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The Affordability of Childcare in Ireland

Measuring regional disparities

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SUMMARY

Affordable childcare is an important policy tool to maximize an economy's employment rate and by extension its productive capacity by facilitating the participation of second-earners and lone parents in the labour force.

Prohibitive costs create barriers for labour market participation of second earners and lone-parents who tend to be mostly women. There is also widespread consensus among economists that as well as promoting fairness and social justice, there are real long-run economic returns to investing in pre-primary education, especially if it is affordable for disadvantaged families.

As shown previously in housing (Nugent 2017), there are clear regional disparities in the cost of childcare with prices in Dublin far above the rest. The cost of full-time childcare for one child in Fingal is about 40% of the take home pay of the median employee aged 25-34 and the cost of two children anywhere in Dublin is more than the take home pay of a full-time minimum wage worker. The cost in Leitrim for instance is under 60% of that in Dunleary.

KEY POINTS

- A universal subsidy of €20 a week for full-time childcare and €10 for part-time came into effect in September as did higher subsidies for certain groups, mostly in receipt of government welfare assistance. A planned income-based subsidy scheme has been postponed.
- The cost of childcare is highest in Dublin and surrounding areas, followed by Cork. Wide regional disparities are evident in the data with the average cost of one child full-time at €755 a month.
- A 4.3% national figure for annual growth in full-time costs masks considerable regional differences.
- Ireland has some of the highest costs for full-time childcare as a proportion of disposable income in the OECD and one of the lowest spends on early childhood education as a proportion of GDP.
- Ireland has a low employment rate (70.5%) relative to the EU average (72.9%) and is way behind top performers such as Sweden (82.1%).

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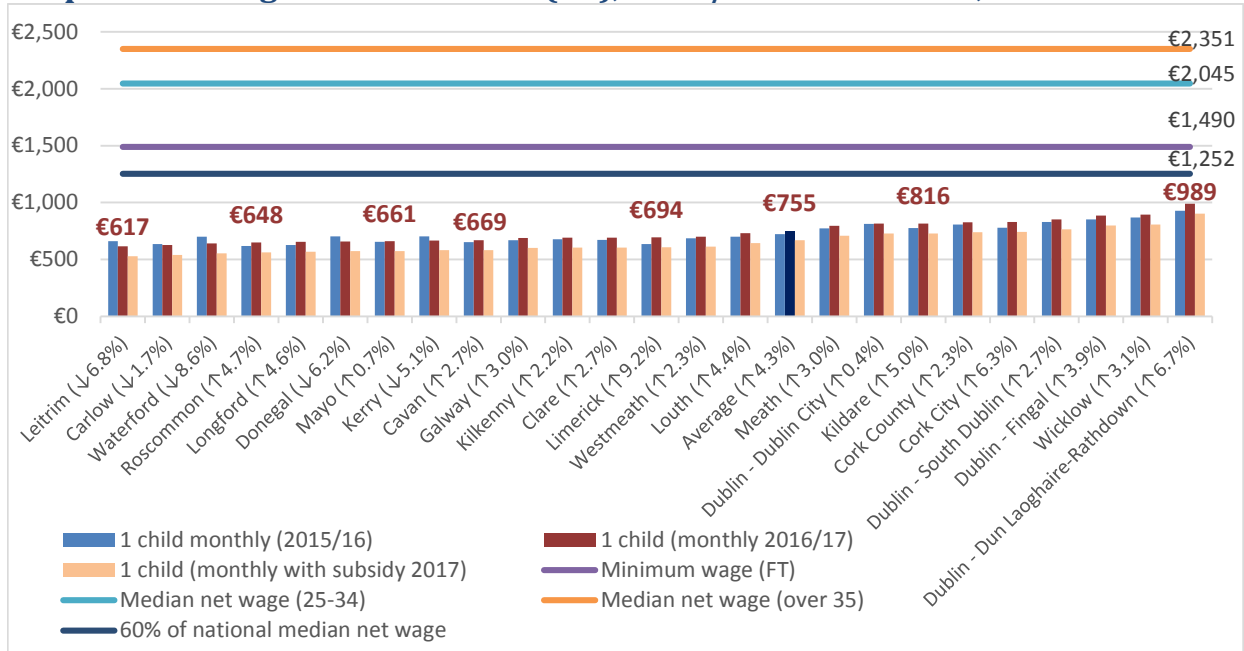
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Research for new economic policies

