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Appendix 1

Childcare Policies in the Netherlands, Australia, New Zealand and the United Kingdom

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Childcare Policies in the Netherlands, Australia, New Zealand and the United Kingdom

Policy Approaches Abroad

Introduction

This section provides a brief characterisation of the different types of approaches to mothers' employment in the European Union and selected other OECD countries. After examination of the policies and participation rates in these countries, our view was that, with the exception of the Scandinavian countries, countries were too distinct to classify into a small number of models: those that bore similarities in some respects were distinct in other respects. Thus, instead of grouping countries into a small number of models relating to mothers' employment, this section draws out some of the main features of a selection of countries.

Jansweijer (1992) provides a succinct characterisation of the relationship between labour market participation and motherhood in a number of European countries as follows:

'In France, Belgium, Denmark, Greece, and Italy, female labour force participation is virtually independent of the presence of children and of the age of the youngest child. However, unemployment among women with young children in Belgium is higher than among women who do not have young children. The United Kingdom and Japan have a strong tradition of women re-entering the job market. The labour force participation of mothers with young children is low, but rises rapidly with the age of the youngest child. In the Netherlands and Germany, the labour force participation of mothers with young children is low as well, but re-entering the job market is more exceptional here. Spain and Ireland demonstrate the same pattern of high participation at a young age, which suddenly drops after the birth of the first child (OECD, 1988, p 132)'

Whilst this might seem to provide a starting point for grouping countries into various models, other differences amongst countries which have similar relative patterns for mothers and non-mothers preclude this. For example, women's participation rates in the first group of countries, which Jansweijer refers to, range from 72 per cent in Denmark (1987) to 35 per cent in Italy (with France at 48 per cent; Belgium, 44 per cent; Greece, 37 per cent) (WRR, 1990, reported in Jansweijer, 1992). Spain and Ireland, which have similarly low female participation rates, present very different institutional backgrounds affecting employment possibilities for mothers. In Ireland, the school day enables mothers to work for at least a reduced day. In Spain, the lengthy siesta period makes employment and childcare much more complex. Germany and the Netherlands do present rather more similarities, with school hours presenting similar difficulties and low general childcare provision. However, a number of themes can be identified in the approaches to mothers' employment and these are described below.

Policy Approaches to Labour Force Participation of Mothers and Childcare

The main approaches can be described by the extent to which they are child or employment-oriented and their degree of intervention.

In some countries, the approach is child-centred. This has influenced the provision of childcare in, for example, Britain and Norway (Leira, 1993). These two examples demonstrate how different the

outcomes may be from the same impetus, depending, in this case, on what is regarded as in the interests of the child and also on what is seen as the appropriate means of provision. In Norway, a child-centred approach has led to extensive public provision of childcare and, consequently, high female employment rates, whereas in Britain it has led to regulation of childcare with public provision targeted at (and, increasingly, limited to) disadvantaged children, with consequently lower employment rates for mothers. This can be seen as the result of the combination of a child-centred approach with an underlying social-democratic ideology in Norway, but a 'liberal' welfare ideology in the UK (Randall, 1995). The former has promoted public provision for all, whilst the latter has been characterised by a reluctance to intervene either in the labour market or in the private family sphere (Randall, 1995). Ditch *et al* (1994, p 17) put it more strongly, that, in the UK, State intervention had been seen as an intrusion.

Non-intervention, of a different sort, is also apparent in the Netherlands and Germany. In the former, concentration on 'primary forms of living' and 'the household', rather than the family or the nuclear family, is indicative of State neutrality towards organising family life (Ditch *et al*, 1994, p 16). This has led to relatively low levels of childcare for young children and low rates of mothers' employment. In Germany, devolvement of State power to local authorities and the importance accorded to non-Governmental bodies has resulted in the principle of dual subsidiarity, exemplified by the existence of kindergartens and crèches mainly in the private sector (Ditch *et al*, 1994, p 17). Moreover, in Germany, an approach to schooling which ignores parents labour force status presents substantial difficulties to mothers of school-aged children working (see below).

The underlying approach in France is natalist (Ditch *et al*, 1994, p 46). However, this has not only led to financial incentives for having children, but also extensive provision for working mothers, resulting in relatively high employment rates and high levels of full-time employment. Thus, France combines a pro-motherhood stance with support for mothers working.

The Northern European countries (Sweden, Denmark, Norway and Finland) have high levels of participation in the labour market. State support enables parents to withdraw from the labour market to care for each child when very young and to re-enter the labour market slightly later. Maternity and paternity leave, followed by extensive provision of childcare and support for parental leave makes this possible. However, these countries should not be seen as following identical policies. Leira (1993) characterises the policies of Sweden and Denmark as supporting the dual role of mothers in production and social reproduction, but those of Norway as being directed at the welfare of the child. Leira also points out that the policies are not uncontroversial in each country, with some major political groups advocating financial support to enable women to care for their own children and others advocating support to enable women to work outside the home (Leira, 1993). In each model in Scandinavia, the extent of provision should be seen within the context of a social democratic welfare state.

It is apparent that even where policy approaches differ, policies may be very similar. This is because, for example, concern for the welfare of the child may give rise to substantial State involvement in the provision of childcare which, in turn, benefits working mothers. In countries where State intervention is not favoured, the support for both children and working mothers tends to be poor.

