

Ireland's huge childcare costs stopping people going to work^[1]

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Source: The Irish Times

Format: Article

Publication Date: 21 Jul 2016

AVAILABILITY

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EXCERPTS

Childcare costs in Ireland are among the highest in the world and the issue is a "pressing concern" as it may damage our competitiveness, the State's competitiveness watchdog has warned.

For couples, childcare costs are the second most expensive among the 35 OECD countries and the most expensive for lone parents, the National Competitive Council's annual benchmarking report published on Thursday noted. It added that these costs are not offset, as in some other countries, by benefits in the form of subsidies or direct payments.

"The implicit cost of returning to work amounts to 90 per cent of potential earnings in Ireland compared with 57 per cent in the OECD", the NCC report said. The Council said that while the labour market has contributed strongly to overall economic growth in recent years, concerns persist about our relatively low levels of labour force participation, particularly female participation. It said a "range of interconnected issues" will require "further policy consideration" including the cost of childcare and the costs of returning to work.

Despite Ireland's improving labour market, labour force participation rates remain below their pre-crisis peaks and female participation rate in Ireland is consistently significantly lower than those of best-performing OECD economies.

Since 2011, Ireland's relative international competitiveness, as measured by a range of international indices, has improved. Ireland moved from 16th to 7th in 2016 in the IMD's World Competitiveness Yearbook, the report states.

Ireland's improved economic position, strong economic, employment and productivity growth, combined with cost competitiveness and the availability of talent have contributed to Ireland's improved international competitiveness.

However, the Council warns that while the recovery appears to have consolidated, the outlook is "precarious" and plans to achieve a lasting recovery and full employment "under serious and imminent threat" if we don't improve our competitive position compared to other countries.

"As a small open economy, external threats such as financial market volatility and the fragile global economy are now exacerbated by the uncertain consequences of the British decision to leave the EU.

"All of the countries with whom we trade, and compete for foreign direct investment are also striving to improve their business environments. We need a relentless focus on reform and on continuing to improve Ireland's competitiveness performance in areas that can be influenced by domestic policy action."

The Council said sound public finances were a prerequisite for sustainable growth. "Ireland has made significant strides in this regard, as evidenced by our exiting the EU's Excessive Deficit Procedure. Nevertheless, a continuation of prudent fiscal policy is still a necessity to reduce our debt burden and to further reduce the exchequer deficit.

"Ireland will need to carefully manage the public finances, prioritising expenditure and investment to support competitiveness and maintain essential services, whilst simultaneously maintaining a growth-friendly taxation system. In this regard, there remains a need to further broaden the tax base. Further, vigilance is required to ensure that the Exchequer does not become over reliant on any single or temporary source of revenue which may be a result of cyclical fluctuations, rather than a sustainable, permanent increase in revenue."

The Council said Britain vote to leave the European Union requires "a determined response to enhance Ireland's national competitiveness."

Prof Peter Clinch, chair of the council, said Ireland's competitive performance had improved greatly in recent years but that rising costs remain a key concern. He noted that the drivers of economic growth have become more balanced with domestic consumption and investment becoming key contributors, alongside exports. However, he said the additional threats posed by Brexit means more be done to improve competitiveness.

"The scale of the challenges which confront us have been brought into focus by recent events in the UK. Our long standing and extensive

economic and cultural ties with the UK mean that their decision to leave the EU has significant and direct consequences for Ireland. It brings into sharp focus the need for Ireland to maintain and improve our competitiveness performance across a range of areas such as infrastructure, ease of starting a business, talent, tax and innovation," he said.

"Only a renewed focus on competitiveness will help to insulate us from external shocks and factors beyond our control," Prof Clinch added.

-reprinted from The Irish Times

Region: Europe ^[3]

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