


# Maternal employment and the cost of childcare in Ireland <sup>[1]</sup>

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## Executive Summary

Childcare has become an increasingly salient issue for Irish society as the proportion of women with young children in the workforce has grown over recent decades. International comparisons of the price of formal care for preschool children indicate that Ireland has one of the highest costs as a proportion of household income across the OECD.

The costs of childcare are frequently invoked as a barrier to maternal employment, especially for low-income groups and lone parents. However, there are relatively few systematic analyses of the real costs for families or of how these costs influence employment outcomes for mothers.

This study draws on information from the Growing Up in Ireland (GUI) Survey to investigate childcare costs for children up to the age of five, with a particular focus on costs at age three before children enter the school system, which is the peak period for participation in non-parental childcare in terms of both the numbers of children and hours of childcare. The GUI is the largest source of nationally representative data on the types and costs of childcare for pre-school children in Ireland.

## Costs of care to parents at age 3

In 2011, when the children were three years (36 months) old, half of the GUI children were in non-parental care for at least eight hours a week. Of those in non-parental care, over half were in centre-based care (54 per cent); 22 per cent were in the care of a relative and 24 per cent were looked after by childminders, either in the childminder’s home or the child’s home. Those who paid for care used an average of 24 hours of childcare per week for the main care type, at a mean cost of €105 per week or €4.50 per hour. Evidence from other sources (Pobal, 2017; CSO, 2018) suggests that the prices for formal childcare changed relatively little in the intervening time period.

A childminder in the family’s home was the most expensive form of care, costing €5.70 per hour and €153 per week, on average. The hourly costs of a childminder outside the home were close to those paid for centre-based care (just under €4.50 per hour), though the mean weekly costs were somewhat higher for the former (€107) compared to the latter (€100). Over half of all relative care was provided free of charge. Among those paying for relative care, the average cost was €90 per week. In total, 15 per cent of those using regular childcare for their child at age three received this care free of charge.

Higher care costs were not accounted for by factors such as region, family income and maternal education. Compared to paid relative care, we found that centre based care cost 16 per cent more per hour, care by a childminder outside the child’s home cost 17 per cent more, and care by a childminder in the child’s home cost 33 per cent more.

## Proportion of income spent on childcare

On average, families paying for care spent 12 per cent of disposable income on the care of the three-year-old Study Child. This rose to 16 per cent for lone parent families and 20 per cent for those in the bottom income decile. As these costs relate only to the Study Child, families with other young children are likely to spend a considerably higher proportion of their income on childcare.

## Maternal employment

The majority of mothers (54 per cent) were in paid employment when their child was 36 months old, up from 46 per cent when the child was 9 months old. By the time the Study Child was aged five years, 59 per cent of women were in employment.

There is a considerable fluidity in mothers’ employment in the early years after the birth of a child. For example, between Wave 2 (child aged three years) and Wave 3 (child aged five years), 9 per cent of women entered employment, 7 per cent left and 9 per cent changed between full and part-time hours. Even this understates the level of change. Almost half (49 per cent) of women changed the number of hours they worked between the second and third waves. Debates that dichotomise women into one group of full-time carers permanently

outside the labour market ('stay-at-home mothers') and another group of permanent fulltime workers ('working mothers') does not do justice to the range of experiences actually found.

The longitudinal nature of GUI means that we can examine whether childcare costs when the child was three made a difference to maternal employment two years later. An instrumental variables approach allows us to account for endogeneity, in this case the fact that families with higher levels of employment and earning power tend to pay more for childcare. Using this approach, we find that among those paying for childcare when the child was aged three, the cost of care was associated with a small reduction in hours of paid work when the child was aged five years. A 10 per cent increase in childcare cost is associated with half an hour less paid employment per week. Moreover, the effect of childcare costs interacts with household income so that for households with lower income the negative effect is larger. Thus, childcare costs appear to be a stronger barrier for low-income families.

### Policy implications

The children in the GUI study were one of the first cohorts eligible for the Free Preschool Year scheme (officially the Early Childhood Care and Education scheme, ECCE) and almost 96 per cent of the group participated. Our analysis is based on cost of childcare measured at 36 months, before the children took up these places. The results therefore measure the costs before families become eligible for the scheme (the starting age has since been lowered to 36 months and the duration of the scheme has been extended to two years, see Chapter 1). Given the universal nature of the scheme and the very high take-up in our sample, we assume that the relativities in costs between those with different characteristics remained the same over the period, as all households benefited from the same subsidy.

Our analysis suggests that childcare costs act as more of a barrier to employment for households with lower income. The precursor to the Affordable Childcare Scheme (ACS) introduced in September 2017 is designed to provide more targeted childcare cost supports for low-income families as well as a universal element. The GUI data pre-date the scheme; however, the principle of providing greater supports to low income families is supported by the current analysis. Policies to address childcare costs are also important from a poverty perspective, as exclusion from the labour market due to childcare costs will increase poverty risks and household joblessness. Increased female employment also has benefits for the sustainability of the welfare state through increased tax receipts. The report also reiterates the importance of childminding and relative care for Irish families. Provision of subsidies directly to registered providers, as in the ECCE and ACS, provides the State with an important means to influence quality and supply of childcare. Efforts to bring childminders into the registration system will therefore be crucial if significant capacity and parental choice is not to be lost.

**Related link:** High childcare costs keeping women out of workplace - study <sup>[3]</sup>

**Region:** Europe <sup>[4]</sup>

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