

# Qualitative research into families' experiences and behaviours in the Childcare Affordability Pilots (CAP09): Actual Costs Pilot

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## Glossary

<b>BACS</b>	Bankers' Automated Clearing Services
<b>CAP09</b>	Childcare Affordability Pilots 2009
<b>CCE</b>	Childcare Element
<b>CTC</b>	Child Tax Credit
<b>DfE</b>	Department for Education (formerly known as the Department for Children, Schools and Families)
<b>DLA</b>	Disability Living Allowance
<b>DWP</b>	Department for Work and Pensions
<b>Formal care</b>	Childcare provided by an Ofsted registered nursery, childminder, breakfast or after-school club or other approved provider. Support for this kind of care can be claimed for through the CCE.
<b>HB</b>	Housing Benefit
<b>HMRC</b>	Her Majesty's Revenue and Customs
<b>Informal care</b>	Childcare which is not eligible for support through the CCE.
<b>JSA</b>	Jobseeker's Allowance
<b>TCO</b>	Tax Credits Office
<b>WTC</b>	Working Tax Credit

# Executive Summary

## **Background**

- (i) The Actual Costs Pilot tested the impact of a different system of reporting and payment of the Childcare Element (CCE) of Working Tax Credit (WTC), but where the total level of support was the same as the current system. The primary aim of this research was to assess parents' experiences and behaviour of claiming under this alternative system.
- (ii) This alternative system involved reporting childcare costs every four weeks and receiving CCE payments in arrears (the 'Pilot' group), in contrast to the weekly or monthly payments that those on the standard system of the CCE received, based on an annual average of childcare costs (the 'Control' group).
- (iii) To evaluate the impact of the Pilot, Ipsos MORI conducted 55 in-depth interviews with those who took up work and found formal childcare, or who were already in work but took up formal childcare in order to be eligible for the offer of financial assistance from HMRC.
  - These interviews were split between the Pilot and Control groups. A further 30 interviews were conducted with the same participants after the pilot had ended to see how their experiences changed over time.
  - In addition, Ipsos MORI conducted 50 interviews with those *already* claiming the CCE via the normal estimating and averaging system but, on being offered the Actual Costs Pilot, chose not to take it up (the 'Non Take-up' group).
  - All interviews were conducted across London and the South East of England.
- (iv) Participants from all groups were on fairly low incomes at the time of recruitment; those in the Pilot and Control groups were sampled to have an annual income of up to £16,000. Although still fairly low, the Non Take-up group was sampled for the Pilot to have a higher annual income than the other groups – that of up to £21,000 for lone parents, and £23,000 for couples.
- (v) Participants from all groups were predominantly female, and were drawn from a range of household compositions. They were mainly lone parents, but some couples were also interviewed. Parents ranged in both the number and age of their children. These distinctions in characteristics were often central to parents' decisions in the type of work and formal childcare that they took up; this is discussed in the chapter on participant profiles.

## **FINDINGS**

### ***Experiences of the Pilot Scheme***

- (i) **The Pilot system was easy to use**; it was based on parents' actual spend on childcare over the previous four weeks. It enabled them to **budget more easily**

**on a week-by-week basis**, as they understood that they would have the majority of their childcare costs reimbursed every four weeks. This was particularly true of those whose childcare needs varied.<sup>1</sup>

- (ii) **Customer experience of taking up the Pilot was positive.** The Pilot was considered to be a very **generous offer which helped customers overcome many of the problems of finding childcare**, as well as budgeting for it and coping with seasonal variations in costs. Although the amounts being paid were the same as under the estimating and averaging system, customers found the Actual Costs system a real help to their use of formal childcare.
- (iii) Furthermore, many **reported that they understood the terms of the offer** and their obligations to HMRC. These views were shaped by the fact that many customers were new to claiming the CCE, so had nothing to compare the Pilot scheme to.
- (iv) In reality though, their understanding of the offer varied. While the Pilot group stated that they knew the importance of reporting their costs every four weeks, **parents often missed the deadline for doing this, and occasionally relied on staff from the dedicated team in the Tax Credits Office** to ring them to get this information.
- (v) In addition, there were also misunderstandings about whether costs needed to be reported every four weeks or every month.
- (vi) **The transition payment was very helpful for those who needed to pay a deposit for their childcare place.** Roughly half of the participants we spoke to who took up the Pilot accepted the offer of the transition payment, and the majority of these felt that they would not have been able to afford the cost of a deposit without it.
- (vii) The end of the Pilot resulted in mixed outcomes for parents. The move onto the **estimating and averaging system was positive for those with stable work** and childcare, who found that predicting their childcare costs across the year was fairly simple. **Those with fluctuating circumstances, however, found it much harder to understand and predict** seasonal variations.
- (viii) In contrast the Non Take-up group expressed **a level of confusion over the Pilot offer and commonly assumed that they would be entitled to greater levels of support.** Once they had been informed by the DfE contractor helpline that they would receive the same level of support but that they would receive it in a different way, they were less keen to take up the offer.

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<sup>1</sup> Pilot participants were sent a separate cheque for the CCE. This helped some to budget more effectively and increased transparency about what they were receiving. However, we can infer from this research that a letter outlining these details did not have the same effect given that Pilot participants did not spontaneously mention correspondence of this nature that they were sent by TCO on a monthly basis.

- (ix) Furthermore, this group, who had been receiving CCE for some time, were accustomed to dealing with the estimating and averaging system and, consequently, **had budgeting processes in place. Thus, they were happier receiving a consistent, fixed amount of assistance**, despite the fact that they would have received a fixed amount under the Pilot if they had reported the same costs each month. When combined with a regular fixed income, this allowed participants to budget in an organised and regular fashion. That is, they were hesitant to switch to something that they were not accustomed to.
- (x) It was common amongst all groups **using the estimating and averaging system** (Non Take-up group and Control group, as well as the Pilot group once the Actual Costs Pilot had ended) to report they **under-claimed for their total annual childcare use**. This was partly because they found it **difficult to estimate for any one-off or unexpected usage of formal childcare**, but also because they were often **unaware that they could update the TCO with their childcare estimates** if they changed during the year.

### ***Barriers and enablers to taking up work and childcare***

- (i) **All customers in this study were in work when interviewed and were typically using a combination of formal and informal childcare.** Driving their decision to do this was a strong **belief in the social and economic benefits of work for the whole family**.
- (ii) **Trust in the quality formal care was crucial in taking up and choosing a formal childcare provider.** Beyond this, the childcare provider needed to be in close proximity to work or home, and offer flexible opening hours. Supply of informal childcare also helped parents balance work and childcare as this helped fill those gaps in the day when formal care was not available.
- (iii) Finally, **finding an employer that offered suitable work in terms of hours available, location and if possible, who sympathised with the responsibilities of being a parent**, helped not only take up but the sustainability of employment.
- (iv) **Awareness of the CCE was crucial in parents' take-up of formal childcare.** Prior to receiving the offer letter, a lack of awareness had prevented many parents in the Pilot and Control group from simply looking into formal care because they thought that it was too expensive.
- (v) Instead, many parents were **managing their work commitments through a network of informal care sources**. However, on receipt of the offer letter, those in the Pilot and Control groups who took up the offer, and who had been relying on informal sources of care, began to transfer their main source of care to formal providers.
- (vi) No single factor alone had **prevented parents from taking up work and childcare in the past**; instead **a number of interlinking attitudinal and practical barriers** had done so. These included the belief that parents had been best placed to look after their children, especially when they were young. Other practical barriers had included a lack of awareness of the CCE amongst Pilot and



Control groups which meant that they had thought formal childcare was unaffordable.

### ***Experiences of childcare***

- (i) **Quality of, and trust in, the care was the most important condition in choosing a childcare provider** and one that parents would not compromise on. Quality related both to the level of care given to children by providers, as well as the developmental benefits for their child.
- (ii) Other factors, such a **provider local to work or home, the opening hours and session times that the provider operated within, and the availability of places were important but secondary to quality**. Cost was not a factor in choosing a provider once parents began claiming CCE.
- (iii) **Reliance on informal care decreased once uptake of formal childcare increased**. This was a positive outcome for a significant proportion of those in the Pilot and Control groups, who felt they were placing a burden on family members. Formal care was also seen to have significant developmental benefits for their children that informal care did not provide, such as a first level of education, or the ability to socialise with other children.
- (iv) **Informal care still remained important in providing care outside of the hours that formal care was available** – such as evenings and weekends.
- (v) When searching for suitable formal childcare providers, a range of information sources were used. For **those unfamiliar with their local area, parents tended to rely on official sources such as their local authorities**. However, for those that were **better networked, there was often a reliance on informal word-of-mouth recommendations**.

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# 1 INTRODUCTION AND BACKGROUND

## CHAPTER SUMMARY

(i) The Childcare Element (CCE) of Working Tax Credits (WTC) is designed to offer working parents financial support for the payment of childcare costs. Subject to a range of eligibility criteria, working families were able to claim 80% of their total childcare costs via this system at the time of the Pilot. Since April 2011, families can claim up to 70% of their childcare costs.

(ii) The aim of the Actual Costs Pilot was **to assess whether an alternative method of paying the CCE would change customer experiences and behaviour of claiming, and help them report their childcare costs more accurately.** It is hoped this evidence may help the government understand how it can support families with children into sustainable employment.

(iii) The Actual Costs system involved **reporting childcare costs every four weeks to the dedicated team in the Tax Credits Office (TCO)**, and having up to 80% of these costs reimbursed within a **limit of total childcare costs at £175 for one child, and £300 for two or more children, as in the standard system.**

(iv) Ipsos MORI conducted a total of **135 face-to-face depth interviews in London and the South East of England** with parents who were claiming help with their childcare costs through the CCE. These interviews were sampled and recruited based on their experiences with the Pilot:

- Participants who took up the offer of assistance of CCE through the Actual Costs system, who had previously not claimed CCE (the 'Pilot' group).
- Participants who took up the offer of assistance of CCE through the estimating and averaging system, who had previously not claimed CCE (the 'Control Group').
- Participants who were offered the assistance of CCE through the Actual Costs system but declined to take it up, and who were already claiming CCE through the estimating and averaging system (the Non Take-up group). Within this group were also other sub-groups; those who were interested in the offer, and those who were not.

## 1.1 INTRODUCTION

Working Tax Credit (WTC) is part of the tax credits system delivered by HM Revenue and Customs (HMRC). It provides in-work support for low income people, with or without children. Dependent on income, a childcare element (CCE) of WTC is available for

families in recognition of extra costs faced by working parents with childcare needs. To be entitled to the CCE lone parents, or both members of a two-parent household<sup>2</sup>, must be in qualifying work for 16 hours or more a week and be using an eligible form of childcare.<sup>3</sup> At the time of this research, the proportion of eligible childcare costs covered by the childcare element was 80%.<sup>4</sup>

The Childcare Affordability Pilots 2009 (CAP09) were devised to assess the impact of providing alternative forms of childcare support to families moving into work. This report contains findings from the qualitative research strand of the Actual Costs Pilot evaluation.<sup>5</sup> This evaluation was conducted among families who were offered a new system of help with their childcare costs if they took up work for at least 16 hours a week, or were informed of the standard offer of help with childcare costs via the CCE of WTC.

Within the estimating and averaging system, families have to calculate their average weekly childcare cost for the tax year and are then paid equal payments throughout the year. As a result, they need to hold money back in periods when costs are low to fund childcare in times when costs are higher. If childcare costs change by more than £10 per week throughout the year, or if they cease using some or all of their childcare, parents are responsible for updating the Tax Credits Office (TCO) and having their award amended. The new system involved claimants reporting the actual cost of their childcare from the previous four weeks and being paid in arrears. This research sought to establish the experiences and behaviour of parents claiming the CCE under the Actual Costs Pilot. In particular, it explored parents' experiences and perceptions of reporting costs to the TCO under the new system, how parents coped with seasonal variance with childcare costs, and the extent to which this system made parents' ability to pay childcare costs simpler over the year.

The pilots and their evaluation were launched by HMRC and the Department for Education (DfE) in 2009 and were funded by the Child Poverty Unit (CPU). The research component of the evaluation was undertaken by Ipsos MORI Social Research Institute on behalf of HMRC.

In this introductory section we set out:

- The context of the research;
- The research objectives;
- The methodology used to conduct the research;
- Information on sampling and recruitment of participants;

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<sup>2</sup> Unless one member of the couple is incapacitated, is an inpatient in hospital, or is in prison (whether serving a custodial sentence or remanded in custody awaiting trial or sentence).

<sup>3</sup> An eligible form of childcare is a provider that is registered or approved. In England, the provider must be registered with Ofsted. The childcare element can be paid for any child up to the last day of the week in which falls the 1st September following that child's 15th birthday.

<sup>4</sup> The government announced in the 2010 Spending Review that families can claim up to 70% of their childcare costs from April 2011.

<sup>5</sup> For the quantitative research for CAP09, please see reports 'Childcare Affordability Pilot 2009 – 100% Costs Pilot', 'Childcare Affordability Pilot 2009 – Disabled Children's Pilot' and 'Childcare Affordability Pilot 2009 – Actual Costs Pilot' published by DfE.

- How the interviews were conducted and how research materials were used; and
- How the findings are presented.

## 1.2 RESEARCH CONTEXT AND BACKGROUND

The Childcare Affordability Pilots (CAP09), part of a suite of child poverty Pilots announced in the 2008 Budget, broadly aimed to test whether *both the amount and way in which tax credits are paid* helped support the take-up of childcare and employment opportunities among parents. Ipsos MORI carried out research for three of these Pilots on behalf of HMRC, which tested the impact of changes to the current tax credits system.<sup>6</sup> Two Pilots looked at the importance of the affordability of childcare in parents' decisions to move into work and take up childcare (discussed in the 100% Costs Pilot and Disabled Children Pilot reports).<sup>7</sup> The third focused on customer experiences and behaviour of claiming CCE under a different delivery method; this report focuses on these experiences, and is referred to as the Actual Costs Pilot.

The Actual Costs Pilot was designed to evaluate the effect that different models of paying the CCE had on claimants' experiences of receiving it, and whether it affected their behaviours around the recording and reporting of their childcare costs to the TCO. This was important as previous studies into customer experiences of managing tax credit claims found that predicting families' average weekly childcare costs was a key source of error.<sup>8</sup> This was especially difficult for parents whose work and childcare circumstances fluctuated over the course of the year.

The pilots also explored the importance of affordability of childcare in parents' decision to move into work and take up childcare, although this was not the main focus of the Actual Costs Pilot. However, research conducted by DfE showed that the median weekly cost of nurseries stood at £72 and £55 for childminders in 2009. Furthermore, just under a quarter (24%) of those that regularly used formal childcare reported that they found it difficult or very difficult to meet their payments for childcare<sup>9</sup>. As such affordability remained an issue for this study. Both the 100% Costs Pilots and the Disabled Children's Pilots discuss this issue in more detail.

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<sup>6</sup> Two further Pilots for CAP09 were carried out by the London Development Agency, but the research into parents' experiences of them was not conducted by Ipsos MORI.

<sup>7</sup> See 'Qualitative research into families' experiences and behaviours in the Childcare Affordability Pilots: 100% Costs Research' and 'Qualitative research into families' experiences and behaviours in the Childcare Affordability Pilots (CAP09): Disabled Children's Pilot' published by DfE.

<sup>8</sup> See both HMRC/HMT (2008) 'Tax credits: improving delivery and choice – a discussion paper' at

[http://webarchive.nationalarchives.gov.uk/+http://www.hmtreasury.gov.uk/d/tax\\_credits\\_no12.pdf](http://webarchive.nationalarchives.gov.uk/+http://www.hmtreasury.gov.uk/d/tax_credits_no12.pdf) and Ipsos MORI for HMRC (2009) 'Cognitive Testing to Investigate Customers' Understanding of Processes Relating to the Childcare Element of Working Tax Credit (WTC)'.

<sup>9</sup> DfE, Childcare and early years survey of parents, 2009

### 1.3 RESEARCH OBJECTIVES

The aim of the Actual Costs Pilot was to gauge parents' experiences and behaviour under a *different* system of payment, but where the total level of support made available through WTC was the same as under the normal estimating and averaging system. The evaluation aimed to test whether such a system helped parents cope better with seasonal variations in childcare costs.

The upper limits of how much parents could receive were:

- Up to £140 per week for one child, making up 80% of a maximum childcare cost of £175
- Up to £240 for two or more children, making up 80% of a maximum childcare cost of £300

These limits were the same as the existing estimating and averaging system, but involved claiming them in an alternative way. Claimants who took up the Pilot offer were responsible for registering their formal childcare user<sup>10</sup> with a dedicated team in TCO, and were required to call every four weeks to report how much they had spent in the previous four weeks on childcare.<sup>11</sup> Up to 80% of this total was then paid to parents in arrears. A transition payment of up to £500 was available to parents who needed to pay an upfront deposit for their child's place in childcare; this payment was subsequently subtracted from later payments of CCE. Roughly half of those interviewed who were eligible for the transition payment took it up. Those who participated in this system are referred to throughout this report as the Pilot group. Those parents who took up the existing system and reported their childcare costs through the estimating and averaging system are referred to as the Control group.

The Actual Costs Pilot was run in two cohorts – those who joined the Pilot in 2009-2010 and those who joined in 2010-2011. The Pilot was offered to three groups of families:

#### I. 2009-10 Cohort

In 2009-10, eligible families throughout London and the South East of England were randomly allocated by postcode to Pilot and Control groups. There were around 30,000 families in each group.

**Group 1: Out-of-work lone parents and couples where at least one partner was out-of-work, and whose 2008-09 income was up to £16,000.**

Letters were sent to these families between June and September 2009, inviting them to be paid on an actual costs basis if they found work and formal childcare.

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<sup>10</sup> 'Formal childcare' throughout this report refers to childcare which has been approved or registered by Ofsted and is paid for by the parent.

<sup>11</sup> Please note that claimants were asked to report costs based on the previous four weeks, rather than the last month.

**Group 2: In-work lone parents and couples where both partners were in-work, but not already claiming the CCE, and whose 2008-09 income was up to £16,000.**

Letters were sent to these families between October and December 2009, inviting them to be paid on an actual costs basis if they took up formal childcare.

**II. 2010-11 Cohort**

**Group 3: Lone parents and couples in work and claiming the CCE, and whose 2009-10 income was up to £21,000 for lone parents and £23,000 for couples.**

Letters to parents in London and the South East of England were sent between January and February 2010 inviting eligible families to change to the new system, and be paid on an actual costs basis from May 2010.

The overall objective of these interviews was to understand the experiences of those who took up the Actual Costs Pilot of claiming CCE, and how it shaped their behaviour in claiming and paying for childcare costs. It looked at the reasons why parents chose to take up the Pilot, as well as why some customers chose not to take up the offer.

**(i) Overall objectives for all groups were to determine:**

- How assistance with the cost of childcare helped parents who were not working 16 hours a week move back into work or increase their hours;
- The choices made in terms of formal childcare providers, and what part, if at all, the cost of childcare had in making such choices;
- The balance between formal and informal childcare, and the extent to which, if at all, the offer of assistance with childcare costs changed this balance, and
- To explore variations in childcare costs throughout the year, and how claimants prepared for and managed these changes.

**(ii) Objectives for families who took up the offer of assistance based on Actual Costs and who were not already claiming childcare cost assistance (the Pilot group) were:**

- Customers' reasons for taking up the new system of support;
- Awareness and understanding of both WTC and the CCE prior to taking up the new system of support;
- Whether a system based on actual costs meant that customers coped better with seasonal variations in childcare costs (relative to the standard tax credits system), and to gain a greater understanding of how parents' costs varied throughout the year, and the reasons for this;
- The extent to which reporting costs incurred at the end of every four week period was easier for customers than having to calculate their average costs over the course of a year;



- Whether paying childcare separately from the rest of the award made it easier for customers to understand how the support they received related to the costs they incurred;
- Customers' experiences and perceptions of calling HMRC every four weeks to report their childcare costs, and whether increased contact with the tax credits system resulted in a better customer experience<sup>12</sup>;
- How customers found a system where they received support largely in arrears; and
- Perceptions and experiences of the transition payment and of the facility to draw forward payments from future months.

**(iii) Objectives for families who took up the offer of assistance based on estimating and averaging and who were not already claiming childcare cost assistance (the Control group from the 2009-10 Cohort) were:**

- How families experienced estimating their childcare costs over the year;
- How they managed their WTC claim and, specifically, the CCE; and
- How claimants managed and budgeted for variations in childcare costs, and whether they updated TCO on any unforeseen changes to childcare costs when using a system based on average costs.

**The second wave of interviews for the Pilot group**

Furthermore, a second stage of interviews was carried out with families who took up the Pilot offer, approximately nine months after they were originally interviewed. By this stage, the Pilot system had ended, and families who had been on the Pilot were given the option to move onto the estimating and averaging system of reporting childcare costs.

**(iv) Objectives for the second wave of Pilot interviews were to explore:**

- How customers felt about moving to an estimating and averaging system and to draw comparisons between their experience of both systems;
- Perceptions and experiences of the transition payment and of the facility to draw forward payments from future months and how they felt about this as they were paying it back at the end of the Pilot; and
- Whether they had experienced any changes in work and use of childcare since the first stage of interviews.

