couple families).

81. For families with children and low earnings potential, full-time employment may not secure an adequate income, even before the cost of childcare, required for lone parents and second earners participation in employment, is taken into account. For couple families a single full-time worker earning the minimum wage (or 50% of the average wage if no minimum) increases household income (except in Norway and the Czech Republic) but only in Australia, Austria, Germany and Japan is the increase sufficient to lift the family above the 60% median income poverty threshold (light blue bars in Panel B of Figure 3.2). If both spouses work full-time in low-paid employment (grey bars) net income before taking the cost of childcare into account is insufficient only in the United States (Michigan) to ensure the couple family a standard of living above this poverty threshold. It is also the case that disposable income of couple families, where both work at the minimum wage, in Korea and Luxembourg does not exceed 60% of the median.

Figure 3.2: Income Adequacy – Minimum Income Benefits and Low Wage Employment¹, 2008²



1. Figures relate to adults of working age and their two children (aged 2 and 3). In work lone parents are employed at the 10th percentile point on the female full-time earnings distribution. In couple families with one partner working that partner is employed at the minimum wage (in countries with no minimum wage at 50% of the average wage). Where both partners are working the male (female) is employed at the 10th percentile point on the male (female) full-time earnings distribution.

2. See footnote 2 on the first page of this document.

3. Household income figures refer to values around 2005, adjusted to 2008 with the consumer price index. The “square root of household size” equivalence scale has been used.

Source: OECD Tax-benefit Models and calculations based on OECD Income Distribution database, 2010.

82. For lone parents minimum wage employment is only clearly sufficient in Australia, Poland and the Slovak Republic, and just sufficient in France and New Zealand, to lift the family out of poverty. In the countries where there is no minimum wage full-time employment at the 10th percentile of the female full-time earnings distribution (grey bars in Panel A) lifts the lone parent family out of poverty clearly in Norway and just in Denmark, Austria, Finland, Germany, and Sweden. Counter intuitively, perhaps, removal of tightly targeted social assistance in Japan more than offsets the income gain from employment at the 10th percentile level and actually puts the family at risk of poverty.

83. Low wage full-time employment is sufficient to raise lone parents above the 60% threshold in the absence of childcare costs in only around a third of the OECD countries for which earnings distribution data are available. How much more precarious does the income position of these families become if they must pay for formal childcare in order to work. In those countries where the cost of childcare is high (Canada (Ontario), Switzerland (Zürich), the United States (Michigan)) lone parents are left with a disposable income that could be considered to put them (and their children) at extreme risk of poverty (well below the 40% threshold). After paying for childcare only lone parent families in Denmark, the Slovak Republic, Finland, Norway, Australia, Poland and the United Kingdom have remaining disposable income above the 60% poverty threshold.

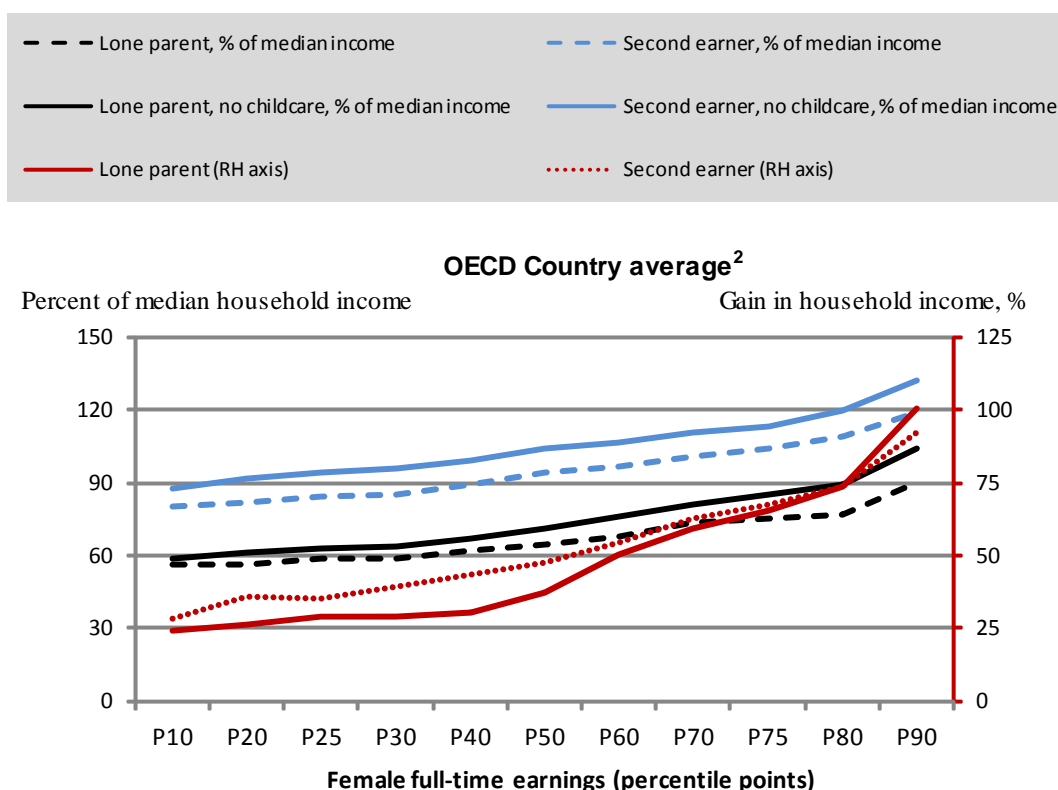
84. Couple families, after paying for childcare, have disposable income well above the 60% poverty threshold in around half the countries. For families in these countries full-time employment (of both partners) does provide an escape from income poverty. In others having to pay for childcare can paint a bleak picture. In the United States (Michigan) and Switzerland (Zürich) families where both spouses work full-time at wages equivalent to the 10th percentile of their respective full-time earnings distributions have disposable incomes, after paying for childcare, that could be considered to put them at extreme risk of poverty (below the 40% poverty threshold). In Canada (Ontario) and Ireland having to pay for childcare also put these families at risk of poverty (reducing available resources to levels below the 50 and 60% thresholds, respectively).

3.3 *How much more work effort if childcare is necessary?*

85. Minimum income benefits in most countries are insufficient to guarantee non-working lone parent families a standard of living above the 60% poverty threshold. This is also the case for couple families with the sole working spouse employed at the minimum (or a very low) wage. This raises the issue of how much work effort (or at what full-time wage level) does a lone parent or a second earner in such families need to work to raise their family's disposable income above the 60% poverty threshold whether or not that family requires childcare to take up such employment.

86. For many lone parents full-time employment does not result in disposable household income is barely sufficient to ensure net household income above 60% of median income. On average across the 27 countries with income distribution data, lone parents in the bottom 20 percent of the female earnings distribution do not escape poverty even before childcare costs are considered. Once childcare is paid for (dashed black line in Figure 3.3) remaining disposable income does not reach the 60% poverty threshold until the lone mother can command a full-time wage into the middle third of the earnings distribution (at the 40th percentile of the female earnings distribution the disposable income for a lone parent family is equivalent to 62% of median household income). This is in part because the cost of childcare, as demonstrated in Section 1, tends to increase as earnings increase but also because additional disposable income available (before childcare is taken into account) to the lone parent rises only slowly over the lower half of the earnings distribution (dotted black line, right hand scale). It is not until full-time earnings are in the top half of the earnings distribution that the attainable standard of living, even before childcare, begins to rise appreciably above the 60% level (disposable income for a lone parent family where the mother commands median earnings is equivalent to 71% of median household income).

Figure 3.3: Escaping poverty through full-time employment: income gain net of childcare cost¹



1. In the case of the couple family the first earner is employed full-time at the 25th percentile of the male earnings distribution. Household income is equivalised using the “square root of household size”

2. Median of 27 OECD (excludes Chile, Estonia, Israel, Italy, Mexico, Russia, Slovenia and Turkey) and only quartiles measures are included for Iceland

Source: OECD Tax-Benefit Models, 2010

87. Two earner families, even where the first earner only earns the minimum wage, generate sufficient disposable income with the second earner at any of the identified points in the female earning distribution, to be on average clearly above the 60% poverty threshold (solid blue lines in Figure 3.3). After accounting for childcare costs (dashed blue line), two earner families remain, on average, above the 60% poverty threshold, but barely where the second earner is at the bottom end of the earnings distribution (65% of median income at P10). As might be suspected, however, this masks the fact that in many countries at least some work effort is required from the second spouse for the family to escape poverty and that in some countries where childcare costs are high some low earning families with two earners will not generate sufficient income, after paying for childcare to attain a standard of living above that associated with the 60% poverty threshold.

88. Figure 3.4 shows the (full-time) earnings, in terms of percent of the average wage that just provide lone parent families (Panel A) and couple families (Panel B), where the male spouse earns at the 10th percentile point in the male earnings distribution, with the standard of living associated with the 60% poverty threshold. That families requiring formal childcare have to earn a large amount more than their counterparts who do not need childcare in countries with high childcare costs is clearly highlighted.

89. In most countries, the second earner in couple families who do not use formal childcare does not have to earn much for the family to escape poverty (on average 14% of the average wage). A second earner with full-time earnings somewhere in the bottom 10 percent of the earnings distribution earns

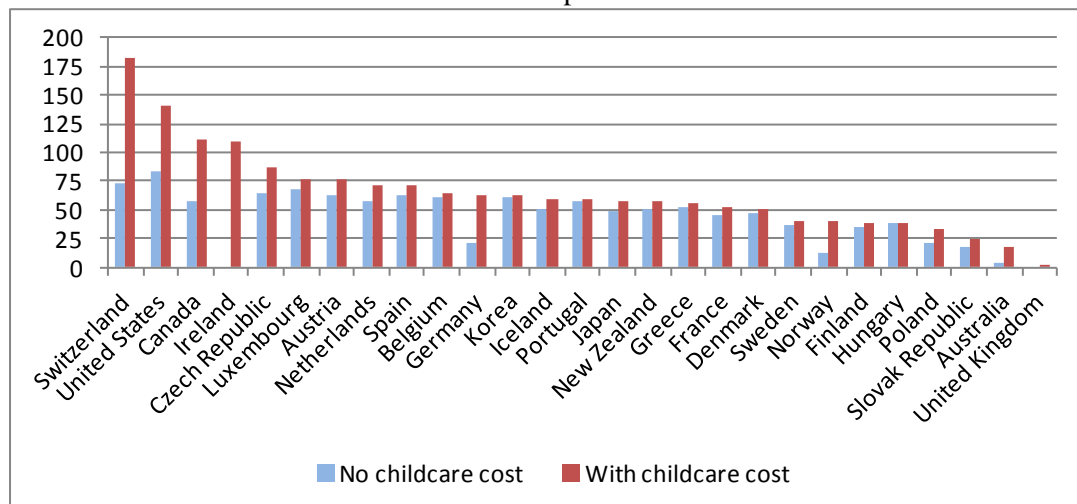
enough, except in the United States (Michigan) (where they do not earn sufficient until the 3rd earnings decile). If the family uses formal childcare the second earner needs to earn more, on average twice as much. Because the required earnings before childcare are relatively low, even after taking childcare into account the wage necessary for the second earner is still in the bottom 10 percent of most countries earnings distribution.

90. Second earners need to earn more in high childcare cost countries. To cover childcare costs and ensure adequate resources they need to earn at least 50% of the average wage more than their counterparts who don't use childcare. In Zürich (Switzerland) and the United States (Michigan) a second earner has to command a wage in excess of the average wage and in Canada (Ontario) almost the average wage for the family to escape poverty. These wages fall in the 8th (the top thirty percent), 7th and 5th deciles of the respective countries earnings distributions. In Ireland, where the second earner doesn't have to work for the family to escape poverty a second earner has to earn at least 60% of the average wage to keep the family out of poverty if they want to work and need childcare to do so.

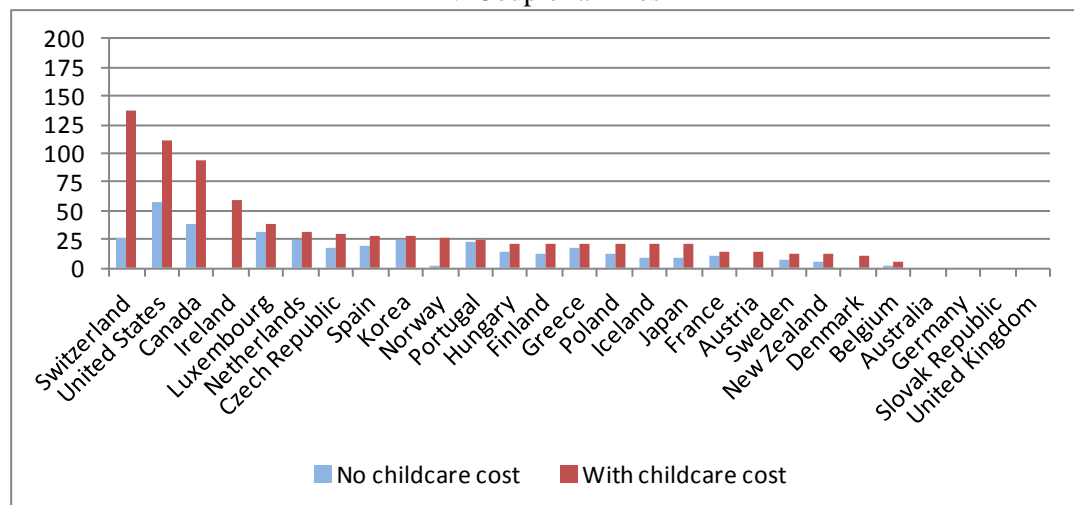
Figure 3.4: Earning to escape poverty, 2008^{1,2}

Gross earnings required to reach a poverty threshold of 60% of median income,
(percentage of average full-time wage)

A. Lone parents



B. Couple families



1. Figures relate to adults of working age and their two children (aged 2 and 3). In work lone parents are employed at the 10th percentile point on the female full-time earnings distribution. In couple families with both partners working the male (female) is

employed at the 10th percentile point on the male (female) full-time earnings distribution. Household income figures refer to values around 2005, adjusted to 2008 with the consumer price index. The “square root of household size” equivalence scale has been used.

2. See footnote 2 on the first page of this document.

Source: OECD Tax-benefit Models and calculations based on OECD Income Distribution database, 2010.

91. Before accounting for childcare costs, lone mothers, across countries, need to earn 50% of the average wage to escape poverty. In the majority of countries no wage in the bottom 10 percent of the female earnings distribution is enough for the family to escape poverty. In Michigan (the United States) and Korea no full-time wage in the bottom half of the earnings distribution is sufficient.