Graph 1: Net wages and childcare (FT), 2016/2017. One child, one earner



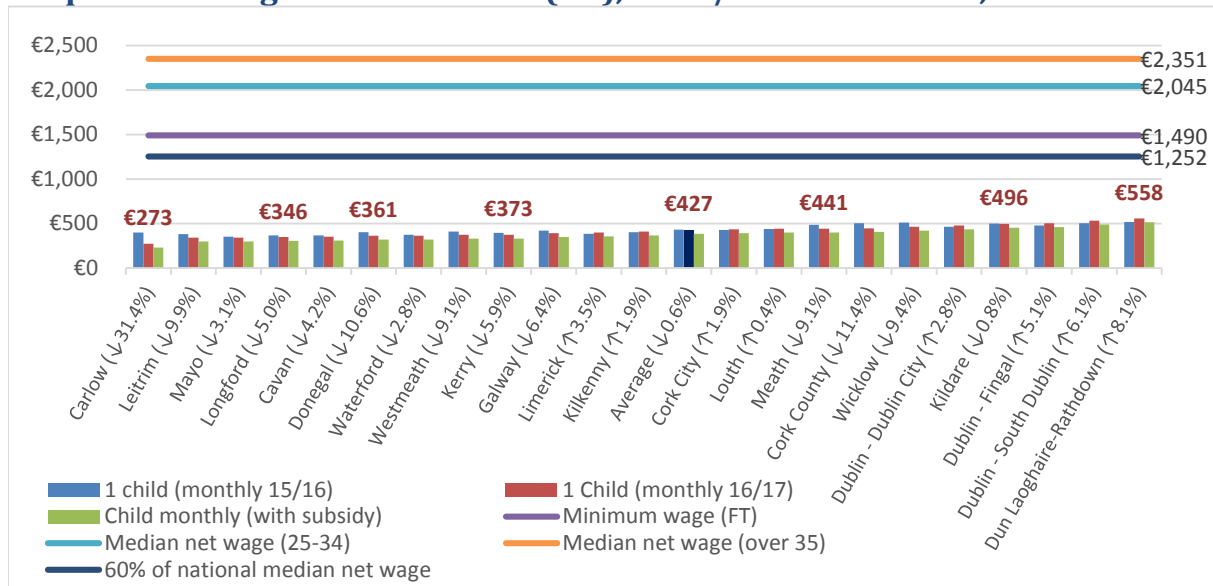
note: net wages refers to monthly after-tax pay of individual employees. Changes reported are for average market prices 2015/16 - 2016/17.

