

Squeezed London families spending half their income on child care ^[1]

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EXCERPTS:

Hard-pressed middle-income families in London are seeing more than half their disposable income gobbled up by childcare costs, research reveals today.

Figures show some Londoners have to set aside 51 per cent of their money after taxes and housing bills just to pay the nursery. The study, by think tank the Resolution Foundation, shows just how little is left for food, fares, clothing and treats once hard-working families in the capital have written their monthly cheque for childcare.

Moreover, the impact is significantly higher for people in the capital than for those elsewhere in the country. The study found that a typical British couple who both earn the average salary of £26,460 a year - making a combined income of £52,900 - and have two children aged two and four, can expect to see some 40 per cent of their disposable income drained away by childcare. In London, the same family would have to find 51 per cent of their income after taxes and rent or mortgage.

"We have long known the costs of childcare in the UK are high compared to other countries and act as a major barrier to mothers staying in work," said Vidhya Alakeson, deputy chief executive of the Resolution Foundation.

"But this new analysis shows that the reality for families in London is particularly harsh. With female employment more important to family living standards than ever, shutting women out of the workforce through unbearably high childcare costs is poor economic as well as social policy."

Londoners are harder hit at all income levels, the study found. But middle earners seem particularly affected because they have higher housing costs and do not qualify for tax credits.

For similar couples on £40,000 a year, childcare eats up 35 per cent of income after taxes and housing in London, compared with 28 per cent nationally.

A London single parent on about £13,230 a year with two young children will have to spend about five per cent of disposable income on childcare. A similar single parent elsewhere in Britain would have to pay out about four per cent.

Chancellor George Osborne is expected to announce help for parents with childcare costs - allowing them to write off up to a third of the cost against tax.

Ms Alakeson argued such tax breaks were the wrong answer as they would benefit the better off disproportionately. "Our analysis shows that this will do little to help those families on low and middle incomes," she said.

Liberal Democrat leader Nick Clegg has argued for the state to provide more free childcare.

Hundreds of thousands of middle and higher income families in London will also be worse off from next week due to child benefit cuts.

-reprinted from the London Evening Standard

Region: Europe ^[2]

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