



Calculating the Net Childcare Cost indicator

Methodology and Guidelines for Country Experts

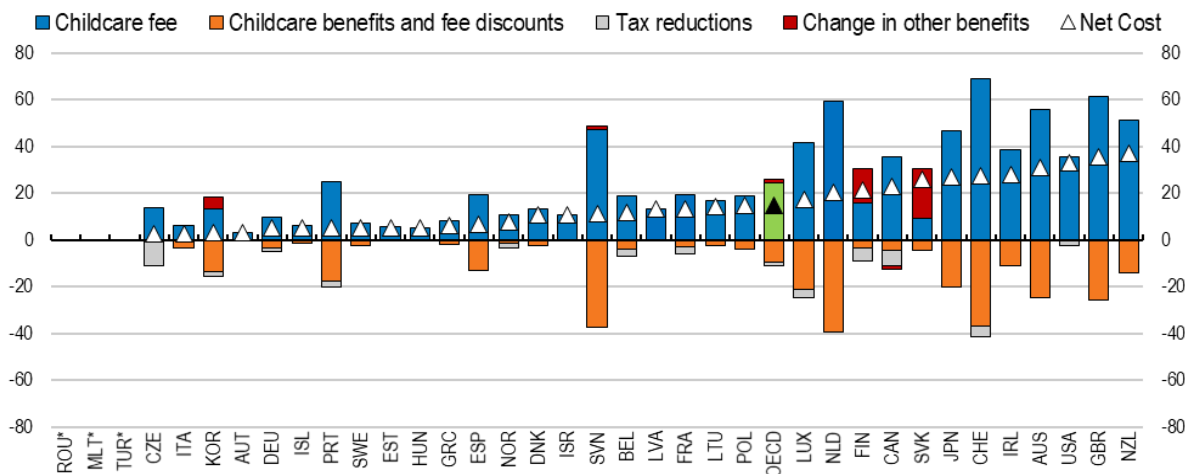
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Methodology and Guidelines for Country Experts

- These guidelines aim to help Country Experts compile **Section 5** “*Net costs of Early Childhood Education and Care*” of the Country Policy Descriptions (or “Country Chapter”). The OECD uses this information to calculate the so-called **Net Childcare Cost** (NCC, Figure 1) indicator for selected family and individual circumstances (see Box 1). Please note that “Early childhood education and care” (later referred to as “childcare”) includes any arrangements providing care and education for children under compulsory school age.
- Section 5 of the country policy descriptions is organized as follows:
 - ✓ **Introductory section:** Overview of the national childcare system for pre-school children.
 - ✓ **Section 5.1: Gross fees** charged to parents (*after* any public subsidies received by the provider but *before* any fee reductions or discounts to the user);
 - ✓ **Section 5.2:** Any *fee discounts* for childcare users applied in particular family circumstances (e.g. for low-income families or large families), including any *free provision* of childcare (universal or targeted).
 - ✓ **Section 5.3: Cash benefit entitlements** for *childcare users* (i.e. childcare benefits that are conditional on using childcare facilities and aim to support parents with childcare expenses).
 - ✓ **Section 5.4: Cash benefit entitlements** for families who *do not use childcare* (i.e. childcare benefits that are conditional on *not* using childcare facilities and aim to support those looking after children *at home*, such as “home care” and “child-raising” allowances);
 - ✓ **Section 5.5:** Any *tax reductions* for childcare users aiming to support parents with childcare expenses (e.g. tax credits).

Figure 1. Net childcare costs for full-time care at a typical childcare centre

% of the average wage, 2018



Note: Data refer to 2018 policies. Results for a two-earner couple with two children aged 2 and 3 respectively. The first earner earns 100% of the average wage and the partner earns 67% of the average wage. The category ‘childcare benefits and fee discounts’ includes entitlements related to the use of childcare facilities as well as benefits that aim to provide support to those looking after children at home (e.g. ‘home care’ and ‘child-raising’ allowances). This category includes also any fee discounts for childcare users applied in particular family circumstances. The group ‘change in other benefits’ includes changes in e.g. housing and family allowances related to the use of childcare.

* Information on net childcare costs is currently missing for Malta, Romania and Turkey.

Source: [OECD Tax-Benefit Model](#).

- The remainder of these guidelines describes what information to provide in each sub-section of the Country Policy Descriptions, following the structure of Section 5 outlined above.

Box 1. Scope of the Net Childcare Cost (NCC) indicator

Country experts should provide information that allows the calculation of the NCC indicator for the following (combinations of) family and individual circumstances:

- ✓ **Age:** Children aged 1 to the age of compulsory schooling.
- ✓ **Family compositions:** A lone parent or a couple, with up to four children.
- ✓ **Economic status of the parents:** All parents work throughout the entire year.
- ✓ **Incomes:** Families only have incomes from employment; no self-employment or unearned income is considered in the calculations.
- ✓ **Hours of care:** Full-time (and ‘part-time’, for selected countries)¹ day care for 5 days a week and the maximum number of months of care possible throughout the year.
- ✓ **Type of service:** Centre-based Early Childhood Education and Care (ECEC). Please include the cost of meals in the fee (or provide it separately), but exclude other *optional* services, e.g. related to health care, transportation, special classes or activities etc.
- ✓ **Type of provider:** Public providers (or private providers if no public provision exists or public provision is minimal in terms of number of children enrolled).