92. On average²⁶ lone parents requiring formal childcare in order to work full-time have to earn over one-third more than those able to access unpaid alternatives to achieve the standard of living associated with the 60% poverty line. In Zürich a lone parent needing childcare has to earn a full-time wage in the top 10 percent of the female earnings distribution (compared to a wage in the 4th decile if not paying for childcare), in Ireland and Michigan in the top 20 percent and in Canada in the top 30 percent. In 10 countries the earnings required are located in the top half of the earnings distribution. The largest increase in earnings required if formal childcare is required occurs in Ireland where non-working lone parents have a disposable income just above the 60% poverty line but a working lone parent needs to earn in the top 20 percent of the earnings distribution to stop from falling into poverty.

93. Where childcare costs clearly contribute to inactivity traps generated by adverse work incentives the risk of some families with young children, particularly lone parent families, being trapped in poverty is increased and the capacity of activation policies to lower child poverty reduced. In some countries these inactivity traps extend over the entire bottom half of the female earnings distribution. In such cases, activation policies clearly have to redress these problems if they are to succeed in reducing child poverty.

Summing up

94. As part of an employment oriented approach to social policy this paper documents in detail the way government policies impact on the cost of childcare faced by parents enabling identification of how these costs in conjunction with tax and transfer policies impact the financial incentives faced by lone parents and second earners. The primary contributions of this paper have been to identify how affordable formal childcare is across 35 OECD and EU countries; to examine how these costs of childcare impact on work incentives faced by lone parents and second earners in families with young children in a way that is comparable across countries; and to identify situations where childcare costs and weak work incentives contribute to the risk of families with low earnings potential being trapped in poverty.

95. The provision of good-quality childcare is expensive in all countries. But well-structured and appropriately targeted support policies can reduce the costs to parents substantially. Where such support measures do not exist, the cost of childcare can consume a third or more of family budgets and will therefore often be unaffordable, especially for low-income families and lone parents.

96. In the context of the recovery there are additional dividends to policies that facilitate maternal employment. Improving employment incentives, particularly, for mothers who are second earners not only reduces poverty risks for their families, it can help families recover incomes lost during the crisis, leaving them better prepared for future job crises, and improve incentives for a more equal sharing of market work between spouses.

26. These relative averages exclude countries where the lone parent or second earner (with the first earner at P10) does not have to work for the family to escape poverty.

97. Gender gaps in earnings and compression of the lower end of female earnings distributions mean that many second earners and lone parents are impacted by the identified work incentive issues. Childcare costs contribute to, and can be largely responsible for, these adverse work incentives. Inactivity traps generated by adverse work incentives increase the risk of families with young children, particularly lone parent families, being trapped in poverty and reduce the capacity of activation policies to lower child poverty. Where high childcare costs play an important role in generating adverse work incentives childcare specific policy reforms can help improve work incentives.

98. Childcare specific policy reforms have reduced the net cost of childcare and helped reduce barriers to maternal employment in some countries. Existing barriers to employment participation of lone parents and second earners with low earnings potential could be reduced by increased targeting, to low-income families, of government assistance aimed at reducing the cost of childcare. The appropriate degree of targeting, however, depends on the relative priorities over a range of policy objectives. No simple set of policy prescriptions, however, is appropriate for addressing the observed work incentive issues instead policy responses need to be multifaceted and carefully tailored to the situation in each country.

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ANNEX 1: METHODOLOGY

The indicators considered in this analysis have been calculated using the OECD tax and benefit models. The standard assumptions underlying these models are explained in detail in Annex A of OECD (2007) and at www.oecd.org/els/social/workincentives. These sources explain the reference periods used in the calculations and for expressing results; the assumptions made in calculating benefit amounts; the tax treatment of benefit income and earnings; the income concept of the average worker (AW) earnings on which calculations are based; the treatment of regional differences in tax and benefit systems; and how the various work incentive indicators calculated relate to each other.

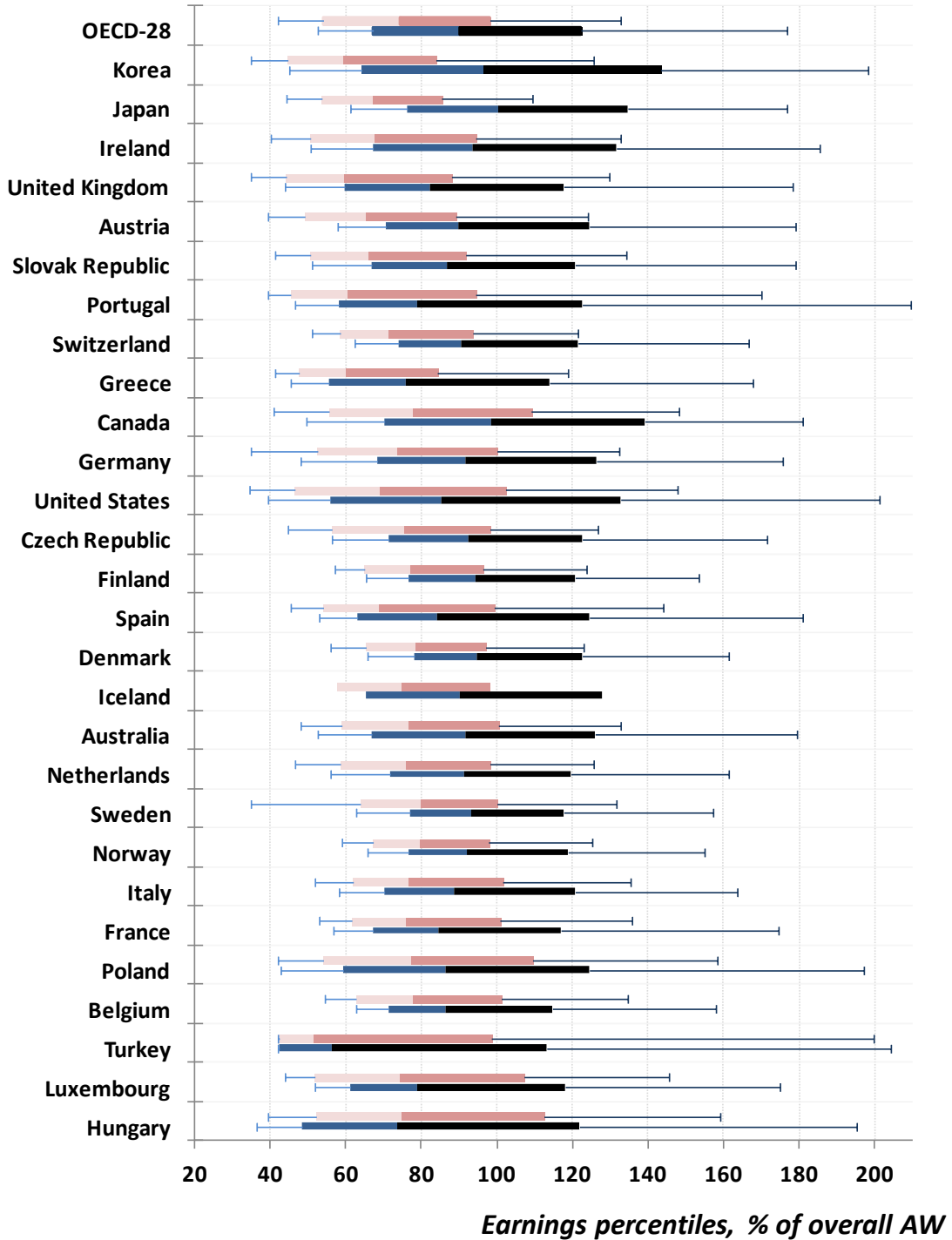
The results presented in this paper have been derived by extending the model in several dimensions. The primary purpose of this annex is to explain these extensions. For the purpose of this paper, it is useful to produce work incentive indicators, which inform about different population sub-groups, as well as at different points in the earnings distribution. The first section explains the data sources and methodology used in deriving the gender specific earnings distribution. Section 2 describes how childcare fees have been introduced into the model and specifies regional choices made. The assumptions made in calculating childcare related benefit amounts are outlined in Section 3 and details of assumptions made in order to estimate the costs of part-time care are in the final section.

1 Gender-specific earnings-distribution data

This paper utilises the synthetic gender specific earnings distributions derived in D'Addio and Immervoll (2010) and illustrated in Figure A1.1. These earnings data provide a good basis for assessing the interaction of childcare costs with tax/benefit policies in determining barriers to entering the labour market faced by mothers of young children. Use of these data enables, for instance, identification of work incentives at different decile points of the earnings distribution. Since distributions differ across countries, results calculated on this basis can be more informative and comparable across countries than similar indicators based on arbitrary percentages of the AW.

Figure A1.1. Women’s earnings: Gender earnings gaps among full-time workers in the private sector

Men’s and women’s earnings in percent of the AW average wage, 2006 or latest year available



Source:

2 *Childcare fees*

For an international comparison it is useful to focus on quite specific circumstances. In order to provide such a comparison, the OECD Secretariat collects data on the “typical” fees charged by accredited childcare centres for children aged two and three. As part of this data collection, delegates to the OECD Working Party on Social Policy provide detailed information on childcare fees (including how they vary with income, family status or the child’s age) and childcare related benefits. The childcare fee data provided by delegates comes from a variety of different sources ranging across both survey and administrative data.

There are variations, across countries, in both the precision and the currency of the fee information available to use in the models at any time. Both the accuracy and the currency are influenced by the way in which childcare provision is organised within each country. Where either the fees charged by childcare providers are regulated, or public provision is organised, at the national level information provided is generally precise and is also usually current. If there is no reason for childcare cost data to be collected for administrative purposes the information is generally sourced from surveys so can vary in both quality (surveys of providers should yield more accurate estimates of gross fees, particularly when government provided supports based on family circumstances are, or can be, paid directly to the provider) and timeliness. Where the most recent fee information available related to years earlier than 2008 they are nominally adjusted to 2008 values using the appropriate Consumer Price Index. In calculating the results presented in this paper fees for Canada, Germany, Iceland, Ireland, New Zealand, Poland and Portugal were nominally adjusted.

The information on fees comes in various forms for different countries – averages, maximums, schedules, etc. Where averages are provided this is used as the gross fee (and resulting estimates refer to the cost that would be incurred by a family paying average fees). Where fees are regulated and all details of the calculation are available the maximum fee any family can be charged is used as the gross fee and the difference between the gross fee and what each individual family pays is included as a subsidy. In some the family fee, after adjustments for family circumstances (the post subsidy fee) is known but insufficient information is available to determine the subsidy. In these cases the post-subsidy fee is used as the gross fee provided the net cost (which is often the same) can be identified. Here the results identify the net cost of childcare but not the full extent to which government policy has reduced the cost of faced by parents (because the subsidy is not identified). Cost components are identified separately as far as possible.

All results assume that childcare services are only used when all adults in the family are at work, that the first spouse in a couple family always works full-time and that the second spouse and the lone parent work full-time (40 hours) if they work at all (the latter is relaxed for the part-time version). In effect children are assumed to be in the childcare centre for 40 hours a week when the lone parent/second earner works. This assumption is likely to underestimate the full cost where childcare fees are charged, or benefits paid by the hour.

Childcare costs and supports frequently vary by region or municipality within countries. This is the case not only in countries where formal childcare is predominantly market provided but also occurs where provision is largely public. Where national averages are not available or appropriate (as in the case where there is significant regional variation in the supports available) it is necessary to model the childcare settings in specific regions. Where the same issue has arisen in the past with respect to other taxes regions have been chosen where “typical” rates apply. If a region is already specified in the model the same region is used for the childcare estimates. In other cases “typical” regions have been chosen. Regional childcare settings have been incorporated for Austria (Vienna), Belgium (Wallonie), Bulgaria (Sofia), Canada (Ontario), Finland (Helsinki), Germany (Hamburg), Iceland (Reykjavik), Japan (Tokyo), Poland (Warsaw), Switzerland (Zurich), and the United States (Michigan). For the United Kingdom free pre-school hours,

which are specific to England, are included so for consistency the average fees for England rather than for the whole of the United Kingdom are used.

Table A1.1. Childcare fees, 2008
(National currency and percent of AW)

Country (Region ¹)	2 year old		3 year old		4 year old		Reference Year ²
	Fee	% of AW	Fee	% of AW	Fee	% of AW	
Australia	1244	25	1244	25	1244	25	2008
Austria (Vienna)	272	8	272	8	272	8	2008
Belgium (Wallonie)	626	19	626	19	0	0	2008
Bulgaria (Sofia)	40	7	48	9	48	9	2008
Canada (Ontario)	754	21	676	19	676	19	2005-06
Cyprus ³	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	
Czech Republic	2000	9	420	2	420	2	2008
Denmark	2637	9	1428	5	1428	5	2008
Estonia	467	4	467	4	467	4	2008
Finland (Helesinki)	200	6	200	6	200	6	2008
France	618	23	0	0	0	0	2008
Germany (Hamburg)	396	11	396	12	396	0	2007
Greece ⁴	65	3	65	3	0	0	2008
Hungary ⁴	6000	3	6000	3	6000	3	2008
Iceland (Reykjavic)	20150	6	20150	6	20150	6	2007
Ireland	832	24	832	24	971	29	2007
Israel	1282	14	435	5	435	5	2008
Japan (Tokyo)	80000	19	77000	18	77000	18	2008
Korea	270000	10	185000	7	167000	6	2008
Latvia	25	5	25	5	25	5	2008
Lithuania	123	6	123	6	123	6	2008
Luxembourg	1262	31	1033	26	1033	26	2008
Malta	347	25	0	0	0	0	2008
Netherlands	1012	28	1012	28	0	0	2008
New Zealand	759	20	759	20	759	20	2002
Norway	2222	6	2222	6	2222	6	2008
Poland (Warsaw)	239	9	239	9	239	9	2005
Portugal	300	22	0	0	0	0	2004
Slovak Rep.	817	4	817	4	817	4	2008
Slovenia	28	2	21	2	21	2	2008
Spain	159	8	0	0	0	0	2008
Sweden	1260	4	1260	4	1260	4	2008
Switzerland (Zurich)	2535	41	2535	41	2535	41	2008
UK (England)	689	25	646	23	646	23	2008
US (Michigan)	750	22	628	19	628	19	2008

1. Region used in model

2. Fees with reference year prior to 2008 have been adjusted to 2008 values with CPI

3. Fees are a fixed percent of family income

4. National guideline rather than actual fees

Source: National contacts

3 *Benefit assumptions*

All results relate to families with 2 children (one aged two and the other 3). Where entitled the family receives housing benefits and social assistance or other minimum income benefits but as the lone parent/second earner is assumed to either be working or to have been absent from the labour market and the other parent (where there is one) is working no results have been produced incorporating unemployment insurance benefits.