The Netherlands

State Provision

In common with many other European countries, State childcare provision is divided between the welfare system and the education system. In the Netherlands the division is based on the age of the child with children under four years coming under the welfare system and older children coming

under the education system. This division ties in with the fact that most children enter the public school system when they are four, one year before it is compulsory. State provision for children under the age of four is limited and full-time places which are particularly scarce tend to be reserved for children from disadvantaged backgrounds or those in need of emergency care.

Joint provision

Playgroups are run independently by schools or community centres but almost all receive some public funds to cover about 50% of their running costs. Employers are actively involved in provision of childcare through their funding of places as part of collective agreements with the workforce. Local authorities provide funding to support childcare places in group-based services as part of the 'stimulative measure' described below.

Encouragement of provision

Between 1990 and 1993 funding was given to the Department of Welfare to encourage the provision of childcare services for working parents. The aim of this 'stimulative measure on childcare' was to encourage children's centres (this term included playgroups, nurseries, family day care and out-of-school centres) to provide more places for children. Funding for these places was to be shared between local authorities, employers and parents. The aim was to ensure that services funded under the measure met the care needs of working parents and the developmental needs of their children. The measure applied primarily to group-based care and was not given to individual family day carers although some funding did go to organisations referring parents to family day care and providing advice and support. The measure was successful in terms of the increase in the number of places available with a doubling between 1989 and 1992.

Individual tax allowances

Tax relief on childcare costs was abolished in 1989 in order to part fund the 'stimulative measure'. However, parents using services that did not receive public funding were allowed to deduct childcare costs from pre-tax income with proof of payment. The amount which could be deducted was calculated as the total amount above what they would have paid if their child was in a publicly funded service.

Employer subsidy

The involvement of employers in the 'stimulative measure' is through their payment for childcare places for their workforce. Starting in 1991, the aim was for 70% of new places to be bought by public and private sector employers. By the end of 1992 this had reached 30%. This commitment by employers is reinforced by collective agreements with workers which include guaranteed support for childcare provision. However, about 30% of workers in the private sector are not covered by collective agreements.

Cost to parents

Parents' payment for childcare is seen as a general contribution towards costs and is determined by national guidelines. Parents' contribution is determined by their income and families with higher incomes pay a higher proportion of their income towards childcare. For example, parents with low income might contribute 5.6% but families with high incomes might contribute as much as 20% of their income.

Regulations

1. Preschool age children

Regulations depend on the type of care. Thus, family day care providers are not regulated although some local authorities licence the organisations that coordinate family day care and this licensing may involve recommendations regarding the service. In childcare centres, the Association of Dutch

Municipalities recommends a ratio of 1:4 for infants under 12 months; 1:5 for the under twos; 1:6 for under threes; 1:8 for under fours and 1:9 for under sixes. These ratios apply only within the welfare system. Within the school system, ratios are much larger where a four year old may be one of a class of 22 with just one teacher. Opening times vary depending on the type of service, with playgroups continuing to operate short days and childcare centres opening for full working days to meet the needs of working parents.

2. School day

The school day begins at 9.00 and ends at 4.00 with a one or two hour lunch break. The majority of schools provide supervision during the long lunch so children typically can stay in school during that time. Only a small amount of publicly funded after-school-care is available in childcare centres and none in schools.

Leave arrangements

Women are entitled to 16 weeks maternity leave, 4-6 weeks before the birth of their baby and 10-12 weeks after. During this time they may receive 100% of their earnings but this is subject to a maximum income. There are also specific benefits (including parental leave, extended maternity leave, leave to care for sick children) that are negotiated as part of collective agreements between employers and workers.

Patterns of employment

Overall the Netherlands has very high levels of part-time employment among women with children.

Australia

State Provision

The Australian Government does not directly operate any childcare services itself. Instead, it provides funding for other organisations to provide such services. Preschools are usually funded by the state governments but these are only available to children for half day sessions in the year before they start school. Preschool is almost universally available to those who want it.

Joint provision

The majority of childcare in Australia is the result of joint funding from the Commonwealth Government, individual state governments and to a much lesser extent employers. Both private and community based (non-profit) childcare centres are eligible for funding. The Commonwealth funds childcare through the Children's Services Program which aims to provide accessible, affordable and quality childcare.

Encouragement of provision

In the 1988-89 budget the Commonwealth Government started an 'industry initiative' to establish 25% of all new childcare places in conjunction with private employers.

State subsidy

Three forms of state subsidy exist. First, there are capital subsidies which are negotiated with a sponsoring agency, state government and local government. This can cover purchase of land and equipment as well as the cost of building. Second, there are ongoing operational subsidies paid for each child attending (the amount depends on the age of the child). Third, there is a fee relief which enables service providers to reduce charges to low income families. In order to qualify for these subsidies, the childcare centre must have its annual budget approved by the appropriate Government Department and must demonstrate that the fees charged to parents will allow them to break even. In addition, those in receipt of a subsidy must provide priority childcare places to children whose parents are working, studying or looking for work.

The childminding system in Australia is provided by individuals in their homes who are members of a local network. Subsidies go to the local network rather than the individual carers and are in the form of capital grants to purchase equipment and ongoing operational subsidies for the running of the network. Fee relief operates for parents in the same way as it does for group care and the priority system must also be used in the allocation of places.

After-school-care programmes are frequently located in schools and are designed to meet the needs of primary school age children. The Commonwealth Government provides some on-going operational assistance.

