

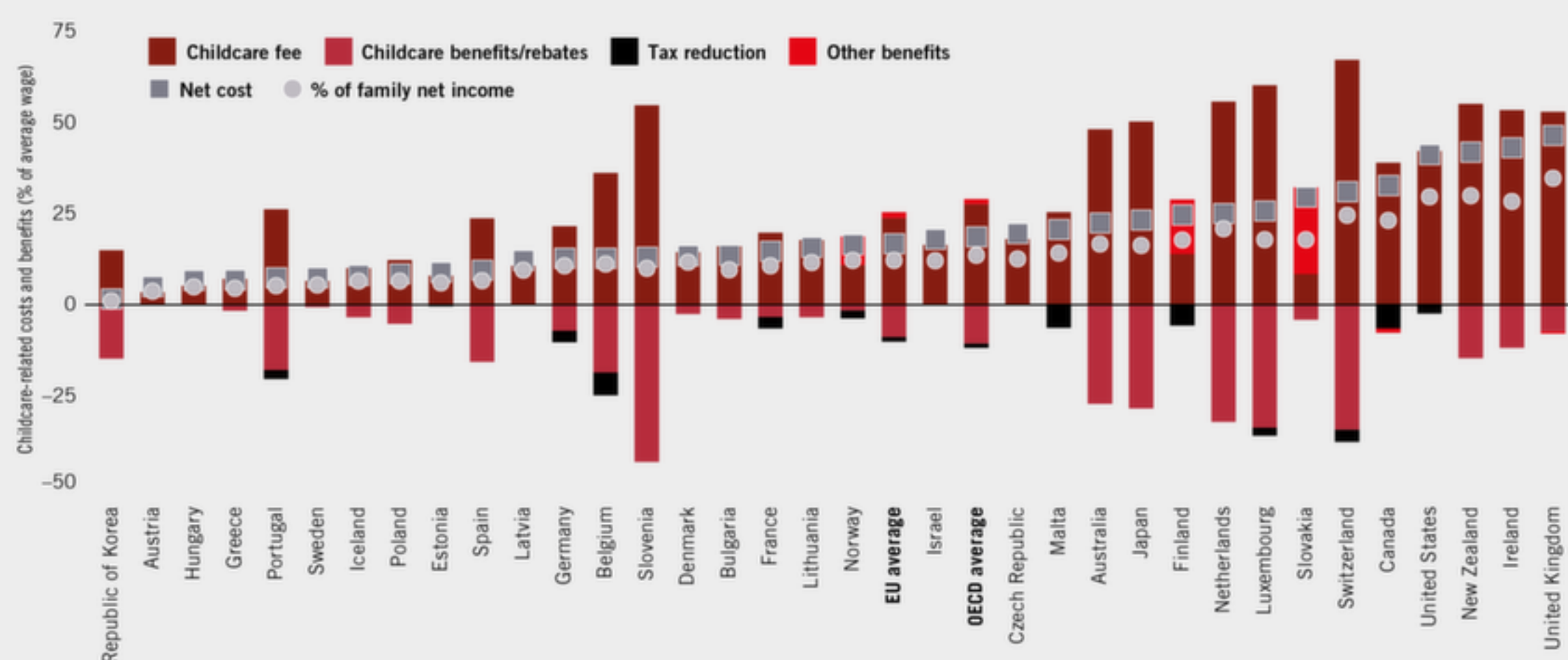
The affordability of these services in relation to parents' earnings is an issue of particular concern. Where quality public services or public support policies in the form of social security benefits or tax breaks to neutralize childcare fees are lacking or insufficient, the out-of-pocket cost of childcare can absorb up to a third or more of family budgets. As shown in figure 33, in OECD countries, the net average cost of childcare for two children in full-time care is 17 per cent of the average earnings of dual-earner couples who have gross earnings at 150 per cent of the average wages, with broad variances across countries (OECD, 2014d). Net childcare costs are low in countries where childcare systems are subsidized through significant income-tested childcare benefits, such as the Republic of Korea and Portugal, or where gross fees are relatively low, for instance, in Austria and Hungary. In these countries, out-of-pocket childcare costs for families with two children are around or below 5 per cent of average wages. On the other hand, centre-based formal childcare is most expensive for double-income households in most anglophone countries (except Australia), with net costs above 30 per cent of average wage. The costs are highest and reach 40 per cent or just below of net income for working families in Ireland and the United Kingdom (ibid.).

The high cost of childcare poses a barrier to women's employment. For a family, the financial incentive may be for mothers to stay at home and provide care instead of paying for childcare. Consequently, women, particularly those from lower-income families, may leave the labour market to provide childcare. Although this might appear the most cost-effective choice for a household in the short term, estimates show that, for instance, in the United States a teacher quitting her job altogether after the birth of a child loses more than \$1.5 million (in 2012 dollars) over her lifetime, taking into account the after-tax salary, work benefits and pension accruals upon retirement (Kaplan, 2012).

Working parents also rely on grandparents, especially grandmothers, to provide child care, in particular in countries where governments do not invest in formal child care. For instance, twice as many grandparents provide child care in Southern Europe than in Nordic countries. In Italy and Spain, approximately 30 per cent of grandparents provide care, compared to 2 per cent in Denmark and Sweden (Del Boca, 2015). In China, grandparents are often the exclusive provider of childcare for working parents. In Shanghai, 90 per cent of young children are cared for by at least one grandparent, with lower proportions of 70 per cent in Beijing and 50 per cent in Guangzhou. One of the contributing factors to the high share of grandparents providing childcare is the early retirement age (60 for men and as early as 45 to 50 for women in certain occupations) (Yang, 2013).

Figure 33

Net childcare costs for a dual-earner family with full-time earnings of 150 per cent of the average wage,* 2012



* Average wages are defined as the earnings for an "average worker". An average worker, for the purpose of this figure, by the OECD (2007), encompasses both manual and non-manual workers (extending from ISIC Rev. 3 category D to include categories C–K). It measures gross wage earnings paid to workers before deductions and contributions. In many countries, average wages are higher than the average earning levels under the "average manual production worker" definition. See OECD (2007) for more details.

Source: OECD, 2014d.