Introduction

4. The introduction to Section 5 of the Country Policy Description provides an overview of the childcare system for pre-school children within the scope of the NCC indicator (see Box 1). It should include:
 - The **compulsory school age**, including also the **ages** at which children can attend different childcare services (e.g. from 0 to 2 for creches, and from 3 to 5 for nursery schools).
 - The **types of centre-based childcare facilities** in your country, including whether they are **public or privately owned** (or mixed).² Please provide if possible the fraction of children enrolled in private facilities by age (if any).
 - Whether childcare **fees** are **regulated by national or local laws**, or **both**. Please see below for a detailed discussion of whether to provide fee information at a national or local level, or whether to provide average childcare fees calculated from survey or administrative data.

Section 5.1 Gross childcare fees

5. This section should provide information on the **gross** childcare fees charged to parents. Gross fees are the amounts charged *after* any public subsidies received by the provider but *before*:
 - Fee discounts that reduce fees for some families (Section 5.2),
 - Cash benefits received directly by parents (Sections 5.3),
 - Tax concessions for childcare expenditure received by parents (Section 5.5).
6. Fee amounts should cover the costs charged to parents for **Early Childhood Education and Care (ECEC)** within the scope of the NCC indicator (see **Box 1 “Scope of the NCC indicator”**). Fees **should include** the costs charged to parents for the **meals** provided during

¹ Please check in the questionnaire to see whether we collect this information for your country. The questionnaire provides details also about the definition of ‘part-time’ care.

² Public childcare facilities are owned and operated by public authorities at central, regional or local level. Private facilities are owned by profit-oriented companies or by non-profit organizations; they can be either self-financed or publicly subsidized.

the childcare service. However, costs for other *optional* services should be excluded. Please provide a brief description of the services included in the fee amounts provided to the OECD.

7. One important distinction to make regards whether to provide fee information based on national or local rules, or whether to provide information based on a specific public provider or average childcare fees calculated from survey or administrative data. Please study **Box 2** “**National or local rules? Specific or average amounts?**” carefully in order to determine what type of gross fees is most suitable for your country. As a general guideline, we strive to replicate precisely the regulations that determine childcare fees and childcare benefit entitlements, where they exist, while *average* childcare fees will be relevant only in limited circumstances.

Section 5.2. Fee discount and free provision

Fee discounts / rebates

8. Families may be eligible for fee discounts and free childcare provision depending on their characteristics (e.g. income, number of children). This section should contain the **rules applied by childcare providers to determine the actual amount charged** to a particular family within the scope of the NCC indicator (**Box 1**). Discounts that are outside the scope of the NCC indicator (e.g. for commuting parents, children of refugees, children/parents with disabilities, etc.) can be described *briefly* in a separate paragraph.
9. The focus in Section 5.2 is on any national or local regulation requiring the provider to apply specific discounts, fee rebates or maximum fees to families. For instance, if there is a regulation requiring the provider to apply a 30% discount to the fee charged to the parents for the second child using childcare, this information should be provided. If national or local regulations delegate most or all of the decisions on discounts, fee rebates or maximum fee amounts to the individual childcare providers (i.e. if providers only have to follow broad principles in applying discounts or have total discretion), please provide the rules used to calculate childcare fees and related discounts in one of the largest providers (in terms of number of children enrolled) located in the relevant region or municipality of your country (see **Box 2** for details).

Free provision

10. Fee discounts may extend to the point of zero fees (i.e. 100% discount). Please provide information on any **free provision** of childcare, either universally provided or for targeted groups (e.g. lone parents or families with many children). Please specify the *exact* amount of free provision where available. For instance, if the government provides five hours of childcare per day free-of-charge to lone parents, please describe this type of measure.
11. While Section 5.2 provides information on *rules-based discounts* in fees it should not contain information on cash benefits given to parents to help with childcare costs, which are covered in Section 5.3. In short: if parents pay less than the standard fee, this information should be provided in this section; if they pay a fee (with or without discounts) but are entitled to a cash benefit to support them with these costs, this information should be covered in Section 5.3.

Box 2. National or local rules? Rule-based or average fee amounts?

The type of information provided in Section 5.1 depends on whether childcare fees are determined by national/local regulations, whether there are fee discounts available for some families, and whether there are regulations that precisely determine the level of these discounts for the particular families in the scope of the NCC indicator. Please go through the situations described below and select the appropriate one for your country.

1. If childcare fees are determined by a national law, AND these regulations are precise enough to calculate *exact* fee amounts for the families within the scope of the NCC indicator (Box 1), then (if not go to Point 2 below):

Please provide these rules (for the calculation of both the fees and any relevant discounts). For example, if a national law says childcare costs are zero below a certain income threshold and increase up to an upper bound, please provide details of these rules, noting any variation by relevant family circumstances (Box 1).