Individual tax allowance

There is no tax relief for childcare although there is pressure on Government from some lobby groups to introduce it.

Employer subsidy

There are three forms of employer subsidised childcare. The first model is community-based childcare in or near the workplace. This type of centre is typically jointly funded by the Commonwealth Government (which provides the capital) and the employer (who subsidises running costs). Employees on low wages are eligible for fee relief as they would be in any community based service. In the second model, the employer provides both the capital and running costs and only fee relief for eligible employees is provided by the Government. Finally, some employers (for example, local councils) sponsor places with family day carers.

Cost to parents

For parents who do not qualify for fee relief childcare is a very significant cost despite the subsidies. Because of this there are lobby groups who favour tax relief on childcare fees and others who favour increased Government subsidies to reduce fees to parents.

Provision

1. *Preschool age.*

There are three main forms of childcare for preschool age children. Community based childcare centres take children from a few weeks old and provide care right up to school age. They operate full day sessions that meet the needs of working parents. Private childcare centres primarily cater for the three to five year age group and usually open for shorter hours than the community based services. Family day care is available for children from a few weeks old and continues up to school age. In addition to these services which meet the needs of working parents, there are kindergartens which offer sessional services to children in the year before they begin school.

2. *School-age care.*

School-age childcare and 'vacation care' operate before and after the school day and during school holidays. They offer services to children in the five to twelve year age group and are frequently based within school buildings.

Leave arrangements

Parental leave: 52 weeks of unpaid leave is available to a mother or father with a guarantee of their former position at work. One parent also has the right to work part-time until their child is two years old.

Maternity leave: pregnant women are entitled to unpaid maternity leave starting six weeks before their baby is due.

New Zealand

State provision

The state directly provides only a tiny proportion (c. 1.5%) of group-based childcare.

State subsidy

The Ministry of Education provides funding to organisations who provide childcare. Funding is on the basis of child contact hours and funds are paid in bulk to each centre by the Ministry. Funding depends on the age of the child (it is almost three times greater for children under two) and can be paid for a maximum of 30 hours per child per week. In order to be eligible for this funding, a centre must have a charter which states the goals of the centre and the means by which the goals will be achieved. Childcare centres which meet minimum standards are then eligible for funding (though it is not guaranteed). The Department of Social Welfare subsidises fees for parents whose income does not allow them to meet the full cost.

Regulation

The Ministry of Education is responsible for checking that centres meet minimum standards and the Education Review Office monitors whether they are meeting the aims set out in their charter. The Review Office visits centres every two years and prepares a report based on the visit which is then made public. Minimum staff:child ratios are determined by Government regulations and are: 1:5 for children under two, 1:8 for three to five year olds and 1:10 for sessional care. A qualified member of staff must be with children at all times. The qualification which is recognised for working in early childhood services is a three year course completed in a college of education.

Costs to parents

Parents must pay for places in childcare centres although the Department of Social Welfare pays fees of parents whose income falls below a certain level. Kindergarten places are free although most request a voluntary donation from parents.

Provision

1. Preschool:

New Zealand has a very diverse early childhood education system with very high participation rates. Figures from the early 1990s (Smith & Farquhar, 1994) indicate that 93% of four year olds, 73% of three year olds, 38% of two year olds and 17% of one year olds are enrolled in some form of early childhood centre. The main forms of provision include:

Kindergartens which provide sessional part-time programmes for three and four year olds. They are the largest single provider of early childhood services.

Childcare centres normally provide full day care for children from infancy. Most (86%) are community based non-profit centres, 13% are for profit and a very small number are run directly by the State.

Playcentres are for children over two and a half and are run by parent cooperatives on a voluntary self-help basis for up to three sessions a week.

Nga Kohanga Reo are Maori language childcare centres.

The United Kingdom

Policies to enable women to combine motherhood and paid work have been driven by pressing need at different historical moments and the current pattern consists of a hotpotch of policies

directed at welfare and employment issues. The approach can be characterised as 'liberal' welfare, with a reluctance to intervene either in the labour market or in the private family sphere (Randall, 1995). Childcare provision results from the remnants of a range of policies pursued since the Second World War, when childcare provision was greatly expanded as part of the war effort. Since then, State childcare provision has gradually been run down. The 1980s were dominated by the idea of market forces and individual choice, with the Government mainly playing the role of the encourager, rather than provider. The recognition of the 'demographic time bomb' in the late 1980s provided a stimulus to the consideration of policies to assisting mothers to work. This led to a greater emphasis on employer provided childcare and to flexible working, but the Government's role in this tended to be confined to that of encourager. At the same time, emphasis has been placed on the provision of childcare as a means to benefit the child: whether as a tool to improve educational standards or to assist disadvantaged children. This has led to increasing regulation of the childcare sector, with, most recently, the Children Act 1989 extending the regulation of childminders. These policies have resulted in a mixed model of childcare in the UK. Since gaining power in May 1997, the current Government has proposed a number of new policies directed at enabling more women to work. These approaches are described in more detail below.

The effect of the approach in the UK is that, in 1991/92:

- the incidence of part-time work increases markedly with the age of the youngest child, but full-time work is very low for all mothers of pre-school children;
- almost three-quarters of all mothers of under-fives who are in full-time work were married and had husbands in work; and
- around three-quarters of lone mothers with pre-school children are unwaged (Duncan *et al*, 1995).