All benefits or tax reductions are assumed to be available as long as relevant criteria are met (e.g. children's ages, family income). Childcare benefits paid to parents looking after their children at home (child-raising allowances) are also available subject to relevant conditions (e.g. number of working hours).

In addition to the benefits already in the tax-benefit models the (unemployment insurance, unemployment assistance, social assistance, family benefits and lone-parent benefits, housing benefits, child-raising allowance paid to parents assuming childcare responsibilities for their own children, employment-conditional benefits and food stamps in the United States) all national and, where appropriate, regional cash benefits that governments provide to assist parents with the cost of childcare. In order to estimate child care costs all payments that reduce the cost to the family based on their particular circumstances have been. Childcare related benefits incorporated include those paid as tax concessions and cash benefits paid to parents as well as payments made to providers that are determined by the characteristics of specific families (whether they are fee subsidies or paid on behalf of the parent). The value of free pre-school hours, effectively a subsidy based on the child's age, is also included where the value can be identified.

In decomposing net childcare costs and average effective tax rates all cash benefits available to parents who use formal childcare services (cash benefits paid to parents, fee subsidies where they are identified and fully refundable tax credits) are included in the category of childcare. The value (in terms of the reduction in tax paid) of tax allowances/deductions and non-refundable tax credits are included as reductions in tax liabilities. Changes in home care benefits, to the extent they are the consequence of the children being in childcare are included as changes to other benefits, as are other benefit changes that are caused by the introduction of childcare into the model (as for example the housing benefit in the United Kingdom).

ANNEX 2

Table A2.1. An overview of childcare typology

	Centre-based care		Family day care		Pre-school		Compulsory school		
	0	1	2	3	4	5	6	7	
Public*									
Private**									
Age	0	1	2	3	4	5	6	7	
Australia	Accredited centres and family day care available part-time (20hrs) or full-time (up to 50hrs)				Reception/ pre-school classes, with primary school (full-time, out-of-school-hours care also provided).		Compulsory schooling		
Austria	<i>Tagesmutter</i> (FDC) and <i>Krippen</i> (centre-based), Part-time (25hrs)		<i>Kindergarten</i> , (part-time, 25hrs). Out of school care provision under development.				Compulsory schooling		
Belgium	<i>Kinderdagverblijf</i> (centre-based crèches) and FDC; <i>Crèche</i> (centre-based) and <i>gardiennes encadrées</i> (FDC)		<i>Kleuterschool</i> (starts at age 2 and a half), part-time or full-time, with out-of-school-hours care; <i>École maternelle</i> , part-time or full-time, with out-of-school-hours care				Compulsory schooling		
Canada	Centre-based and family day care				Junior Kindergarten Ontario	Kindergarten /Maternelles in Québec	Compulsory schooling		
Cyprus ^{1,2}	Centre-based day care (day Nurseries/Day Care Centres) Family day care (childminders), provided by the public, private and community sector.				Kindergartens (Νηπιαγωγεία) provided by the public, private and community sector		Pre-school - compulsory		
Czech Rep	<i>Crèche</i> (centre-based care), FT		<i>Materska skola</i> (state kindergarten)				Compulsory schooling		
Denmark	<i>Dagpleje</i> (FDC) and <i>Vuggestuer</i> (<i>Crèche</i>) full-time (>32hrs)		<i>Børnehaver</i> (kindergarten) full-time (>32hrs)				Compulsory schooling		
			<i>Adlersintegrer</i> (age-integrated facility) full-time (>32hrs)						
Finland	<i>Perhepäivähoito</i> (FDC) and <i>Päiväkoti</i> (municipal early development centres), full-time (<50hrs)				<i>Esiopetus</i> pre-school		Compulsory schooling		
France	<i>Crèche</i> (centre-based care) and <i>Assistant maternelles</i> (FDC), FT		<i>Ecole maternelle</i> (pre-school)				Compulsory schooling		
Estonia	Creche (centre-based care) full-time basis		Pre-school and nursery schools, full-time basis				Compulsory schooling		
Germany	<i>Krippen</i> (centre-based <i>Crèche</i>)		Kindergarten (pre-school)				Compulsory schooling		
Greece	<i>Vrefonipiaki stahmi</i> (crèche for children <2.5 and nursery school for >2.5)				Compulsory schooling				
Hungary	<i>Bölcsöde</i> (<i>Crèches</i>), full-time (40hrs)		<i>Ovoda</i> (kindergarten)			Compulsory schooling (at age 6 by law, but in practice many start at age 7)			
Iceland	Day-care centres and "day mothers" (FDC)		Pre-school				Compulsory schooling		
Ireland	Regulated FDC and nurseries (centre-based)			ECCE, Early Start and Infant school (pre-school) with primary school					
				Pre-school playgroups					
Israel ³	Centre-based care and Family day care			Kindergartens and some Centre-based care and Family day care				Compulsory schooling	
Italy	<i>Asili nidi</i> (<i>Crèches</i>) part-time (20hrs) and full-time (<50hrs)		<i>Scuola dell'infanzia</i> (pre-school)				Compulsory schooling		

Table A2.1. An overview of childcare typology (*cont.*)

	Centre-based care		Family day care		Pre-school		Compulsory school	
Public*								
Private**								
Age	0	1	2	3	4	5	6	7
Japan	Centre-based care		Family day care		Kindergartens		Compulsory schooling	
Korea	Childcare centres		Kindergartens		Hakwon (pre-school)		Compulsory schooling	
Luxembourg	Crèche (centre-based care) and Tagesmutter (FDC)		Enseignement pre-scolaire (pre-school)				Compulsory schooling	
Malta	Centre-based (private and public) care and Family day care		Pre-school				Compulsory schooling	
Mexico	Educación inicial (centre-based care)		Educación preescolar (pre-school) - compulsory				Compulsory schooling	
Netherlands	Gastouderopvang (FDC), Kinderopvang (child care centres) and Playgroups		Group 1, with primary school				Compulsory schooling (group 2 onwards)	
New Zealand	Child care centres and some home-based services (FDC)		Community-based Kindergarten, Playcentres				Compulsory schooling	
Norway	Barnehage (kindergarten), including rural familiebarnehage (FDC), full-time (40 hrs) and open kindergarten (barnehage)						Compulsory schooling	
Poland	Nurseries		Pre-school/ Nursery schools				Compulsory schooling	
Portugal	Crèche familiar (FDC) and centre-based Crèches		Jardins de infância (pre-school)				Compulsory schooling	
Slovak Rep	Nursery schools (public and private)		Kindergarten				Compulsory schooling	
Spain	Educación Preescolar (Centre-based)		Educación infantil (Pre-school), with primary school				Compulsory schooling	
Sweden	Forskola (pre-school) full-time, 30 hours, some Familiedaghem (FDC) particularly in rural areas.						Forskoleklass (pre-school, PT) Compulsory schooling	
Switzerland	Crèche. Krippen, varies across cantons (centre-based)		Pre-school, mandatory in some cantons.				Compulsory schooling	
Turkey	Crèche		Ana Okullari (kindergartens)				Compulsory schooling	
UK	Nurseries, child minders and playgroups		Playgroups and nurseries, Early years education (three and four year olds are entitled to 12.5 hours of free early education)		Reception class with primary school		Compulsory schooling	
US	Child care centres and FDC		Educational programmes, incl. pre-school, kindergartens (public and private), Head Start programs.				Compulsory schooling	

* Provision is largely publicly funded and managed (more than 50% of enrolments are in publicly operated facilities).

** Provision is largely managed by private stakeholders (both for-profit and not-for-profit providers) and is publicly and privately financed.

1. FDC: Family daycare.

2. PT: Part-time.

Source: OECD Family database, Table PF4.1.A (www.oecd.org/els/social/family/database)

Table A2.2: Fees and characteristics of centre-based childcare, 2008

	Scheme	Age group covered (years)	Full (part) time care: number of hours per week	Full-time fee per child		Fee varies with:				Additional information		
				National currency (2)	% of A W	Income	Family status	No. of children (in care)	Age of child	Provision of childcare	Priority access for specific groups	Other
Australia	Long Day Care	0-6	>50 (<50)	1,244	25	Yes (3)	--	Yes (3)	Yes (3)	Individual, approved child care services, including most long day care, family day care, outside school hours care, vacation care, some occasional care services and some in-home care. In 2008, few children under age 1 (6,63%) are in formal childcare, parental and informal care predominate in this case. 75% of children aged 0-11 are in parental or informal care.	Priority of Access Guidelines: Priority 1—a child at risk of serious abuse or neglect, priority 2—a child of a single parent who satisfies, or of two parents who both satisfy, a work, training, study test, Priority 3—any other child. Within these main categories, priority should also be given to children in Aboriginal and Torres Strait Islander families, families which include a disabled person, children in children in low income families or where a parent is on income support, children in families from culturally and linguistically diverse backgrounds, children in socially isolated families and children of single parents.	The fee given in the table is the mean fee for long day care. In Tasmania, compulsory schooling already starts at age 5. A means-tested fee subsidy, Child Care Benefit (CCB), is paid if using approved child care. The out-of-the-pocket cost for parents depends on their CCB entitlement and thus on their income, number of children and age of children.
Austria* (Vienna)	Crèche (Kipper)	1-3	>30 (<30)	271.69	8.39	Yes (3)	Yes (3)	Yes (3)	No (3)	Childcare providers are mainly private non-profit institutions. Facilities are subsidised by municipalities and the states (Länder) and are locally regulated. In 2008, the coverage rate amounts to 14% for age group 0-2 (25.5% in Vienna) and 86.5% for age group 3-5 (85.3% in Vienna).	Priority criteria: parent's working situation, siblings in care facilities, age, social aspects (3)	Fees vary considerably as defined by private childcare centres and municipalities. Full time fees are assessed based on a threshold usage of around 6 hours per day. At age three (some earlier), children transfer from Crèche to Kindergarten, which has both a care and learning aspect. Compulsory Kindergarten for the children at the age of 5 is planned. Some federal states offer free charge child care for children from 3-6. Fees differ considerably with states. Full time fees for Kindergarten amount to EUR 436 in Salzburg, EUR 145 in Upper Austria, EUR 80 in Lower Austria where Kindergarten is free of charge for half days, EUR 44 (public kindergarten) or EUR 290 (private) in Burgenland. In Styria, Carinthia, Vorarlberg and Tyrol fees are determined by the provider.
	Kindergarten	3-6										

	Scheme	Age group covered (years)	Full (part) time care: number of hours per week	Full-time fee per child		Fee varies with:				Additional information		
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Belgium	Crèche, French community	0-3	>25 (<25)	626	19	Yes	No	Yes	No	Facilities for children aged 0-6 have to be authorised by ONE (Office de la Naissance et de l'enfance). In order to be approved, facilities have to respect certain conditions set by ONE (quality assessment, means-tested parental fees etc.). Facilities are subsidised by ONE if they meet additional conditions such as a minimum occupancy rate.	No	Fees are regionally regulated; they are reduced (70% each) if there are more than two children in the family or if at least two children are in care. Children aged 4+ can attend free pre-school.
	Crèche, Flemish community			505	15					Kind en Gezin supervises, supports and subsidises existing child care initiatives.	--	
	Crèche, German community		< 52.5	599	18	Yes	No	No	No	There is only one crèche in German community with a capacity for 24 children. In monthly average, 30 children attend the facility.	--	--
Bulgaria* (Sofia)	Weekly kindergarten	3-6	<60	48	9	Yes (4)	Yes	Yes	--	10% of children aged 1 are attending nurseries and kindergarten, 38% of those aged 2, 66% of those aged 3, 72% of those aged 4, 76% of those aged 5, and 82% of those aged 6. Compulsory pre-primary education at the age of 6. Almost all provision is municipal. There are a small number of private kindergartens (34 or approximately 1%)	--	Fees are set by local government and vary for municipalities. Private institutions have higher fees. Free childcare for children with 50% and more limited possibilities for social adaptation; children whose parents are with more than 71% permanently reduced working capacity; children complete orphans; children of parent/parents perished at industrial accident, disasters or in the discharge of their duties; the third and the next children in large families. 50% reduction for children with one parent; children whose parent serves his time as a soldier; children one of whose parents is a full-time student. The fee for a second child in care is 50% reduced. The fee is 50% and 75% reduced respectively for the first and the second child in a large family.
	All day nursery	10 months- 3		40	7							
	Kinder	3-6										

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Canada (British Columbia)	Regulated Child Care facilities	1.5- <3	--	680	19	For some parents (4)	No	Yes(4)	Yes	Number of regulated childcare facilities in Canada can accommodate 19,7% of children aged 0-6 in 2007.	--	Individual jurisdictions legislate maximum subsidy amounts, based on age of child, type of care setting, and duration of care (full/part-time). SA recipients may be compensated for childcare expenses up to a limit (rules vary across jurisdictions). Majority of 5 year old children attend kindergarten as part of the formal education system.
				(median for ages 1.5-3)								
	Regulated Child Care facilities	3 - <6		550	15.37					Children aged 5 in BC have access to part-time free of charge kindergarten. Some facilities offer full-day care with fees for the additional care.	--	
	Kindergarten	4-6	--	generally free of charge		No	No	No	No			
Canada* (Ontario)	Regulated Child Care facilities	1.5- <3	--	603	16.85	Yes (3)	No	Yes	Yes	Senior Kindergarten for children aged 5 and Junior Kindergarten for those aged 4. Most children aged 4 (83%) and 5 (88%) are enrolled in Kindergarten.	--	
	Regulated Child Care facilities	3 - <6		541	15.12							
	Kindergarten	4-6	--	generally free of charge		No	No	No	No			
Canada (Quebec)	Regulated Child Care facilities	0-<6	--	151	4.22	No	No	No	No	In 2005/ 2006 about 95% of children aged 5 were enrolled in kindergarten. Kindergarten is subsidised by provincial grants and property tax levies (82% and 11% of funding respectively).	Providers may give priority access to employed parents, single parents or other target groups.	Children aged 4 may be enrolled up to 11.45h/ week kindergarten. Initially, 4 year old kindergarten was developed for inner-city children. Free of charge care up to 23h/ week for families on SA. Additional fee reduction of \$3 for low-income families.
	Kindergarten	5-6	23.5	generally free of charge		No	No	No	No			