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<sup>12</sup> For the purposes of the CAP09 Pilots, a separate helpline was set up for claimants under the Pilot schemes. For Actual Costs Pilot claimants, a helpline run by the DfE contractor was set up for registration purposes. Thereafter claimants were put through to the separate section of the TCO to claim their CCE.

## **Objectives for those who did not take up the Pilot offer**

Finally, a series of interviews were conducted with parents who were in work, claiming CCE and received the offer of moving to four-weekly reporting and payment in arrears but declined to join the Pilot. These families were drawn from the 2010-11 Cohort.

### **(v) Objectives for families who did not take up the offer were to explore:**

- The understanding of the offer and views on four-weekly reporting of childcare costs;
- What parents liked about the current system of estimating and averaging;
- Awareness of CCE and experiences of claiming; and
- The mix of childcare (both formal and informal) parents used and their perceptions of the benefits and drawbacks of each.

## **1.4 RESEARCH METHODOLOGY AND SAMPLING**

Ipsos MORI conducted two waves of interviews among those in 2009-10 Cohort. That is, those families who had taken up the offer of either the Actual Costs Pilot or the Control group of the estimating and averaging system of help. None of these parents were claiming the CCE at the time of being sent the offer letter. A total of 55 face-to-face depth interviews were carried out in the first stage in 2010 – 35 of these were with the Pilot group, and 20 with the Control group.

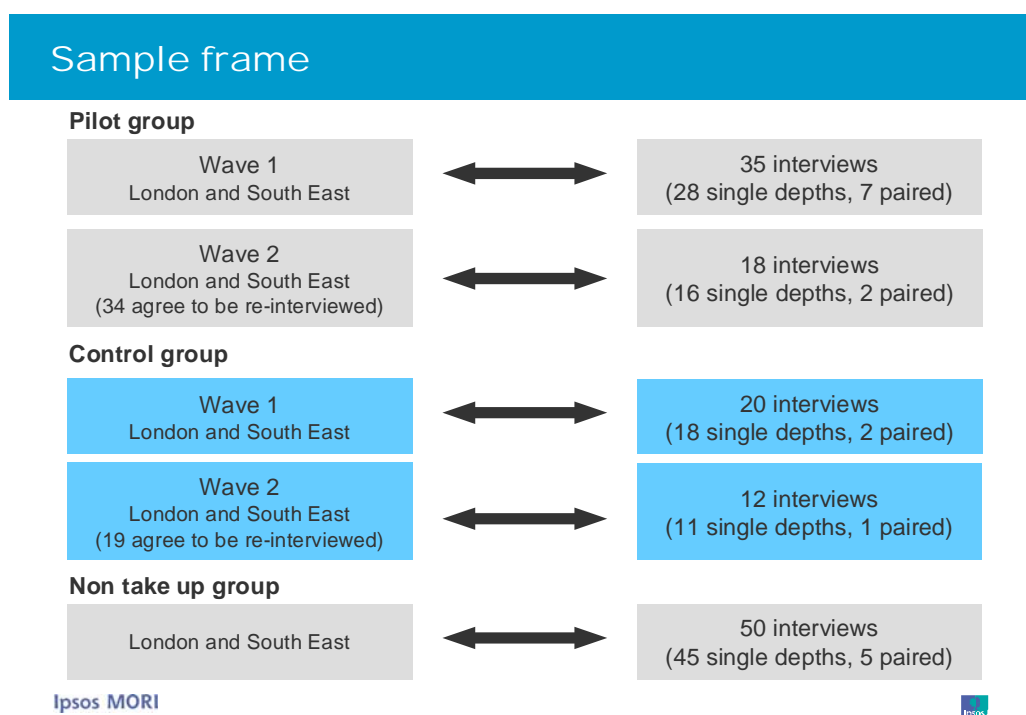
A second stage of interviews with both Pilot and Control groups took place approximately nine months after the first interview, and once the Pilot system had ended. A total of 30 follow-up interviews were undertaken – this was divided into 18 Pilot interviews and 12 Control interviews.

In addition, a total of 50 interviews were conducted with those who were already claiming the CCE, and were offered the Pilot system of payment based on actual costs every four weeks, and in arrears. These participants did not take up the Pilot system, and are referred to in this report as the Non Take-up group.

The sample for all groups was provided by HMRC from tax credits records. Participants were recruited using a recruitment questionnaire by telephone from this sample. Quotas were set between the Pilot and Control groups, as well as between lone parents and couples, in order to achieve a good spread of characteristics.

The following diagram outlines the overall structure of the sample frame.

## Sample Frame: Groups, locations, and number of interviews



This sampling frame meant, however, that we did not speak to those who were already claiming the CCE through the estimating and averaging system yet then moved onto the Actual Costs Pilot when they were offered it. The Pilot was initially offered to participants for a year, but following the 2010 Election, the evaluation was scaled back and the length of the offer reduced. A number of the Pilot group were therefore only able to take up the offer for between six and eleven months and were subsequently moved onto the estimating and averaging system in August 2010, or September 2010 if they had taken up the transition payment. Those in the Control group continued to receive their CCE through the estimating and averaging system as they had done through the Pilot period.

A qualitative approach was adopted for the study to generate rich detail, and enable interviewers to obtain a full picture of the participants' circumstances, experiences, attitudes and feelings which meant that they were either able or unable to take up the offer. A face-to-face approach was chosen, as it was important that interviewers established a rapport with the participants. This helped to create an atmosphere of trust, so that sensitive issues, such as their financial circumstances, could be addressed. In addition, face-to-face depth interviews enabled the interviewer to use stimulus materials, such as examples of letters which helped participants to recall certain experiences more clearly.

Single and paired depth interviews were conducted in this study. Conducting both types of interviews were ideal for exploring the range of subtle and complex experiences of parents, and the differences that existed between those claiming as lone parents, and the shared experiences of a couple.

Interviews were conducted in participants' homes which allowed interviewers to generate additional observational data about participants and their family. The interviews were

conducted between January 2010 and January 2011. For the first wave of interviews in the Pilot or Control groups, interviews took place between January and March 2010; and, the second wave of interviews took place between November and December 2010. For those who had not taken up the offer of actual cost payments, interviews took place between October 2010 and January 2011.

Analysis of the findings from the interviews was conducted throughout the fieldwork period through the collation of fieldnotes in Microsoft Excel spreadsheets and in regular analysis sessions with the interview team. In these sessions initial hypotheses were developed and discussed. Ongoing analysis of findings meant that research materials were adjusted throughout the field period to reflect emerging findings.

## 1.5 INTERVIEWS AND RESEARCH MATERIALS

When conducting the interviews, moderators used semi-structured discussion guides to ensure all relevant topics were covered consistently across all interviews and that all key issues were explored. Interviews lasted between one and one and a half hours. A cash incentive from Ipsos MORI of £35 (£50 for a paired depth) was provided as a thank you for the participants' time.

Different versions of the semi-structured discussion guides were used for take-up and non-take up groups, Pilot and Control groups, and wave one and wave two interviews, in order to reflect the issues faced by that group. Example discussion guides are included in the Appendix of this report.

## 1.6 PRESENTATION OF FINDINGS

This report is structured in five sections, reflecting distinct aspects of the findings.

**Chapter 1: Introduction and Background** - provides background and details of how the study was conducted;

**Chapter 2: Participant Profiles** – adds context to the findings by exploring the personal circumstances of the participants;

**Chapter 3: Enablers of work and childcare** – examines the enablers which led some people to taking up the offer of CCE;

**Chapter 4: Barriers to work and childcare** – examines the barriers that had previously prevented parents from taking up work or childcare;

**Chapter 5: Transition to employment** – explores how participants went about finding work, and the types of employment found;

**Chapter 6: Sustaining employment and experiences of work** – explores the employment circumstances that make work sustainable, as well as the financial and social benefits to sustaining work;

**Chapter 7: Experiences of childcare** - explores knowledge and awareness of the CCE as well as how childcare is used and experiences of using formal childcare;

**Chapter 8: Operational experiences of the Pilot scheme** – examines the reactions of different groups to the letter, their understanding of the offer and their experiences of contact with both the DfE contractor helpline, TCO and the tax credits system more generally. It also examines the views and experiences of claimants after the Pilot ended, and their subsequent experiences of the estimating and averaging system; and

**Chapter 9: Conclusions** – brings together the findings to provide overall conclusions from the study.

For the purposes of clarity for the reader, the following names have been given to the different groups which made up the study.

**Non Take-up group** - Those who were already claiming the CCE through the estimating and averaging system of WTC. They were sent a letter offering them the Pilot system. Some simply did not respond to the letter while others registered an interest and had contact with the DfE contractor helpline but ultimately did not join the Pilot. Where there are attitudinal and behavioural differences between those who were interested in the offer and those who were not, these have been clearly referred to in the report as *Interested* and *Not Interested*.

**Pilot group** – Those who were not already claiming the CCE, and were sent a letter offering them a place on the Pilot. They registered an interest with the DfE contractor helpline, found or were already in work, and experienced the Pilot system of getting assistance with childcare costs based on their actual costs through four-weekly reporting. Within this were two sub-groups:

- Those who were in-work, and were not claiming CCE for formal childcare when they received the Pilot letter; and
- Those who were out-of-work, and who were not claiming CCE for formal childcare when they received the Pilot letter.

**Control group** – Those who were not already claiming the CCE, and were sent a letter offering them assistance with childcare costs based on the estimating and averaging system. They registered an interest and subsequently found work and childcare.

It is important to note that findings of this report are not statistically representative of the views of parents in general. Qualitative research is designed to be illustrative, detailed and exploratory and provides insight into the perceptions, feelings and behaviours of people rather than conclusions from a robust, quantifiable valid sample. As far as possible we tried to state the strength of feeling about a particular point, but due to the small sample sizes of some sub-groups it has not always been possible to provide a precise or useful indication of prevalence or strength of feeling. The perceptions of participants make up a considerable proportion of the evidence in this study, and it is important to remember that although such perceptions may not always be factually accurate, they represent the truth to those who relate them.

## 2 PARTICIPANT PROFILES

### CHAPTER SUMMARY

- (i) **Predominantly women**, participants in the study **were from a very wide range of household compositions**, encompassing mostly lone parents but some couples, with a range of numbers and ages of children.
- (ii) Participants were on fairly low incomes at the time of recruitment; those in the Pilot and Control groups were sampled to have an annual income of up to £16,000. Although still fairly low, the Non Take-up group was sampled to have a higher annual income of up to £21,000 for lone parents, and £23,000 for couples. **Few were claiming other benefits**. This led to a **careful attitude towards finances, and an aversion to debt**.
- (iii) Participants had a **history of employment**, but due to childcare commitments tended to take up **part-time work**, and often felt they were not using skills to their fullest capacity. **Careers in teaching and social care** were common.
- (iv) **Once parents received CCE, the balance shifted from using informal to formal childcare providers**. Providers ranged from nurseries to afterschool clubs, and varied according to the age of the children and the availability of provision.

In this section we will describe the range of personal and financial circumstances of the participants, drawing on the data gathered on customers' lifestyles, experiences of financial management, debt, and family life. This is important contextual information to understand as it often influenced participants' behaviours in relation to the offer. We will cover the following main areas in this section:

- Household composition;
- Social circumstances;
- Financial circumstances;
- Employment and skills status; and
- Childcare status.

In each section we discuss the characteristics of each of the three groups interviewed in this strand, and highlight differences between the Pilot, Control and Non Take-up group. Where no significant differences were found, we refer to participants from all groups. It is worth noting that the Non Take-up group were further subdivided into five groups according to level of interest in the offer. These comprised:

- Those who had not responded to the offer letter and had no further contact about the Pilot;
- Those who did not respond but were contacted by the DfE Contractor helpline yet did not express an interest;

- Those who were contacted by the helpline and expressed an interest but went no further;
- Those who expressed an interest in the offer but ultimately declined to join the Pilot scheme; and
- Those who expressed an interest but who HMRC were unable to reach when they were contacted to join the Pilot.

There were few distinct differences between these subgroups during interviews, save when it came to recall of the initial offer letter. This is largely due to the great similarities across the Non Take-up subgroups in terms of attitudes to childcare, budgeting and the time spent using the existing estimating and averaging system. Even among those who expressed an interest in signing up then declined, the key aspect is that they did ultimately decline to join the Pilot. What differences there were are highlighted in the report.

## 2.1 HOUSEHOLD COMPOSITION

**A large proportion of participants who took part in the study were lone parents.** All lone parents interviewed for the Actual Costs Pilot – in Pilot, Control and Non Take up groups – were mothers, and **they often had more than one child to look after.** This factor shaped both their outlook on employment and the choices they made when taking up work, and the role they played as a parent.

As discussed in more detail in chapter 5 which explores participants' employment and skills status, **the majority of lone parents were either in work, or were determined to return to work** when the timing was right. Furthermore, amongst those in work were a mixture of participants working below the 16 hour per week threshold for claiming CCE, and those already working 16 or more hours, but not claiming CCE. All these subgroups spoke of their belief in the economic and social benefits of employment not just for themselves, but for their family also.

Couples were more likely to include one parent who was either not working, or working fewer than 16 hours when sent the offer letter. Although these families too described the value of employment, the fact that there was one person in the household bringing in a steady income meant that the financial imperative on the other to return to work for 16 hours per week or more was lessened.

The ages of participants ranged from 20 to 49, although **most participants were in their thirties or early forties.** Younger participants, those in their twenties, tended to be lone parents, whereas the age of couples in this study ranged from late twenties to parents in their forties.

The number and age of children also varied in all groups. Families ranged between having one child, to families of five children. There was also a huge range in ages of children, with some children as young as 13 months old, to teenage children as old as 17. In the case of the latter, parents with teenage children also had younger children – often of primary school age.

## 2.2 SOCIAL CIRCUMSTANCES

There was a wide range of social circumstances reported amongst all groups within the Actual Costs Pilot, with many saying that they had a very good support network, and others reporting that they had no support network at all.

**Those who described having a full network of friends and family nearby stated that they could rely upon them to assist with their childcare needs while they worked.** Some participants were living with their parents, and often depended upon these as a source of support. These were typically lone parents, and expressed the importance that such support networks played in enabling them to manage their lives.

To a lesser degree, but equally important to highlight, were those participants who had few or no friends or family nearby to provide them with a support network. This was typically due to participants having moved away from the immediate area in which they had grown up for higher education or work, or due to a relationship breakdown. The extent to which this acted as a barrier towards finding suitable work and childcare varied according to other social circumstances. For instance, couples often felt that they could manage their childcare without having a support network, as they shared the responsibilities of work and looking after their children with their partner. In contrast though, lone parents often found balancing work and childcare more difficult if they did not have access to an informal support network.

**The most socially isolated families were immigrants who settled in Britain either alone or as a couple.** Of the small number we spoke to, these participants reported no family nearby, and often had few friends to act as a source of support. In one or two cases, parents did not speak English fluently and had few people around them who spoke the same language, which added to the difficulties in forming social networks to help balance their work and childcare situation.

Where families did use support networks to aid them in looking after their children, this typically resulted in their own parents or siblings acting as informal childcare. Other support networks included friends with children of similar ages, or community groups such as places of worship, where support for parents in balancing employment and childcare could be found.

## 2.3 FINANCIAL CIRCUMSTANCES

Although the spectrum of financial circumstances amongst all groups ranged from those struggling to make ends meet, to those on much higher incomes, the majority of participants in this study fell somewhere in the middle. **Most families described living a careful lifestyle, ensuring that however much income they had, bills were paid and household budgets were, to some degree, managed.** Although most felt that they were getting by on relatively low incomes, they illustrated that they lived within their means, and made certain that essential components – food, household bills and family necessities such as clothes – were always paid for.

The main exception here was in relation to the Non Take-up group who were sampled for the Pilot to have a higher annual income than the other groups – that of up to £21,000 for lone parents, and £23,000 for couples at the time of recruitment, compared to up to £16,000 for those in the 2009-10 Cohort. Thus, this difference in income levels



may be reflected in some of the attitudinal and behavioural variations between this and other groups.

Regardless of income levels, what was striking was that **all groups were averse to the idea of debt** which instilled in them a sense of importance with regard to managing their money. This aversion to debt occasionally stemmed from a history of financial difficulties, but was usually the result of a belief in the social and personal benefits of being financially responsible. Consequently, **all budgeted to some extent though this was on a spectrum** from well-organised computer spreadsheets with all monthly incomings and outgoings detailed to more informal week-by-week budgeting.

**This aversion to debt, and determination to live within the means of families' incomes, also influenced participants' attitudes to formal childcare.** For instance, it often meant that parents chose not to place their children in formal childcare due to the perceived expense – or not to the full extent that they would have liked. As we discuss in section 4.1. the offer for up to 80% of childcare costs to be paid made a real impact in the financial ability of parents to work, manage their budgets and use formal childcare. Similarly, those in the Non Take-up group who were already claiming up to 80% of their childcare costs through the CCE also felt that they would have been unable to use formal care without this help and support.

All participants were in receipt of WTC and the CCE at the time of the first interview. They were also claiming Child Benefit, and some were claiming Child Tax Credit (CTC). A minority were claiming Housing Benefit as well. What is important to note, however, is that **few claimants from any group were in receipt of any other state benefits at the time of taking up the offer from HMRC.** Furthermore, participants in the Pilot and Control group did not have a history of claiming state benefits, and were unaware of the full range of benefits available to people in need and the eligibility criteria for them. This lack of awareness and absence of a history of receiving benefits was closely linked to participants' working history, as we shall discuss below. **This disengagement with the benefits process led some to feel that there was a stigma attached to claiming benefits,** and meant that they did not look into their eligibility for other assistance on principle. Indeed, those in the Non Take-up group also saw tax credits as being a benefit and felt there were negative associations to claiming state financial assistance. The same was true of those in the take-up group albeit to a lesser extent and this is discussed in more detail in section 3.1.

Overall, participants in the Pilot and Control groups were still claiming assistance through WTC and the CCE at the time of the second stage of interviews. Few claimants had increased their use of state benefits, and if they had done so, this was generally due to having left work due to ill health or redundancy. The majority remained in the same financial position as they had been at the time of the first interview, and carried the same attitude towards budgeting, managing finances and an aversion to both debt and claiming benefits that they had done when first taking up the offer of childcare assistance.

## 2.4 EMPLOYMENT AND SKILLS STATUS

The most distinctive feature of the employment status of those in the Pilot and Control groups was that **they were either in work, or were intent on returning to work prior to receiving communication from HMRC and DfE<sup>13</sup>** about the assistance with childcare costs. By the time of interview, all parents in this study were in work. Few participants had a history of long-term unemployment, and were therefore accustomed to the routine of being in work. This meant that **the concept of being in work was familiar to them, and they were engaged with the processes of applying for jobs.** All those on the Pilot and Control schemes were positive about the merits of work, and believed they would be better off – either financially, socially or both – from being in work. Similarly, the Non Take-up group were extremely positive about the economic and social benefits of work both for themselves and their children.

Couples in this group often included one partner – usually the mother – who regularly moved in and out of work whilst the other remained in stable employment. This was largely due to either pregnancy, waiting for their child to reach a certain age, or to study to enable them to improve their skills and employment prospects. This again highlights the greater flexibility available to couples compared to lone parents, who were less financially able to make decisions about employment prospects based on lifestyle choices. Couples where one parent had taken time out of work often also used this time to increase their skills set in order to help them gain a smoother re-entry into the workplace when they could. This included training in childcare by helping out at nurseries or schools, or taking up part-time courses in hospitality or childcare studies while they remained at home.

Many participants had been in continuous work for several years or more; this was especially true of parents who had older children, and more than one child. This was especially prevalent in the Non Take-up group, but was also a common theme amongst those in both the Pilot and Control groups who were in work at the time of receiving the offer letter from HMRC and DfE. Other parents who were not currently working had typically taken time off to look after their children while they were young (pre-school age), and were preparing to re-enter the work market once their children were old enough to be placed in nurseries or school clubs. Maternity leave from employment ranged from nine months, through to waiting until their children were three or older. Many parents explained that they had been waiting until they could receive 15 hours of free early education per week once their child turned three – highlighting that the incentive of free early education played a part in their decisions to work.

Parents who had more than one child were often less concerned than first-time parents about choosing to leave work due to their child's young age. Having returned to the labour market after their first child, they were more at ease with the process of being temporarily unemployed than those who were experiencing this for the first time. For this second group, the decision to return to work was a much bigger lifestyle change in terms of balancing work and childcare for the first time, but no less of an attractive option than for those with a longer history of work.

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<sup>13</sup> At the time of the research, the DfE was known as the Department for Children, Schools and Families (DCSF). It has been referred to as the DfE throughout this report to reflect its current name.

The type of work that these participants were doing ranged enormously in terms of length in their field of employment, skills involved and the hours that they committed. **A common theme amongst all groups was the tendency to work part-time** – either with fixed shifts every week or variable hours during the week. Few participants found themselves able to work full-time, as the responsibility of looking after children did not allow for working 35 hours or more per week. This was especially true of lone parents, and those who had no support network to assist them in looking after their children.