The following paragraph describes current and recent policies which affect the employment of mothers. It then describes the current Government's draft childcare strategy.

Childcare

For pre-school-aged children, public provision includes nursery schools, reception classes and local authority nurseries. Public provision covered only two per cent of under threes and under 40 per cent of those from three to school age in 1988 (Randall, 1995). Provision is increasingly selective, reserved for parents and children in high need and the approach in the last twenty or more years has been one of focus on the needs of the child rather than the mother. For others, nursery schools and nurseries also exist in the private and voluntary sector, as do playgroups, childminders and other paid care. In certain circumstances, the State provides a subsidy to parents making use of these facilities (see below). Parents eligible for in-work benefits may receive a subsidy for childcare expenses, whilst those using employer-provided crèches are not taxed on this. However, in 1996 only two per cent of establishments had a workplace crèche (Forth *et al*, 1997). In addition, a substantial proportion of care is provided informally, by friends or relatives on a voluntary basis. The main focus since the mid-1970s has been on providing 'low-cost' childcare, for example, childminding and provision through voluntary agencies (Randall, 1995).

Using GHS data (1991/92), Duncan *et al* (1995) found that around 38 per cent of mothers of under-fives used paid childcare, a further 12 per cent used free formal care and a further 13 per cent used free informal care. Around one-third of unwaged mothers used formal childcare. Registered childminding is the main source of formal childcare in Britain and has been increasing (Finlayson *et al*, 1996). (Only about ten per cent of formal childminding is unregistered, but these figures exclude informal arrangements by relatives and friends).

Specific childcare actions which have taken place in the last two decades include:

- in 1983, the Under-5s Initiative was launched, initially for a period of three years, but this was extended, with decreasing funding, for a further two, then three years (till 1992) (Randall, 1995). The initiative provided funds to projects run by voluntary organisations. Only a small proportion were child daycare centres and the emphasis was on assisting disadvantaged families;
- encouragement of employers to establish workplace nurseries: this was mainly done through exhortation but financial encouragement was given by disregarding workplace nurseries as a taxable benefit;
- in 1994 a nursery voucher scheme was announced; the plan was for all mothers with children aged four to receive a voucher which could be used in payment for formal childcare; the scheme had only been piloted in a small number of areas (with a voucher value of £1,100), before being dropped by the incoming Labour Government in 1997; this prevented a thorough assessment being conducted of the scheme but concern was expressed that the scheme was having a detrimental effect on under fours provision, as local authorities switched provision from under fours to four year olds in order to receive the additional funds (Association of Metropolitan Authorities, 1996); and
- the Out-of-School Childcare Grant Initiative was introduced in April 1993 as a pump-priming initiative to increase the provision of care for children out of school hours in order to increase the labour supply of parents (Sanderson *et al*, 1995). To receive support, projects needed to be expected to be self-supporting after 12 months. The scheme was targeted at the 5-12 age group but did extend to four year olds and children up to sixteen. Grants (for capital costs and running cost in the first year) were made to assist the establishment of new schemes. The £45 million allocated to the scheme was administered by Training and Enterprise Councils. The current Government's proposed strategy contains outline proposals for a similar scheme (see below).

Low income households

In October 1994, a £40 disregard for registered childcare was introduced into Family Credit and other in-work benefits (such as Housing Benefit and Council Tax Benefit). This only allowed for childcare expenses with a registered childcare source for children under eleven. Before 1988, reasonable childcare (and other work) expenses could be offset against earnings for assessment for benefits principally, Supplementary Benefit and Family Income Supplement (Jenkins and Symons, 1995). The disregard was raised to £60 in 1996 and will be raised to £100 in the summer, when the age of eligible children will increase to twelve.

Tax relief

Tax relief on employer-provided workplace nurseries was introduced in the 1990 Budget, stopping such childcare being treated as a benefit in kind. The estimated cost was £10 million p.a. and this has never been updated, suggesting the level of provision is limited (Duncan *et al*, 1995).

Leave arrangements

Statutory maternity leave comprises 40 weeks, of which six weeks is paid at 90 per cent of earnings, six weeks at a low flat-rate and the remainder unpaid. There is no statutory right to paternity leave nor to leave for family responsibilities and neither is commonly conferred by the employer. Extra-statutory arrangements are rare: only ten per cent of establishments provided extra-statutory maternity leave or pay and 24 per cent provided paternity leave (typically of under one week) (Forth *et al*, 1996).

Flexible working

The main approach to combining employment and childcare in the UK is for the mother to work part-time and this is the main form of employment for mothers with dependent children. A recent study examined the availability of family-friendly working practices. This found that 90 per cent of establishments in Britain have some part working, half have jobsharing, 44 percent have flexitime, 35 per cent have special shifts (for example, evening shifts or school-hours shifts) and 16 per cent have term-time contracts (Forth *et al*, 1996). In addition, 15 per cent offered flexibility over the working week to some full-time employees and 24 per cent allowed some employees to switch from full-time to part-time employment. Although this suggests widespread availability of employment practices which assist in combining motherhood and paid employment, the existence of a practice in an establishment may not mean it is available to all employees in that establishment.

