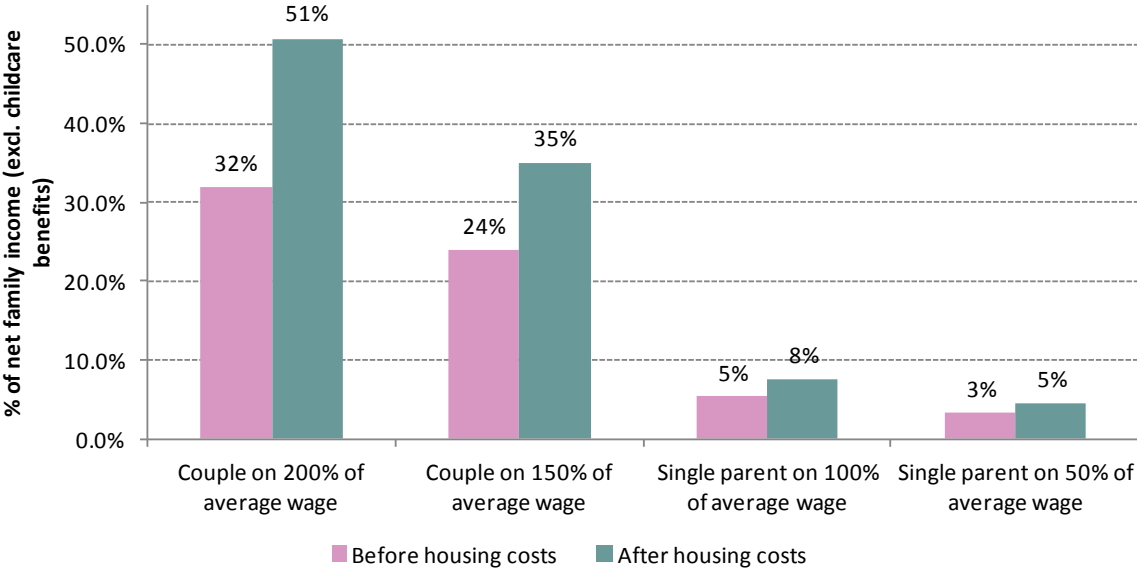


Addendum: The costs of childcare after housing costs in London

Chart 1: Net childcare costs for two children aged two and four in full time care, as a % of disposable income by family type, before and after housing costs (2012) – London childcare & housing costs



Source: Resolution Foundation childcare cost model, 2012. Notes: (1) Full-time childcare defined as 42.5 hours per week for 47 weeks per year. The cost of childcare is assumed equal to the London average of £4.49 per hour (Daycare Trust 2012). (2) Net childcare costs defined as the gross value of childcare used (including the value of the Early Years Entitlement) less all support received specifically due to facing childcare costs. (3) Net family income is calculated as gross earnings net of income tax, NICs and council tax, plus all tax credits, child benefit, housing benefit and council tax benefit received. All benefits received specifically to cover childcare costs are then subtracted to derive net disposable income. (4) Average wage (AW) reflects the earnings of the median full-time UK employee. This was £26,462 (£507 per week) in 2012 (ONS ASHE provisional estimate). (5) Appropriate housing costs were determined based on gross family income and LCFS data (see table below). (6) The two couples are assumed to own their homes, and are therefore not eligible for housing benefit. The single parents are assumed to rent and are eligible for housing benefit.

Chart 2: Incomes before and after housing and childcare costs, by income level – two parents working full time with two children aged two and four in full-time care (2012) - London childcare & housing costs



Source: Resolution Foundation childcare cost model, 2012. Notes: (1) Full-time childcare defined as 42.5 hours per week for 47 weeks per year. The cost of childcare is assumed equal to the London average of £4.49 per hour (Daycare Trust 2012). (2) Both parents work full-time (37.5 hours per week). (3) Low income family corresponds to two parents working full-time on minimum wage, which puts them just below the 20th percentile in the distribution of equivalised gross household income across working age households. The family is assumed to have housing costs of £142 per week. (4) Middle income family has a gross annual income of £43,400, which corresponds to the projected median equivalised gross income among working age households for 2012-13 based on 2010-11 FRS data. The main earner is assumed to earn 50 per cent more than the second earner (£26,040 and £17,360 respectively). The family is assumed to have housing costs of £256 per week.

Chart 1 example families: gross income and housing expenditure (2012)

Family	Gross annual income	% of gross income spent on housing costs	Estimated average annual expenditure on housing in London
Couple on 200% of average wage	£52,924	29.3%	£15,500 (£297pw)
Couple on 150% of average wage	£39,693	25.9%	£10,269 (£197pw)
Single parent on 100% of average wage	£26,462	27.8%	£7,353 (£141pw)
Single parent on 50% of average wage	£13,231	46.4%	£6,141 (£118pw)

Notes: (1) Percentage of gross income spent on housing costs assumed to be consistent between 2011 and 2012 for each family type. (2) Median full-time annual wage was £26,462 in 2012 (provisional ONS 2012 ASHE estimate). (3) According to LCFS 2011 data average housing costs (including rent covered by housing benefit and excluding council tax) are 47% higher than the UK average (£198.40 vs £135.20). This factor has been applied to the housing costs assumed for each family in the 'The costs of childcare after housing costs' note in order derive London equivalent housing costs.

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The Resolution Foundation is an independent research and policy organisation. Our goal is to improve the lives of people with low to middle incomes by delivering change in areas where they are currently disadvantaged. We do this by:

- undertaking research and economic analysis to understand the challenges facing people on a low to middle income;
- developing practical and effective policy proposals; and
- engaging with policy makers and stakeholders to influence decision-making and bring about change.

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