Childcare costs and median net wages

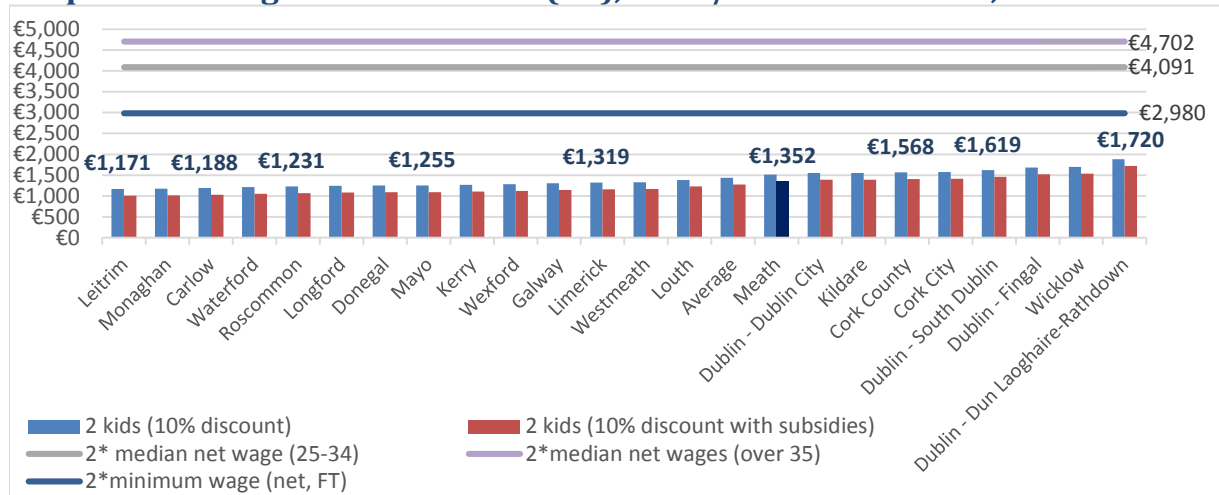
This inBrief will assess the affordability of childcare for single and dual wage earners across the country. Net, disposable, after-tax or take home pay (gross employee wages minus taxes on those wages) of young workers (24-35) and older workers (over 35) are considered against average prices for full-time and part-time childcare across the country. The paper examines movements in

prices in the past year and estimates the effect of the recent subsidy announced (€20 per week for full-time care and €10 for part-time) on affordability for parents. From September 2017, certain parents are eligible for subsidies including a €145 weekly subsidy for full-time care for medical card holders on most social welfare schemes, €80 for those on Jobseeker’s benefit/allowance or supplementary welfare allowance and

Graph 2: Net wages and childcare (PT), 2016/2017. One child, one earner



note: Net wages are monthly and for two employees. Changes reported are for average market prices 2015/16 - 2016/17.

Graph 3: Net wages and childcare (FT), 2016/2017. 2 children, 2 earners

Note: Net wages are annual for two employees. Changes reported are for average market prices 2015/16 - 2016/17.

€70 for those with medical cards but not in receipt of any of the welfare programmes mentioned above. These lower income groups are not the focus here however.

It is clear from the data that the burden of childcare costs is much higher in Dublin and surrounding areas, as well as Cork, than in the rest of the country. A 4.3% headline growth figure in full-time childcare costs between 2015/16 and 2016/17 masks considerable regional differences, with market prices outside of Dublin dropping significantly in some areas. Thus, by extension, the recently announced and available subsidy benefits parents outside of Dublin more in relative terms. It is important to note however, that prices outside of Dublin are still far in excess of what would be considered normal prices in other EU member states, with the lowest price in Leitrim in the region of €150 euro a week for full-time childcare. The universal subsidy accounts for the biggest proportion of any area in Leitrim at 14%.

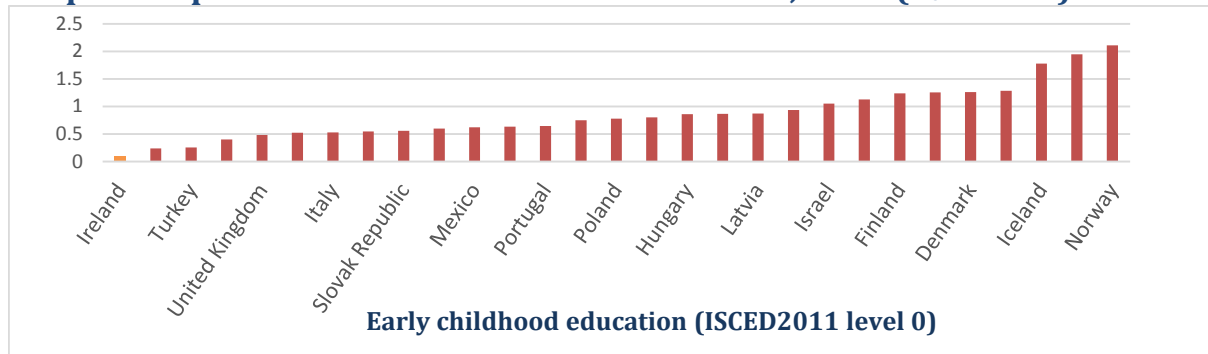
Including savings with the new subsidy the average cost in Leitrim comes to €530 a month for one child, over one-third of a full-time minimum wage worker's take home pay and more than a quarter of the take home pay of the median 25-34 year old wage earner. In Dublin City centre, the average market price is 49% of the take home pay of a minimum wage full-time worker including the subsidy. Dunlaoghaire-Rathdown is the