Tax and benefits

The UK tax and benefits behave differently in respect of encouraging mothers to take paid employment. The benefit system recognises the childcare costs of lone parents and couples where both partners are employed and thus reduces the childcare disincentives to mothers working. On the other hand, the tax system, with one insignificant exception, provides no special encouragement to mothers to work. The main incentive comes through individual taxation of husband and wife, an approach which encourages wives to work, but does not allow for the childcare costs of mothers. These approaches are detailed below.

Couples are taxed separately and receive an individual tax allowance. This means that both partners benefit from individual tax allowances and mothers do not encounter high taxation rates based on their husband's earnings. There are no tax allowances for children, but married couples (irrespective of whether both work) receive an additional tax allowance, which, unless otherwise requested, is received by the husband. Lone parents (and cohabiting mothers) receive the same level of additional allowance. The only tax concession for childcare is that employer-provided crèches are not taxed as a benefit in kind. However, employer-crèches are rare. This concession does not apply to any other employer support for childcare (for example, through childcare vouchers), which is treated as a taxable benefit, nor is expenditure on childcare claimable against tax.

The treatment of childcare for in-work benefits does provide some incentive towards mothers to work. Up to £60 (soon to be raised to £100) of childcare expenditure may be offset against income in assessment of benefits, where a lone parent or both partners in a couple work. However, this offset is restricted to care payments to registered childcare services. This limits its use. Moreover, the disregard is of no benefit to those with lowest earnings as they already receive maximum in-work benefits.

The New Childcare Strategy

In the UK, policies towards increasing the number of women in employment are in a state of flux. A number of measures have already been introduced since the Labour Party came into office in May 1997 and others are widely mooted.

To date, the measures address a select range of issues: single parents and low income families. A major plank of the welfare strategy is to get non-working people, including lone parents, into work. An initial phase of this was to introduce the New Deal for Lone Parents. This aims to increase the number of lone parents in employment by offering them a wider range of assistance than that previously accorded to job seekers. Thus, as well as job (or training) seeking assistance, lone parents are offered advice on childcare availability and on in-work benefits. The programme is still at an early stage, but research into the barriers to employment for lone mothers suggests that the programme is unlikely to increase employment amongst lone mothers by much (Ford, 1996).

The other main change, which takes effect from the summer, is that the childcare disregard for in-work benefits has been increased substantially, from £60 to £100 per family, where two or more children qualify, and the eligible age for claiming for children will rise from eleven to twelve. The replacement of Family Credit by the Working Families Tax Credit in October 1999 will continue to provide help with childcare costs. There will be two separate credits under the new scheme: one wage subsidy and one childcare subsidy. The initial indications are that both elements will be more generous than Family Credit, giving more to poor families and increasing the number of families eligible. A potential danger is that the tax credit may be paid to the main wage earner, rather than automatically to the mother. This may reduce the incentive effect of the measure. The potential for such a switch has come under heavy criticism and measures are promised which will allow credits to be paid to the mother.

In addition to these changes, the Government is about to consult on its new childcare strategy. A statement on this appears as Box 1. The only important new feature which would assist employed mothers is the plan to create one million new out-of-school places. The programme would run over five years and has been allocated £300 million. Details of the approach have yet to be determined and the extent to which the scheme will differ from the Out-of-School Childcare Grant Initiative is unclear. However, the funding is substantially greater. Also of help would be the encouragement of initiatives aimed at improving the availability and reliability of information about local childcare services. The plan to make nursery education available to all four year olds will be of only marginal assistance to mothers working, as children usually attend nursery for only about two hours a day.

Box 1 The UK National Childcare Strategy

- We have made a manifesto commitment to produce a National Childcare Strategy, which will help parents, especially women, to balance family and working life by providing a range of high quality, affordable and accessible childcare.
- We are currently developing a National Childcare Strategy. The consultation on the Childcare Green Paper will be launched in May.

Government Measures: Out of School Childcare

- £300 million is being made available to create new provision for up to one million children. This will include out of school clubs for children before and after school, and in the holidays.

The Budget announced in 1997

- From Summer 1998, the disregard for childcare costs in income-related benefits will be increased from a maximum of £60 to £100 a week for families with two or more children. The maximum eligible age will be increased from eleven to twelve.
- Young unemployed people will be offered the opportunity to obtain training and work experience in childcare as part of the New Deal programme.

The Budget announced in 1998

- Increased support for the poorest families with young children through an extra £2.50 in personal allowance for children under eleven for recipients of income-related benefits from November 1998.
- Increase in Child Benefit of £2.50 for the eldest child from April 1999.
- The Childcare Tax Credit within Working Families Tax Credit will provide help for parents combining caring responsibilities with paid work from October 1999.

Other Measures

- We will ensure that all four year olds have an early education place from this September.
- We will establish 25 Early Excellence Centres over the next three years to promote an integrated approach to education, childcare and family services.
- We are encouraging initiatives aimed at improving the availability and reliability of information about local childcare services. This includes the development of a kiosk system offering public access to information about jobs, benefits and childcare through a network of local touch screen computers.

Appendix 2

Economics of Childcare Survey Questionnaire



ECONOMICS OF CHILDCARE SURVEY

GOODBODY ECONOMIC CONSULTANTS
IN COOPERATION WITH
NCNA

Identifier

☐☐☐

PART A - NATURE OF CHILDCARE CENTRE

A.1. What is the nature of the area in which your childcare centre is located?

Urban ☐

Rural ☐

☐

A.2. What type of premises is your childcare centre located in?