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Czech Republic	Public crèche	0-2	>32.5	2000	9	Yes (3)	Yes (3)	Yes (3)	--	Availability of centre-based care very restricted for under-3 year-olds (number of facilities declined from >1000 in 1990 to 49 in 2007). Due to limited provision of crèche, children aged under 3 also attend state kindergarten. Participation rates for pre-school/ kindergarten in 2007/2008: 86,3% of 3 - 5 year olds; 23,0% < 3; 22,1% >5.	Possibility of placing the child to a pre-school care facility for 4 hours a day in case of disabled children or care of disabled parents for healthy children. The Education Act in force from January 2005 requires the municipality to ensure the place in state kindergarten to a child with a permanent residence in the municipality in the last year before their entrance to compulsory schooling;	Fees are determined by municipal/district authorities/ director of facility. State kindergarten fees are at most 50% of non-investment cost per child. Kindergarten fees depend on the size of the town/ village. Families dependant on social benefits may be exempt from fees. Last year of pre-school is free of charge (in public and state schools).
	Private crèche	0-2		5000	22							
	State kindergarten/ Preschool	3-5	>32.5 (<32.5)	420	2							
Denmark	Local authority child minding	0.5-2	<50	2637	9	Yes	No	Yes	Yes	16,5% of children aged <1 are in childcare, 90% of those aged 1-2 and 96,5% of those aged 3-5. Subsidised childcare is available to all households with young children in childcare. From July 2006, when the child is 26 weeks until school age, parents are guaranteed day care. About one third of facilities is private. Most children aged 5-6 attend pre-school classes.	--	Fees are reduced depending on income, no charge for day-care for low-income families up to an income ceiling. For 2 or more children in care, full fees are payable for one child (the one subject to the highest fee), half payment for further children. Parents of children with special social problems can have additional subsidies.
	Crèche	0.5-2		2653	9							
	Kindergarten	3-5		1428	5							
Estonia	Crèche	<3	<60	467	4	Yes	--	--	Yes(3)	13% of children aged 1, 61.2% of those aged 2 are enrolled in preschool institutions.	None.	Local municipalities decide on fees. The fee may not exceed 20% of the minimum wage. Average fee paid by parents in 2008 was 467 EEK. Institutions provide 3 meals per day. The institution can decide on the amount paid for food by parents, individual reductions for low-income families of 50-100% possible. Average food costs paid by parents is 310 EEK.

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Estonia	Nursery School	3-7								87.6% of children aged 3, 91.1% of those aged 4, 92.2% of those aged 5 and 90% of those aged 6 are enrolled in preschool institutions.		
Finland	Public day care	0-6	>25 (<25)	200	6	Yes	Yes	Yes	No	Every child under compulsory school age is entitled to early care and education. This is provided by day care centres run by the municipality after the parenthood period of parents, but may be outsourced to private providers. In 2007, 35.4% of children aged 1-2 years were in full-time municipal day care and 56.9% of those aged 3-5 years.	--	For 3+ children, cost is 20% of 1st child. Fees are a percentage of family income exceeding a certain income limit, dependent on the family size. Public childcare fees are nationally regulated. Children aged 6 are mostly in free pre-school classes.
France	Crèche	0-2	<50	618	23	Yes	No	Yes	Yes	In 2007, 63% of children aged up to 3 are cared for by their parents, 18% are cared for by a childminder (assistante maternelle) and 10% by institutional daycare (accueil collectif/ crèche). Care provision through child minders is subsidised through CMG (complément mode de garde).	--	For low-income families, income dependent monthly fees for full-time crèche can be as low as EUR 87 (single-child families). They are reduced by up to 50% in case of multiple children in care.
	Preschool (Maternelle)	3-6	26	generally free of charge		No	No	No	No	The majority of children aged 3+ are in free pre-school (maternelle). Every child at age 3 has the right to access a preschool.	Access of 2 year old children is priority to schools located in social disadvantaged environments.	Maternelle is not compulsory but majority of children attend.
Germany (Hamburg)	Crèche	<3	<50 (30)	396	11	Yes	Yes	Yes	Yes	Children aged 0-14 have a right to care of up to 12h/ day if parents are in work or in education, All children aged 3-6 have a right to care of 5h/ day including lunch. Coverage rate of 18.1 % for children up to 3 and 77.9% for those aged 3-6.	Enlargement of rights to care if social situation or educational need require so.	Fees are regionally regulated. In Hamburg, if more than one child in child care, full fee only has to be paid for the youngest. For the older one 1/3 of the regular fee has to be paid or the minimum, for further children the minimum fee. Minimum payment is EUR 43/month per child for full-time care.
	Kinder-garten	3-6										

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				National currency (2)	% of A W	Income	Family status	No. of children (in care)	Age of child	Provision of childcare	Priority access for specific groups	Other
Germany (Nordrhein-Westfalen)	Crèche	<3	>42.5	313	9	Yes	No	Yes	Yes	All children aged 3-6 have a right to 4h of care in a Kindergarten. Coverage rate of 7% for children up to 3 and 89.9% for those aged 3-6.	Socially and economically disadvantaged groups.	Fees are regionally regulated and are only paid for one child irrespective of number of children in care. Minimum payment is zero for low-income families. No price differentiation between full/part time care.
	Kindergarten	3-6	>42.5	235	7							
Greece	Municipal day nurseries	8 months to 6 years	--	65	3	Yes	No	Yes	--	Public nurseries established by the Ministry of Health and Welfare are administrated by local authorities. Last year of Kindergarten is compulsory. Most Kindergarten facilities are public, only few private ones.	--	Fees are catering fees and are subject to national guidelines. Public nurseries are subsidised. The minimum fee can be zero for low-income families. 50% fee reduction for second child. Families with more than 3 children and parents with disabilities are free of charge up to an income ceiling.
	Public Kindergarten	4-6	20	generally free of charge		--	--	--	--			
	Public All-Day Kindergarten	4-6	45									
Hungary	day care nursery (bölcsőde), family day care; child minders	0-3	<50	6000	3	Yes	No	Yes	No	In 2007/ 2008, about 90% of children aged 3-5 were enrolled in kindergarten.	No.	Fees for childminding care cannot exceed 15% of per-capita family net income (20% if fees include meals). Fees presented here are average fees. In centre-based care parents only pay for meals. Fees for these are regulated by the government and reviewed on an annual basis. Socially indigent or disabled children and children growing up in large families can be entitled to 50-100% discounts. Kindergarten attendance compulsory at the age of 5.
	Public day-time Kindergarten	0-6										
	Public Kindergarten											

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Iceland* (Reykjavik)	Public pre-school	2-6	45	20150	6	No	Yes (3)	Yes (3)	No (3)	Majority (about 95%) of children aged 2 and older attend pre-school. Younger children may be cared for by child minders ("day mothers") whose fees are subsidised by municipalities. Approximately 13% of children aged 0-2 years are cared for by such child-minders and 0.2% of those aged 3-5 years.	Children of single parents and students and handicapped children are often given priority access to preschool.	Fees locally regulated for day care centres. The second and following child pay only for meals, no tuition. Discount for f5-year-old children: rates in the range of 25% to 68% of full fees. Fees lower for single parents or if parent is a student or disabled. Subsidies for "day mothers" and private pre-school are similar. On the whole, parents contribute about a third of the operating costs of pre-primary schools but fee structures vary between municipalities. On the whole, parents contribute about 1/3 of the costs.
	child minders	0-5	--	--	--							
Ireland	Centre-based care	0-5	> 41	971	29	Yes (3)	Yes (3)	Yes (3)	Yes (3)	Frequent use of informal childcare. In 2007, 13% of parents used childminders and 24% centre-based care (creche/ Montessori/ Playgroup, After-school facility). In total, 48% of children aged 0-5 were in non-parental childcare.	--	Fees determined by providers and not regulated. Fees in Dublin area in general about 24% higher than the State average. Fees presented here are average fees, not maximum fees.
	Child-minder			835	25							
Israel	Day-nursery	<3	36	1282	13.7	--	--	--	--	In 2006/ 2007 434497 children aged between 2 and 5 years attended kindergarten including day-care centres, 44,149 attended private kindergartens and 390,348 municipal and public kindergartens.	--	Reduction percentage benefits for kindergarten fees from the Ministry of Education. Local authorities may provide further reductions. Full refund for people living in <i>preferred areas A and B</i> , 90% refund for children living in distressed neighbourhood.
	Pre-compulsory kindergarten	3-4		435	4.6							

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Italy	Nurseries (asilenido)	3 months-2	35	--	--	Yes(3)	Yes(3)	Yes(3)	--	Availability and fees of public childcare for children under 3 differ significantly across municipalities; there is no guarantee that services are actually provided or financed by public administration. Longer hours possible for working parents.	Usually priority to working mothers, low-income parents and parents of handicapped children.	Access (and fees) based on household income and composition. In some municipalities means-tested vouchers are provided in order to using it only in certified institutions.
	State and municipal pre-school (<i>scuola materna</i>)	3-5	40 (25)	generally free of charge		No	No	No	No	About 96% of children aged 3-5 years are enrolled in preschool.	If lack of available places, each school may implement its own priority rules.	Small contribution to meals and transports. Low-income families are exempted from this contribution.
Japan	Day-care centres	0-2	40	80000	19	Yes	--	--	Yes	In 2008, about 21% of children aged <3 were in childcare and about 41% of those aged 3-5.	Children of single parents or families in need of special assistance are given priority access to day-care centres.	Fee depends on income tax position of parent(s). Minimum amount when family pays no local or central income tax. Fee is waived for persons receiving SA. Standard classification of fees provided by the state, municipalities configure fees according to the list.
		3-5		77000	18							
Korea	Government-supported facilities	<2	>40	372000	13	No	No	No	Yes	Facilities are divided in government-supported (state & public, corporations) and non government-supported (private) facilities. Child care fees at government supported facilities are cheaper than those at unsupported facilities. In June 2008, 21.8% of all children were using government supported child-care facilities.	SA recipients, lone parents and other low income families as well as children with disabled parents. Free child-care support for disabled children.	Fees in public facilities are nationally regulated and subsidised. Comparable private facilities charge about 38% more. Child care support for more than 2 children for low-income families.
		2		270000	10							
		3		185000	7							
		4-5		167000	6							

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Latvia	Preschool	1-7	52.5	25.35	5.3	Yes (4)	--	--	--	63% of children aged 1 to 6 years are enrolled in preschool establishments. Compulsory attendance for 5 and 6 year old children. 24h groups exist in some preschools.	None.	In common preschool establishments, parents pay for meals, other costs are paid for by local government. Fees depend on local governments which may also decide on reductions for low-income families. Fees represented here are average fees, maximum fees not available.
Lithuania	Nurseries (asile nido)	1-6	<60	122.5	6	Yes	Yes	Yes	--	In 2005, 52.6% of children aged 1-6 were attending preschool establishments, 21.3% of those up to age 3 and 69.6% of those aged between 3 and 6 years.	Priority to children with special needs, lone parents, low-income families, families with three or more children, to full-time students, to disabled parents and to children whose father is doing obligatory military service.	80-100% of fees are paid for meal expenditure. Fees include pay for teaching aids. 50% reduction if more than 3 children and if parent is a student. Municipalities and providers may set additional reductions.
	Nursery-kindergarten											
	Kindergarten											
Luxembourg	Public crèche	0-3	--	1262	31	Yes	--	Yes	--	Approximately 15% of children aged under 4 are cared for in child-care facilities outside their homes.	--	Fees are income dependent (only very high-income families pay the maximum price shown in this table). They are <i>per family</i> (rather than per child) and families with more children pay less in absolute terms. Fees may be waived for very low-income families. Free pre-school is compulsory from age 4 but available from age 3.
		>3	--	1033	26							
	Private crèche	0-3	--	1000	25	--	--	--	--			
	child minders; family daycare	--	--	850	21	--	--	--	--			
Malta		2	40	347	25	--	--	--	--	Estimation: 50 care centres nationwide. No national standards or license obligations exist. Majority of 3 and 4 year old children attend preprimary school.	--	--
	Preprimary school	3-4	27.5	generally free of charge			--	--	--			
Mexico	--	--	--	--	--	--	--	--	--	--	--	--

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Netherlands	Day Nurseries	0-4	<50	1,012	28	Yes	No	Yes	No	In 2007, 40% of children aged up to 4 were in day care.	Priority access may be given by municipalities to children with sociomedical problems and children suffering from (or at risk of) developmental delay.	Parents pay the costs for childcare themselves and are subsidised by the government, subsidies being calculated as percentages of actual costs. Percentage depends on their income (ranging from 33,3%-96,5% for the first child, 90,7%-96,5% for next children). Primary education starts at 4, mandatory at 5. The Childcare Act (2005) assumes that parents, employers and government collectively bear the costs of childcare. An obligatory contribution for employers exists. All together parents pay about 20% of the costs, government and employers about 80%.
New Zealand	License d child care centres	3-4	<50	759	20	Yes (3)	Yes (3)	--	Yes (3)	In 2008, 12.3% of children aged up to 1, 38.3% of those aged 1, 57.2% of those aged 2, 92.7% of those aged 3 and 98.9% of those aged 4 were enrolled in early childhood education services.	None.	Additional fees can be charged by providers for certain types of childcare services. Fees are set by the service and thus vary. They might depend on hourly, sessional, daily, weekly or "package" rates, on the child's age, on full-time/part-time attendance, siblings etc. Most children start school at age 5.
	Kinder-garten											
Norway	Kinder-garten	1-5	>41	2222	6	Yes	--	Yes	--	About 87% of children aged 1-5 years are cared for on facilities. 81% are cared for in kindergarten, 3% in family day care and 3% in open kindergarten. For children aged 1-3 years, rate of provision is about 69%, for those aged 3-6 years about 95%.	Priority access for disabled children.	Maximum fee is set at the national level. Discounts for siblings amount to a minimum of 30% for the second child and 50% for further children. State regulations also specify that all kindergartens are to offer discounts to parents with low income but the structure and level of any discounts are up to the operators. Fees therefore vary between municipalities and institutions.
	Family day care											
	Open kinder-garten	generally free of charge										
Poland*	Public	<3	45	239	9	--	--	--	--	Attendance of nursery schools is	Priority access for 6 years old	The cost of nurseries is fully covered by