Additionally Pilot and Control claimants often worked in education– typically as teaching assistants or nursery nurses which were posts compatible with school hours. Other such shift work included secretarial jobs or social care work that allowed participants to work shorter hours during the day in order to be available in evenings and at weekends. Among lone parents in the Non Take-up group, work in administrative roles or within the service sector was also commonplace.

Many of those in the Pilot group – both those in-work and out-of-work when they were sent the Pilot letter – described an employment history that involved them moving from one paid job to another, typically in low paid work and often in the catering, hospitality and retail sectors. At the other end of the spectrum were participants in highly-skilled jobs such as solicitors, physiotherapists and business managers. These participants tended to be educated to degree-level. A small proportion of those in each group worked in a self-employed capacity.

**Often participants in all groups were not using their skills to the fullest extent**, and had taken a drop both in level of employment and in most cases salary, in order to make the balance of work and childcare possible. To illustrate, one participant used to be employed as an estate agent manager who now worked in retail as it allowed fewer hours and therefore the ability to manage looking after her children. Within couples, this was more often than not the mother who decided to take up work below their previous skills level, as they had been the parent who had taken time out of the job market most recently. Decreasing their work hours when they had children was not necessarily seen as a permanent situation however. Rather, this was a temporary stage until their children were old enough to be able to continue with their careers, or increase their hours within their jobs.

Continuing in skills training and/or further study was mentioned as a current or future priority for many participants, particularly those who were part of two parent families. This was also a particular goal for those working in the teaching or social care professions, as they typically entered these jobs at an assistant level but held aspirations of progressing. These were also described by participants as employers who took the progression of their employees particularly seriously.

## 2.5 CHILDCARE STATUS

Up until receiving the offer letter from HMRC, the majority of participants in the Pilot and Control groups were not using formal care in order to help look after their children. **The most common experience of parents was using either free care that they were entitled to through other policy measures** (the 15 hours of free early education at the age of three, or free provision for students), **or using a mixture of informal care sources to help balance work and childcare.** Other participants were not currently in

work, and so were not using any formal or informal care immediately prior to receiving the assistance from HMRC and DfE.

This was not true of all participants however – some families were using formal care and were struggling to pay for it, as they were not claiming the CCE. This typically took the form of care before or after school hours, rather than full-time care for children who were of pre-school age. However, even when care was not being used full-time, participants described the difficulty they had in paying for it prior to receiving assistance from the Actual Costs Pilots. As discussed further in section 4.1, lack of awareness of the support available through tax credits was the main reason why these parents were not claiming for their existing childcare.

**Upon receiving the assistance from HMRC, participants on both the Pilot and Control studies used formal care a lot more than they had done previously.** This took a mixture of forms according to the age of children and the hours that parents worked. Children of pre-school age were often placed in nurseries, crèches at parents' workplaces, and with childminders while their parents worked. Formal care use for children who were of school age tended to comprise breakfast clubs and afterschool clubs in term-time, depending upon the hours that parents worked and the availability of informal care, while holiday clubs were more important outside of this. However, due to the commonality of parents working in education-based capacities it was often the case that they were available to look after children during the vacation periods.

In contrast, **those in the Non Take-up group were already using formal childcare. However, few felt that they would be able to do so without CCE,** as the cost would be too high. As many believed in the educational and developmental benefits to their children derived from formal care, they were extremely grateful for this benefit.

The range and experiences of using formal and informal childcare during and after the Actual Costs Pilot scheme are discussed in more detail in chapter 7.

## 2.6 CONCLUSION

The **majority of participants who took part in the study were lone parents** and, furthermore, were mothers. Coupled with this, they often had more than one child to look after. There were **far fewer couples interviewed**, and where this was the case, it was predominantly the mother who was out of work, or considering increasing her working hours. Most parents were either in their thirties or forties.

Living on fairly low incomes, **most families lived a careful, yet precarious financial lifestyle**, ensuring that the most important household bills were managed. **All groups were averse to debt**, and so budgeted to a degree to avoid needing to pay back loans or debts.

Linked to this, there was an aversion to relying on external sources of income and so **few participants from any group were in receipt of other benefits**, and even felt there was a degree of stigma attached to receiving state benefits.

All parents in the Pilot and Control groups were **either in work, or were determined to return to work** once they received communication from HMRC and DfE about the Pilot offer. The **majority had a work history**, which meant the concept of finding and being in

work was familiar to them. **All parents in the Non Take-up group were in work at the time of interview.** It was common for parents in all groups to work part-time or on shifts, but often felt they were not using their skills to their full capacity.

**Prior to Pilot or Control participants receiving communication about CCE, the most common childcare experience was using either the free early education placement for three and four-year olds, or using a mixture of informal care sources to help balance work and childcare. Upon receiving the assistance from HMRC, participants on both the Pilot and Control studies used formal care a lot more than they had done previously. Those in the Non Take-up group were already using formal childcare, but few felt that they would be able to do so without assistance from CCE.**

### 3 ENABLERS TO TAKING UP WORK AND CHILDCARE

#### CHAPTER SUMMARY

Finding work and childcare was a **fairly smooth process** for the majority of participants, as long as **certain opportunities coincided**:

- (i) **Taking up work was important to all participants**, and stemmed mostly from a **strong belief in the socio-economic benefits** of working for the whole family.
- (ii) The availability of **quality formal childcare that parents trusted** was the most fundamental condition for choosing a provider.
- (iii) Formal childcare that met several key conditions such as **proximity to work or home, and flexible opening hours were also key considerations, but were secondary to the quality** of care.
- (iv) The **availability of informal care to provide wrap-around care** provision before and after school or nursery hours remained important for parents, and in some cases vital for parents in enabling them to take up work, but became the **secondary form of care once CCE was taken up**.
- (v) The availability of an **employer that offered suitable work in terms of skills, hours available, location and;**
- (vi) **Where possible, a flexible employer** sympathetic to the responsibilities of being a parent.

The **timing of the offer**, and that it **coincided with more than one of the key conditions** outlined above, was crucial in making the desire to enter work and use formal childcare a possibility. The offer letter had a considerable impact on the decision to go into work, as for many it was the **last step in the realisation that balancing work and childcare was feasible**.

This section will explore the factors which allowed parents to find suitable work and childcare. Specifically, this section will cover:

- Attitudinal drivers;
- Employment and skills needs;
- Childcare needs;
- Nature and timing of offer; and
- Ensuring all drivers were balanced to make work and childcare viable.

It is important to reiterate that this research evaluated the experiences of parents who were in work and using formal childcare through CCE; either on the Pilot scheme or

through the estimating and averaging system. As such they represent successful examples of taking up both work and childcare.

### 3.1 ATTITUDINAL DRIVERS AND WIDER CIRCUMSTANCES TO WORK

**The most prevalent reason for participants taking up work within all groups was that they carried a strong belief in both the social and economic benefits of being in employment.** This was not only confined to the personal advantages that they gained from working, but spread to the benefits of work for the family as a whole. This belief in the virtues of work was also strongly felt by those in the Non Take-up group, understandably given that these participants were already in work.

This belief in the benefit of work was a long held view. This stemmed partly from the fact that many of them had been in employment prior to – or at the time of – receiving the offer letter from HMRC and, as such, working was a dominant part of their lives. It was also often derived from their background and lifestyles – many described growing up in families where work was seen as the accepted norm.

**“I’m not a sit-at-home person; it’s in my psyche to work, it’s how I’ve been brought up”.**

*Two-parent household, Control group, Kingston-upon-Thames*

**There was an aspiration amongst many parents – especially lone parents – to act as a role model** in teaching their children the value and importance of being in work. Several participants on the Pilot and Control schemes as well as many in the Non Take-up group expressed their desire to set a good example to their children, by showing them not only the financial but social benefits of being in work and, additionally that it is a normal and accepted part of life to be working.

This was closely linked to **the feeling amongst many parents across all groups that not working and claiming benefits was a situation that ought to be avoided**, not only because of the poor quality of life it afforded but, additionally, because of the sense they had that other people look down on claimants. Tax credits were often seen as a hybrid between the negative connotations associated with benefits and having a more supportive role for those moving out of unemployment. Although most claimants preferred not to have to claim WTC if they could do so, it did not appear to have the same stigma as other benefits such as income support or Jobseekers’ Allowance (JSA). This was partly because unlike benefits such as JSA, WTC was an in-work benefit – rewarding people for being in employment, and they were legitimately entitled to this support as they worked.

Stigma towards the benefits system came partly from parents’ upbringing, but also from negative experiences of having relied on benefits in the past. For many, it signified a low period of their lives, where they struggled through significant changes in circumstances, job loss or a serious financial difficulties.

**“I felt very false, I’ve never had to be on [income support] in my life and I found that very hard to cope with. I didn’t like it at all, I’ve always worked.”**

*Lone parent, Pilot group, Kent*

## 3.2 EMPLOYMENT AND SKILLS NEEDS

### 3.2.1 LOCATION OF WORKPLACE

**The location of the workplace was an important consideration for working parents** for two main reasons. Parents often had to drop their child(ren) off at school or a childcare provider prior to going to work, and then had to pick them up on the way home. For this routine to be convenient, **the locations of the childcare provider and employer needed to be within a commutable distance** so that the parent could drop their child(ren) in the morning and make it to work on time. Transportation cost was also cited as an important factor here. Indeed, some parents had changed their working locations to avoid costly and time consuming commutes.

### 3.2.2 HOURS AVAILABLE TO WORK

In a number of cases, the hours that formal childcare was available was both limited and fixed to certain times of the day. Therefore, parents had to find a new job or negotiate existing working hours so that they started work after a certain time in the morning, and could be finished in time to collect their child(ren). The ability for parents to do this varied according to both the flexibility of the employer in question, and importantly, the sector of work that parents chose to go into. Furthermore, even when they managed to do this participants still felt guilty about making these demands and as though they were letting their employers down. As discussed, this explains why so many participants from the Pilot and Control group sought work in teaching and social care as well as part-time work, as the hours were compatible with the responsibilities of looking after children.

**“It was a nightmare because [the nursery] could only take her two days a week, because that’s all they had available. It was a battle...I had to say to my manager, look I can work that shift but I don’t know what I can do with the others. Obviously they’re not happy.”**

*Lone parent, Pilot group, Woking*

### 3.2.3 ALLOWING STUDYING/TRAINING WHILST WORKING

**A small number of parents wanted flexibility in working hours not only to enable them to manage work and childcare but also to give them time to pursue further qualifications** that would help them enhance their career. This was particularly true of those who had been involved in professional career paths such as law and, after having taken time off to have children, were keen to continue their career progression both through work experience and additional professional qualifications. The same also applied to those in more vocational occupations, who were looking to gain additional qualifications that would lead them to be able to take on higher salaried employment.

### 3.2.4 MEETING THE EMPLOYMENT REQUIREMENTS OF THE PARENTS

**The needs of parents when looking for employment were, in many ways, similar to their requirements when looking for childcare** as discussed in section 3.3 below. Any



employment had to be flexible enough to work around the hours of formal and informal childcare available, local enough that daily journeys were not overly arduous, and where possible, they needed to have an employer that was understanding and so could accommodate any unforeseen circumstances relating to their child.

In many cases, this involved parents taking up work that they did not ideally want to do, but did so to facilitate being able to use formal childcare and derive the financial and social benefits of work. As discussed in section 5.2, a minority (albeit a significant one) of parents took up work below the level of their qualifications, and many others compromised on fewer – or variable – hours, in order to meet their commitments as a parent.

**“It wasn’t a job that I would have wanted, but it fits in with my circumstances.”**

*Lone parent, Control group, Surrey*

### 3.3 CHILDCARE

Above all else, factors such as **the quality of childcare provided, the social and educational benefits that childcare afforded their children, and ultimately the trust that parents had with the provider** played heavily into their choice of childcare provider and, ultimately, their decision whether or not to take it up. In addition though, and as outlined above, the other components of childcare that made taking up work a realistic possibility included ensuring that hours and location met the requirements of both the parents and children, and that they were compatible with work.

#### 3.3.1 QUALITY OF THE CARE PROVIDER

The quality of care offered by the provider was the most important issue for parents when choosing a childcare provider, and one that they were reluctant to compromise on. When comparing different providers, these issues along with more practical considerations like location were almost always prioritised over the costs of childcare. The primary factors discussed in relation to the quality of the providers were as follows.

##### **(i) Trust in the staff**

Of all the possible factors that parents considered when choosing a childcare provider, **trust in the quality of care given to children was paramount**. Quality of provision had a range of meanings to parents: as well as encompassing issues around the safety and wellbeing of their child, good quality childcare was also denoted by the provider’s ability to deliver educational benefits for their children. No participant expressed a situation where their child was in formal care that the parent did not trust.

The staff delivering childcare played an important role in determining parents’ level of trust with providers. For example school-aged children were often placed in breakfast or after-school clubs where the staff were well-known and trusted by both the child and the parent. Similarly, to facilitate greater trust and confidence, some providers offered regular weekly feedback on the development of the child which acted as a quality assurance for parents.

More broadly, while parents valued staff that were kind and personable, they also looked for those providers that were well trained and qualified for the job. They often looked at the experience of the staff published by the provider in libraries or on local listing websites, or asked staff for their qualifications when choosing a provider.

## **(ii) Safe, clean and sociable environment**

Favoured childcare providers were likely to have a **safe, clean, and sociable environment where children could interact with others their own age**. At pre-school level this was seen as crucial as the first stage of interacting with other children and at school level this allowed for a degree of enjoyment by allowing children to spend extra-curricular time with school friends in a club/group environment.

*“I know that if it’s run by the school then it’s a good children’s club and they do interesting things...[my children] can just go straight from school and their friends are there.”*

*Lone parent, Control group, Surrey*

### **3.3.2 LOCATION**

**Parents articulated a strong demand for childcare that was conveniently located close to their home or place of work.** Ideally the provider would be within walking distance or a short drive away to ensure that their use of childcare could fit with their daily routine. A few even had the option of using crèches at the workplace, and these were a popular choice where available, even when other formal providers became viable once they began claiming CCE.

*“It’s on the same street as my work, so it’s easy to drop her off and pick her up [from nursery].”*

*Lone parent, Pilot group, Portsmouth*

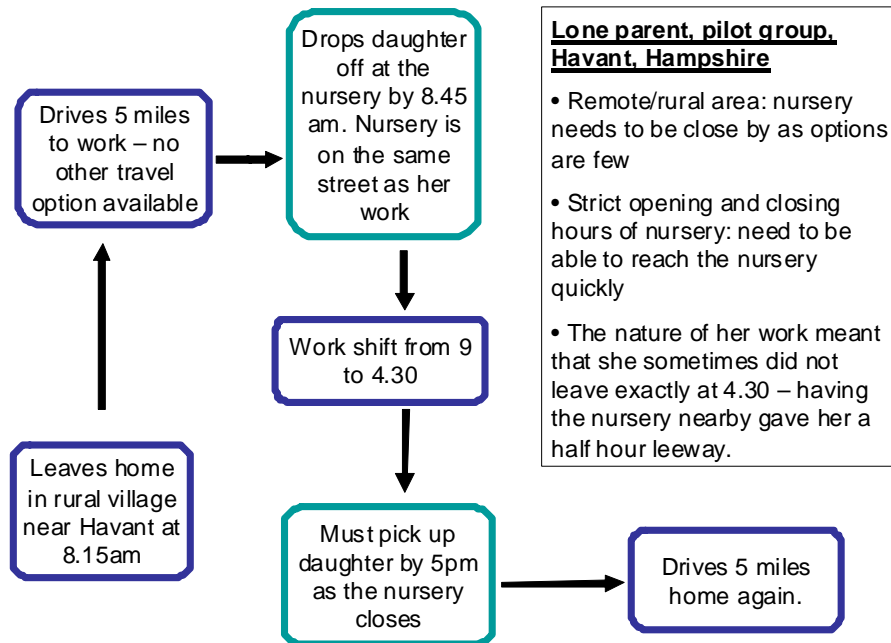
The convenience of the childcare providers’ location became a more important factor in a number of different circumstances:

- Families with more than one child, for example who had one child at nursery and one child at primary school had a more acute need for both childcare providers to be in same area;
- Those parents with fixed working hours had a greater need for a convenient location near work as they often had very little time to get from their place of work to the childcare provider to pick up their child;
- Those without access to a car required the childcare provider to be located within walking distance or near to public transport options, so that in case of any emergency they were able to reach their child quickly and easily. This was particularly important for lone parents and those without access to informal childcare.

Diagram one, overleaf, illustrates an example of why the location of childcare providers was so important to working lone parents. If the childcare provider was not within 15 minutes travel from the parent’s place of work, they would have needed to negotiate

changes with either or both of the nursery or the employer to enable them to continue working and using formal childcare.

**Diagram 1: Location as a factor in taking up childcare**



### 3.3.3 OPENING HOURS AND SESSION TIMES

Another important consideration for parents when considering which childcare provider to use was the opening hours and session times available. **Opening hours were important as they needed to match parents’ working hours**, enabling them to drop their children off at the provider before work, and then collect them after their working day had ended.

“[I chose the provider because...] it had the longest opening hours, you know? The earliest opening and the latest closing.”

*Lone parent, Pilot group, Southampton*

**Session times were important for parents of pre-school children, though were often thought to be very inflexible.** Most problematically, nurseries often had a period between morning and afternoon sessions which parents had to collect their children, which was inconvenient for working parents. It follows that those nurseries which were available throughout the day were the most convenient.

These issues led the majority of those participants to deduce that work and childcare could only be compatible if part-time hours were secured. Indeed, it was thought that parents being in full-time positions would have a detrimental effect on the quality of care

they were able to offer their children and that the demands would prove too much for them.

“Working full-time plus trying to bring [the children] up is not worth it on my own...it’s not worth it for them or for me, for their well-being and their care and also me being stressed.”

*Lone parent, Control group, Surrey*

### 3.3.4 FLEXIBILITY OF THE CHILDCARE PROVIDER

Aside from the opening hours, **it was also important to parents that childcare providers were flexible and could be accessed at short notice**, for example if their employer booked in a training day unexpectedly. Those parents who were able to access this level of flexibility from their provider were extremely positive about the impact it had on them.

“They’re brilliant. I just say to them a date and they’ll check it in the register or diary and they’ll just make a note of it and that’s it.”

*Lone parent, Pilot group, Kent*

**Childminders were often thought to be best placed to offer this level of flexibility.** While some wished to use childminders full-time, for others they were seen as the best option to use outside of nursery or playgroup hours – childminders were used in this sense as a filler between other provision closing and parents being able to leave work. Childminders were typically based in their own home and, with few if any other children to cater for, they were often more understanding and accommodating if parents were late picking up children, or needed last-minute/weekend care.

The least flexible childcare providers were those that were oversubscribed already, usually because of a limited and insufficient supply of providers in a given area. More commonly this took the form of nurseries that served a large area, or after school clubs that had limited numbers of places. In this regard, flexibility was linked closely to choice; the fewer options available, the busier the provider, and the less likely their ability to be flexible.

### 3.3.5 AVAILABILITY OF INFORMAL CARE

Despite taking up the offer of financial help with formal childcare through the CCE, **informal care still played an important – and in some cases vital – role in enabling parents to take-up work.** For instance, those that were self employed often had to work long hours, particularly when they were working hard to establish their business. This meant that informal care was relied on out-of-hours.

“I’m setting up my own Pilates business...So that’s evening work. But it’s okay because my mum will look after [my son] in the evening.”

*Lone parent, Pilot group, Southampton*

For others, variable working hours (including having to be away overnight) meant that an ability to access informal care was still important to them as while they trusted formal providers to provide day-to-day care they did not feel comfortable in relying on formal childcare for more extensive periods of time including overnight stays. Furthermore, even if they had been willing to use formal care for overnight stays, there was real uncertainty as to whether such provision was even available in the first instance.

“I have training away two days per month, then my mum has him overnight. I don’t want to be in a position where I’d let a stranger look after my son overnight. You know?”

*Lone parent, Pilot group, Southampton*

## 3.4 THE OFFER FROM HMRC AND DfE

### 3.4.1 TIMING OF OFFER

**The timing of the offer was an important factor in determining whether parents could commence both work and formal childcare.** The confluence of other factors outlined in the sections throughout this chapter, as well as attitudes that enabled work to become a possibility had to converge at the same time that the offer letter was sent in order for take-up to become possible. Where the timing was right, the arrival of the letter outlining the offer coincided with parents feeling the age of their child was right for putting them into formal care. In some instances, the letter coincided with them pulling themselves out of a difficult personal situation (ill health, separation from partner, financial difficulties) and feeling ready to go back into work.