most expensive area in Ireland with the cost for one child at over 40% the national median net wage, also including the universal subsidy, which at €20 per week covers just under 9% of the cost of full-time childcare there.

For part-time care (3.5 -5 hrs), the national average has actually fallen in the past year though prices in most areas in Dublin have risen with Dunlaoghaire-Rathdown seeing an increase of over 8%. In Carlow, the average price has dropped by about 30%. Prices charged by providers range from €230 in Carlow to €558 in Dunlaoghaire-Rathdown for part-time childcare which translates to a cost of about 15% or 31% of the take-home pay of a full-time minimum wage worker. The average cost is €427 a month, which, with the subsidy included comes to a cost of €384 (about 17% of after tax pay of the median Irish wage earner).

Two children and median net wages

Though no official statistics exist, evidence suggests that childcare providers will give a discount on a second child in the region of 5-10%. Graph 3 tells a very similar story to Graph 1 but with an assumed discount of 10% for a second child. Again, at the lower end in Leitrim the cost of two children in full-time childcare is €1,011 a month or almost €250 a week. This is over two-thirds of the take home pay of a full-time worker on the minimum wage and just shy of 50% of the median take home pay of a 25-34 year old

Graph 4: Expenditure on Educational Institutions, 2014 (% of GDP)

Source: OECD (2014)

employee and thus a quarter for two earners at that level. In Cork City, South Dublin, Fingal and Wicklow the cost is over €1,400 a month for two young children or 60% of the median take home pay of a wage earner over 35. The cost of full-time childcare for two children is €230 a month more than a full-time minimum wage employee takes home in a month.

Spending on Childhood Education

In 2014, Ireland was one of the lowest spenders on Early Childhood Education as a proportion of GDP in the entire OECD, at the same time as having the highest fertility rates in the EU for the past decade.

This underinvestment has translated into higher market prices as the net percentage of family income spent on full-time childcare in Ireland comes to 27.4% compared to 9.7% in Germany and France and 4.4% in Sweden where these services are heavily subsidised (OECD 2016).

Note: The Single Affordable Childcare Scheme announced in Budget 2017 was due to come in to force in September but has been delayed. The proposed scheme involved income-based subsidies for childcare to target those parents on lower incomes. It was proposed that any household with a net income of €22,700 or lower would be eligible for the maximum subsidy (€5.11 an hour for a child less than 12 months, €4.37 between 12 and 23 months, €4.18 between 24 and 35 months, €3.95 if older than 35 months and €3.76 if enrolled in school). This subsidy would then be tapered down to a maximum household net income of €47,500 where households would only be eligible for the minimum universal subsidy of

€0.5 an hour. The proposal also includes a provision which increases the income threshold for additional children. The proposed scheme takes no account of regional differences in prices facing parents. Should this scheme be implemented it would most likely have a positive impact on the living standards of parents, gender equality and long-term productivity of the Irish economy through increased participation of women as well as on participation rates of children from disadvantaged backgrounds.

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*technical note: Net employee wages are calculated from SILC 2015 and estimated for 2017 with recorded movements in earnings reported in EHECS for 2016, 2017.

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