Converted home ☐

Other converted premises ☐

Purpose built facility ☐

☐

A.3. What is the ownership structure of your childcare centre?

Owner managed ☐

Managed ☐

☐

A.4. What is the predominant profile / socio-economic status of parents?

Disadvantaged ☐

Lower socio- economic group ☐

Middle socio- economic group ☐

High socio- economic group ☐

Mixture of the above socio- economic groupings ☐

☐

PART B - CHILDREN IN CARE

Please specify the number of childcare places you have available at your centre and the actual number of children currently enrolled in care.

AGE	No of full-time places available	No of full-time children in care	No of part-time places available	No of part-time children in care
0 - 1				
1 - 3				
3 - 5				
+ 5				

WAITING LISTS

B.1. Please state the number of children on the waiting list requiring places:

Full-time _____

--	--	--

Part-time _____

--	--	--

B.2. What is the average number of inquiries **per week** you receive regarding vacancies at your centre:

--	--	--

B.3. Has the average number of vacancy inquiries per week increased or decreased over the past year?

Increased ☐

--

Decreased ☐

B.4. Are the inquiries you receive mainly for a particular service?
e.g. babies, part-time, after school

Please specify

--	--	--	--	--	--	--	--

PRICE OF CHILDCARE

What price do you charge for childcare places at your centre?

AGE	Full-Time (£ per week)	Part-Time (£ per hour)	Reduction for 2nd child Full-Time (£ per week)	Reduction for 2nd child Part-Time (£ per hour)
0 - 1				
1 - 3				
3 - 5				
+ 5				

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PART C - STAFFING

Please specify the number of full-time and part-time staff employed and their **average** annual gross salary level.

TYPE	Number of Full-Time Staff	Average Salary (£ p.a.) Full-Time	Number of Part-Time Staff	Average Salary (£ p.a.) Part-Time
Nursery Manager				
Montessori Teacher				
Qualified Senior				
Unqualified Senior				
Qualified Junior				
Unqualified Junior				

□□ □□□ □□ □□□
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Please state the total number of staff holding any of the qualifications listed below.

Level of Qualification	Number of Staff holding qualification
1. Montessori	
2. City and Guilds	
3. NCVA/NNEB	
4. Unqualified	
5. IPPA	
6. NCEA	
7. PLC	
8. First Aid	
9. Other	

☐☐
☐☐
☐☐
☐☐
☐☐
☐☐
☐☐
☐☐
☐☐

C.1. Do you have difficulty: *(please tick appropriate box/es)*

- Recruiting staff ☐
 Retaining staff ☐
 Both recruiting and retaining staff ☐

☐

If yes, why?

☐☐☐☐☐☐

PART D - FUTURE DEVELOPMENT

D.1. Do you intend to raise your charges for providing childcare in the **near** future?

Yes ☐

No ☐

D.2. If **YES**, what is the new price you intend to charge for children of the following ages on a full-time basis:

AGE	Full-Time (£ per week)
0 - 1	
1 - 3	
3 - 5	
+ 5	

D.3. If **YES**, please state the main reasons (in order of importance) for raising prices.

1. _____

2. _____

3. _____

Appendix 3

Costing of Childcare Income Tax Relief Proposals

Appendix 3

Costing of Childcare Income Tax Relief Proposals

1. Introduction

This note sets out the estimated costs of providing an income tax relief in respect of vouched childcare expenses. The estimates are based on the latest figures supplied by the Revenue Commissioners. The latter provided an estimate of the cost of the tax relief proposal on the basis that all children under 12 years of age would benefit. This estimate was intended to form a basis on which realistic cost estimates could be made.

The Revenue figures need to be revised downwards for a number of reasons. Many children are not in paid childcare, or are not minded in the formal economy and would not thus give rise to vouched costs. A further source of overestimation arises because the Revenue figures assume that childcare expenses will be sufficiently large as to absorb the full allowance. This will not be true of mothers availing of part-time or sessional care.

The cost estimation proceeds by taking the Revenue estimates and making adjustments for these factors. These adjustments were based on the ESRI Survey of Childcare Arrangements which was a nationwide sample of 4,276 households.

2. Structure of the Tax Relief

The tax allowance would be granted in respect of children under 12 years and at the standard rate. The allowance varies with the age of the child and the number of children in the family. For children under five, an allowance of £4,000 is proposed in respect of the first child and £3,200 in respect of subsequent children. For children five years and over (school going children) an allowance of £2,000 is proposed.

Proposal A

Under Proposal A, relief would be granted to *married couples* with both spouses earning and *single and widowed parents* who are earning.

The allowance would be granted in respect of paid and vouched childcare expenses.

Proposal B

Under Proposal B, relief would be granted to *all family units* including those with one earner.

The allowance would be granted in respect of paid and vouched childcare expenses.

3. Costing of Proposals

To provide a basis for the costing, the Revenue Commissioners were asked to estimate the cost of each proposal assuming that *all children* under 12 years were in paid childcare.

Paid Childcare

This is clearly an overestimate because not all children are in paid childcare. The ESRI survey indicates that only 38 per cent of children aged 0 - 4 years and 18 per cent of children aged 5 - 9 years are in paid childcare. These figures reflect both the fact that many mothers are not working and do not require childcare and that children 5 years and over are at school and may not require childcare unless both parents are working full-time. Table A3.1 sets out equivalent figures for two earner and one earner families respectively. It shows, for example, that 62% of children age 0 - 4 in two earner families are in paid childcare.