For some, the offer came at a time when parents were weighing up the feasibility of going back into work, or increasing their working hours, as well as gauging the affordability of childcare. In these instances, **the letter gave a sense of security; that all the different factors – childcare, work commitments, affordability – could come together and work compatibly.**

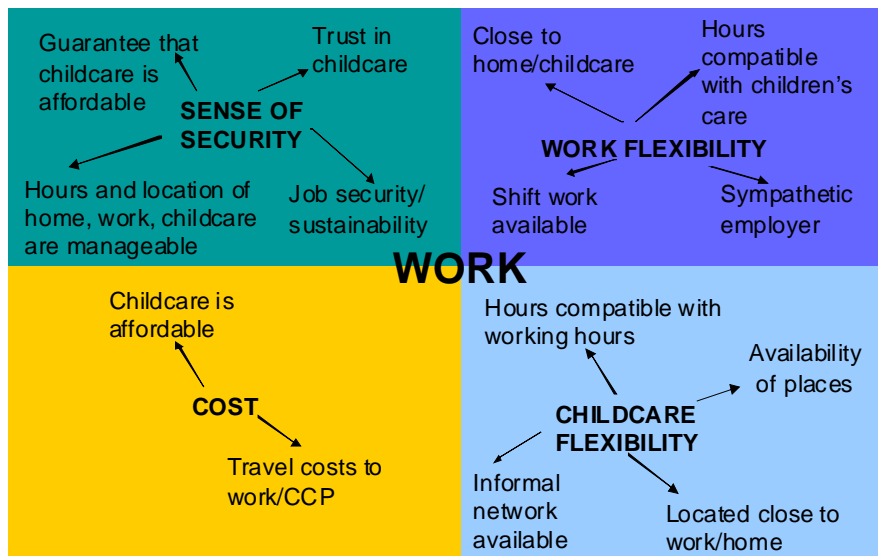
“I was weighing up whether I could afford to take up a full time position and afford childcare. And it just sort of coincided that [HMRC] offered me that support at the right time.”

*Lone parent, Pilot group, Southampton*

## 3.5 ENSURING ALL DRIVERS ARE BALANCED

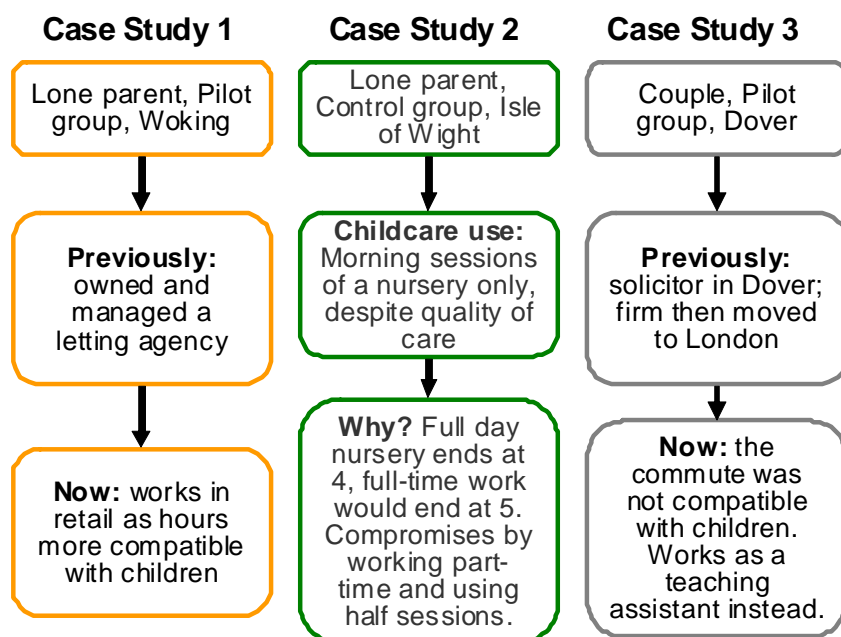
As with the timing of the offer being a key driver to taking up work and childcare, **the drivers that enabled participants to take up work and childcare not only needed to be in place, but needed to be in place at the same time.** This meant that the balance between parents’ priorities of location, hours, quality of childcare and the cost was crucial to ensure that work and childcare was compatible and sustainable. Diagram two illustrates these competing needs in more detail.

**Diagram 2: Dimensions to ensure work and childcare were balanced**



However, **the constraints and demands of working hours and availability of childcare made the decision for parents to take up the offer complicated and sometimes difficult.** Parents were not usually offered full-time formal childcare that they could afford with a convenient and trusted provider. Consequently, many compromised to some degree to ensure that their working hours were compatible with the hours and availability of their preferred childcare provider which meant them taking on work they did not always wish to do. The following case studies illustrate some of the compromises made by parents when balancing childcare and work.

**Diagram 3: Compromising in order to make work and formal childcare feasible**



For those participants who expected to re-enter full-time employment once their child(ren) had reached school age, these compromises were seen as temporary. For those whose work and childcare were to remain similar for the foreseeable future, and for whom one or more of these compromises were in place, the negotiation of hours, location or choice of employment was a more long-term prospect.

### 3.6 CONCLUSION

All participants in this study were successful examples of taking up both work and childcare. As the chapter demonstrates, **the transition into work was for the most part rapid – so long as the main elements of finding suitable work and childcare occurred at roughly the same time.** As discussed in this chapter, the importance of work meant that if certain factors of work or childcare were not always possible, compromises were made so that parents were able to take up employment of some level.

This was foremost due to the **strong belief in the socio-economic benefits of being in work** – for both the individual and the wider family. Parents, especially lone parents, felt that being in work conveyed a positive message to their children, and that conversely, relying on benefits carried with it a stigma they were keen to avoid.

Crucially, **parents would only take up childcare if they felt it met the quality standards they were looking for**, and could trust the provider with their children. Without this, take up of formal childcare was not possible, as we shall see later in chapter 4.

The **timing of the offer was crucial** in taking up work and childcare; the conditions outlined above needed to come about at the same time, and for the offer to be a realistic

opportunity. Furthermore, the letter itself was an enabling factor – giving a **final boost of confidence** that taking up work, and balancing this with formal childcare was both possible and sustainable.



## 4 BARRIERS TO TAKE-UP OF WORK AND CHILDCARE

### CHAPTER SUMMARY

Both **attitudinal and practical barriers** had previously prevented many participants taking up work or formal childcare. These included:

- (i) **Attitudinal** barriers such as the **belief that parents were best placed to look after their children when at a very young age**. This was seen as a temporary measure, as returning to work was always an important long-term commitment.
- (ii) **A lack of awareness of CCE amongst Pilot and Control groups**, which led them to believe childcare was unaffordable.
- (iii) Practical barriers included a **lack of local care provision, inflexible providers in terms of opening hours and session times**; and,
- (iv) **A lack of suitable employers**, such as a **lack of local work, work that fitted with childcare responsibilities, or that met the skills requirements of parents**.

However, crucial to emphasise is that **all participants in this study were in work and were claiming CCE by the time of the first interview**. As such **these barriers were overcome or negotiable** for all interviewed parents.

This section will explore the number of different types of barriers to taking-up work and childcare which were both perceived or experienced by parents and which, in turn, prevented them from being able to take-up employment. Specifically, this section will cover:

- Attitudinal barriers;
- Employment;
- Skills;
- Childcare;
- Finances;
- Logistics of balancing work and childcare; and
- Policy and timing of the offer.

It is important to emphasise however that all participants in this study were in work when interviewed initially, as they had either accepted HMRC's offer of assistance within the

Pilot or Control groups, or were already in receipt of the childcare element (CCE).<sup>14</sup> Many claimants in this study were also in work prior to receiving assistance from HMRC, but were not using, or claiming assistance for, formal childcare. As such, although barriers to taking up work exist, these were overcome by the groups interviewed for this study. With this in mind, the section below discusses both those parents who were not in work until they took up the Pilot offer, or those who had experienced periods of unemployment after their children were born. It also discusses barriers to taking up formal childcare, even where parents were in work.

## 4.1 AWARENESS OF SUPPORT AVAILABLE

**The most fundamental barrier that participants in both the Pilot and Control group had previously experienced in taking up formal childcare was that they had been unaware of the assistance available to them through WTC.** Parents were surprised to discover that up to 80% of their costs could be covered by HMRC, and it gave them the final push they needed to either take up work, increase the hours they were currently doing, and use formal childcare to help facilitate employment.

As illustrated in section 4.4.1, the perceived and actual lack of affordable childcare was the main reason that many participants had not previously looked into using formal childcare. Many stated that they had no awareness of assistance available until they received the letter, and others who had heard about the CCE were generally poorly informed with regard to the eligibility criteria and how to claim. As such, this lack of knowledge created a real barrier to work and the take up of formal childcare.

*“[My daughter] was being taken anywhere and everywhere before the letter – family, her dad’s...I was claiming Working Tax Credit before but I didn’t know anything about [CCE].”*

*Lone parent, Pilot group, Surrey*

## 4.2 ATTITUDINAL BARRIERS AND WIDER CIRCUMSTANCES

### 4.2.1 AGE OF CHILD AS AN ATTITUDINAL BARRIER TO WORK AND CHILDCARE

The most common attitude to emerge amongst Pilot and Control participants (including both lone parents and couples) who had not been working at the time of receiving the offer letter, was **that they were best placed to look after their children** while their children were young. This meant that neither work nor using formal childcare had been suitable options for these participants. In many cases, parents who had not been in work from the time that their child had been born were waiting until their child turned three and would be placed in playgroups or nurseries. This was not only deemed the right age for a child to start interacting socially with other children, but coincided with help from the

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<sup>14</sup> This is considerably different from the characteristics found amongst participants interviewed for the 100% Costs Pilot. Please see ‘Qualitative research into families’ experiences and behaviours in the Childcare Affordability Pilots (CAP09): 100% Costs Research’ published by DfE.

government through 15 hours per week of free early education for three (and four) year olds. Crucial however, was the view that **being out of work was only a temporary measure until their child was old enough to be looked after by other providers of childcare** – whether formal or informal.

“I’ve always worked full time...being at home doing nothing isn’t great. I knew it was time to go back to work.”

*Lone parent, Pilot group, Milton Keynes*

#### 4.2.2 PARENTAL ROLE TO CARE FOR CHILDREN

Equally as important was the sense that as parents themselves, **they should use the period when their children were young to enjoy spending time together and creating a family environment for them**. Although due mainly to the fact that those interviewed tended to be lone mothers, even amongst couples the tendency was for the mother to take time off in order to look after their child. The attachment that parents then developed towards their children often made it especially hard to decide to return to work, even though it was, in many cases, an unavoidable move due to financial pressures.

“Being a single mum, it’s quite a big step for you both to be separated from each other.”

*Lone parent, Pilot group, Milton Keynes*

**The central importance of a parental role also influenced the type of formal childcare families used.** Many chose group care, such as nurseries, out of reluctance to lose their own individual connection to their children.

“I personally won’t use childminders or nannies or au pairs simply because... I find them a little bit more removed...[my child] knows he is going to the nursery and there is going to be lots of adults as opposed to one predominant adult, I want that [one predominant adult] to always remain me”

*Two-parent household, Non Take-up group, London*

#### 4.2.3 HEALTH AND WELL-BEING AS A BARRIER TO WORK AND CHILDCARE

**Other wider circumstances had occasionally prevented parents from entering the workplace and using formal childcare until they received the offer letter from HMRC.** Some participants on the Pilot scheme expressed difficult periods of their life when they had **suffered from mental health problems or depression**, usually resulting from a family grievance or crisis. Several participants said that they had experienced a traumatic separation from their partner, death of their partner or parents, and for one participant, a series of bankruptcies. Such events had left participants feeling as though they were unable to continue in employment and this, in turn, had an impact on their attitudes towards formal care which they considered both unaffordable and unnecessary.

“We were both seriously depressed; it actually stopped me from getting work. It was generally debilitating.”

*Two-parent household, Control group, West Sussex*

For these participants, getting back into work and using formal childcare – either for the first time or after a period of not using it – was a matter of the right timing. As section 3.4 explains, the arrival of the letter from HMRC and DfE was often perfect in terms of providing these participants with the impetus and incentive they needed to return to work.

### 4.3 WORK CIRCUMSTANCES

As discussed in the introduction to this section, most parents were already in work at the time of the offer being made to all groups – and those who were not were looking to return to employment. However, it is important to emphasise that at the time of interviews, the **economic situation for many was such that job availability was sparse, and the prospect of finding work at all was felt to be lower than usual.**

“The job market here is particularly bad...my job had gone...they couldn’t keep me on...So I was looking but there wasn’t very much at my level out there.”

*Lone parent, Pilot group, Southampton*

Added to this, **job stability was a real issue for many.** Indeed, a few participants in the Pilot or Control groups who were interviewed again at stage 2 had been made redundant in the intervening months.

**Other participants had found it difficult to find work due to having moved to a new area** after one job ended, or to help further their partner’s career. This had affected their ability to search successfully for work as they were unfamiliar with what employment was available and what sources of help and support they could call on to aid them in their job search.

### 4.4 CHILDCARE

Despite many of the participants in the Pilot and Control groups from 2009-10 Cohort being in work at the time of receiving the offer letter for the Pilot, most did not use much formal childcare, if any at all, prior to claiming CCE. Barriers to using childcare had taken the shape of concerns and problems with the availability and suitability of childcare for these families. It is important to re-emphasise that these barriers were overcome once parents became aware of the existence and their eligibility for CCE; as such these obstacles to childcare were not present by the time these Pilot and Control participants were interviewed. However, barriers mainly fell into three categories which have been explored in this section. They are discussed in strength of importance, the most crucial of these being:

- The perceived un-affordability of suitable childcare;
- Availability of suitable childcare; and
- Confidence in childcare providers.

#### 4.4.1 AFFORDABILITY OF SUITABLE CHILDCARE

**The cost of formal childcare prior to claiming CCE was for some a perceived, and for others an experienced, barrier to using childcare for parents in the Pilot and Control groups.** For many first-time parents, they had perceived childcare to be expensive and unaffordable, especially without knowing that there was help available. In addition, the majority of these parents once they found work, were on low incomes which made the high costs of childcare unaffordable without CCE. Some parents had used 15 hours free early education per week for three year olds, but beyond this had felt they could not afford the costs of formal care. Others had not been aware of this free support and, for many others, the age of their child had meant this was simply not relevant. Parents who had older children were also hindered by this perceived lack of affordability.

The perception of what formal childcare cost often stemmed from having older children who had used formal childcare when they were younger. However, changes in circumstances such as a relationship breakdown, loss of job or taking a job at a much lower level meant these childcare costs suddenly became unaffordable – especially as participants had typically lacked knowledge of the help available to them through the CCE. Others had looked into the cost of childcare when they were looking for jobs, and had concluded that they would have to take a job with hours that would avoid needing to pay for high childcare costs. Again, this attitude had been driven by their lack of knowledge of the help and support available to them. As such, childcare costs that were well within the parameters of the CCE support, were unaffordable because these parents *were not* claiming it.

**“It was extortionate money, to be honest. It was £186 a month for the two of them....I couldn’t warrant the expenditure.”**

*Lone parent, Pilot group, Woking*

Pilot and Control participants with children of pre-school age described costs of placing children in full-time nursery at upwards of £200 every four weeks. Similar costs or higher were reported for placing school-aged children in holiday clubs. Childminders were also deemed to be too expensive – and more so because they usually operated outside of the hours of group providers such as nurseries, and were therefore able to charge higher rates of between £4-5 per hour. Again, although these were well within the limits of claiming CCE, because these parents did not know about this support, such amounts were deemed unaffordable.

**“Well it’s £56 a week when [my son] is in playschool, and £60.50 a week when [my daughter] is in school too...the pressure is on me to meet mortgage payments on top of that.”**

*Lone parent, Pilot group, Sussex*

**Playgroups, nurseries, breakfast clubs and after school clubs were generally felt to be the most affordable type of childcare as the cost was being spread out across a larger number of children.** Typically, a parent might only pay £2-£3 for a school breakfast or after school club and some nurseries or playgroups were reported as costing around £10 a day. Indeed, a few claimants in the Pilot group were already using this type of childcare at the time of taking up the Actual Costs Pilot offer; they explained that as the cost was not so high and they had been able to finance it from their salaries. Once the Pilot offer was made however, they accepted and often increased their use of these forms of formal childcare. In spite of this though, it was usually still deemed too expensive to place children in both a breakfast *and* after school club five days a week prior to the offer of assistance, so arrangements were made to either be available a few days a week, or have informal care arrangements.

Furthermore, it is important to stress here that cost was not the only consideration for parents when choosing childcare (quality, location and opening hours were of vital importance, as discussed in section 3.3). However, **the issue of affordability often acted as a barrier in simply *looking into* childcare.**

*“There wasn’t much I could do at the time, I was starting work but I knew the nursery was too much...I couldn’t even look into it.”*

*Lone parent, Pilot group, Surrey*

This barrier was common amongst parents with children of all ages. Even parents whose children were eligible for the 15 hours of free early education were not all aware of this offer and, therefore, were not using it. Furthermore, where parents, they commonly said that they could not afford to use any other formal childcare as they felt it would be too expensive.

Among the Non Take-up group, use of formal childcare was commonplace – this group were in work and had been claiming CCE for some time prior to the offer letter and so they had the financial support necessary to make use of formal childcare. That said, they were also aware of how precarious their situations were – if they were to lose this financial assistance or their job, cost would become a much more important consideration.

*“Obviously, cost would come into it if I was looking now, but to me it’s far more important what they appear like, how they come across.”*

*Lone parent, Non Take-up group, South East*

#### **4.4.2 AVAILABILITY OF SUITABLE CHILDCARE**

Aside from cost, a number of other factors were important for parents to take into consideration in order for parents to feel confident about using formal care. **The location and proximity of childcare to families’ work or home was an essential part of ensuring that work and childcare functioned properly.** As explored in section 3.3, it was often only when childcare could be incorporated into the daily journey between home and work that it was possible to use formal care. This was especially important if participants either lived in rural areas where relatively long journeys to work were necessary, or where participants relied upon public transport to reach their destinations. Indeed, many parents expressed disappointment that there had been little choice of

childcare provision in their area, and those suitable providers could be a considerable journey from where they lived or worked. In such circumstances, parents often had needed to turn to other options in order to balance work and childcare. These included reducing their working hours to meet the session times of childcare providers, relying upon parents, family or friends for informal care or securing a flexible position of employment.

“There’s no childcare around here...you have to rely on friends, family, you know to chip in and help.”

*Lone parent, Control group, Folkestone*

“It’s a 45 minute walk to [my son’s] nursery – I don’t have a car. I can do it because I’m self-employed, but imagine if I wasn’t.”

*Lone parent, Pilot group, Isle of Wight*

In addition to the distance they often had to travel, **the times during which childcare was available had often prevented parents from being able to work to their full capacity**. This seemed to be a barrier especially when children were of pre-school age, as many nurseries and playgroups operated strict session times that could not be compromised. This was often unworkable for parents – nurseries often closed at lunchtimes between 12pm and 1pm, and asked that children were collected by 4pm or 5pm. Late charges were often applied to parents who could not pick up their children by these deadlines; which added an extra layer of unaffordability to many providers. For participants wishing to take up full-time work or work that necessitated operating during these pick-up times, adhering to these hours were simply not possible. In the cases of those interviewed for this study, it did not prevent participants from taking up work altogether – but often created an obstacle to working in the ideal job for their skills and interests.

“The day shifts didn’t match up to the nursery, so I’m doing night shifts instead to avoid that problem. When [my son] goes to school I can finally switch to daytime.”

*Lone parent, Pilot group, Ascot*

“So you see so you have to find work that fits between 9.30am and 4.30pm if you’re going to be outside that area. So most nurseries round here do not have that extended time. So if I got a job that was going to finish say 5pm I would not have enough time to pick them up for 6pm.”

*Lone parent, Non Take-up group, South East*

Finally, in some cases, **the existence of the right sort of childcare had simply not been there when they had previously searched – this was overcome by the time of claiming CCE**. For instance, several Pilot and Control participants whose children were of pre-school age cited how they preferred using group providers to childminders (this was felt to be better for their child’s social and educational development); and in areas where only childminders were available this had led them to choose not to use formal

care at all. Group providers were not only deemed to have wider social and developmental benefits for their children, but negative media and word-of-mouth stories about childminders made several participants wary of using this form of childcare. Similarly, some parents had expressed discontent that no afterschool clubs were available for their children when they had previously searched, which was not only sought after in order to reduce the reliance on informal care sources but, additionally, it was thought that it would have positive developmental effects on their child(ren). In such cases, there was no alternative formal care available at that point. This again acted as a barrier to parents, as it meant that they had to negotiate the work that they could do, or left them reliant on alternative sources of informal care whilst they worked.

**“In London there were loads [of providers], but here, there’s nothing for [our son] after school. I wish there was, it’s good for him.”**

*Two-parent household, Pilot group, Dover*

In addition, **some parents had more specific needs for their children and found that what was available did not meet these criteria.** In a few cases, parents wished to find care providers that followed their religion, or were attached to a place of worship – and in these cases the availability of such a provider was very restricted, and often located a considerable distance from where they lived. With the compounded difficulties of the lack of affordability of childcare prior to claiming CCE, parents in this instance chose not to use formal childcare. A few other parents had children who suffered from learning difficulties such as dyslexia or disabilities such as autism, and found that the care provision available did not, in their opinion, provide the adequate level of attention and patience that was necessary for their children’s needs. Indeed, two Pilot participants had used, but subsequently removed their children from formal care for these reasons.