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(Mazowieckie, including Warsaw)	nurseries									mandatory for 6-year-olds. 59.4% of children aged 3-6, 47.3% of children aged 3-5 and 94.9 % of those aged 6 attended pre-primary education facilities in 2007/2008. 25.7% of children up to age 3 attended nursery in 2008.	children and children of single parents.	parents. Fees in public institutions are set by local government, vary by municipality (<i>gmina</i>). Fees for Olszyn same as in 2004 version as there is no recent information available.
	Public nursery schools	3-6		239	9							
Poland (Olszyn)	Public nurseries	<3		165	6							
	Public nursery schools	3-6		62	2							
Portugal	Public and non-profit private organizations	0-2	--	300	22	Yes	--	Yes	--	The coverage rate of childcare amounts to 25,4% for children up to age 3 in 2005.	--	Fees are legislated and generally revised annually. They are (progressively increasing) percentages of per-capita net income but cannot be higher than the average cost per user, which is the fee shown in this table. There is a 20% reduction for second and further children in the same facility and a 25% reduction when meals are not provided by the institution or for 15 days absence. Institutions may reduce, suspend or waive the payment of the family fee in special cases.
Romania	Normal kindergarten	3-6	25	--	--	Yes	--	Yes	--	--	In the case of prolonged or weekly program, priority to children coming from socially disadvantaged areas and/or families.	--
	Prolonged kindergarten		50									
	Weekly kindergarten		<120									
Russia	Care Centre/ Preschool	<7	--	4000	23	--	--	--	--	--	--	--
Slovak	Kinder-	2-6	45	817	4	Yes (3)	Yes	Yes (3)	Yes (3)	Preschool facilities include kindergartens	5-year old children and those with	The monthly parental contribution is regulated

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Republic	garten						(3)			and special kindergartens. In 2007/ 2008, 73.26% of children aged 3-5 were enrolled in kindergarten facilities, 12.81% of those aged 2, 62.74 of those aged 3, 74.59 of those aged 4, and 83.03 of those aged 5.	postponed school attendance have priority access	(excluding board) and ranges from SKK 50 to 7.5 % of the subsistence minimum for an adult person, the actual amount of the fee is determined by the director of the facility. It can be reduced or waived for those earning less than a specified minimum. In additions, parents pay about SKK 600 per month for meals. The results reported here are based on the maximum amount without any reductions.
Slovenia	Kindergarten	1-2	<45	28	2.1	Yes	--	Yes	--	In 2007, 43.7% of children aged 1-2 were enrolled in child care facilities, 82.1% of those aged 3-5, and 67.2% of all together.	--	Kindergarten proposes and municipality determines fee, parents pay a certain percentage. Kindergarten calculates the price based on costs of education, care and food. Fees are paid for 8 income brackets, the lowest paying 10% of the cost, the highest paying 80% of the cost. Parents receiving social assistance are exempted from fees.
		3-6		21	1.6							
Spain	Private Nursery School	0-2	35	476	25	No	No	No	No	Public facilities are subsidised. Coverage for age group 0-2 amounts to 19.9%, for age group 3-5 to 98.3%. In2007, 49.2% of children in age group 0-2 received care provision outside the household and outside the educational system.	In case of shortage of places, priority criteria such as annual family income; proximity of parents' home or workplace; prior enrolment of other siblings in the school or parents or legal guardians working in the school; either the pupil or any of the parents or siblings having any type of disability; and legal status of large family.	Fees locally regulated. Maximum fee is approx. 1/3 of total cost, depending on income. Fees presented here are approximated fees for 2007.
	Public school	0-2		159	8	Yes (3)	Yes (3)	Yes (3)	Yes (3)			
	All	3-5		generally free of charge		No	No	No	No			
Sweden	Pre-School	0-5	<60	1260	4	Yes	--	Yes	Yes	Childcare coverage rate at 49% for children aged 1, 95% for those aged 3 and 98% for those aged 5. Parents working or studying have a right to a place in pre-school. Parents who are unemployed or in parental leave have a right to a place of 3h/day or 15h/week. In general, all	No.	"Maximum charge" system: fees are income-based (1st, 2nd, 3rd child: 3%, 2%, 1% of income, subject to an upper limit of SEK 1260, 840 and 420 respectively). For school children percentages are 2,1 and respectively. Schooling possible at age 6, often special classes for this age group.

	Scheme	Age group covered (years)	Full (part) time care: number of hours per week	Full-time fee per child		Fee varies with:				Additional information			
				National currency (2)	% of A W	Income	Family status	No. of children (in care)	Age of child	Provision of childcare	Priority access for specific groups	Other	
	Family Day Care Homes										children have a right to at least 525 hours free of charge preschool starting from the autumn term in the year the child turns 4 (known as "universal preschool").		
				("maximum charge" system. See "other information")									
Switzerland (Zürich)	Crèche	0-5	--	2535	41	Yes (3)	Yes (3)	Yes (3)	--	About 39% of the facilities are subsidised. Terms are at the discretion of municipalities.	--	Childcare use and fees vary significantly between <i>cantons</i> and regions. Children up to age of 18 months pay 150% of fees.	
				(lower except for very high incomes)									
Turkey	Kinder-garten	5-6	45	--	--	--	--	--	--	For children aged 3-6, enrollment rate of 17.71%, for those aged 4-6 25.23% and for those aged 5-6 38.84%.	Children of martyr, war cripple, veteran, children whose mother and father or one of them died or divorced, children of economically deprived parents and children who need special education have priority.	Institutions accept unpaid children of martyr, war cripple, veteran and deprived parents as 1/10 rate of their capacity.	
	Nursery Class	3-6	25										
United Kingdom (Great Britain)	Nursery	<2	50	637	23	No	No	No	Yes	In 2007, 98% of children aged 3-4 attended early education facilities.	Institutions set their own admission policies, but they are recommended to give priority access to children with special educational needs and to those from socially and economically deprived families.	Fees determined by private providers. Considerable increase in childcare fees over the last years, increase above the rate of inflation.	
		3-5		602	22								
United Kingdom (England)*	Nursery	<2	50	689	25								
		3-5		646	23								
	Child minders	<2		624	22								
		3-5		615	22								

	Scheme	Age group covered (years)	Full (part) time care: number of hours per week	Full-time fee per child		Fee varies with:				Additional information		
				National currency (2)	% of AW	Income	Family status	No. of children (in care)	Age of child	Provision of childcare	Priority access for specific groups	Other
United States (Michigan)	Centre-based care	0-2	--	750	22	Yes (3)	--	Yes (3)	Yes (3)	Provision of childcare services is primarily market-based. The Child Care and Development Fund (CCDF), which is restricted to working low-income families, provides subsidised childcare through vouchers, certificates or purchasing childcare slots. In 2005, 51% of children aged 0-2 and 74% of those aged 3-6 were in non-parental childcare.	Priority access is decided by each state, and include TANF recipients, very low incomes, teenage or student parents and children requiring before and after-school care.	Fees presented here are average fees. Childcare prices and subsidies vary considerably across states, regions and type of care. States receive federal block grants but have broad flexibility in determining eligibility rules.
		3+		628	19							
United States (California)	Centre-based care	0-3		965	29							
		4+		686	20							

1. Fees are for one month of full-time care (i.e. they therefore do not take into account reductions due to periods where childcare may not be available or required, such as vacation). Fees shown are the gross amounts charged to parents, i.e. after any subsidies paid to the provider but before any childcare-related cash benefits, tax advantages available to parents or childcare rebates that are akin to benefits. Where prices depend on income or family characteristics, the relevant maximum fees are shown. Unless fees are rule-based or uniform across institutions, averages or "typical" fees are shown. "--" indicates that information is unavailable. "SA" refers to social assistance, or equivalent minimum income benefits. "AW" refers to the earnings of an average worker.
2. In euro for euro-area countries. Fee per month, AW per year.
3. In general but varies regionally or by provider. Usually not included in modeling.
4. Fixed fee, but reductions for low-income families

* Region in model

Sources: Information provided by delegates to the OECD Working Party on Social Policy and country specific references.

Table A2.2. Childcare-related benefits, 2008

	Cash benefits and tax reductions for users of non-parental childcare	Benefits for parental care at home ("home care" and "child-raising" allowances)	Childcare facilities subsidised?	Benefits income tested?	Part-Time Regulations?
	[1]	[2]	[3]	[4]	[5]
Australia	<p>Child Care Benefit (CCB) is a fee subsidy payable to parents using up to 50 hours per week of approved (institutions) and registered (non-institutional) childcare. Maximum hourly CCB rates are independent of actual fees and are determined by the number of children in care and the type of child care used. CCB is much lower for users of registered care, but CCB for approved care is means-tested while CCB for registered care is not. Families with no stay-at-home parent may claim both types of CCB. The system is demand-driven, i.e. all those entitled can claim the benefit. Maximum rate of CCB in an approved centre based long day care service for one child is AUD 3.47 per hour (85% of this amount for school children), the rate for registered care is AUD 0.581 per hour (85% of this amount for school children). Those using approved childcare and eligible for CCB, may also claim a Child Care Rebate (CCR) of up to 50% of expenses for "work-related" use of approved childcare.</p>	<p>Parenting Payment provides income support to low-income parents. PP is available to lone parents and one member of a couple with the care of a dependent child aged under 6 for partnered recipients, under 8 for single recipients, or aged under 16 if the person was in receipt of PP prior to 1 July 2006. Only one parent can be eligible for PP.</p>	<p>Parents can choose between receiving CCB in the form of fee reductions or as cash payments.</p>	<p>Both rebates for approved care and parenting payments are family income tested (No income test for registered care fees). Families whose income is less than AUD 36,573 receive maximum rate CCB. For families above this income, CCB rate is reduced depending on number of children, until the minimum rate is reached. CCB not payable above certain income levels: AUD 126,793 for one child in approved care, AUD 131,457 with 2 children in approved care and AUD 148,452 with 3 children in approved care (plus additional AUD 28,028 for each further child in approved care).</p>	<p>Part-time loadings apply to CCB payments for both family day care and long day care. For children in long day care, 10% loading for up to 33 weekly hours of care, tapering progressively from 8% to 0% from 34 to 38 hours of care.</p>
Austria	<p>Childcare fees are tax deductible for lone parents.²</p>	<p>Monthly childcare allowance exists in 3 options with supplements for lone parents and low-income families: long option (EUR 436 per month up to 30 months + 6 months non-transferrable for second parent), mid-range option (EUR 624 per month up to 20 months + 4 months non-transferrable) or short option (EUR 800 per month up to 15 months + 3 months non-transferrable). Full amount is only paid if leave is shared between parents (conditions on respective leave duration differ from option to option). The benefit is paid for the youngest child only (higher rates for multiple births). Parent and child must have their center of interests within the federal territory, must be entitled to family allowance, examinations according to the mother-child pass programme have to be carried out. Lone parents and low-income families may apply for a supplementary payment of EUR 6.06 per day.</p>	<p>Yes, varies by state (<i>Land</i>). The <i>Länder</i> will spend up to EUR 60,000,000 until 2010 to extend institutional child care facilities, the federal government additional EUR 45,000,000. Care facilities are subsidised with EUR 1500 annual for every additional child in part-time care of 20 hours/week, EUR 2500 if full-time care of 30+ hours/ week and EUR 4000 if 45+ hours/ week.</p>	<p>Yes (for child allowances). Additional earned income of up to EUR 16,200 annually (for the parent claiming the benefit) are permitted while childcare allowance is being drawn. In case of exceeding this limit, the benefit is claimed back up to the exceeding amount.</p>	<p>Childcare allowance independent of hours of care.</p>

	Cash benefits and tax reductions for users of non-parental childcare	Benefits for parental care at home ("home care" and "child-raising" allowances)	Childcare facilities subsidised?	Benefits income tested?	Part-Time Regulations?
	[1]	[2]	[3]	[4]	[5]
Belgium	Costs are tax deductible (up to a limit of EUR 11,20/day child care) if the care is in approved centres and only for children below the age of 3 (free school starts at age 3).	None	Yes, varies by <i>Communauté</i> . Facilities in French community is subsidised by ONE if approved and fulfilling certain conditions such as minimum occupancy rate. Facilities in Flemish community are subsidised by Kind en Gezin which provides a fixed subsidy per child care place and pays part of the wages of employees.	No, there is a maximum of deductible childcare expenses, which is independent of parent's income.	No.
Bulgaria	Fees are not tax deductible.	--	Public kindergartens and schools are funded by public authorities.	--	--
Canada	Federal tax allowance for expenses up to limit. Fee subsidies vary by province. Individual jurisdictions legislate maximum subsidy amounts, based on age of child, type of care setting, and duration of care (full/part time). E.g. Ontario Child Care Supplement for Working Families (OCCS) (which is in the process of being replaced by the Ontario Child Benefit). Provincial governments may cover all or part of the cost if SA beneficiaries are involved in training or similar programmes. Additional income based subsidies ² can be paid at the municipal level.	Universal Child Care Benefit was introduced in July 2006. CAD 100 per month are directly paid to all Canadian families regardless their income for every child under age 6,		For Federal tax allowance: least of childcare expenses, 2/3 of earned income (of spouse with lowest earnings). The OCCS is family income tested. The supplement is reduced for if family net income for tax purposes exceeds CAD 20,000.	No.
Czech Republic	Childcare fees are NOT tax deductible.	Parental Allowance for a parent who provides personally full-time and regular care for the youngest child of the family. While receiving parental allowance it is possible to place the child into a preschool care facility for a limited period. Parental Allowance is provided at 3 rates (under respective conditions): Increased rate with faster draw-down (CZK 11,400 for 24 months), basic rate with standard draw-down (CZK 7,600 for 36 months) or reduced rate with slower draw-down (CZK 7,600 for 21 months and CZK 3,800 for further 27 months).	Yes. Costs expended on running the kindergarten founded by an enterprise under the Education Law as a service for its employees, are tax deductible.	No, parent's income is not considered while receiving parental allowance.	Parental Allowance is conditioned to a limited period of external care: less than 5 calendar days a month for a child up to age 3 and less than 4 hours a day or for a maximum of 5 days a month for a child over 3 years (attending pre-school facility).