Paid Vouched Childcare

Overestimation also arises because, even where children are in paid childcare, the childminder may be operating in the informal economy and will be unwilling to provide receipts in respect of childcare services. It is difficult to be precise about the proportion of paid childcare which will be receipted.

In the case of two earner families, it was assumed that where group based facilities are utilised, a receipt will be forthcoming i.e. only childminders minding in their own home will not furnish a receipt. On this basis, it was estimated, that receipts would be available for 47 per cent of children in paid childcare. The equivalent figures for 5 - 11 year old children is 52 per cent. These figures are clearly an overestimate of the proportion likely to obtain a receipt, but are adopted for costing purposes.

Using the ESRI data, the above factors can be identified separately for two earner families and for families with a stay at home spouse. Table A3.1 sets out the results. It shows for example that only 29% of children aged 0-4 in two earner families are in paid vouched childcare.

Table A3.1: Incidence of Paid and Vouched Childcare

	Married Two Earners		Married One Earner	
	Children Aged 0 - 4 %	Children Aged 5 - 11 %	Children Aged 0 - 4 %	Children Aged 5 - 11 %
(1) Proportion Availing of Paid Childcare	62	23	20	6
(2) Proportion of Paid Childcare Vouched	47	52	23	26
(3) Proportion Availing of Paid Vouched Childcare [(1) x (2)] (%)	29	12	5	2

Use of Full Tax Allowances

The allowance of £4,000, which is proposed, is equivalent to childcare costs of £80 per week for 50 weeks in the year. The various surveys quoted in this Report estimate that the weekly cost of childcare is in the range of £56 to £71 per week. Thus, some taxpayers who require full time childcare will not make use of the full allowance. However, given that childcare charges are rising, it would be judicious not to make any downward adjustment to costs to reflect this.

Under-usage of the full allowances could also arise where married two earner families require only *part-time* childcare. This would occur where the mother is in part-time employment only. The ESRI survey indicates that 45 per cent of married women in the workforce are working part-time. This indicates that the costs for two earner families should be factored downwards by 22.5 per cent.

Women on home duties are least likely to use their full allowances. These women normally avail of playgroup or other pre-school facilities only. The typical pattern of use is for at most half day care for two to three hours care during school terms. For costing purposes we have assumed a weekly charge of £30 for 33 weeks of the year i.e. an expenditure of almost £1,000 or one quarter of the full allowance. This means that the cost for one earner families should be factored downward by 75 per cent.

In allowing for under usage of allowances, it must be recognised that the calculations undertaken by the Revenue Commissioners take account of the fact that some taxpayers will not have taxable incomes sufficiently large to use up the full £4,000 allowance. In other words, their ability to claim is already reduced to the level of their childcare expenses.

Information supplied by the Revenue Commissioners reveals that 90 per cent of two earner families and 80 per cent of one earner families have taxable incomes of £4,000 or more. On this basis, in the case of the £4,000 allowance, the downward adjustment for each family type was estimated as 20.25 per cent for two earner families (22.5×0.90) and 60 per cent for one earner families (75×0.80). In practice, even families that have taxable incomes of less than £4,000 might not use their full allowance. As this factor was not reckoned in the calculation, the costs are over-estimated.

Adjustments consistent with the above were also made for alternative childcare allowances of £1,000 to £3,000.

4. Cost Estimates

Based on adjustments to reflect the above factors, the costs of tax relief are set out in Tables A3.2, A3.3 and A3.4 which deal with two earner, one earner and all families respectively. In each table, costs are estimated both for the £4,000 allowance and alternatively, for reduced levels of relief.

If applied to two earner families only (Proposal A), the tax allowance of £4,000 for the first child and pro rata allowances for other children would cost £28m in a full year, based on existing levels of use of paid childcare arrangements (see Table A3.2). Children under five years account for £21m of the costs, with school going children accounting for the remainder.

As the relief would be given in arrears i.e. by way of tax refunds at the end of the tax year, the bulk of this cost would not arise until the end of the 1999/2000 tax year.

Extension of the allowance to one earner families would not add significantly to the costs. Under this Proposal (B), costs would rise to £30m. The reason why additional costs are low is because few non-working mothers avail of childcare and then in respect of sessional care for short periods only and also not on a year-round basis.

It should be noted that if the allowance were restricted to children under five, the savings would amount to only £7m. Given the problems of after school care for children of working mothers, this would not seem to be an attractive means of reducing the cost of the proposal.

Table A3.2: Full Year Costs of Tax Relief for Two Earner Families and Single/Widowed Parents

Allowance Per First Child (£)	Children under Five Years		Children over Five Years	All Children under 12 years
	First Child £m	Other Children £m		
			£m	£m
1,000	3.8	3.2	2.2	9.1
2,000	7.6	6.4	4.3	18.3
3,000	9.2	8.0	5.2	22.4
4,000	11.3	9.6	6.8	27.7

Table A3.3: Full Year Costs of Tax Relief for One Earner Families

Allowance Per First Child (£)	Children under Five Years		Children over Five Years	All Children under 12 years
	First Child £m	Other Children £m		
			£m	£m
1,000	0.3	0.3	0.2	0.8
2,000	0.6	0.5	0.3	1.4
3,000	0.7	0.6	0.3	1.6
4,000	0.8	0.7	0.4	1.9