**“He needs more help with his reading [due to his dyslexia] – his club wasn’t giving him that, so I decided it would be better to use that time with him myself, to help him develop.”**

*Lone parent, Pilot group, Kent*

#### **4.4.3 TRUST IN CHILDCARE PROVIDERS**

**Trust in the quality of the local childcare provision available was paramount to all parents when choosing their childcare providers.** Encouragingly, very few participants articulated such problems with their providers and, as such, was not a barrier experienced by most – trust in the provider was an aspect parents were unwilling to compromise on.

It had, however, featured as a barrier to using childcare for a few participants who were unwilling to place their children in schemes that were deemed inappropriate. This was closely linked to the concerns mentioned above about the ability of providers to cater for the specific needs of their children. However in a more general sense, if parents did not feel confident leaving their children with certain providers – even if they were affordable and/or closely located – they would not do so. Some participants described visiting



nurseries that were more convenient, but got a sense that they did not fulfil the requirements they needed.

“I went to visit [the after school club] and I went “Oh my God, this is all a little bit manic”...and when the children come out of school, they’re tired. I don’t want to throw them into that environment.”

*Lone parent, Pilot group, Surrey*

Other participants in the Pilot group who were interviewed for the second stage had taken their children out of a childcare provider when they discovered that the quality of the provision was not meeting their standards. In these cases, a change of management of the provider, or realising that the specific learning needs of the child were not being met, were sufficient reasons not to have full confidence and subsequently, to have removed the child from that provider.

#### 4.5 POLICY AND TIMING OF THE OFFER

**At the time that a minority of participants in the Pilot or Control groups were initially sent the offer letter from HMRC, other government-based support for helping with childcare was being used.** This meant in some cases parents did not need to claim CCE. This included those who were still enrolled with their higher education institution, and were eligible for help with childcare through their university or college, meaning that they did not need extra assistance to support them working at the same time. During the period of the Pilot they stopped being eligible for this help, and so registered with the Actual Costs scheme.

Other participants were using the 15 hours of free early education available to three year olds, either at the time of being sent the offer letter from HMRC, or subsequently during the period of the Pilot. Some felt this was a sufficient amount of childcare, whilst others did not realise that they were eligible for CCE in *addition* to the free 15 hours of early education. As such, though this did not act as a barrier to taking up work or childcare, it acted as a barrier to claiming additional financial assistance through the CCE, as many believed they were only eligible for one source of help.

Finally, **other social circumstances prevented participants in the Pilot and Control groups from taking up work and childcare at the time of the offer letter.** Some parents in the Pilot group were moving out of one job at the time, or were in negotiations with their employers about changes to their hours or conditions of work – and were unwilling to commit to the terms of the offer until their employment situation was more stable. An important attitude from most participants in the Pilot and Control groups was that **only when every aspect was balanced – the age and readiness of their children, the suitability of work, of childcare, and of the timing of the offer – were they able to accept the offer of assistance from HMRC** and claim help with childcare costs.

## 4.6 CONCLUSION

It is important to re-emphasise that whilst barriers to taking up work and childcare had existed for some participants in this study, they had all been overcome or were believed to be negotiable, as by the time of interview all parents were in work and were claiming CCE. As such the barriers discussed in interviews were those that had existed prior to receiving the offer letter for the Pilot.

However, they described barriers that can be grouped as those stemming from both their own attitudes, and the supply-side barriers to taking up work and childcare. **Attitudinally, parents often felt they were best placed to look after their children themselves**, especially when their children were very young. This was a temporary measure as all parents felt that in the future they would want to return to work.

Equally, parents felt **this was the time for them to enjoy parenthood**, which both stopped them using formal childcare and from going into work. Other wider circumstances such as a family break-up or grievance meant that parents did not feel comfortable returning to work too soon.

In addition to this, many barriers in the availability of both work and childcare had previously stopped parents from taking up work and childcare. Most important of these was their **lack of awareness of the CCE, which meant that childcare was both perceived to be, and in some cases in reality, too expensive**, and compounded parents' ability to find work which balanced this expense. Aside from this, **practical barriers such as a lack of local childcare, an inflexibility of the hours of both work and childcare, and a lack of informal childcare to counter the expense of formal care** meant that at certain points of these participants' parenthood, taking up work and childcare was not a viable option.

Coupled with a volatile economic environment in which to be looking for employment, these attitudinal and supply-side barriers all needed to be overcome at the same time in order for work and formal childcare to become a realistic opportunity.

## 5 TRANSITION TO EMPLOYMENT

### CHAPTER SUMMARY

Participants from all groups were well-engaged with the job market when they came to apply for jobs, or increase their hours. This last section was applicable only to those who were already in work, where CCE enabled them to increase their hours even further. Participants normally had previous experience of working, and as such had more organised means of finding employment. The transition to employment was shaped by:

- (i) The use of formal networks such as specialised recruitment agencies or JobCentre Plus to help them find work. Many participants who were skilled in a certain profession had their own formal channels for finding job vacancies within their field.
- (ii) For those established in a profession, or with specific skills, jobs within that particular field were sought rather than more general work. Parents in this instance were generally working in highly-skilled jobs such as lawyers or solicitors, health professionals and physiotherapists.
- (iii) For those who had a more scattered work history, or who had not yet qualified in a specific field, the search for employment was much wider and took on a more general theme. As such, more medium-skilled jobs, or ones that eventually led to qualifications were taken up, such as teaching assistants and secretarial work.
- (iv) It was most common for part-time or shift work to be sought, in order to balance the commitments of work with those of looking after children. This also led to a pattern in the types of jobs being taken up – teaching and social care, as well as secretarial work, allowed for shorter working days.

### 5.1 FINDING EMPLOYMENT

A number of factors helped both Pilot and Control group participants in finding employment. Again, it is important to remember that many parents were already in work at the time of receiving the offer of assistance with childcare costs, and as such they typically had to either increase their hours to 16 hours or more in order to be eligible for CCE, or move into childcare as they were already working 16 hours or more. It is also important to stress that by definition these participants had found work by the time of interview, and were thus successful jobseekers.

However, for those participants who were not in work, or were looking to change their work once they received the offer letter from HMRC, many different avenues were taken to find employment including formal and informal sources of help and support. These are discussed in turn throughout the remainder of this section.

### 5.1.1 USING FORMAL CHANNELS

Overall, **formal channels were the more common mode of finding work amongst both Pilot and Control groups**. This largely stemmed from the fact that the majority of participants had been familiar with the world of employment prior to having children, and were tuned into the networks available for searching for employment. They were also highly IT literate and typically had access to the internet, which aided their searches for work.

With a significant number (although still a minority) of participants holding qualifications in teaching, business, law and other highly-skilled fields, they often had specific avenues for finding work. Health professionals talked about the recruitment websites and portals which advertised in their field while graduates often talked about using their university careers websites to locate vacancies.

**“They have this special site for physiotherapists – I saw it advertised on a website.”**

*Lone parent, Pilot group, Portsmouth*

Considerable numbers of other participants used formal channels such as Jobcentre Plus or recruitment agencies to help them find work. **Jobcentre Plus advisers not only gave parents information and advice on how to apply for jobs, but found them vacancies specific to their needs**. Jobcentre Plus was also an invaluable source of help and advice for participants wishing to set up their own businesses – not only providing information on becoming self-employed, but finding training courses on setting up small businesses. Many participants spoke of their gratitude towards Jobcentre Plus for helping them back into work, especially if they had been out of the workplace for several years after having children and so consequently felt that they were inexperienced in job searching.

**“It was a big gap [between working], whereas I was used to working and supporting myself, and then I went back to knowing nothing you know...they [JobCentre Plus] gave me lots of information...it definitely helped me.”**

*Lone parent, Pilot group, Kent*

### 5.1.2 INFORMAL CHANNELS

Those participants in the Pilot or Control groups, who were already in work and simply needed to increase their hours, typically did so in an informal manner. This was achieved through talking to their employer or manager, or switching shifts with colleagues in order to make up their weekly hours to 16 or more.

Those who took up work from scratch and used informal networks typically used friends or family to help them. A few participants either joined a family business, or approached the employer of an existing family member to see if work was available. They did this because **a familiar employer was often sympathetic towards the difficulties of juggling both work and childcare, and so allowed for more flexible working situations**. Having a friendly employer also meant that unexpected situations – such as an ill child or teacher training days – were not as much of a worry, and parents could trust their employer to help them negotiate the situation.

**“My daughter works there and she’s quite friendly with the manager that runs the restaurant, and she just asked him if he was looking for anybody.”**

*Lone parent, Control group, Kent*

Finally, a small number of participants relied upon word-of-mouth, or local adverts to find them work. Their system of finding work seemed to be more ad hoc – replying only to adverts they saw at the time, rather than an active pursuit through formal channels. These participants tended to have had shorter periods of employment in the past, and were less familiar with the processes of, and sources for finding work.

### **5.1.3 ATTITUDE TOWARDS APPLYING FOR JOBS**

Attitudes towards applying for jobs ranged from those who would only look at jobs that satisfied their long-term career goals, to those who applied for any job available in order to be in work. Behaviour here was typically determined by the employment history of the participant in question, the age of their child and the informal network around them.

A few participants who had already formed a career path prior to having children, either through their higher qualifications or a period of working, were **only interested in returning to work if it would further their job prospects within that career path**. These participants were in contrast to those who had compromised on their professional experience in order to find an employment sector such as teaching that offered hours more compatible to childcare opportunities. It was often a long-term goal of theirs to use their skills to further their profession, and they felt ready only to return to work when such opportunities arose. As section 5.1 discusses further, these participants often undertook concentrated job searches, using niche search engines for finding out about job opportunities.

**“I’d like to think that I would use my degree, to further my education to do something specialised.”**

*Two-parent household, Control group, Sussex*

**Others felt that it was important to find work more generally, and were willing to negotiate on the type of work that they undertook.** This was either due to not having formulated a career path, or a realisation that looking after their children and juggling home-life meant compromising on the career path they would ideally have liked to follow. These participants consequently undertook a broader job search, placing fewer restrictions on the nature of the work, but with the stipulation that the hours needed to be compatible with their responsibilities elsewhere.

**“I started off knowing exactly what I wanted...but then you suddenly see the market and go, that’s really going to be hard. So I’ve had to widen my search to be able to pick the children up every day from school.”**

*Lone parent, Pilot group, Sussex*

As discussed below, the different attitudes to applying to work had an obvious impact on the type of employment found.

## 5.2 TYPES OF EMPLOYMENT FOUND

Parents in both the Pilot and Control group **tended to opt for shift work or part-time hours, in order to negotiate their responsibilities to look after their children**. This in turn meant that certain fields of work – teaching and social care work – were commonly undertaken by participants as employers were considered to be more flexible and understanding and the hours of work fitted around childcare provision.

### 5.2.1 HOURS WORKED

As mentioned, **participants from both the Pilot and Control group tended to work part-time, typically between 16 and 20 hours per week**. This was seen as a more tenable option when combining work and childcare; and was especially true for customers who were either lone parents, or who had no informal network to rely upon for extra help. Parents found that working 16 hours or slightly more was feasible – when coupled with the enabling factors as discussed in chapter 3 of the report. Although the offer of assistance with childcare costs helped to ameliorate the ability to work and use formal care, the cost of placing children in full-time care was still unaffordable for most. As such, part-time work not only allowed for the benefits of working without the financial concerns of full-time care, but also allowed parents to spend a considerable proportion of their time looking after their children.

**Those who worked more than 20 hours per week tended to have children who were of school age, or an informal network of parents and siblings to pick up their children** after school. In cases where couples both worked, there was a trend of one parent working full-time, and the other working part-time in order to incorporate the demands of childcare.

**Parents that found affordable full-time care were very much in the minority**. One parent in the Control group had found a nursery that she could afford full-time, but even she herself admitted that she recognised that hers was a rare case.

*“I use the university nursery where I work. It’s very affordable...when I talk to people [who are unaware of CCE] about this Pilot scheme they are green with envy.”*

*Lone parent, Control group, Canterbury*

### 5.2.2 FIELD OF EMPLOYMENT

As mentioned earlier, the need to work within certain hours often led parents towards fields of work that were compatible with such requirements, and allowed for more time to be spent looking after their children such as teaching and social care work. Such positions required participants to possess a medium level of skills – often qualifying whilst working, and being in jobs that did not require a degree-level or equivalent

qualification. Such areas included childcare and social work, where parents worked towards gaining certificates at an intermediate level. It was also often the case that parents' experience in work was derived from a different sector than the one they entered into after receiving the offer, but that many of their skills were transferable. Those with lower levels of skills; typically those who had either not worked before, or whose work history was full of more short-term jobs that had not led to qualifications, frequently took up positions in retail or the catering industry.

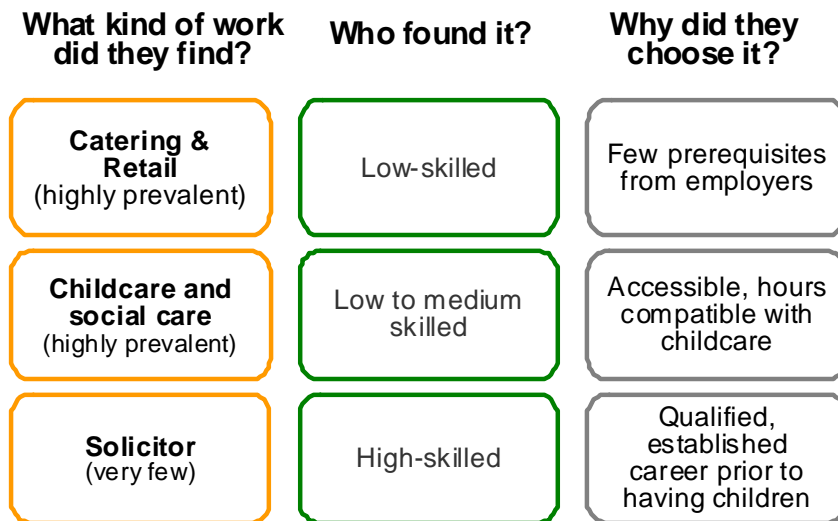
However, as mentioned in section 2.4, there were also several participants who were highly-skilled, and had already carved a professional life for themselves prior to receiving the offer letter from HMRC. The work that many of these participants found was therefore in the same field as their previous employment. Often having had long careers, or skills that lent themselves to careers, was an asset in their employability.

**“I’ve been qualified ten years, I’ve got a really good CV, you know? I’m quite fortunate that I’m so employable.”**

*Lone parent, Pilot group, Southampton*

The chart below summarises the type of work that many Pilot and Control group participants took up prior to, or as a result of, receiving the offer letter from HMRC.

**Diagram 4: Type of work parents in the Pilot and Control groups took up and skills level they had**



Finally, a few participants in both the Pilot and Control groups had taken up a self-employed role, after registering their interest in the offer of assistance with their childcare costs. The nature of their businesses ranged from cleaning, to working on joint ventures with their partners. The benefit of this arrangement was that it afforded the greatest flexibility of working hours.

### 5.3 CONCLUSION

Parents' attitudes to applying for jobs ranged from looking for work that was specific to their professions prior to leaving work, or a wider search for those who believed that employment itself was the most important factor – and as such the field of work was more negotiable. Both formal networks such as JobCentre Plus, and informal networks such as employers of other family members were used to find employment.

**Due to the range of needs and sources when looking for work, a variety of levels of jobs were found** – from those in high-level professions such as solicitors, to lower-skilled jobs such as retail assistants. The professional qualifications often shaped the job search and types of jobs that parents sought; those with qualifications often sought employment in their field, whereas those without specific professional training tended to have a broader job search.

**Childcare and social work were common areas** of work as they were often most compatible with parents' childcare responsibilities. It was **more common for part-time or shift work to be taken up** for the same reason, and on average parents worked between 16 and 20 hours a week.



## 6 SUSTAINING EMPLOYMENT AND EXPERIENCES OF WORK

### CHAPTER SUMMARY

(i) **A number of factors were important to sustain work.** Key among these was the **length of time that the participants had already been in work and the skills they had developed at this level.** The longer participants had been in work, the more likely they were to be rewarded by the benefits employment brought them, and thus were also more likely to sustain the work.

(ii) The benefits themselves were also important to the sustainability of work; not only the **financial rewards of being employed**, but also the **social benefits to the parent and wider family** of having a continuous job.

(iii) Elsewhere, **the conditions that made work sustainable were similar to those that enabled take up of work in the first place;** and shape the basis of this chapter. They included:

(iv) Hours that fitted around the formal and informal childcare that was available;

(v) A job that was in a location suitable for getting to and from home *and* their childcare provider;

(vi) Financial incentives that made it worthwhile making the transition to work; and

(vii) An interlinking of all the above factors in order for work to remain feasible whilst combining childcare.

This section explores the experiences of participants who both moved into employment, and those who were already in employment at the time of receiving the offer letter from HMRC – either whilst claiming the childcare element through the estimating and averaging system, and those who were not claiming the CCE at all. It discusses the factors and considerations which influenced whether or not they were able to sustain employment and the impact that being in work had on their own and family lives.

## 6.1 EMPLOYMENT CIRCUMSTANCES

The ability to sustain work for most participants on the Pilot and Control groups was dependent upon the conditions of their employment – their confidence in the stability of their job, their ability to negotiate different working hours if needed, the chance for them to progress, and their future prospects of having a rewarding working experience.

### 6.1.1 LENGTH OF TIME IN EMPLOYMENT

**The length of time that participants had *already* been in work was the most important consideration in the sustainability and experience of work.** For those who had been in established careers, or had considerable periods of their lives in work, the experience of being in work was positive which therefore made it more likely to be sustainable. Those who had been in the same employment for several years also felt better able to weather the storm of the economic recession and its effects on job volatility. Indeed, length of employment not only meant they were personally more likely to continue in work, but that their employers were likely to value them more.

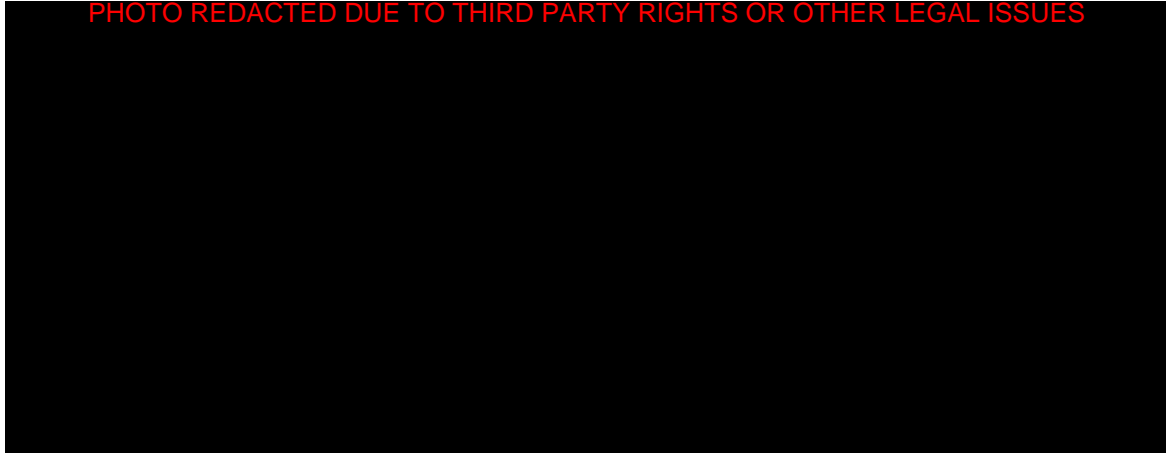
Importantly, for those Pilot and Control group participants who were still in employment when interviewed a second time in late 2010, their confidence had been much boosted by the length of time that they had spent in employment. This, in turn, encouraged them to continue working as the financial and social benefits of working had been noticed and appreciated.

Finally, it is important to highlight that the economic circumstances under which the Pilot scheme took place were uncertain. This meant that a few of the participants that were interviewed at the second stage were out of work, either due to redundancies taking place in their workplace or due to unforeseen health issues. Here, the participants who had lost their employment had a more intermittent history of employment, with a couple having experienced long spells out of work in the past. Thus, they lacked work experience and were typically low skilled and, as a result of this, the participants felt that they were more dispensable to their employers.

### 6.1.2 WORKING HOURS

**Parents whose jobs lacked flexibility in their working hours often had a difficult time ensuring their work was sustainable,** and saw their current role as a short-term solution. Parents talked of occasions where they had not been able to change working days to accommodate training courses, while others had to organise complex systems of night shifts and informal care in order to make work sustainable. In such cases there was no evening or overnight care available, and therefore complicated routines were in place to accommodate this – an experience that was often not enjoyable but essential for being engaged in and established within the workforce. This, in turn, necessitated making complex journeys to and from the work place as illustrated in diagram five.

## Diagram 5: Participant journey



### 6.1.3 A CONTINUING FLEXIBLE EMPLOYER

Participants whose employers were more flexible about when they worked, were often more positive about their experience of combining work and childcare which, in turn, helped ensure work was sustainable. Essentially, **having an understanding employer not only meant last minute demands on parents' time from their children could be accommodated but also meant that participants enjoyed their work more** as they did not feel guilty about approaching their employer with any issues they had related to combining work and childcare.