	Cash benefits and tax reductions for users of non-parental childcare	Benefits for parental care at home ("home care" and "child-raising" allowances)	Childcare facilities subsidised?	Benefits income tested?	Part-Time Regulations?
	[1]	[2]	[3]	[4]	[5]
Denmark	For low-income families fees are subsidised up to 100%.	Child Care Leave: A parent is entitled to this benefit amounting to 60% of the highest unemployment benefit rate if he or she cares for a child aged 0-8. The caring period must at least last 8 and no more than 52 weeks.	Local authorities finance nurseries, kindergartens, other day-care institutions and pre-school classes from block grants allocated to them by the State. A so called care guarantee has been introduced by many authorities guaranteeing a subsidised day-care place for the child from its first birthday.	Yes. No fees are payable if family "personal income" (gross income minus contributions) is lower than about 40% of the average wage. Above that income level, the benefit/subsidy amounts to 23,75% per cent of the fees. It is then linearly reduced by 0,25% for every income increment of DKK 3062 until fully withdrawn once family "personal income" exceeds about 120% of the average wage.	--
Estonia	Child care fees excluding food costs are tax deductible. Child care benefit for children younger than 3 but not receiving parental benefit. Both, working and non-working parents are eligible. Child Care benefit amounts to 600 EEK per month.	Parental benefit is paid until the child attains 18 months. Parental benefit amounts to the parent's average monthly income of the previous calendar year. For non-working parents minimum rate is 3600 EEK, for working parents 4350 EEK. Maximum benefit amounts to 25209 EEK.	Child care facilities are subsidised by local municipalities. Child care expenditure per child per month borne by these amounts to a maximum of 27568 EEK and an average of 4769 EEK in 2008.	Parental benefit is reduced for incomes above the benefit rate, and is not paid for incomes exceeding 5x the benefit rate. Child care benefit is independent of the income.	--
Finland	Some municipalities, in particular Helsinki area, pay additional supplements to home care and private day care allowances. Rates and eligibility varies with municipality.	Home care allowance of EUR 294,28/month for the first child under age 3, EUR 94,09/month for other children under age 3, EUR 60,46/month for children between 3 and 6 years old. Home care supplement maximum amounts to EUR 168,19/month (income-tested) and is only payable for one child. Homecare is conditioned on not using public daycare.	Subsidised (EUR 326.7 mio of statutory subsidies and EUR 67.2 mio of municipal supplements in 2008 - website reference-) public day care is available to all children aged under 7 (school age). Instead of home care allowance, there is a private day care allowance of EUR 137,33/month and an income-tested supplement of EUR 134,55 (for each child!) for users of private day care, directly to providers.	Public day care fees, up to a maximum amount, are a percent of income exceeding a limit based on family size. Similar income limits apply to the supplements for home care and private day care but not to the allowances. If family qualifies for social assistance then children's day care fees are fully covered by the additional allowance	--
France	For children born from 1st January 2004, a unified and revised system of parental support ("prestation d'accueil du jeune enfant", PAJE) provides income-tested benefits that cover (some or all of) the social security contribution costs due for the employment of a qualified child-minder to care for children aged under 6, either at the parents' or the carer's home (complément de libre choix du mode de garde). In addition, there is a refundable tax credit amounting to 50% of the cost of child-minders or centre-based care (subject to a ceiling).	As part of the PAJE system, benefits are available to families with at least 1 child (one aged under 3) on condition that the parent leaves (partially or totally) employment that has lasted at least 2 years for the 1st child, 4 years for the 2nd children and 5 years for the 3rd and further children (complément de libre choix d'activité). The monthly payment amounts up to EUR 536,03 for parents with no employment and is reduced for part-time employees depending on working hours. The benefit is payable until the child is 6 years old (even though the amount is halved for the period when the child is 3 to 6).	Public sector crèches are subsidised. The majority of children are in free pre-school from age 3.	The amount of the <i>complément de libre choix du mode de garde</i> depends on the parents' income. The amount of the <i>complément de libre choix d'activité</i> does not depend on incomes, but only on working hours.	A parent working part-time is entitled to <i>complément de libre choix d'activité</i> . An employee working up to 50% of usual working time may receive about 76% of the benefit amount for a non-working parent, an employee working between 50% and 80% of usual working time about 58% of the benefit amount.

	Cash benefits and tax reductions for users of non-parental childcare	Benefits for parental care at home ("home care" and "child-raising" allowances)	Childcare facilities subsidised?	Benefits income tested?	Part-Time Regulations?
	[1]	[2]	[3]	[4]	[5]
Germany	Expenses for children up to the age of 14 years can be deducted from taxable income if they exceed EUR 1548.	Parental Allowance (Elterngeld) for the first 12 months of home care amounts to 67% of net income, at least EUR 300 and maximum EUR 1800. If each parent takes at least 2 month leave, the benefit is paid for 14 months. In case of siblings a bonus of 10% of the amount, at least EUR 75, exists. In case of multiple births, a supplement of EUR 300 per second and third child is paid. Parents can decide to receive the allowance at half amount for 28 months.	Day care and related services are mostly funded by public means.	Low-income parents (net income less than EUR 1000) may receive a relatively higher parental allowance, up to 100% of net income).	Parents working up to 30h/ week may receive parental allowance. The benefit amounts to 67% of the omitted income
Greece	--	--	Public nurseries are subsidised by the municipalities.	--	--
Hungary	No tax deduction.	1. "Childcare fee": insurance-based benefit available following expiry of the pregnancy-confinement benefit until the child turns 2 (70% of previous earnings up to a ceiling of HUF 96600). 2. Child home-care allowance: universal benefit for non-working parent (or grandparent in the parents' home) raising a child younger than 3 (benefit amount equal to the minimum old-age pension of HUF 28500). 3. Universal child raising support for all parents raising at least 3 children of which youngest is aged 3-8 (amount also equal to the minimum pension).	Centre-based institutes are subsidised, parents only pay for meals.	--	Child care home allowance: Until the child reaches the age of 1, the person entitled to the benefit may not be engaged in occupation. Afterwards the person may work without time restrictions. In case of grandparents receiving the allowance they are not allowed to work until the child reaches the age of 3 and afterwards only up to 4h a day.
Iceland	Some municipalities subsidise child-care with day-care parents if parents are not able to place the child in a pre-school or a day-care centre.	Parental benefit entitles both parents each to 3 months of parental leave and additional 3 month to be shared between both. Benefit is only paid if the respective parent is on leave and the child has not reached the age of 18 months. The benefit amounts to 80% of the average wage of the last 2 years up to a ceiling of ISK 480,000.	Public pre-schools are subsidised by local municipalities which pay for their construction and the operation. Parents contribute to operating costs, the amount depends on municipalities. In general, parents contribute about 1/3 of the respective operating costs.	Parental benefit is calculated on the basis of former income.	Parental benefit may be obtained while working part-time.
Ireland	Early Childcare Supplement is paid to assist with childcare costs of children under 6 years. Payment is made automatically if Child Benefit is being paid for a child under 6 years. Annual rate for each child: 1,100.00 EUR.	Home Carers allowance provides a tax credit up to EUR 900 for families where one parent stays at home to care for children.	Childcare facilities are subsidised. The National Childcare Investment Programme 2006 - 2010 is a programme of investment in childcare infrastructure allocating EUR 575 million in order to create up to 50,000 new childcare places.	Yes based on working spouse's income up to limit, benefit reduced above limit.	--
Israel	Reduction percentage benefit for kindergarten fees, depending on income bracket up to a maximum income amount of NIS 1221. Full refund for people living in preferred areas A and B, 90% refund for children living in distressed neighbourhood.	--	--	Yes, reductions based on income. For an income superior to NIS 1221, there is no fee reduction.	--

	Cash benefits and tax reductions for users of non-parental childcare	Benefits for parental care at home ("home care" and "child-raising" allowances)	Childcare facilities subsidised?	Benefits income tested?	Part-Time Regulations?
	[1]	[2]	[3]	[4]	[5]
Italy	--	Parents can take parental leave up to 11 months altogether for a child up to 8 years. The parental benefit amounts to 30% of average daily wage.	There are state-run nurseries which are less expensive for parents than private ones. The state may subsidise pre-schools if there is a lack of state-run facilities.	Parental leave benefit is calculated on former income. For families with low income there exists supplementary income-tested financial help.	--
Japan	System of primarily income-related reimbursement of child-care costs.	--	Public (municipal) day-care centres are subsidised (covering about 60% of total cost).	Yes.	--
Korea	Income-dependent benefits (fee reductions) for low-income families. Families with 2 or more children: partial child-care support for the second child and up. 'Child care fee deduction' and 'Education fee deduction for preschool babies, infants and kindergarten children' (up to 2000000 won per year) as tax deductions for child care fees. Regardless of income level, SA recipients, low income single parent families and all disabled children are fully compensated for child care.	none.	Public sector childcare is subsidised.	Yes. Benefits decrease in discrete steps.	--
Latvia	Parent's benefit for socially insured parents who continue to work during the child care period, until the children is aged 1. Parent's benefit amounts to 70% of former average gross wage and at least to LVL 63 per month.	Parent's benefit for socially insured parents who are on child care leave, until the children is aged 1. Parent's benefit amounts to 70% of former average gross wage and at least to LVL 63 per month. Childcare benefit for socially uninsured parents until the children is aged 1 (LVL 50 per month) or for parents caring for a child between 1 and 2 years of age (LVL 30 per month). In case of twins or more children, supplement to the child care benefit of LVL 50 per month in the first case and LVL 30 per month in the second case.	Costs for maintenance of buildings, administrative expenses, salaries of the administrative staff and teachers are paid for by local governments. Salaries of those teachers for compulsory preschool attendance are paid for by the state.	Parent's benefit is income-related social insurance benefit. Childcare benefit universal benefit, not means-tested.	--
Lithuania	--	--	--	--	--
Luxembourg	Childcare fees are tax deductible as far as they are higher than an amount of expenses not considered as extraordinary according to the level of income. Financial support for low-income families. Alternatively there is a standard abatement for childminding expenses of EUR 3 600 per year. Only one can be claimed	Parents have an individual right to 3-6 months of parental leave if they cease work in this period or reduce to part-time. For a full-time leave the benefit amounts to EUR 1710.90 (net).	Public facilities are subsidised and fees are regulated.	--	Parental leave benefit is still paid if the parent is working part-time. In this case the person has independently of his working hours to reduce his working time by 20hours/ week. For a part-time leave the benefit amounts to EUR 855.44 (net).
Malta	Income tax deduction for private kindergarten fees up to a ceiling of EUR 1000.	--	--	--	--

	Cash benefits and tax reductions for users of non-parental childcare	Benefits for parental care at home ("home care" and "child-raising" allowances)	Childcare facilities subsidised?	Benefits income tested?	Part-Time Regulations?
	[1]	[2]	[3]	[4]	[5]
Mexico	--	--	--	--	--
Netherlands	Child-Care benefit is calculated as a percentage of the total costs of childcare and varies with the income of the parents. The benefit starts with a contribution of 96,5% going down to 33,3% in 40 steps for the first child, and 96,5% going down to 09,7% in 40 steps for next children.	--	The Childcare Act (2005) assumes that parents, employers and government collectively bear the costs of childcare. An obligatory contribution for employers exists since 2007. All together parents pay about 20% of the costs, government and employers about 80%.	Yes, childcare benefit varies with the income of the parents.	--
New Zealand	Child Care Subsidy is a non-taxable payment which assists low- and middle-income families to pay for their under 5 year old children in licensed preschool facilities. The payment is made to the provider in behalf of the of the parent. Children aged 3-4 years are provided 20h/ week of early childhood education, funded by the government. This benefit cannot be received on the same time as child care subsidy, Subsidies are directly made to the provider.	--	All licensed pre-school facilities are subsidised. Universal funding of between NZD 3.20 and NZD 10.54 per hour per child according to age of the child and type of service.	Childcare subsidy rate is related to income and number of children. Maximum 50 hours of subsidised care/week to cover periods of work-related activity. Up to 9 hours of subsidised care per week for other families satisfying the income test.	20 hours/ week of free early childhood education provided by the government.
Norway	Documented childcare expenses for children aged under 12 are tax deductible up to a limit (NOK 25000 for on child, NOK 15000 for each subsequent child, maximum NOK 70000 for 4 children). Allowance is equally divided between spouses unless otherwise agreed. Allowance applies to single parents as well.	Cash benefit for one and two-year olds who are not in public kindergarten. Parents receive a cash amount of NOK 39,636 per child which is reduced in case of part-time care corresponding to the hours of care.	Subsidised childcare. Open Kindergarten usually completely free of charge for parents.	No.	The cash amount for children who are not in public kindergarten is reduced for part-time care in public kindergarten as follows: Up to 8h: NOK 39,636, 9-16h: 60% of this amount, 17-24h: 40% of the amount, 25-32h: 20% of the amount, 33+ h: no benefit is paid.
Poland	Unemployed lone parents taking up a new job or participating in training measures may be entitled to temporary compensation for care-related expenditures.	Family allowance supplement for child care in the time of parental leave of PLN 400 per month for a period of max 24 months, supplementary allowance for single parents.	In case of public nursery school, local governments cover 5 hours of childcare per day. Nurseries and private facilities have to be fully covered by parents.	Family benefits are means tested.	If the parent starts working during the parental leave, the family allowance supplement shall not be awarded. In public nursery schools, 5h/ day are provided for free by local governments.
Portugal	30% of formal childcare costs are tax deductible up to 160% of the National Minimum Wage. Limit is higher for families with three or more children.	--	State subsidies for public and non-profit facilities.	--	--
Romania	--	Parental leave for one of the parents for 2 years which amounts to 85% of the average wage of the last 6 months.	Public kindergartens are established by the County School Inspectorates and financed from the state budget and the local budget. Textbooks for public pre-primary education are provided free of charge.	--	--

