

# Counting the costs of childcare <sup>[1]</sup>

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## AVAILABILITY

Full report in pdf <sup>[2]</sup>

Excerpt from the executive summary:

Given the mix of universal and means tested support available for childcare, families at different points in the income distribution face very different childcare costs. For dual earning families, childcare costs bite hardest for middle income couples. A middle income couple with a gross income that is 87 percent higher than a minimum wage earning couple (£44,440 compared to £23,790) ends up only 17 percent better off than the minimum wage couple after taxes, benefits and childcare costs. After paying for full time childcare, the middle income family's disposable income is £26,669 compared to £22,742 for the low income family.

For single parents, the picture is slightly different, with a middle income parent working full time receiving more support towards childcare costs than a middle income couple family where both parents work full time. Higher income single parents, however, receive no support for childcare costs except the early years entitlement of 15 hours of free childcare per week for three and four year olds. As a result, childcare costs continue to act as a real barrier to work for single parents even at the higher end of the income distribution.

While the percentage of income that families spend on childcare is an important measure of affordability, it does not provide a full picture of the way in which childcare costs affect the incentive to move into and progress in work. The withdrawal of benefits and tax credits as income increases means that it is possible for childcare costs to account for a very small percentage of disposable family income but still have a significant negative impact on work incentives.

In a minimum wage earning couple, the second earner pays to work for the first 16 hours because the family is not eligible for childcare support (although this will change with the introduction of Universal Credit). For each additional pound the second earner earns after 16 hours, the family loses almost the same again, leaving the family's disposable income flat. The family is almost no better off if the second earner works full time or not at all

**Related link:** Childcare: how the cost of bringing up baby is bankrupting middle Britain <sup>[3]</sup>

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

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**Source URL (modified on 27 Jan 2022):** <https://childcarecanada.org/documents/research-policy-practice/12/11/counting-costs-childcare>  
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