

Why state should pay parents to be at home: It's cheaper than childcare subsidies, warns report

- **The amount paid to subsidise nursery places for some families is higher than wages parents can earn, according to new report**

By Steve Doughty

State subsidies for childcare are so high that in some cases it would be cheaper for taxpayers to pay working parents to stay at home, a scathing report found yesterday.

It said the amount paid to subsidise nursery places for some families is higher than the wages the parents can earn.

And future increases in fast-rising childcare costs are likely to make it impossible for any parent on the minimum wage to earn as much as the subsidies that pay others to look after their children.



Childcare subsidies cost taxpayers £2.3billion a year, according to the Centre for Social Justice

The paper from the Centre for Social Justice, the think tank founded by Work and Pensions Secretary Iain Duncan Smith, said childcare subsidies cost taxpayers £2.3billion a year.

It called for an attack on red tape to reduce the cost of running nurseries or childminding businesses so that subsidies can be cut and parents can keep more of the money they earn.

The report also questioned the value of subsidising childcare for young mothers who would rather be at home bringing up their children than working.



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The think tank said: 'In large families the high cost of childcare may mean that the subsidy the Government is paying is larger than the wage being earned by the parent. In this situation, the Government would find it more economical to pay parents the minimum wage to look after their own children.'

Labour encouraged mothers to go out to work and spent large sums on childcare.

It was subsidised through the tax credit system of benefits which pays credits to mothers who work more than 16 hours a week and gives them extra for childcare. There are also direct payments to help some parents pay nursery bills.

Further subsidies include payments to local authorities and schools to underwrite childcare and the Sure Start system, which offers subsidised childcare. The subsidies are the highest in Europe, measured in terms of the amount they cover of an average lone parent's income. They are second only to those paid in Australia among developed nations, according to yesterday's report.

At present, 455,000 families are claiming the childcare element of working tax credit. They receive an average of £58 per week to help with the cost of childcare.

Future subsidies when Mr Duncan Smith's new Universal Credit benefit system is introduced from next year will pay 70 per cent of a family's childcare costs, capped at £760 per month for one child, or £1,300 per month for two or more children.