	Cash benefits and tax reductions for users of non-parental childcare	Benefits for parental care at home ("home care" and "child-raising" allowances)	Childcare facilities subsidised?	Benefits income tested?	Part-Time Regulations?
	[1]	[2]	[3]	[4]	[5]
Russia	Subsidy of childcare costs by public authorities: 20% of region's average fees subsidised for the first child, 50% for the second and 70% for the third and following children. Parents may claim Child and Dependent Care Credit: credit up to 35% of expenses up to a ceiling of RUR 3000 for one child and RUR 6000 for two or more children.	Monthly childcare benefit for children younger than 1.5 years. The benefit amounts to 40% of average wage received the 12 preceding months. Minimum amount: RUR 3315.22, maximum amount: RUR 6630.44.	--	--	--
Slovak Republic	Child care costs are not tax deductible.	Parental allowance of SKK 4560 per month for parents providing personal and proper care for a child up to age 3. The condition of personal care of the parent or the qualifying person is also satisfied if parents engaged in gainful activities, secondary school or university studies, secure appropriate childcare by another adult outside a nursery, kindergarten or other equivalent facility. Under certain conditions, parental allowance is provided for a child up to age 6.	Parents pay a monthly fee for children in kindergarten to only cover parts of material provision and meals.	The same amount is paid for working and inactive parents, no partial allowance for the second partner.	Parental allowance is paid for working parents as well as long as care conditions are fulfilled.
Slovenia	Government provides co-financing for families with more than one child in childcare: Parents pay only reduced fee for the oldest child (1 income bracket lower than normal), the other children are exempted from fees.	Employees paying to the parental care insurance have the right to parental benefits: maternal leave, paternal leave (90 days of which the first 15 days are paid at 100% of wage), childcare leave (260 days, 100% of the wage to a ceiling of 2.5 times Slovenian average wage, can be shared between the parents).	Funding and financing of for childcare and preschool education by local communities (68.4% of the costs for childcare in 2007). Municipalities pay the difference between the full price of the kindergarten costs and the amount paid by parents according to their income bracket.	Parental benefits based on former wages, subsidies for childcare fees dependent on income bracket.	Right to short-time work due to parenthood.
Spain	Flat-rate deduction (EUR 1200 per year) for working mothers and lone parents if at least one child aged under 3. Additional deductions of childcare expenses in some communities.	--	Yes. Most children aged 3-5 are in subsidised, free charge public childcare or in school. Almost all communities have subsidised facilities for children age 0-2. In general, 2/3 of the cost is funded by local or central government.	--	--
Sweden	Childcare fees are not tax deductible.	Each parent is entitled to 240 days of parental leave (480 days in case of lone parent). Basic level is SEK 180 per day.	Heavily subsidised by state and local governments, parents pay fees according to their income.	Yes, parents only pay (per child) 1-3% of their gross income in childcare fees. Percentage varies with number of children.	Parental leave benefit is still paid if parents work parts of the day.
Switzerland (Zürich)	Not at federal level. The maximum tax deductible amount in Zürich is SFR 3000 per year.	--	About 39% of facilities are subsidised. Considerable variation across cantons and municipalities.	--	--
Turkey	--	--	--	--	--

	Cash benefits and tax reductions for users of non-parental childcare	Benefits for parental care at home ("home care" and "child-raising" allowances)	Childcare facilities subsidised?	Benefits income tested?	Part-Time Regulations?
	[1]	[2]	[3]	[4]	[5]
United Kingdom	As part of the Working Tax Credit, parents may claim up to 80% of eligible childcare cost. At its maximum level, the monthly value of the CCTC amounts to approximately GBP 760 for one child, GBP 1300 for 2 or more children.	--	For children aged three years or more in England, free part-time care is provided by the government. Parents pay for supplementary care.	Income and asset test for recipients of the Working Tax Credit.	At least one parent must be working 16 hours per week or more to be eligible for the Working Tax Credit. Under certain conditions, parents have a statutory right to flexible working.
United States	The (non-refundable) Child and Dependent Care Credit (CDCC) provides assistance to working taxpayers. A maximum of 35% of childcare costs (after CCDF and subject to a ceiling) can be claimed.	--	The Child Care and Development Fund (CCDF) is the main programme providing federal funding to subsidise childcare facilities through certificates or contracted programmes. CCDF subsidies are available for all legal forms of childcare provisions (both unregulated and licenses/regulated). States may also use up to 30% of Temporary Assistance for Needy Families (TANF) funds as childcare subsidies. In addition, the Social Service Block Grant (SSBG) provides funding to states for a range of social services, including childcare.	The CDCC is a higher percentage of childcare expenses for low-income families. Eligibility conditions for CCDF subsidies vary widely across States. In general only families with very low incomes are eligible.	--

1. "--" indicates that no information is available or not applicable

2. Insufficient detail available to include in the tax-benefit models

Sources: Information provided by delegates to the OECD Working Party on Social Policy and country specific references.

Figure.A2.1. Starting employment for *second earners*: income gain net of childcare cost
 Female full-time earnings (percent of AW)¹

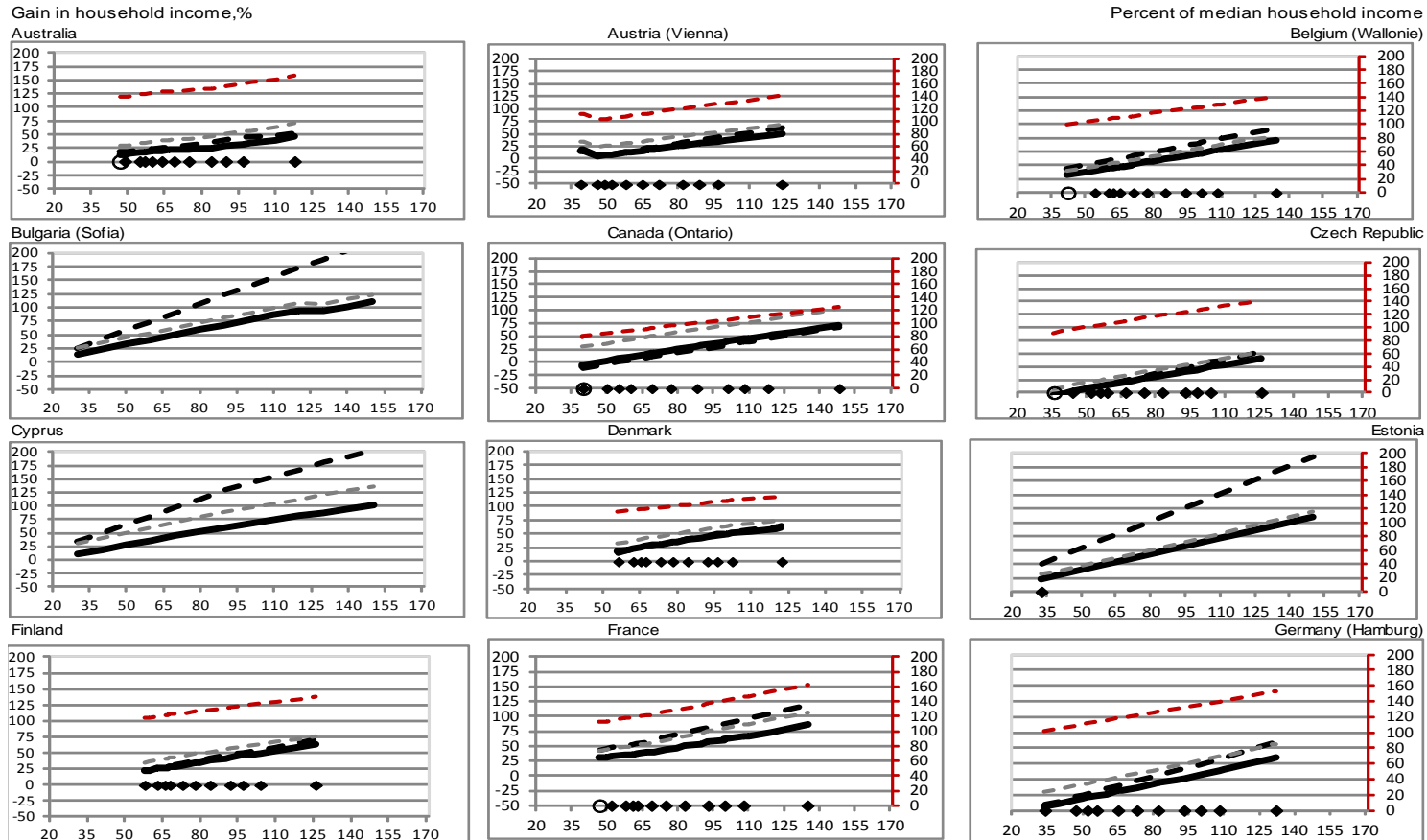
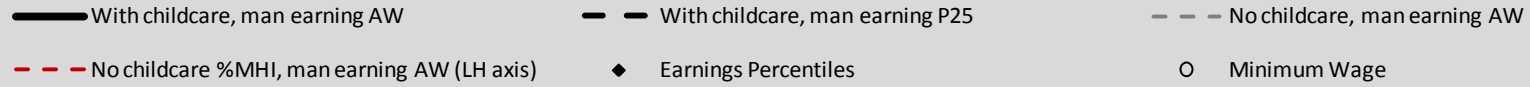


Figure.A2.1. Starting employment for *second earners*: income gain net of childcare cost (cont.)
 Female full-time earnings (percent of AW)¹

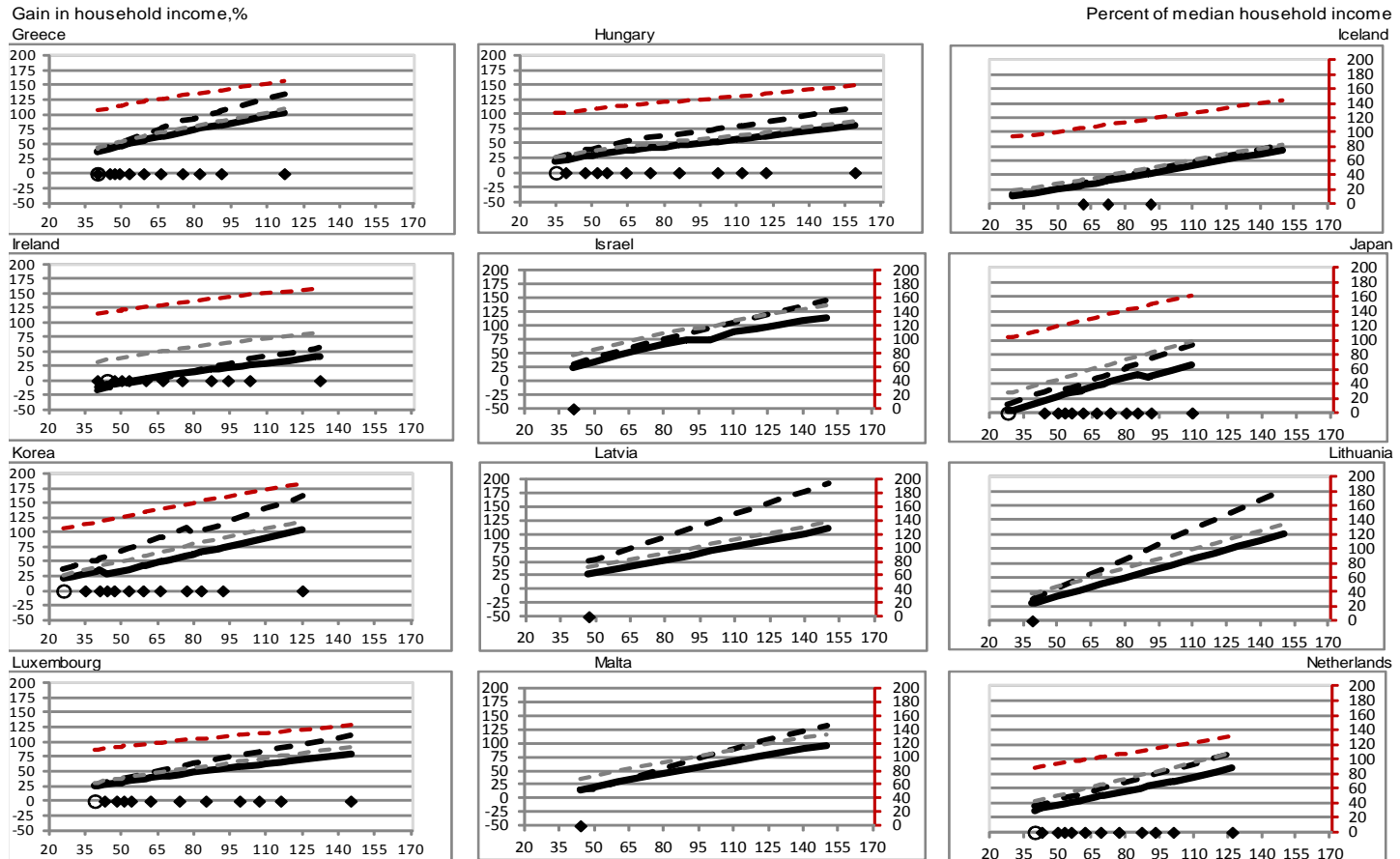
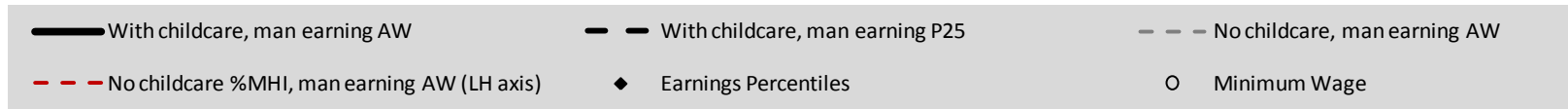
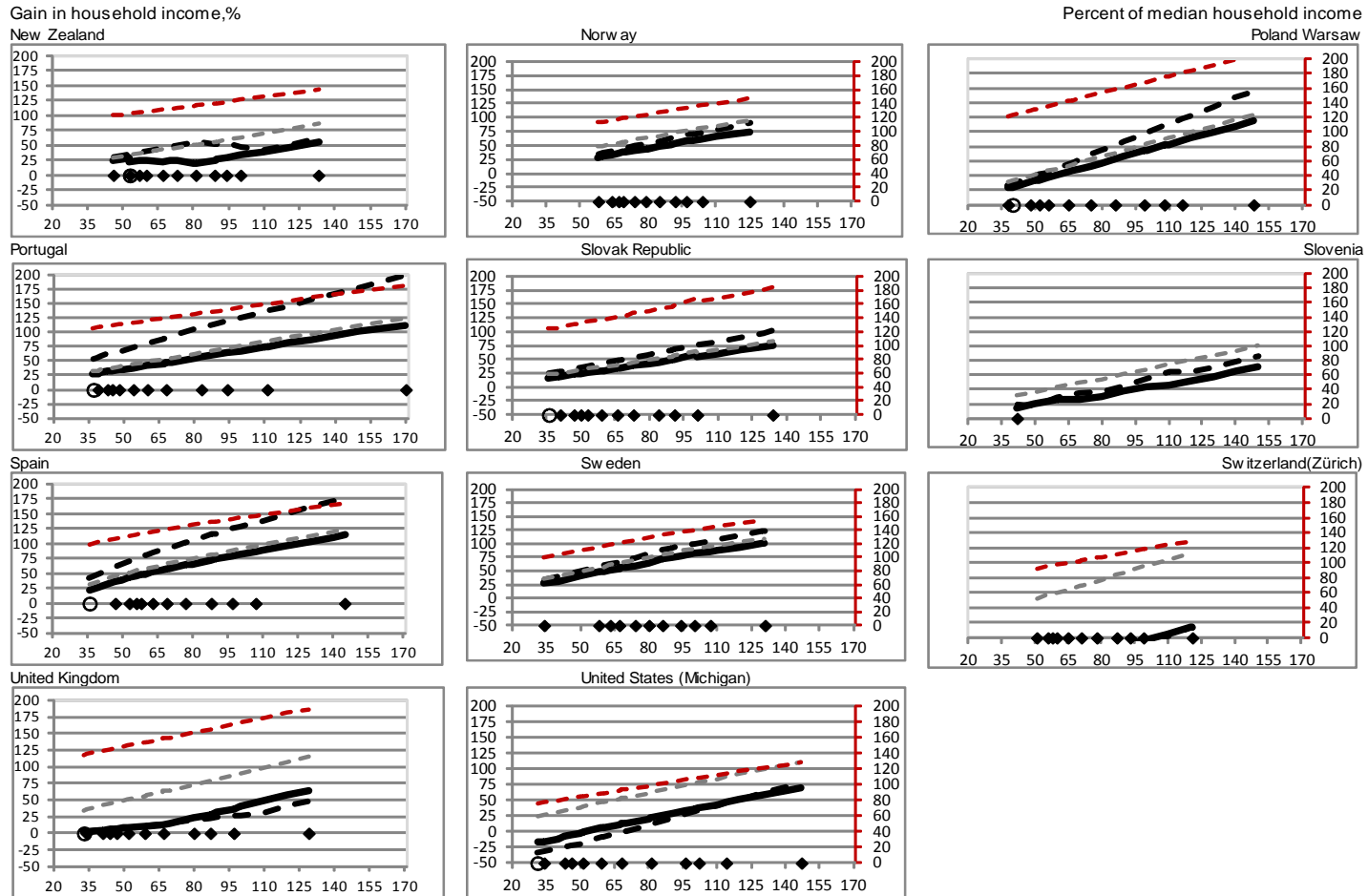
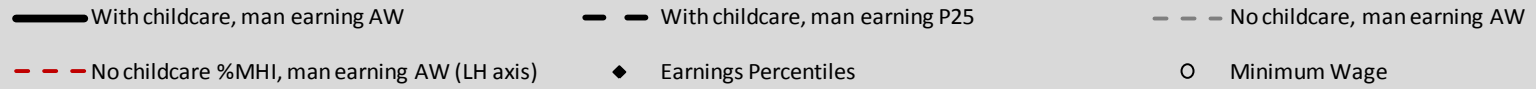


