

# Universal Credit inquiry

## \*Childcare as a barrier to work\*

Written Submission by the Women's Budget Group

### About the Women's Budget Group

The Women's Budget Group (WBG) is a network of leading academic researchers, policy analysts and activists set up in 1989 to analyse UK government economic policy for its impact on women and to promote policies that will increase gender equality.

Our vision is of a gender equal society.

Our mission is to promote greater gender equality in policy making and raise awareness of feminist approaches to economics.

We do this by producing well-respected, academically robust analysis of the gender impact of economic policy in order to influence policy discussions and promote gender-equal policy outcomes

### Statistics on childcare as barrier to work

Childcare is essential for families to flourish. High-quality childcare contributes to children's cognitive and social development. It also enables parents, and women in particular, to be in paid employment and increase their family's income. It is particularly crucial for single parents to be able to earn an income and support their children.

The lack of affordable high-quality childcare and support with its costs is the main barrier to employment for mothers.

- 20% of non-employed mothers cite childcare as the top barrier to employment<sup>1</sup>
- Half of non-employed mothers said they would prefer to work if they could arrange the right childcare (of the right quality, convenient, reliable and affordable).<sup>2</sup>
- 46% of mothers in part-time employment said they would increase their working hours or work full-time if childcare was not a barrier.<sup>3</sup>
- UC claimants cite childcare as a significant barrier to work and perceive childcare to be too expensive.<sup>4</sup>

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<sup>1</sup> Department for Education (2017) *Childcare and early years survey of parents: 2017* (<http://bit.ly/2OgGUqv>)

<sup>2</sup> Ibid.

<sup>3</sup> Ibid.

<sup>4</sup> DWP (2017) *Understanding how Universal Credit influences employment behaviour* (<http://bit.ly/2QfWIN7>)

These numbers are worrying when we consider that almost half (48%) of families in poverty have a child under the age of five. Families with young children are also less likely to be in paid employment: in 40% of families with a child under five, one or both of the adults is not in employment.

A child is three times more at risk of poverty in a family in which no one is employed (73%) than in a household in which at least one adult has a job (24%). In families with one parent employed full-time and the other in part-time, the percentage of children in poverty is 13%.<sup>5</sup> For children with both parents in full-time employment, only 3% are living in poverty (4% of children whose single parent is in full-time employment).<sup>6</sup>

### **Affordability**

Childcare costs are high and they have an impact on parents' decision-making around childcare use and returning to work.<sup>7</sup> In the last decade in England, childcare costs have risen twice as fast as the inflation rate<sup>8</sup> and four times as fast as wages (and more than seven times faster in London).<sup>9</sup> It now stands at £125 per week for a part-time nursery place in England.<sup>10</sup>

Although support for childcare costs has increased under UC, and will provide support of up to 85% of childcare costs, some parents will be worse off. This is because around 100,000 families previously received up to 96% of their childcare costs (through a combination of council tax benefit, housing benefit and tax credits) and will now lose out once UC is rolled out.<sup>11</sup>

For families receiving the maximum 85% support and using full-time childcare, they could still face costs of £100 or more per month, which is a considerable amount for low-income families.

The amount of UC reduces as earnings rise, which means that many families will receive less than 85% of their childcare costs once they increase their hours. This significantly reduces incentives to enter employment or increase the number of hours worked, since families will be faced with higher childcare costs not covered by UC. The disincentives are particularly strong for 'second earners' – mostly women – who also face employment disincentives due to the tapering related to earnings, but often receive no work allowance.

**In order to ensure that childcare costs are never a barrier to employment and that childcare is affordable for low income families and for second earners the Government should raise the childcare element of UC to a maximum of 100% of eligible costs.**

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<sup>5</sup> DWP (2018) *HBAI – Percentage of children in low-income groups by various family and household characteristics, 2016/17*

<sup>6</sup> Ibid

<sup>7</sup> NatCen (2017) *Childcare use and attitudes: Literature review and feasibility study* (<http://bit.ly/2xKHKm2>)

<sup>8</sup> Family and Childcare Trust (2018) *Childcare Survey 2018* (<http://bit.ly/2Ht3o47>)

<sup>9</sup> TUC (2017) *Press release: 'Cost of childcare has risen four times as faster than wages since 2008, says TUC'* (<http://bit.ly/2iolyrS>)

<sup>10</sup> Coram Family and Childcare (2018) *Childcare Survey 2018* (<http://bit.ly/2Ht3o47>)

<sup>11</sup> Resolution Foundation (2012) *Counting the Costs of Childcare* (<http://bit.ly/2QfwXHd>)

## **Upfront costs**

Under the Tax-Free Childcare system, childcare costs can be paid upfront instead of receiving support in arrears. This is because for every £8 that parents deposit in their online account, the Government tops up with £2. This system is simple and allows the money to be used throughout the year, which is helpful to plan to cover increased costs during school holidays, for example.

Under UC, parents are instead reimbursed a month in arrears. This means that parents are required to cover at least the first month themselves, before submitting proof of payment and receiving the money as part of their UC entitlement at the end of the assessment period. These costs very often include a deposit, registration fees and other fees that can amount to several hundreds of pounds.

For low-income mothers, this is a huge challenge when considering returning to work. Families on the lowest incomes have an average of just £300 in savings and financial assets,<sup>12</sup> and half of low-income families have no savings at all.<sup>13</sup> They can be left facing a choice of either taking on debt to pay for childcare or staying out of work entirely.

**To lift low-income children out of poverty and to make sure that their mothers can enter or return the labour market, the Government must adopt a system in which parents are able to receive money for childcare costs upfront.**

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### **UK Women's Budget Group, September 2018.**

WBG is an independent, voluntary organisation made up of individuals from Academia, NGOs and trade unions.

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<sup>12</sup> ONS (2018) *Wealth in Great Britain Wave 5: 2014 to 2016* (<http://bit.ly/2xMkjbs>)

<sup>13</sup> DWP (2018) *Family Resources Survey: financial year 2017/18* (<http://bit.ly/2xJFlm1>)