

United Kingdom: Cost of childcare wiping out British workers wages ^[1]

The cost of childcare is consuming half of UK workers' salaries while it is 'impossible' for single and low paid parents to pay for childcare and a mortgage.

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EXCERPTS

New research by British insurer Admiral has revealed the shocking situation working parents face in the UK, with the average childcare bill taking up between 41 per cent and 55 per cent of the average salary.

In a survey of 13 British cities, Admiral found that London parents have it the hardest, with the average monthly childcare bill coming in at a whopping £1,383 per month. The insurer puts this at 55 per cent of the average take home salary in London, which they say is £2,505 based on figures taken from recruitment website Adzuna.

This is followed by Bristol and Southampton, where childcare costs an average of £1,142 and £1,005 per month and takes up 55.5 per cent and 52 per cent of the average wage respectively.

Glasgow is the most affordable city in the UK for childcare at £799 a month - or 41 per cent of the average salary - followed by Liverpool at £860 and Plymouth at £844 (both 44 per cent of wages).

However, official wage figures released today suggest a potentially even starker picture for British working parents.

Data from the Office for National Statistics puts the average gross wage (i.e. BEFORE tax) in the UK at £550 per week - or £2,383 per month. After basic rate tax and National Insurance deductions this falls to £1,894.

The ONS puts London wages at £692 per week, or £2,999 per month - in line with Admiral's figures. However, for the lowest paid region - Wales - this falls to just £500 per week or £2,166 per month gross and £1,746 net. Admiral's figures put Glasgow as the lowest paid city at an average of £1,958 per month after tax and national insurance.

Using data compiled from online estate agent Rightmove, Admiral also found that a single parent earning an average salary would find it IMPOSSIBLE to pay for both childcare AND a mortgage in five UK cities.

In London, Cambridge, Southampton, Bristol and Newcastle the average monthly mortgage payment and the average childcare bill come to more than median take home wage, with the monthly shortfall ranging from £115 in Newcastle to £2,328 in London.

Commenting on the findings, Scott Cargill, UK CEO of Admiral Loans, said: "Our research shows the cost of childcare can be a huge burden on new families.

"Parents who have taken maternity or paternity leave may already be under financial pressure after being on a lower income during their time out of the workplace and may be squeezed even more when the cost of childcare kicks in," he said.

The situation means that for many parents, there is little to no benefit in both parents working. Typically this means that women are forced to stay at home rather than go out to work, exacerbating inequality in the workplace while wiping out potentially half of the UK's skilled workforce.

Stuart Carmichael, of the Debt Support Trust, said: "Many families face a financial dilemma after a child is born and it's a problem which needs to be addressed. While efforts have been made to make it more affordable for parents to return to work after the birth of a child, for low income families, the financial benefit can be very limited."

Both Cargill and Carmichael are also concerned that the burden of childcare is increasingly forcing parents into debt to pay for basic living costs, sending them into the arms of rip-off payday lenders and loan sharks.

"We are concerned that more people could be turning to high interest, short-term loans to bridge financial gaps, which are a temporary

solution at best and could lead to additional stress and worry further down the line.

“For those struggling with the costs of raising a family, there is help out there and we would urge people to get in touch with us for advice before they feel they have to turn to desperate measures, which may make the situation worse in the long term,” said Carmichael.

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