Figure.A2.1. Starting employment for *second earners*: income gain net of childcare cost (cont.)

Female full-time earnings (percent of AW)¹



Source: OECD Tax-Benefit Models, 2010

Figure.A2.2. Starting employment for lone parent: income gain net of childcare cost
 Female full-time earnings (percent of AW)¹

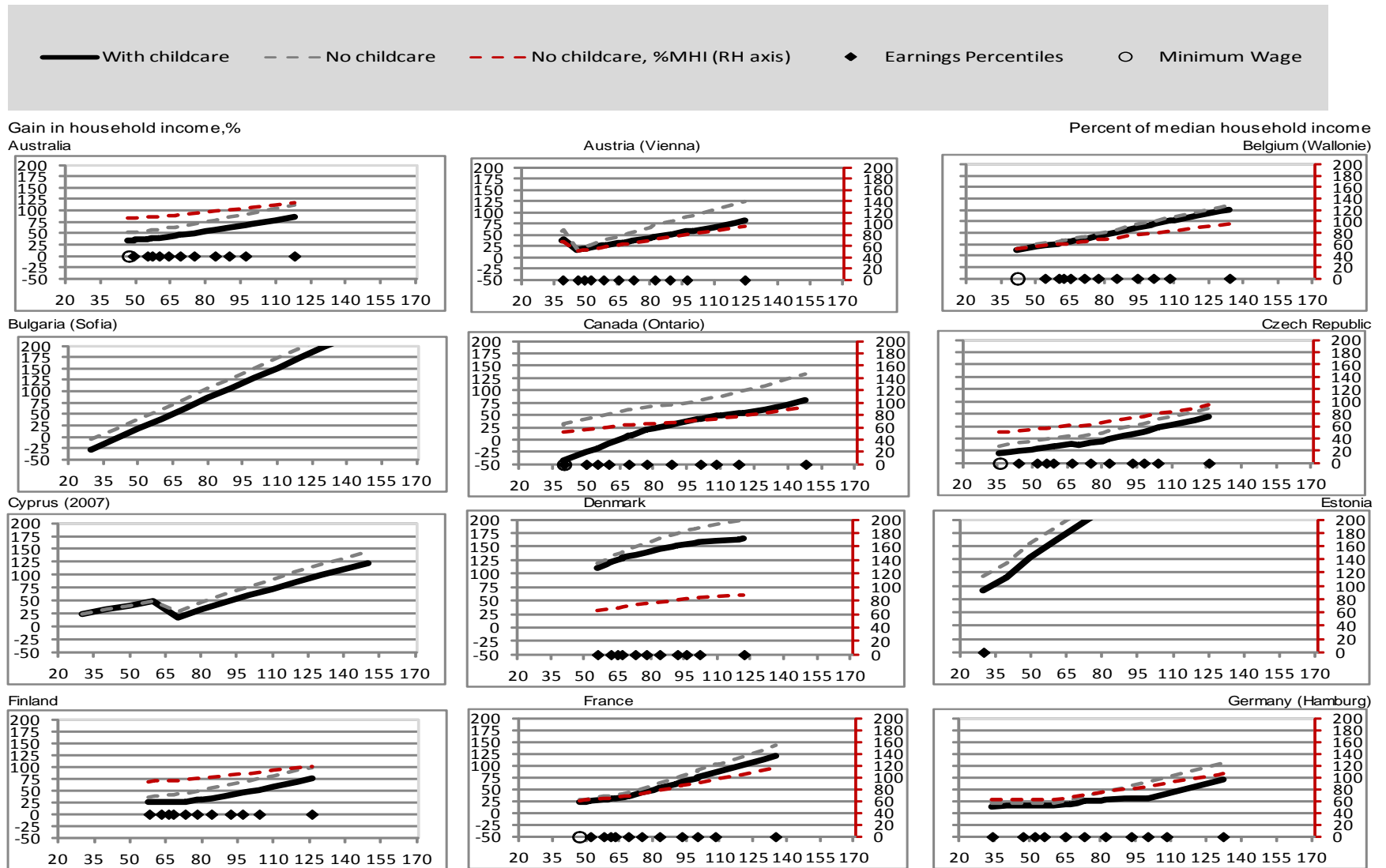


Figure.A2.2. **Starting employment for lone parent: income gain net of childcare cost (cont.)**
 Female full-time earnings (percent of AW)¹

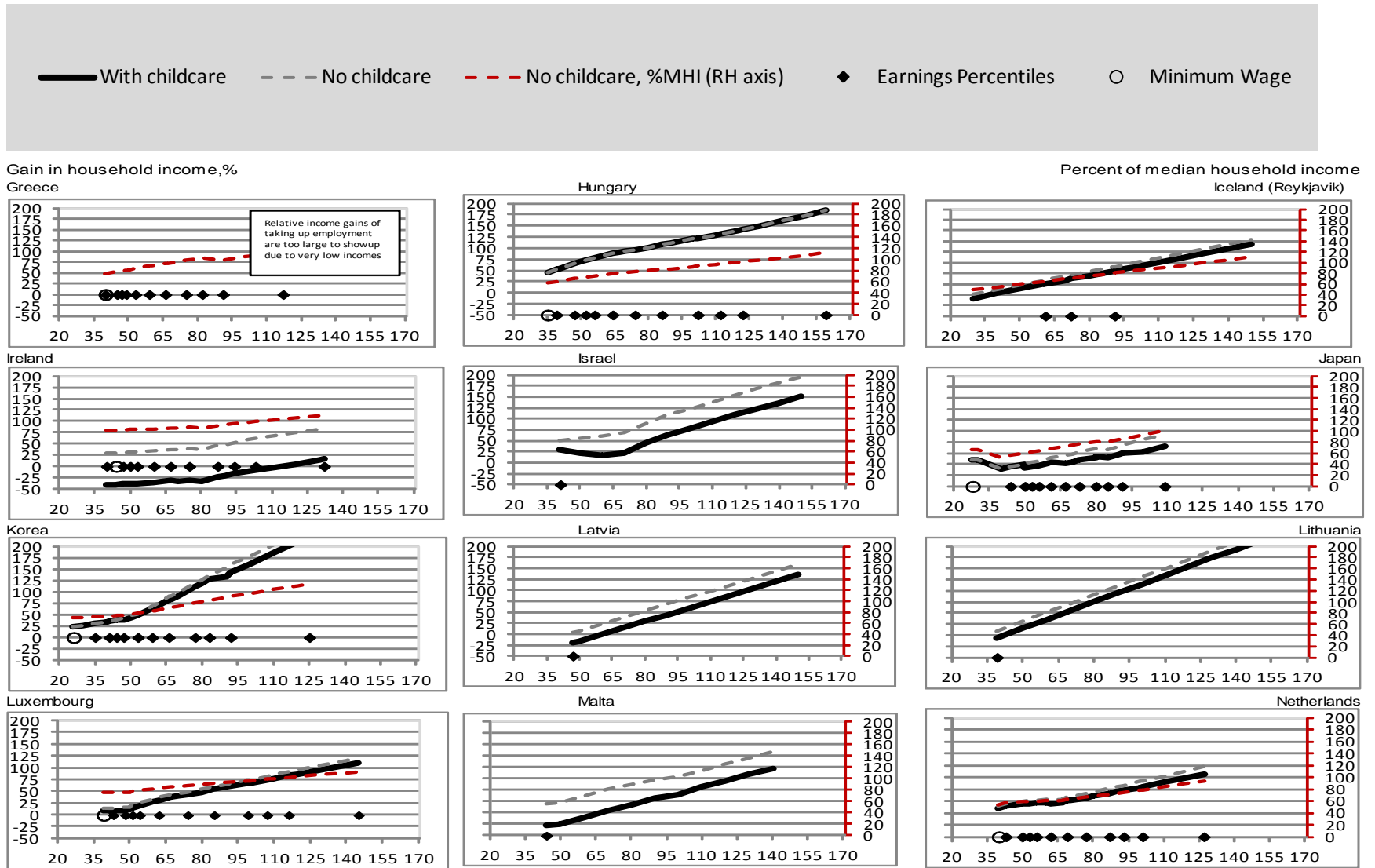
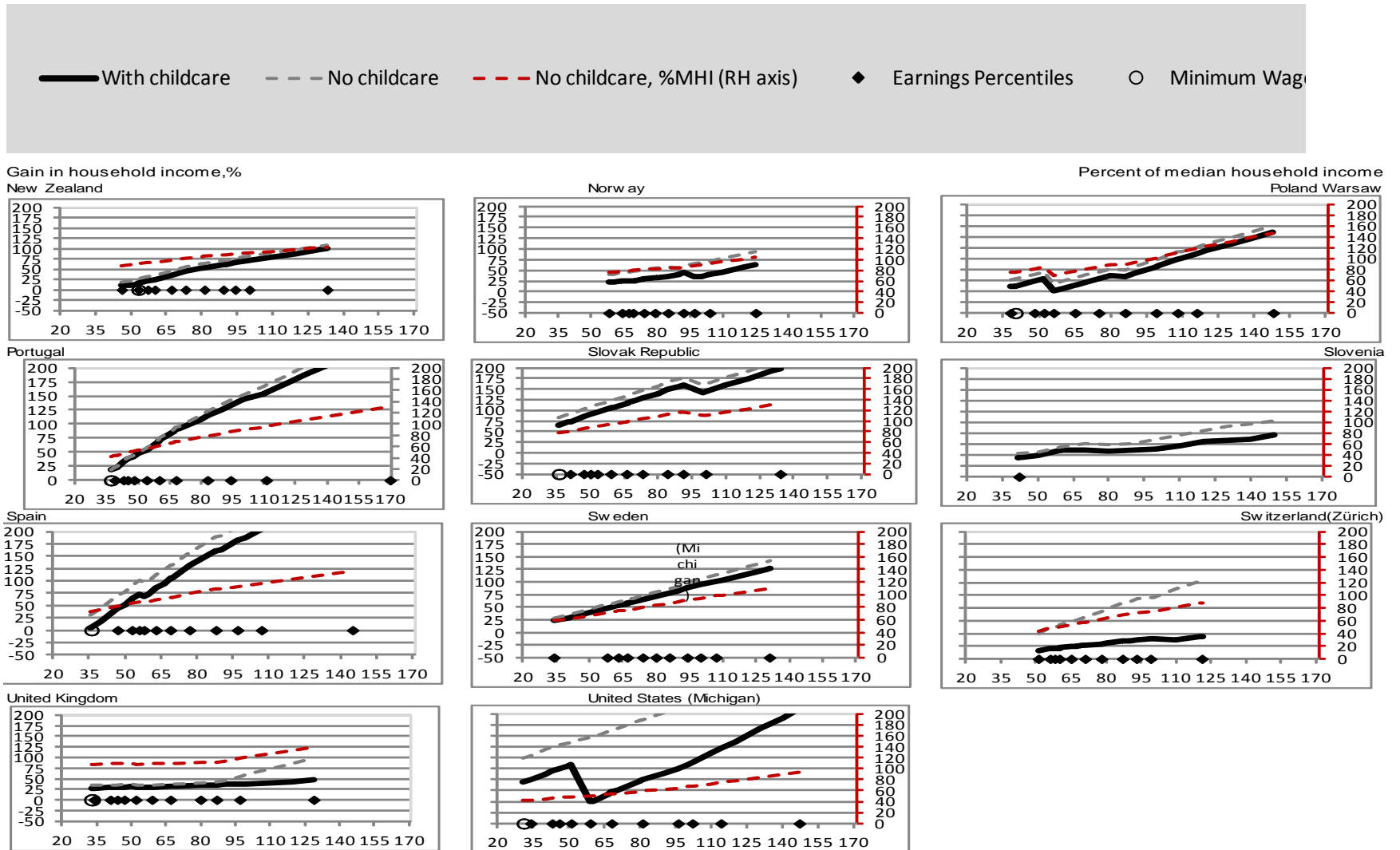


Figure.A2.2. Starting employment for lone parent: income gain net of childcare cost (cont.)
 Female full-time earnings (percent of AW) 1



Source: OECD Tax-Benefit Models, 2010