“Say like you’ve got a staff development day...if I said to my manager they haven’t got room in the nursery so I can’t actually come in, it’s not a problem for me because he [my employer] is very flexible.”

*Lone parent, Pilot group, Kent*

This flexibility, however, while often an essential component to ensuring that work could remain a possibility in the long-run, also involved meticulous time management and planning, to ensure that all work shifts were covered and all childcare taken care of.

“It’s like [my son] is at nursery then, at childminder’s another day, with Mum some times, I have shifts to cover...it’s complicated so I plan. I have to write down things obviously for [my employer] to know when I can work and when I can’t work.”

*Lone parent, Pilot group, Kent*

## 6.2 FINANCIAL IMPACT OF WORK

Importantly for all participants on the Pilot and Control schemes, **being in work led parents to enjoy higher incomes than they had received previously, and this translated into economic benefits for the whole family.** For instance, participants

spoke of the benefits of having more disposable income for their children, and being able to manage their finances more comprehensively. They also expressed aspirations of progressing in work in order to earn higher salaries, and the difference this would make to their lives in the long run. Some participants who were currently teaching assistants spoke of aspiring to train as teachers, or for trainee solicitors to complete their training in order to both progress and to earn higher incomes. This aspiration was another element of making work sustainable – many considered the long-term financial merits of staying in work and were keen to realise these.

**“Eventually I hope that we can come off working tax credits altogether, that’s what I’d like out of work.”**

*Two-parent household, Pilot group, Dover*

### 6.3 SOCIAL BENEFITS OF BEING IN WORK

**Crucial to the sustainability of work for all participants were the social benefits that parents experienced from being in work.** Pilot and Control participants spoke of the self-worth they felt as a result of being employed. This was derived from the fact that their skills and capabilities were being used to positive effect. Beyond this, parents described the ebullient feeling of the social aspect of working; that they were making friends and had colleagues outside of those associated with their children or their pre-employment life.

Furthermore, many parents felt a sense of liberation at having another dimension to their daily routines other than parenting. As important to their lives as looking after their children was, many felt that being employed gave them a second purpose, and a necessary break from the responsibilities of being a parent. Linked in with this point, the importance of interacting with other adults in a situation that did not involve their children was an important break from their lives as parents. It helped many participants – especially lone parents – realise that they could be both a parent and a worker and that having children did not necessarily need to define them entirely.

**“It’s just having time away, being an adult again, not being just a mum.”**

*Lone parent, Pilot group, Milton Keynes*

**All these elements led to a degree of self-respect that was crucial in sustaining work amongst parents** and ensured that, although all found managing work and childcare difficult, the benefits derived were thought to be worth it.

### 6.4 CHILDCARE CHANGING THE EXPERIENCE OF WORK

Finding suitable childcare, as discussed in section 3.3, also helped ensure work was sustainable. There were no instances discussed where opening hours or closures of childcare providers caused sustainability of employment to be an issue. Using formal childcare ensured that parents were able to commit more fully to their employer by, for instance, working a greater number of hours. This was important as it made many

participants feel that they were of more value to their employers than they had been previously, and subsequently that their jobs were more secure and sustainable.

It was also the case that where informal care was not guaranteed to be available when needed – family members not being available at certain times for instance – formal care was believed to be more secure. Formal care was guaranteed, and helped parents make a commitment to their employer. Transition from using informal care to formal care therefore made work more sustainable as there was a guaranteed place in childcare provision for their child.

**“That Tuesday that I send them to after school clubs gives me the opportunity to work extra hours. My employer values that.”**

*Lone parent, Pilot group, Woking*

## **6.5 CONCLUSION**

**Generally, those factors that had initially enabled parents to take up work, remained the same conditions that made such employment sustainable.** A childcare provider that continued to provide quality care for their child, remained in a convenient location for the parents’ journey to and from work and home, and whose operating hours were compatible with work patterns were vital for sustaining work. Furthermore, an employer that continued to offer hours that were accommodating to parents’ responsibilities, who was situated conveniently for getting to and from home, and who, if possible, was sympathetic to the need for parents’ flexibility, all added to the likelihood of work remaining sustainable.

Whilst those factors that enabled work to be taken up in the first place were similar to those that meant such work was sustainable, the **length of time parents had been in work was an important factor**, in terms of experience and their enjoyment of their jobs. The **continuing flexibility of their employer, and the financial and social benefits of being in work** meant that parents were more likely to find work sustainable.

## 7 EXPERIENCES OF CHILDCARE

### CHAPTER SUMMARY

**Awareness of the support for childcare available was low** among Pilot and Control groups prior to receiving the offer letter. This **prevented many exploring formal care** due to its perceived cost **even though many parents were in work**.

- (i) **Quality and trust in the care were the factors that parents would not compromise on.** Other conditions, such as cost, proximity to parents' work or home, opening hours and their flexibility were also important but could be compromised on if parents were content with the quality of the care provider.
- (ii) Once aware of the CCE, all parents interviewed began moving from informal to formal sources of childcare.
- (iii) **Most still used some mix of formal and informal care;** informal care providing a vital service for filling the gaps that formal care did not cover.
- (iv) A **significant minority felt they were placing a burden on family and friends** by using them as informal child care – especially so for those with ageing parents of their own.
- (v) The majority felt **formal care provided a more convenient and time-efficient option than informal care.**
- (vi) Parents described the **developmental benefits of using formal childcare** – both for the education and socialisation of children, particularly those without siblings, who had few other opportunities to socialise with peers.
- (vii) Those unfamiliar with their local area tended to use official sources, such as Sure Start, local authority lists or local authority websites when looking for childcare providers. Those with stronger networks of friends or relatives with children often relied on word-of-mouth recommendations.
- (viii) Few participants used either the Family Information Service or the DfE Contractor helpline for assistance in looking for a suitable childcare provider. Those that did commented on the helpfulness of these sources.

This section explores the experiences of Control, Pilot and Non Take-up groups in using formal childcare. It builds upon those factors discussed in Chapter 2 that enabled parents to take up formal childcare, and looks at the experiences of parents once those enablers were in place. It also looks at the levels of awareness, knowledge and understanding of the CCE as well as how they budgeted for childcare. It has been split into four main sections:

- Knowledge of WTC and the CCE;
- Finding childcare;
- Role of informal care once formal care had been taken up; and
- Experiences of using formal childcare.

## 7.1 KNOWLEDGE AND AWARENESS OF WORKING TAX CREDITS AND THE CHILDCARE ELEMENT

As illustrated in section 4.1, knowledge of the help afforded through the CCE was fairly low amongst both Pilot and Control groups, despite many working and claiming WTC already. Among this group of working parents, this was in many ways the most fundamental barrier to taking up formal childcare, as without knowledge of the assistance with childcare costs, most formal childcare providers had appeared unaffordable.

**Once parents registered their interest in the offer, however, their understanding of the help that was available to them via the CCE increased greatly.** They all seemed to understand that they could claim up to 80% of their childcare costs up to a maximum limit (although as discussed further in section 8.7 there was some confusion about the amounts one could claim), and both those in the Pilot and Control groups reported understanding how they had to report their costs to HMRC. There also seemed to be widespread understanding of the income eligibility for WTC itself, and therefore that their ability to claim the CCE was linked to the salary that they earned.

This understanding was an important feature of parents' experiences in using formal childcare during the Pilot, as it allowed them the confidence to know that as long as they were working and on a low to medium income, they could be assisted in paying their formal childcare costs.

**“It gave me the inspiration to actually know that I can go out to work and to know that financially there is help there and you can get it.”**

*Lone parent, Pilot group, Surrey*

## 7.2 FINDING CHILDCARE

How parents went about finding what childcare was available to them varied. **A large proportion relied solely on word-of-mouth** – using recommendations from their friends or family about which providers in the area were worth using. This was especially relevant when discussing childminders; there was a perception that verbal recommendations were the unofficial stamp of approval for one-to-one care.

**Others who were new to the area or had little idea of the available formal care providers in the area would use formal resources** such as their Sure Start centre, local newspapers, libraries or their local council website. All participants who used these sources said they were helpful in terms of locating what was out there – but that visits to the childcare provider still needed to be undertaken before a conclusion on suitability could be made.

**A few participants on the Pilot scheme mentioned that the DfE Contractor helpline representative had helped them find Ofsted registered suppliers in the area.** One participant was particularly grateful for this help, saying that the staff member she spoke to took her email address, and sent her a link to her local Family Information Service page, which listed different providers.

**“They emailed me the child information services list...contact information for nurseries and childminders, they were really helpful, it was really good.”**

*Lone parent, Pilot group, Southampton*

## **7.3 ROLE AND USE OF INFORMAL CARE**

### **7.3.1 RELIANCE ON INFORMAL CARE PRIOR TO THE PILOT**

Those participants who did rely on informal care prior to taking up the offer fell into two different camps. Some participants lived with their parents, and used them as a source of informal care to pick up their children from nursery or school. Others had family and friends nearby, whom they would rely upon as and when they were needed to.

In a few cases, informal care was crucial in ensuring their working life was feasible. This allowed parents to ‘fill in gaps’ where formal care was not available, ensuring that some form of childcare could be utilised when required. This was particularly true of those who had to work night shifts as formal care was not available during these times and nor did parents trust providers with the responsibility of an overnight stay. In these instances, formal care was used during the day time to allow parents to sleep and their children to socialise.

**“I finish work at 7.15 am; I take him to nursery for 8.30. Then I sleep until 12.30 when I have to pick him up, it’s very tiring.”**

*Lone parent, Pilot group, Ascot*

For a few though, informal care was not an option as they lacked access to a social network. Most parents in this situation were either limited in the work that they could do, struggled to pay for formal childcare or resorted to using unregistered care.

**“See there are mums that have said, “oh, if you ever get stuck I’ll have [your daughter]” and I say “well I’ll pay you for having her” but I won’t be able to get help with that because they’re not registered.”**

*Lone parent, Pilot group, Folkestone*



### 7.3.2 ATTITUDES TOWARDS INFORMAL CARE

Amongst those who did use informal care, two views were largely prevalent: those who felt that relying on informal care left them indebted towards their family and friends; and, those who felt informal care was a good means of providing them with the assistance they needed and which created a lasting relationship with family members.

Those in the latter group were still encouraged to use formal care once they received the offer letter from HMRC, but **felt that a mixture of both formal and informal care meant that their children reaped the benefits of both socialising with children their own age, and developing a strong bond with their family.** This issue is discussed more in section 10.4 below.

However, **many parents felt that using informal help was placing heavy responsibility on their family and friends,** and this was a position that parents often did not wish to be in. This sense was particularly acute amongst both Pilot and Control participants with ageing parents.

**“My mum’s nearly 70. She brought up all her kids, why should she, you know, keep looking after her grandchildren, it shouldn’t be.”**

*Lone parent, Pilot group, Folkestone*

### 7.3.3 CHANGES TO THE BALANCE OF CHILDCARE AS A RESULT OF THE PILOT OFFER

On taking up the offer of assistance of help through the CCE, **many began using formal care as the mainstay of their childcare provision.** Not only did many participants feel that this lifted a burden away from their relatives and friends as mentioned above but, furthermore, there was a strong sense that formal care provided their child with a number of key benefits such as being able to socialise with other children. Such advantages are discussed further in section 7.4.

Indeed, parents described that once formal care had been taken up, family members tended to look after their children for pleasure at weekends, rather than as a necessity to enable the participants to work. For many, this resulted in a better relationship between all members of the family.

Lastly, **this change in the balance between informal and formal care also made combining work and childcare much more convenient** for a significant number of participants. Where informal care had been used previously, participants had often been required to reorganise their daily routines in order to drop off and pick up their children from family members, who often lived in neighbouring towns. In some cases this meant long drives between home and work, which added not only time but cost to their days.

**“I prefer formal childcare to be honest...where my parents are concerned, they’re 65 now and they live 30 miles away, it’s just not as convenient.”**

*Lone parent, Pilot group, Woking*

### 7.3.4 CONTINUING IMPORTANCE OF INFORMAL CARE

Despite the move towards predominantly using a formal care provider to look after their children, the importance of informal care remained vital to parents trying to balance both work and childcare.

Essentially, participants used informal care to 'fill the gaps'. For instance, if they were required to work past 5pm or took on night time shift work then informal care continued to be a key feature of their lives as formal provision was not typically available at these times.

Similarly, for parents of school-aged children, informal care was a necessity during the school holidays. During these times, parents often reported that it was a struggle to afford to place children in holiday clubs full-time for six weeks, despite the offer of up to 80% of costs covered by either the Pilot or Control schemes. Furthermore, the availability of holiday clubs was an issue with parents reporting that places were often booked up well in advance. More broadly, some parents worried it would be too draining for their child to be with the same childcare provider full-time for a long period of time. In such situations, it was common amongst parents to use a mixture of formal care, informal care and their own annual leave to cover the responsibilities of looking after their children for the six weeks of the summer holiday period. Seasonal variations in childcare costs are discussed further in section 8.7.2.

**“In the summer they [the holiday club] were only open for two weeks and the care I wanted wasn't available for the other weeks. So I did one day here, another day there, and the rest would've been covered by my parents or my ex-husband.”**

*Lone parent, Pilot group, Woking*

## 7.4 EXPERIENCES OF FORMAL CHILDCARE

It should be noted upfront that the vast majority reported positive experiences of using formal childcare. However, looking at this issue in detail, participants' experiences of formal childcare varied according to several factors including the type of childcare they were using, the age of their child, the flexibility of their childcare provider in terms of opening hours and availability and the availability of informal care to counter-balance the limits of the formal childcare. These issues are all discussed throughout this section which looks at the following:

- How experiences of using childcare varied according to type and frequency of provider;
- Experiences of paying for childcare;
- The educational and developmental benefits of formal childcare; and
- How the balance of factors surrounding enabling childcare formed the experience that participants had.

### 7.4.1 TYPE AND FREQUENCY OF CHILDCARE

Experiences of formal childcare were obviously driven by the type of childcare used and this, in turn, was correlated to the age and circumstance of the child in question. For instance, **many Pilot and Non Take-up participants who had an only child, or a child who was considerably younger than their siblings, preferred group providers.** This was because they offered their child an important opportunity to socialise with other children of a similar age – something that was not available at home. This, in turn, was considered the first stage of education by many and was thought to help give their child the best start in life. The social benefits of such provision are discussed in more detail in section 7.4.3 below.

**“My son is probably going to be an only child so I like the fact that he would have that social, you know, interaction in the nursery.”**

*Lone parent, Pilot group, Southampton*

**“Everyone from [the children’s] school is there. They know pretty much everyone from school so it’s more sociable for them.”**

*Lone parent, Pilot group, Woking*

The experiences of those who used one-to-one childminding were no less positive; which contrasts with the levels of distrust expressed by those who chose not to use childminders, as discussed below in section 7.4.3. These parents had very different purposes for using this type of care. They tended to have much younger children, and felt it was more suitable for them to be in a family environment, and one that replicated the nurturing sense of home more than a crèche or early years group provider would have. In some cases as well, parents whose children had learning difficulties such as autism or dyslexia spoke of their positive experience using childminders because of the higher level of attention paid to their child’s needs. However, this was more of a minority viewpoint – generally, group formal care was the preferred route.

**“She [the childminder] is like a second parent to him while I go to work, and I know she’s looking after him.”**

*Lone parent, Pilot group, Ascot*

The experience parents had of childcare not only varied according to the type of childcare being used, but with how regularly they used it. **Those who used formal care only in the school holidays for instance were less engaged with their providers** and, therefore, felt less able to comment on their levels of satisfaction with it, and the benefits that their children gained from using it. It follows that the opposite was true of those who used formal care more frequently. **Furthermore, the more frequent and regular the use of childcare, the more likely parents were to want to provide a sense of stability for their child,** and so continue keeping their child in formal care on a regular basis. Thus a positive experience with childcare at the start often led to a continuously positive experience as time went on.

### 7.4.2 COST AND PAYING CHILDCARE PROVIDERS

As discussed in chapter 4, the cost of childcare was an initial barrier to placing children in formal care, and one that was only mitigated by parents being made aware of the help they could receive through the CCE. Once this had been overcome though, the majority of participants, from both Pilot and Control groups, had positive experiences with the cost of childcare and once they began using formal care generally did not struggle to pay the charges incurred. While this point is discussed further in section 8.8, it is worth highlighting that parents' positive experiences in using childcare was often shaped by the ease with which they managed to pay their childcare providers, and the knowledge that their costs were being assisted by HMRC. Among the Non Take-up group, most had been using formal childcare for some time and so dealt with the costs involved as a matter of course. For these working parents, paying for formal childcare was seen as just another outgoing to be factored into the cost of running the household.

**Most providers had fairly strict regulations regarding their terms of payment with nurseries and holiday clubs being particularly rigid** about when deposits and fees needed to be paid. Furthermore, payments to these providers often totalled a sizeable proportion of parents' incomes. In spite of the cost though, this was not reported as being a negative experience as the help participants received from HMRC ensured this was ameliorated fairly quickly.

**There were providers that were more flexible about when they were paid and this, in turn, enhanced parents' positive perceptions of using and paying for formal care.** These providers were typically less formally structured, such as childminders, or other providers who were well-known to the family, and accommodated situations like the need to pay in arrears, or the participant having to wait until they had received their CCE money. Although most participants did not expect such flexibility and were therefore not negative about the lack of it, for those who did experience this it was a great help in managing costs.

*“Within reason she [the childminder] gives me some leeway...a couple of times I've been paid the day after her pay day and she's been ok with it.”*

*Lone parent, Pilot group, Isle of Wight*

### 7.4.3 EDUCATIONAL AND DEVELOPMENTAL BENEFITS OF CHILDCARE

The vast majority of participants across all groups spoke of the **developmental advantages, both socially and educationally, their children derived from being in formal childcare.** For instance, parents with children of pre-school age tended to use nurseries and playgroups as a form of early education and noticed tangible differences in the abilities of their child as a result.

*“I've noticed that her speech has developed a lot, she talks to us a lot more than she did previously.”*

*Lone parent, Pilot group, Havant*

Participants whose children were using breakfast clubs or after school clubs still saw the social benefits of their children interacting outside of school time, but the educative and developmental drive that parents of pre-school children experienced was much less

fundamental. **These participants talked much more of the range of activities that their children were able to experience, that they were able to make friends with children from a wide range of backgrounds, and could enjoy spending time with others their own age outside of the classroom.** This was especially prevalent amongst parents with only one child, who recognised that their children would not often have the chance to interact with children their own age outside of school.

“You know, it’s all “Mum I did painting today” and “we played football”...he doesn’t get to do that anywhere else.”

*Lone parent, Control group, Surrey*

**Crucially, this positive experience of formal childcare increased over time.** The bonds that children created with their care providers and the other children around them meant that parents were more likely to want to continue with formal care the longer that they used it. This is supported by the experiences of the Non Take-up group, who often sent younger children to the same childcare providers as their elder siblings – trust and confidence were important factors in choice of provider.

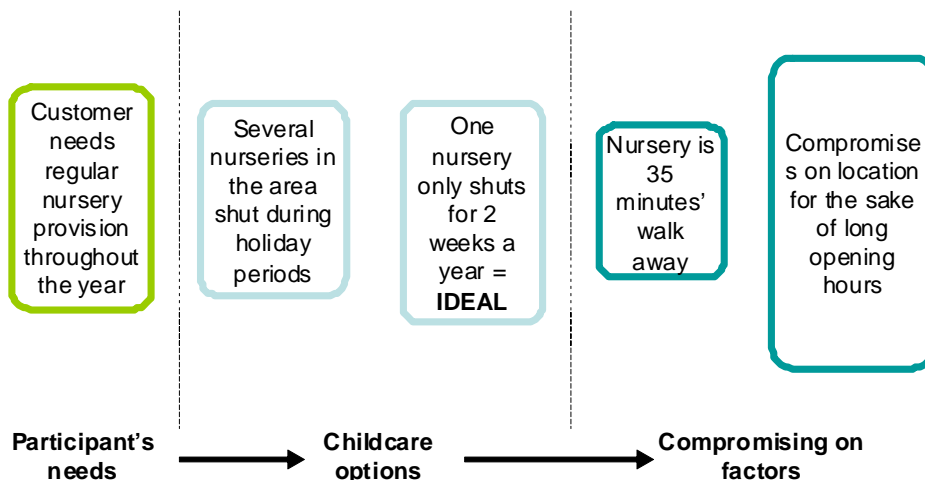
#### 7.4.4 ENSURING THE NEEDS OF CHILDCARE AND WORK REMAINED BALANCED

Ensuring that childcare remained sustainable, and that a positive experience was had when using childcare, often meant **meticulous planning and careful judgements being made about how to ensure that the challenges of managing work, childcare and finances were met.** Doing this was often a struggle for parents, and one that fluctuated during the year as their work and childcare needs changed.

Rarely did the factors that enabled parents to take up childcare, as described in section 3.3, all co-exist together; few participants reported using an affordable nursery that was local, had long opening hours *and* offered them flexibility. As such, **parents who found formal childcare that they were content with usually worked around the factors that were less convenient for them,** in order to both allow them to work and to provide their children with a quality childcare experience.