2. If fees are determined autonomously at lower administrative levels (i.e. municipalities, regions, counties or states, depending on the institutional level responsible for the regulation of childcare fees) AND these regulations are precise enough to calculate *exact* fee amounts for the families within the scope of the NCC indicator (Box 1), then (if not go to Point 3 below):

Please provide information on the regulations applied in a region/municipality of your country, selected according to 2 options:

- ✓ If the OECD tax-benefit model includes already for your country information for other policies based on a selected regions, please use the same region also for Section 5.³
- ✓ If no regional information has been provided so far for the update of the OECD tax-benefit model, please provide information for the capital city (or the region where the capital city is located, depending on the institutional level responsible for the regulation of childcare policies).

However, if local variation in childcare fees is solely the result of deviations from national guidelines which would otherwise apply (and not, for example, the result of additional support given by regions or municipalities *on top of national schemes*), these local deviations are not taken into account. In this case, national rules will apply, so long as these rules are detailed enough to calculate childcare fees precisely.

3. If national or local regulations delegate most or all of the decisions on fee amounts and discounts to the individual childcare providers (i.e. if providers only have to follow broad principles in applying discounts or have total discretion) for the families within the scope of the NCC indicator, then (otherwise see Point 4 below):

Please provide the rules used to calculate childcare fees and related discounts in one of the **largest public provider** located in a representative region/municipality of your country (see Point 2 for the selection of the representative region/municipality).

4. Otherwise:

- ✓ If gross fees are set **autonomously** by the providers and there are **NO** local/national regulations regarding discounts or fee rebates granted in specific family circumstances (so all families within the scope of the NCC indicator that use a particular facility would pay the same fee for an hour of care), or
- ✓ If gross fees are set **autonomously** by the providers, there are local/national regulations **BUT** they only cover family circumstances that are *outside* the scope of the NCC indicator (see Box 1),

Please provide **average fee amounts** from a survey or administrative source.

³ **Austria:** Vienna; **Belgium:** Wallonia; **Canada:** Ontario; **Croatia:** Zagreb; **Cyprus:** Nicosia-Limassol-Famagusta; **Finland:** Helsinki; **Germany:** Berlin; **Iceland:** Reykjavik; **Ireland:** Dublin; **Italy:** Rome; **Japan:** Tokyo; **Latvia:** Riga; **Norway:** Oslo; **Poland:** Mazowieckie; **Spain:** Madrid; **Switzerland:** Zurich; **United Kingdom:** Maidstone; **United States:** Michigan.

However, if gross fees are set autonomously by providers BUT there are local/national regulations that specify *precisely* the scale of discounts that must be given by the provider to particular families (e.g. families with incomes below a certain threshold receive a 50% discount), please provide details of these regulations together with the average fee amounts (calculated before these discounts).

⚠ If you provide average childcare fees, please provide also the source and a detailed description of the methodology used. Also, where possible, please provide the breakdown of average fees by type of provider (public and private), (macro) regions and age of children.

Section 5.3. Childcare benefits for formal centre-based care

12. This section should contain information on any **cash benefits** provided to families with children in formal centre-based care (as opposed to informal/home-based childcare or benefits provided to all families with children).
13. When childcare fees are calculated for a selected region/municipality, experts should provide information on any childcare benefits for formal centre-based care administrated by that region/municipality, on the top of any national childcare benefit, if any.
14. This section should not include details of any benefits *in kind*, such as free health care or learning materials given to children attending childcare facilities. It should not include either information on fee discounts or rebates that reduce the amount paid by families to childcare providers, as these should be provided in Section 5.2.

Section 5.4 Childcare allowance for children *not* using childcare centres

15. This section should contain information on any benefits provided to households with children in **informal/home-based childcare** (as opposed to formal centre-based care) that are conditional on *not* using formal childcare e.g. “home care” and “child-raising” allowances.
16. This should not include benefits provided to childcare users and benefits for all families with children regardless of childcare status. “Home care” benefits for all families with children regardless of actual childcare usage are modelled as “Family Benefits”. These may be mentioned briefly here but the full description should be provided in “**Section 4: Family Benefits**” of the Country Policy Description.
17. When childcare fees are calculated for a selected region/municipality, experts should provide information on any childcare benefits for children not using childcare centres administrated by that region or municipality (on the top of any national childcare benefit, if any).

Section 5.5 Tax concessions for childcare expenditures

18. This section should contain information on tax concessions to parents for their childcare expenditures. Please provide these rules in detail, e.g. phase-in/out of the tax concession, any conditions which must be met (family status, minimum hour requirements), whether a credit is refundable or non-refundable, whether the concession is based on actual childcare expenditures or a standard amount for all families using childcare, whether meal costs can be considered as childcare expenditure, etc.
19. When childcare fees are calculated for a selected region or municipality, experts should provide information on any local tax concessions available in that region or municipality (on the top of any national childcare tax concessions, if any).

Contacts

20. Please contact Tax-Benefit.Models@oecd.org if you have any questions.