Table A3.4: Full Year Costs of Tax Relief for All Families

Allowance Per First Child (£)	Children under Five Years		Children over Five Years	All Children under 12 years
	First Child £m	Other Children £m		
			£m	£m
1,000	4.1	3.5	2.4	9.9
2,000	8.3	7.1	4.6	20.1
3,000	10.1	8.6	5.5	24.0
4,000	12.1	10.3	7.2	29.6

Note: some figures do not tally due to rounding

5. Future Cost of Childcare Tax Relief

The cost of childcare tax relief could rise over time for a number of reasons:

Increased Take-Up of Vouched Childcare

The thrust of the recommendations of this Report is to bring about a situation where the bulk of childcare provision is from the formal sector. If all paid childcare were to be vouched the cost of the Proposal B would increase from £30m to £66m. However, this would require that all childcare would take place in the formal economy - an extremely unlikely event.

This calculation also does not take account of the tax revenue gain which would result from the taxation of childcare providers.

Increased labour force participation of mothers

This report estimates an increase of 41 per cent by the year 2011.

Increased take-up of childcare by mothers on home duties

One of the scenarios examined in this Report is that there will be a doubling of use of childcare by this category by the year 2011. However, this is merely a 'guesstimate'.

6. Dead-weight Costs

The above costs may be considered to be dead-weight costs i.e. that they are incurred in respect of mothers who are already in the labour force. While this may be true, the costs of the allowance are dead-weight with regard to this aspect only. They are not dead-weight from the point of view of the wider economic and social benefits arising from the enhancement of the childcare sector viz. supporting mothers in purchasing better quality childcare and supporting the growth of a formal childcare sector.

7. Conclusions

An income tax allowance of £4,000 per annum at the standard rate granted to all families in respect of vouched childcare expenditure would cost £30m per annum. As the relief would be given in arrears, the bulk of this cost would not arise until the end of the 1999/2000 tax year. The savings which would accrue by confining the allowance to two earner families would be very small (£2m).

If all childcare were to take place in the formal economy then the costs would rise to £66m. This calculation does not take account of the tax revenue gain which would result from the taxation of childcare providers.

Appendix 4

Impact of the Proposed Demand Side Childcare Policy Measures

Appendix 4

Impact of the Proposed Demand Side Childcare Policy Measures

1. Introduction

The major demand side measures relate to an income tax relief in respect of childcare expenses, a higher FIS income limit for two worker households and a childcare subsidy for low income households.

The income tax relief and the FIS changes are complementary measures. This is because the full benefit of income tax relief may not be felt by low income households whose taxable income may be low in any event. For this group, the FIS measure is of benefit.

2. Impact of Income Tax Relief and Increasing FIS

The combined impact of income tax relief and FIS is illustrated in Table A4.1. This Table first sets out the net income of a household where there is one worker earning two-thirds of the average industrial wage (£10,724) with one dependent child and with FIS at current rates (A). It then considers the household net income consequent on the spouse taking up work with earnings of £3,000 per annum (B). Net household income decreases significantly under these circumstances because the additional earnings net of tax is not sufficient to offset childcare costs. Finally, the net household income which would arise if income tax relief in respect of childcare expenses is granted and FIS is improved is shown (C). The measures raise net household income by £1,500 per annum or £29 per week.

Table A4.1: Impact of Childcare Tax Relief and FIS where
Second Earner earns £3,000 per annum.

Household Circumstances	Net Household Income (£ per annum)
(A) One Worker	10,339
(B) Two Workers, second earner earns £3,000	8,049
(C) Two Workers, second earner earns £3,000, childcare tax relief and improved FIS available	9,578

Table A4.2 depicts how net household income changes when the spouse takes up employment at £7,000. In this case, in the absence of the proposed changes the household is only marginally better off when the spouse works. The impact of the proposed changes is to raise net household income by £1,000 or £25 per week. The gain as a result of the policy changes is less for this earner, as the household income is too high to qualify for FIS.

**Table A4.2: Impact of Childcare Tax Relief and FIS
where Second Earner earns £7,000 Per annum**

Household Circumstances	Net Household Income (£ per annum)
(A) One Worker	10,339
(B) Two Workers, spouse earns £7,000	10,928
(C) Two Workers, spouse earns £7,000, childcare tax relief and improved FIS available	11,968

Table A4.3 illustrates the situation where the second earner earns £10,000 per annum. Again, the proposed policies increase net income by about £1,000 or £25 per week.

**Table A4.3: Impact of Childcare Tax Relief and FIS
where Second Earner earns £10,000 Per annum**

Household Circumstances	Net Household Income (£ per annum)
(A) One Worker	10,339
(B) Two Workers, spouse earns £10,000	13,014
(C) Two Workers, spouse earns £10,000, childcare tax relief and improved FIS available	14,054

The gains from the proposed policy are greater where the family has *two* children in respect of whom childcare expenses are incurred. Table A4.4 shows that measures increase household income by almost £1,900 or £36 per week.

**Table A4.4: Impact of Childcare Tax Relief and FIS
where Second Earner earns £10,000 Per annum**

Household Circumstances	Net Household Income (£ per annum)
(A) One Worker	11,724
(B) Two Workers, spouse earns £10,000	10,201
(C) Two Workers, spouse earns £10,000, childcare tax relief and improved FIS available	12,073