The case study below illustrates the compromises that one participant made in order that she could sustain childcare for her three year old son.

**Diagram 6: Location as a compromise for long opening hours**



While this case illustration is based on one person, the issues described were common for many parents we engaged with on this study. In some cases, the location of the participants' work changed, meaning their childcare provider was no longer easily accessible. However, given the importance of continuity of care, they overcame the challenges posed by the extra distance they had to travel. In several other cases, parents' working hours changed during the course of the Pilot scheme, so that in reality they did not *need* to place their children in formal care anymore – for example where they finished work before their children finished school. However, because of the positive experiences they had of the developmental benefits their children derived from formal childcare, they continued to use it.

More generally, and as mentioned previously, parents often felt that even where they had a sympathetic employer, their childcare commitments left them feeling as though they were placing heavy demands on both their colleagues and employer. Nevertheless, their desire not only to continue in work but to sustain their use of formal childcare meant that participants worked hard to overcome these challenges, even though it was often difficult for them to do.

**“You know, it’s not very good going into work saying I can do this and I can’t do that.”**

*Lone parent, Pilot group, Woking*

In spite of these compromises, however, **one thing that was non-negotiable was the quality of and trust in the provider (as discussed earlier in Section 3.3.1)**. This meant that in some cases where parent's working situations changed and more local or affordable childcare would have been preferable, they continued to use their previous provider for these reasons.

**“The most important thing was that I was happy that she [my daughter] was happy.”**

*Two-parent household, Pilot group, Crawley*

## **7.5 CONCLUSION**

This chapter has looked at the experiences of Control, Pilot and Non Take-up groups in using formal childcare, once the enablers to adopting formal childcare were in place. It has also looked at the levels of awareness, knowledge and understanding of the CCE as well as how parents budgeted for childcare.

Predictably, greater exposure to tax credits and the CCE increased understanding of government support available to parents. Indeed, prior to this **many participants had assumed that formal childcare was unaffordable which, in itself, acted as a barrier to them looking for it.**

**How participants went about finding childcare providers depended on the context in which they found themselves.** Those that were new to an area relied on formal sources, such as Sure Start centres or local council websites. Others relied on word of mouth from friends and family, stressing how important trust in a provider was to parents.

**The quality of and trust in formal childcare provision was central to choosing one provider or another.** Once parents found a provider they were happy with, they tended to keep their child there and work around other issues such as transport, working hours and cost.

When thinking about the kind of care they used, few participants were keen to rely solely on informal care. In part, this was due to a reluctance to be a burden on their families and friends. However, this was also due to a feeling that **formal care was also highly beneficial to children, helping them to socialise and learn.** This was particularly prevalent in families with only one child as opportunities for socialisation with other children were not available at home. For most, **there was a preference for a mixed approach, with formal care providing social development but informal care allowing a strong bond with the family to be maintained.** This was common amongst those who were new to the Pilot and those in the Non Take-up group who had been receiving the CCE for some time.

**Following transition to the Pilot, many started using formal care as the mainstay of their childcare provision,** providing as it did a more convenient and effective combination of work and childcare usage. However, whilst reliance on informal care declined, many still continued to rely on a mixture of formal and informal care, rather than switching to formal care alone.

## 8 OPERATIONAL EXPERIENCES OF THE PILOT SCHEME

### CHAPTER SUMMARY

- (i) **The end of the Pilot and the move onto the estimating and averaging system resulted in mixed outcomes for parents.** Those with more constant work and childcare circumstances found predicting their childcare use fairly easy. In contrast though, those with varying circumstances found it much harder to understand and predict seasonal variations. This suggests that the Actual Costs system worked most effectively for those with variable costs, rather than those with more static costs. Furthermore, Pilot families were more satisfied with the Actual Costs system than their experience of the estimating and averaging system.
- (ii) The Pilot group felt that they understood the offer well, and that **the process of reporting every four weeks was simple to follow.** Similarly, the Control group – although being offered the standard system of estimating their annual childcare use – felt that they understood their obligations to HMRC. However, while parents understood the theory of the estimating and averaging system, their practical understanding of their responsibilities was varied.
- (iii) **The Non Take-up group expressed confusion over the Pilot offer.** Some assumed that a different system from the averaging and estimating with which they were familiar would involve more funding. Being so accustomed to the estimating system, **these participants were reluctant to change their behaviour with regard to what they felt was an important source of support for them.**
- (iv) The majority of those on the Pilot felt the process of claiming to be easy, with **the system being close to ‘the reality’ of childcare use over the past four weeks.** This was particularly beneficial for parents whose needs varied as it meant they did not need to predict future use of childcare.
- (v) Pilot participants had a clear preference for receiving the CCE payments separately from the rest of their WTC as it allowed childcare costs to be managed separately. However, while being sent a separate cheque for the CCE helped some to budget more effectively and increased transparency about what they were receiving, we can infer from this research that a letter outlining these details did not have the same effect given that Pilot participants did not spontaneously mention correspondence of this nature that they were sent by TCO on a monthly basis.
- (vi) Many participants reported their childcare costs late from time to time, **often relying on HMRC to call them up and remind them to report their childcare expenses.**



- (vii) Pilot and Control groups **often reported they under-claimed for their total childcare use**. In the Pilot group, lack of understanding of what types of childcare was eligible was a factor here; For the Control group, reporting of changes to the yearly estimate was incorrectly calculated from the start.
- (viii) The transition payment was seen as especially helpful for those who needed to pay a deposit for their childcare and had no alternative sources of funding.
- (ix) Pilot participants **often spoke to the same member of staff every four weeks and so developed a good relationship with them** with queries felt to be answered promptly and efficiently. This is in contrast to experiences of the normal HMRC tax credits helpline, where participants were often put on hold and impersonal members of staff had been encountered.
- (x) Pilot participants wanted to be paid on the same day of each month rather than every four weeks as they conceptualised the CCE payments as *income* and was, therefore, easier to manage. **They had budgeting processes in place and were happier receiving a consistent, fixed amount of assistance.**

This section looks at the experiences of those participants who both decided to register and participate in the Pilot scheme, and those who declined to take up the offer. It discusses both the processes of joining the Pilot scheme and claimants' experiences of this, as well as their experiences during and after the Pilot ended.

More specifically this chapter looks at:

- Levels of understanding when participants received the offer letter;
- Customer experiences of joining the Pilot;
- Reasons behind those who did not the Pilot;
- Customer experiences during the Pilot;
- The end of the Pilot; and
- Customer experiences of managing their tax credit claim.

## 8.1 UNDERSTANDING OF THE OFFER

Participants who were chosen for the Actual Costs Pilots were initially sent a letter from DfE explaining the nature of the help available and the eligibility criteria. As with Control participants, those selected for the Pilot were asked to call the DfE contractor helpline to register an interest (rather than the normal HMRC tax credits helpline). This helpline existed to register interested participants, but in some cases also provided them with information on where to go to find formal childcare provision and employment opportunities. For the 2009-10 Cohort, when families secured (work and) childcare, they

were transferred to a dedicated team in the TCO who managed their claim thereafter. Those parents from the 2010-11 Cohort who expressed an interest in moving from the estimating and averaging system to the Actual Costs Pilot, were also transferred to the dedicated TCO team for activation. If participants did not initially call the DfE contractor helpline upon receipt of the letter, some were called by the helpline as a reminder of their eligibility and potential interest in the scheme.

Discussed below are the initial responses to the invitation letter and the DfE contractor helpline calls amongst those who were included in the Pilot group, and how these experiences helped shape customer decisions on whether or not to join the Pilot scheme.

### 8.1.1 INITIAL RESPONSES TO THE INVITATION LETTER AND HELPLINE CALLS

Overall, **most participants who took up the offer of assistance for the Pilot and Control scheme were extremely happy to receive the invitation letter.** There was **considerable surprise at the generosity of the offer** from HMRC and both Pilot and Control participants, understandably, were pleased to find out that they were eligible for financial support towards childcare. However, for some, there was a degree of cynicism about the government ‘unnecessarily’ spending on households with children – and towards the benefits system more generally. Also, some, instantly and without much thought, assumed that they were not eligible for the scheme on receipt of the letter and so threw it away or phoned HMRC to talk it through further. Those who discarded their letters were then only able to register their interest once the DfE Contractor helpline had made an outbound call to the participants, and explained the parameters of the Pilot. A small minority were concerned that it was a scam, due mainly to their lack of awareness that such support was available through HMRC. Similarly, immediate reactions amongst a small minority were that such support was overly generous and therefore not genuine.

For some, **the offer letter had a considerable impact in their decision to go into work or increase their hours as it made them realise it would be affordable for them to do so**, as discussed in section 3.4 above.

*“It was the fact that it said you’ll get 80% back of your costs; 80%! Now my maths isn’t that good but I thought, you know, I can get back out there to work actually be able to manage.”*

*Lone parent, Pilot group, Milton Keynes*

### 8.1.2 EXPERIENCES OF THE DfE CONTRACTOR HELPLINE AMONGST PILOT PARTICIPANTS

**Pilot participants who initiated contact with the DfE Contractor helpline were largely positive about their experiences here, particularly with the attitude and helpfulness of staff** who were thought to explain the scheme well.

There was a minority, however, who reported that they thought that helpline staff were unsure of some of the key details of the offer. For example, two Pilot participants were initially told that they would get 100% of their childcare costs paid for, but were then called later to be told that it would in fact be 80%. Participants often put this down to the fact that the scheme was relatively new and so thought staff themselves were still getting to grips with it and, consequently, it had limited impact on their overall levels of satisfaction with the DfE Contractor helpline.

**Those participants that called the DfE Contractor helpline tended to understand and trust the content of the initial letter.** They reported not wanting to miss out on the offer of receiving financial assistance and this spurred them on to initiate contact. More broadly, a number of other factors were mentioned which encouraged participants to call the helpline, including receiving a reminder letter and being recommended to take up the scheme by friends who were receiving the CCE through the estimating and averaging system of WTC. These friends – although unable to give experienced advice of the Pilot scheme – were often a source of help in raising awareness about support through WTC and reassuring them that the offer of financial assistance was genuine.

It follows, therefore, that those who did not understand the content of the letter tended not to be proactive in making contact with the DfE Contractor helpline. **Common misconceptions among parents here were that all their childcare costs would be covered.** In many cases, the complexity of the offer needed to be repeatedly explained before parents fully understood what was available to them.

*“I thought I was getting all of my childcare costs – they had to explain it about three or four different times until I actually understood what it was that they actually did.”*

*Lone parent, Pilot group, Milton Keynes*

Linked in with this, there was also uncertainty among those who did not call immediately about how much they could claim towards their childcare costs. Participants commented that the phrase “you can get up to 80% of the childcare costs you pay” was misleading, as they were unsure if they *would* get 80% of it, or less than this. This, in turn, made it hard for them to calculate whether or not they could afford to go into work or increase their hours. Others found that the information on the letter did not match that which they were told when they called the helpline to register.

*“Well, when I phoned them up, they said you can get up to maximum of £175 a week, but here [on the letter] it says £140 a week...in a way, this letter wasn't ringing true.”*

*Lone parent, Pilot group, Milton Keynes*

More broadly, Pilot participants who did not call the helpline themselves said that they were too busy to make contact; indeed, one participant also pointed out that there was no timeframe in which to call highlighted in the letter which created the sense that this was not something that was particularly urgent. Of those participants who then received a call from the DfE Contractor helpline, the majority reported that they were happy to have been contacted and that they had had a positive experience with helpline staff.

## **8.2 JOINING THE PILOT**

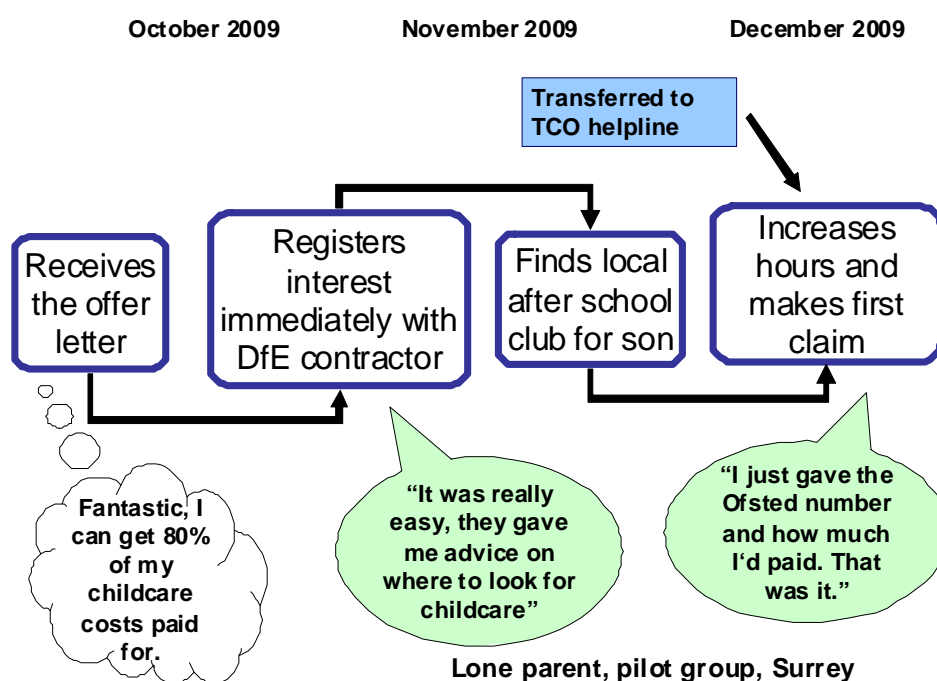
On the whole, Pilot participants felt that while there had been some initial confusion about what they were entitled to, **the actual process of joining the Pilot scheme was relatively straightforward.** This section therefore explores the different journeys that participants went on in relation to joining the Pilot, as well as their views on their experiences of the helpline during the registration process. It also discusses parents' views on the method by which they received payments while on the Pilot and, in

particular, their opinions on the impact that changing from a system of cheques to BACs had on participants<sup>15</sup>.

### 8.2.1 CUSTOMER JOURNEYS TO JOINING THE PILOT

**Claimants' journeys to registering for the Pilot scheme varied according to their circumstances at the time of receiving the offer letter.** As would be expected, this process was considerably easier for those already in work but working under 16 hours, or those working above 16 hours per week as the major hurdle of finding employment had already been overcome. Consequently, for these participants the period between receiving the letter and registering their interest was fairly short – the only delay was when they were finding suitable childcare. This is illustrated in the case study below:

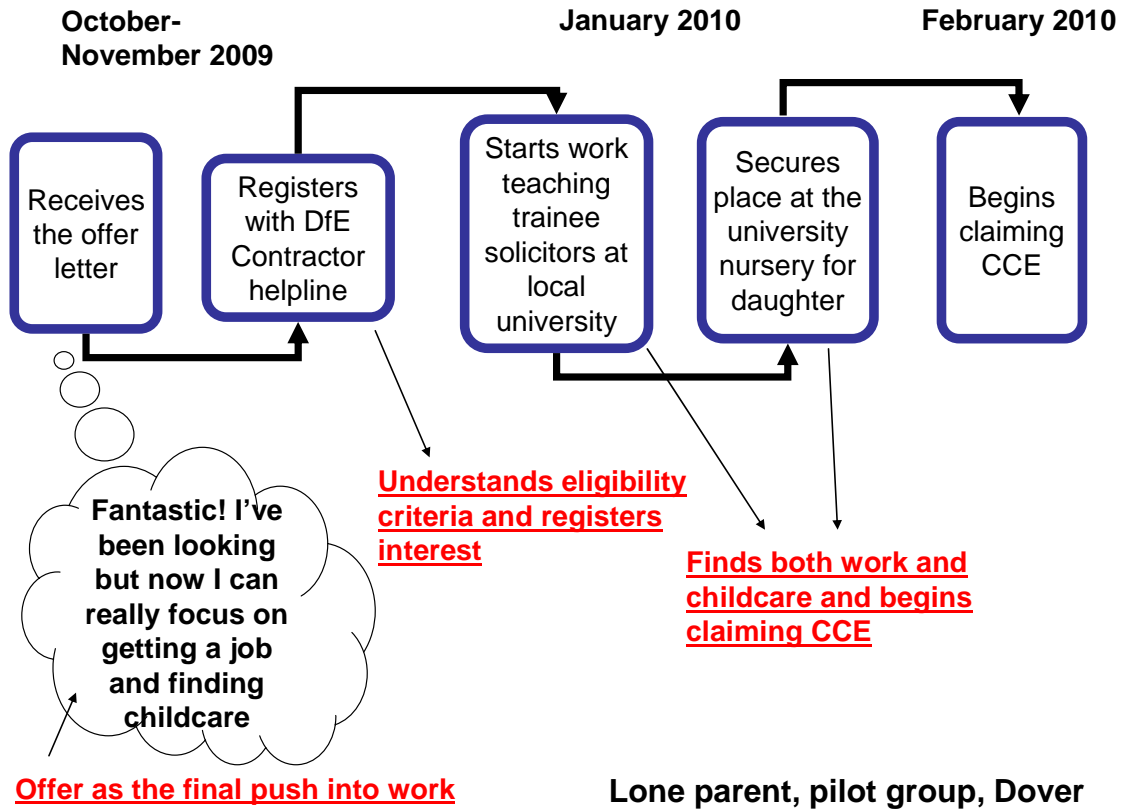
**Diagram 7: Joining the Pilot, already in work**



Other participants who were interested in the offer, but were neither in work nor using childcare when they received their letter, typically registered their interest but waited until the timing was right for them to move into work. The reasons for not claiming immediately mostly stemmed from the barriers to taking up work and childcare, as outlined earlier in this report in chapter 4. This is illustrated below:

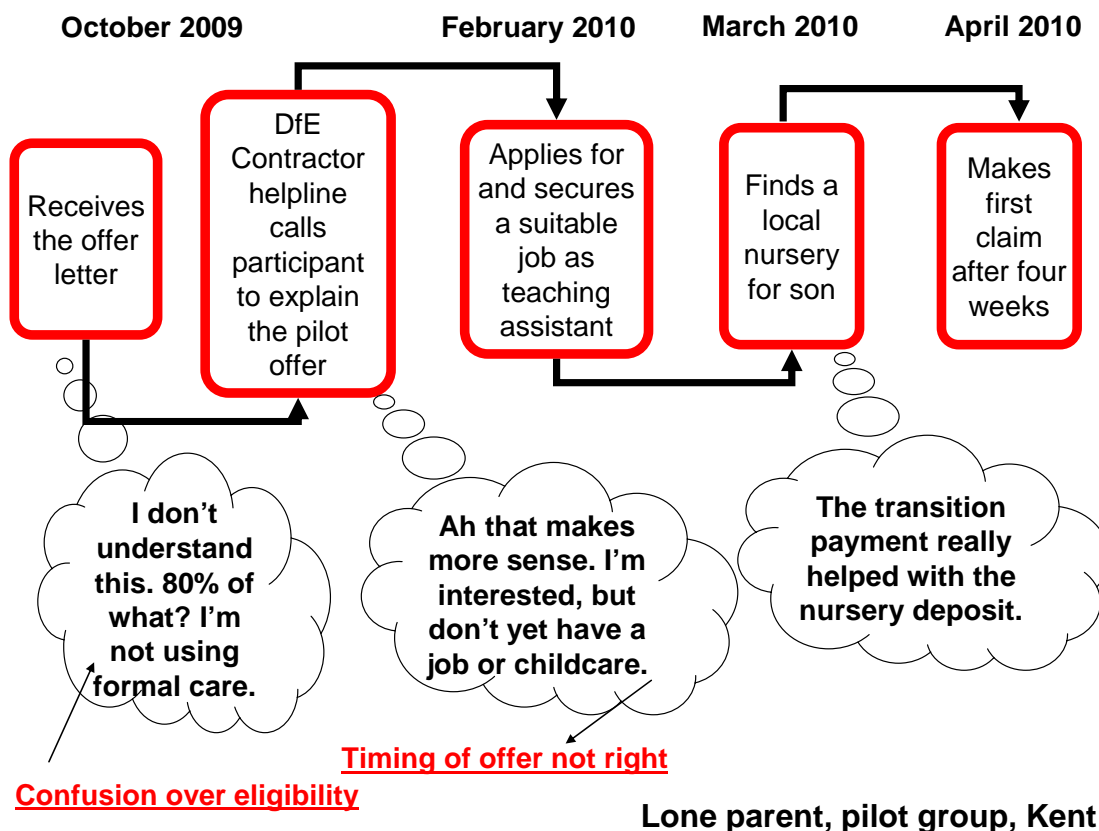
<sup>15</sup> Participants initially received the additional payments as a separate cheque. This was for operational reasons and was changed to a BACS payment in April 2010.

**Diagram 8: Customer journey, not already in work, understands eligibility**



Lastly, as outlined in section 8.1.1, there was some confusion about what the original letter was offering. Consequently, these participants did not make contact with the DfE Contractor helpline. Indeed, it was only when they were called by the helpline and the offer was explained to them that they were able to register an interest and so began the search for work and/or childcare. Outbound calls from the DfE contractor helpline were made throughout the Pilot period, but customers reported a time lag between receiving their initial letter and being contacted by phone. As such, their journey to claiming for their childcare costs was much slower. This is illustrated below:

**Diagram 9: Customer journey, not already in work, confusion about eligibility**



### 8.2.2 RESPONSES TO THE HELPLINE TO REGISTER

As mentioned in section 8.1.2, the majority of participants reported positive experiences of engaging with the DfE Contractor helpline to clarify any issues concerning the offer over which they were unsure. These positive perceptions followed through to when participants on the Pilot came to register as well.

The initial registration procedure was unproblematic; and participants were always clear on what information they needed to provide. For instance, they reported that during their initial contact with the DfE Contractor helpline they were told that they would need to provide the TCO helpline with the details of the name and Ofsted registration number of the childcare provider that they were using, as well as giving confirmation of the hours that the participant was working in order to qualify for the assistance. As they had been told in advance that this was necessary, they had no problems in gathering this information together when they came to register their claim with TCO. These participants also appreciated being able to make their claim for the CCE over the phone. They felt this streamlined the whole process and made it easy for them.

*“They told me what I needed. They set up my working tax credits as well. In that respect it was quite easy – I could do my child care and my working tax credits all through them rather than having to call so many different numbers.”*

*Lone parent, Pilot group, Milton Keynes*

### 8.2.3 PAYMENT PROCESS

**All Pilot participants claimed to have a good understanding of the mechanics of how the CCE was to be paid to them.** Since it operated on a reimbursements system, participants had already paid 100% of their childcare costs to their providers for the previous four weeks when they made contact with the TCO. **On reporting their costs, participants described helpful staff who would give them a breakdown of the payments that would be made to them,** which would not be available through the normal tax credits helpline, and the percentage of the costs they incurred that this totalled. Because of this level of service by the TCO staff, Pilot participants were able to understand the payment process, and the extent to which claiming the CCE was helping them meet their childcare costs, thus making the Actual Costs system more attractive to parents.

*“It was easy, you just have your receipts, give them the amount, then they tell you what they’re going to pay you, and it’ll be like X% the total.”*

*Lone parent, Pilot group, Southampton*

Consequently, Pilot participants were very positive about the payment process, and **also showed a clear preference for having the CCE paid separately** to them from the rest of their WTC. This was because it allowed childcare costs to be managed entirely independently of the rest of their budget, and meant that their childcare bills – which they considered to be one of the most important – were always covered.

*“It’s a figure you’ve got in your head. If you need anything extra for the children...like birthdays and it’s an extra expense, you’ve got to account for it elsewhere. It’s just having a figure in your head really to know what to budget with.”*

*Lone parent, Pilot group, Kent*

That participants mentioned these issues is interesting. We can deduce from this research that while being sent a separate cheque for the CCE helped some to budget more effectively and increased transparency about what they were receiving, we can infer that a letter outlining these details did not have the same effect given that Pilot participants did not spontaneously mention correspondence of this nature that they were sent by TCO on a monthly basis. Thus it would appear that they would also need extra help and support, as provided by helpful TCO staff as outlined above, to help them understand the details of their claim.

**A significant number mentioned that they were interested in being paid on the same day each month rather than every four weeks.** For the majority of these participants, this was because they conceptualised the CCE as an *income* in a similar vein to their salaries, which they received on a monthly basis. Having a single date in their head for when they were due to receive the CCE was easier to remember and therefore manage and plan around.

For a couple of participants though this preference was driven by the kind of childcare they used; in these instances, the participants used childminders who were paid monthly and so it was thought that this system of payments would therefore fit better.

In terms of *how* they were paid, **the majority of participants preferred to receive the CCE via Bankers' Automated Clearing Services (BACS) payments which were considered far more convenient than with a cheque<sup>16</sup>**. With the latter, Pilot participants stated that they would need to make time in often busy days to visit the bank which, with their other demands, was often difficult to manage.

More generally though, a common suggestion for HMRC was that **payments should be made directly to the childcare provider**. This was viewed as an attractive option because it would ensure that childcare was prioritised and paid for. Pilot participants that struggled to budget were particularly keen on this idea. Furthermore, some suggested it would reduce the likelihood of error and fraud, as it would prevent customers from incorrectly or fraudulently claiming for childcare costs that they were not incurring.

## 8.3 NOT JOINING THE PILOT

### 8.3.1 MISUNDERSTANDING THE PILOT OFFER

Even though they did not join the Pilot, **recall of the original letter was high among the Non Take-up group**. However, it is worth noting that recall was higher among those who had expressed an interest and, thus, had had more contact with HMRC about the matter, than those who did not respond to the letter at all. That said, even this latter group typically reported some recall of the latter, especially when prompted by being given a copy.

**One reason for the high recall of the letter was that participants stated that they took any form of 'government' correspondence seriously**, rather than there being anything inherent in this particular letter. As the letter explicitly refers to '*a change to the usual childcare support you get as part of your tax credits*', this recall may also be linked to a general worry about overpayments (discussed below), as well as a sense of frustration and trepidation when dealing with 'the tax people'.

**The letter's contents caused concern for a significant number of those in the Non Take-up group**. Many worried that *any* correspondence about WTC or CCE meant that they might lose some of their benefits – as section 8.3.3 describes, the system of estimating and averaging was considered opaque and difficult to fathom by customers in the Non Take-up group and so they feared that they may be about to be asked to repay some of the money they had received.

**"To be honest, when that first came through I thought oh great, they're going to question our childcare, because we have very high childcare costs."**

*Two-parent household, Non Take-up group, South East*

Recall and understanding were independent of one another. Most people in the Non Take-up group recalled receiving the letter, but their **understanding of the offer was rather poor**. Most people's initial understanding was that the **help that the letter offered came in the form of *increased* financial assistance towards childcare**

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<sup>16</sup> Participants initially received the additional payments as a separate cheque. This was for operational reasons and was changed to a BACS payment in April 2010.



**expenses**, as part of their tax credits award. The letter<sup>17</sup> explicitly referred to changes that “will give you the increased support you need”, leading many to expect more money. As a result, those who then spoke to the DfE Contractor helpline were disappointed to find that the offer was for a redistribution of existing expenses, rather than more money. Thus, it seems that the letter raised unrealistic expectations and the telephone call tended to bring people ‘back to reality’ by explaining that there would not be a great increase in the financial assistance being paid to them.

Indeed, **even those who had gone all the way through the application process still misunderstood the basic nature of the offer**, despite having had several telephone conversations by this stage – one participant stated that ‘weekly’ reporting would be far too much hassle. Indeed, it was found that there was **widespread confusion over the frequency of reporting, whether weekly, monthly, four weekly or less frequent, and how consistently this must be done.**

It should be noted that a significant number of these Non Take-up participants led quite chaotic lives – moving in and out of work and struggling to make ends meet so, in many ways, a system of regular and frequent reporting of childcare costs would have greatly benefited them as it would mean the money they received better matched their circumstances at that specific time.

“I didn’t know I wasn’t going to use childcare. I didn’t know if I’d be doing more hours, less hours. I didn’t know if I’d be using an after school club, a breakfast club, I had no idea. I just had to make it up as I went along basically...it is just impossible to predict and basically that’s what they ask us to do, to guess what our childcare costs are going to be.”

*Two-parent household, Non Take-up group, South East*

On the other hand, because of the frequent variation in their needs and the unpredictability of this, many participants lacked any kind of sense of what their childcare requirements would be over the coming year. Beyond this though, those in the Non Take-up group had **little recall of the transition payment element of the offer**. When explained to them by the interviewer, and despite this part of the offer being intended to mitigate concerns about being paid in arrears for childcare expenses, fears that participants simply would not have the money to pay childminders and nurseries remained high. This linked back to the feeling among participants that their childcare costs were one of their most important bills to pay. As such, anything that threatened the stability of this was a worry for them.

“If I have to wait to get the payment, then I would not be able to pay the childminder on time.”

*Lone parent, Non Take-up group, London*

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<sup>17</sup> See Appendix for this letter.

### 8.3.2 LACK OF INTEREST IN THE PILOT OFFER

Coupled with concern about tax issues in general – some mentioned how much they disliked discussing tax and benefits with “the tax people” particularly the feeling of being “chased” when HMRC contacted them, rather than vice versa – **most felt that this new system of payments would, ultimately, be counter productive.** That is, there was no obvious advantage to them to change the way they received CCE; they preferred the status quo and had a system that, no matter how precarious their finances, largely worked for them if only because they were familiar with it and felt they broadly understood what they had to do in order to fulfil their obligations.

“You know, we’re quite settled with our childcare, so yeah it has worked well for us really over the last few years.”

*Two-parent household, Non Take-up group, South East*

Indeed, this appeared to be the primary reason for not taking up the offer – **without any obvious advantage to them, families who had a settled approach to childcare felt four-weekly reporting would simply be too much hassle.** All felt that contacting HMRC to report costs would be time-consuming, expensive and, ultimately, that these disadvantages outweighed any benefits. For some, this was due to the busy or slightly chaotic nature of bringing up children alone while also working. Others, as we have seen, were reasonably content with the nature of the current set up and so did not see the advantage of going to the effort of switching to a new, more time consuming system. In essence, most simply did not want to ‘upset the applecart.’

“The greater hassle of monthly claims puts me off right away.”

*Lone parent, Non Take-up group, London*

Linked in with this, **many felt that the current system of estimating and averaging costs was manageable for them,** despite considerable increases in their childcare costs during summer and winter holiday periods. Participants who had been using WTC CCE for some time were used to dealing with this situation, **they had budgeting processes in place and were happier receiving a consistent, fixed amount of assistance.** When combined with a regular fixed income, this allowed participants to budget in an organised and regular fashion, thereby finding their own way to compensate for variations in childcare costs.

“In the end I asked my employer, I said can you just please take it off my wages every month, take a little bit off my wages every month, because the money just comes in a lump sum and goes into the bank account. The nursery bills don’t work like that.”

*Two-parent household, Non Take-up group, South East*

A few also debated whether or not they ‘should’ get variable payments to better reflect their costs. While they very much appreciated the help and assistance afforded to them via the CCE, **they questioned the ethics of whether HMRC should be making this help and support any easier for them to manage than it already was.** Instead, they thought that they ought to just deal with any variations in the cost of childcare themselves by, for example, cutting down on luxuries during more expensive periods.

Finally, **a small minority did not understand the notion of variable costs.** For example, those that had only been receiving the CCE for a short period of time had often not experienced a summer holiday period. Therefore, they had not considered the implications of this on their childcare costs. Furthermore, for those that were able to use family or friends to provide informal childcare, there was no concept of variable costs as they relied on these sources for flexible cover when they needed it.

### 8.3.3 EXPERIENCES OF THE ESTIMATING AND AVERAGING SYSTEM

While participants were reluctant to move to another system, calculating average childcare costs was often felt to be problematic for those on the estimating and averaging system. This was largely due to the fact that **they found the process to calculate their level of award to be rather opaque** and they did not understand what factors and issues fed into this. This meant they were never certain that the amount they had been awarded was correct.

*“They never tell you how anything is calculated...They just ask you questions, like how many hours you work, how much you earn, the childcare, etc. etc. etc. and then say right, you’re entitled to this amount. And they will break it down as far as saying this amount will be Working Tax Credit, this amount is Child Tax Credit, this amount is childcare on your initial yearly form, but you don’t know how they work that out. There’s no way of me telling how that has been worked out.”*

*Two-parent household, Non Take-up group, South East*

Several participants told us that they did not undertake the calculation to work out their average weekly childcare costs themselves but, rather, they were asked by staff via the normal HMRC tax credits helpline to provide an *estimated weekly or monthly cost*. Thus, as they did not undertake the calculation themselves, they felt further disengaged from the tax credits system and did not build an understanding of how it worked. This, in turn, fed into their sense of anxiety about whether or not they had received the appropriate amount via the CCE.

However, a small number of families did have a sophisticated understanding of the calculations required and were able to talk in detail about how they approached the arithmetic involved. These participants were those with very organised budgeting systems in place, with higher levels of skills and those who had been claiming for longer.

*“It’s paid monthly, but also the way it’s worked out currently is they say what are your childcare costs for the whole year. So you work out your childcare costs for the whole year, sit down for two hours, work out how many holidays there are, what time off you might have, whether you’re going to take your own holidays in term time or holiday time, so you know how much childcare you’re going to be paying for them times. And you have to work out the whole year, then divide it by 52 and tell them a weekly amount for childcare.”*

*Two-parent household, Non Take-up group, South East*

In terms of managing their claim on the estimating and averaging system, **a significant proportion of participants seemed not to understand what changes they should or should not be reporting.** Of most concern was that there was the misperception that

there was no need to report unanticipated changes in their childcare costs, for instance, if they rose unexpectedly over the summer holidays<sup>18</sup>. Rather, they thought they only needed to get in touch when their *personal* circumstances changed – a new child or a new job. Thus, few believed that the system was as flexible as it was intended to be; most believed that they reported their costs at the start of the year and then left it at that.

## 8.4 EXPERIENCE OF THE ACTUAL COSTS PILOT

**One of the most prevalent attitudes amongst Pilot and Control group participants was how grateful they were for the help and assistance that HMRC and DfE had given them** through the offer. There was a sense from many participants – especially, but not wholly confined to, lone parents – that the assistance had given them that final push towards returning to work or increasing their hours and also provided them with a clear and transparent system of receiving help with their childcare costs.

*“As a single mother, considering going back to work and paying these people childcare fees...it would be a massive negative to doing that if I had to pay that all on my own...I think if I didn’t have that support [from HMRC] I would be going part-time to look after my son, you know?”*

*Lone parent, Pilot group, Southampton*

As discussed in chapter 4, the cost of childcare had been one of the biggest barriers to parents, who were ready to enter employment, either taking up work or increasing their working hours. For those this applied to, the Actual Costs Pilot was crucial in closing these gaps. Parents who previously thought this path was closed to them were suddenly able to not only afford childcare, but choose one that suited the needs of their child, their work journey, the hours they could commit to, and that they trusted.

*“I worked out say that at £3.50 an hour plus two pounds a day for meals, it worked out at £740 a month. Now if you think how much a basic salary would be, probably bringing in what, £1000 a month? Most of that has gone on child care so it’s great that this scheme is encouraging people like me to go back to work and helping out with the child care costs.”*

*Lone parent, Pilot group, Milton Keynes*

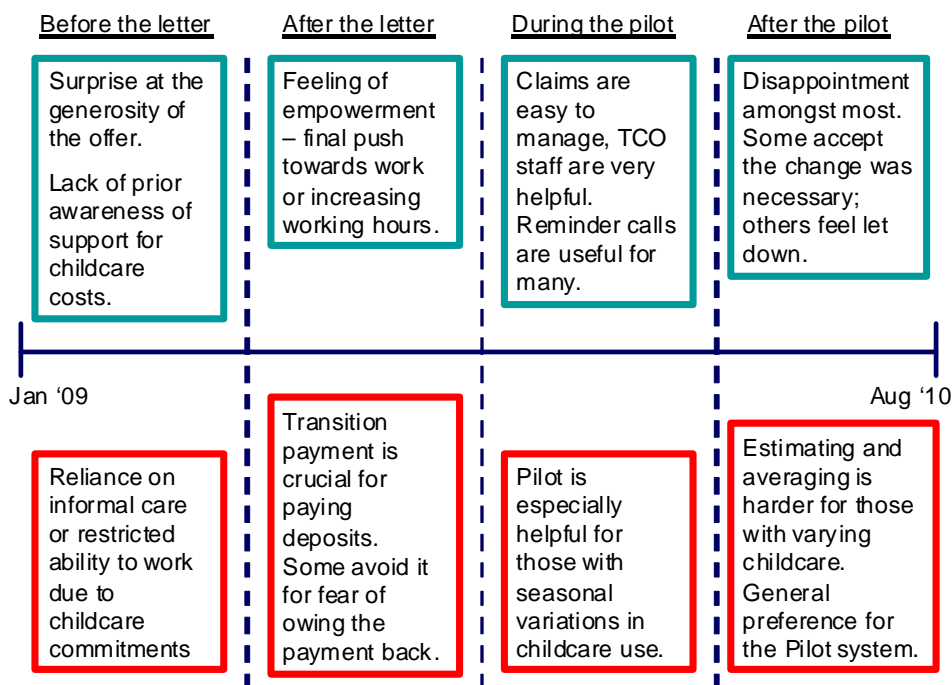
As the chart below demonstrates, **not only were parents overwhelmed by the generosity of the assistance they could get for their childcare costs, but they felt a great sense of empowerment** at being able to make the transition into work, or to increase their work commitments without having to rely on informal care. **The transition payment was an additional booster to their confidence if they required it;** the need to pay a deposit, or pay childcare costs upfront whilst being given assistance in arrears was a daunting prospect for many. Therefore, being able to borrow up to £500 from HMRC in order to secure a place for their child in formal care eased that extra concern for some parents. This was not the case for other parents who, despite needing to pay a

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<sup>18</sup> Under the estimating and averaging system if costs change by more than £10 per week throughout the year, or if they cease using some or all of their childcare, parents are responsible for updating the Tax Credits Office (TCO) and having their award amended.

deposit, decided not to take up the offer for fear of owing a large amount to HMRC. This is discussed further in section 8.4.2. The overall experience of the Actual Costs Pilot is illustrated below:

**Diagram 10: Overall experiences of the Actual Costs Pilot**



### 8.4.1 UNDERSTANDING OF REPORTING RESPONSIBILITIES

The majority of participants on the Pilot scheme felt that they understood their responsibilities in ringing every four weeks to report their childcare costs. They tended to find it easy to report on this basis, especially for parents whose childcare needs often fluctuated due to changing work commitments. Additionally, a number of childcare providers charged on a weekly basis, which made it easier for parents to visualise reporting in this way.

However, there was confusion amongst a few participants as to whether calls should be made four-weekly or monthly. As discussed earlier in section 8.2.3, a number of participants visualised their CCE as an income on the same basis as their salaries – which were also paid monthly. This effect meant that several participants reported their childcare costs late, and often relied on HMRC to call them up and remind them to report their childcare expenses.

“Well I had to phone the HMRC, I had to phone them every month.”

*Lone parent, Pilot group, Folkestone*

While only a small minority relied on this reminder call on a regular basis, many did forget from time to time. The more static childcare costs remained, the more likely this was to happen. Indeed, many found the reminder call a helpful way to meet their reporting responsibilities.

**“I had so many things to think about...I used to forget to ring them. They were always helpful when they rang me.”**

*Lone parent, Pilot group, Brighton*

Furthermore, **even among those who reported to us that they understood that they needed to report their costs every four weeks, this did not necessarily translate into them actually doing this.** Often, this was the case among those whose childcare costs did not change but, instead, were broadly constant week on week. Consequently, managing their childcare costs was not something that was at the top of their minds for these participants. Indeed, this group were more likely to say that four-weekly reporting was not the best way for them to make their claim as, given the stability of their circumstances, four weekly reporting seemed unnecessary and cumbersome.

**“Mine [childcare costs] are generally quite static and you know, my circumstances don’t really change. It’s a bit inconvenient for me to keep ringing them up.”**

*Lone parent, Pilot group, Southampton*

This was especially the case if the amounts being claimed were fairly low. **Pilot participants who were using a minimal amount of weekly childcare, and were sometimes placing claims for as little as £10 for the previous four weeks, often said it was a hassle to remember to call HMRC,** when they did not notice the loss of money to their monthly budgets. Such claimants expressed their desire to be part of the Pilot scheme to show their recognition and gratitude towards the principles of the Pilot, but felt it to be a burden to call every four weeks for such a small amount.

**Participants on the Pilot scheme understood what information needed to be provided when calling every four weeks and found it easy to provide.** They tended to hold on to childcare bills and/or note down their use of childcare in a diary so they were ready to report to HMRC. For those that used the same childcare every month, they were often able to keep costs ‘in their head’. By providing information every four weeks, Pilot participants found it easier to keep track of costs and report accurately, and were confident that they were providing HMRC with the right figures.

A minority, however, still lacked confidence in reporting their costs to HMRC even on this four-weekly basis. Indeed, one couple commented that they found it difficult to calculate their total four-weekly claim as their costs came from a few different providers. In this instance they felt they would prefer to send their childcare bills directly to HMRC so that there was a paper trail and they did not have to work out the total of their four-weekly claim themselves. This was linked to the feeling amongst a few that there was nothing tracking how much they reported their childcare costs to be to HMRC. Whilst the accuracy of their own claim was not doubted, they feared consequences of overpayments without evidence of their correspondence. Indeed a couple of participants also feared that without a paper trail, the ability for other Pilot claimants to fraudulently claim over their childcare costs was made possible.

Pilot participants generally understood that they could claim for childcare provided through a nursery, but **some assumed that they would not be eligible for financial support for other forms of formal childcare, such as afterschool clubs.** This often was due to their notion of ‘care’ itself; a full-time nursery was perceived as both

educational and developmental, whereas afterschool sports clubs were seen more as convenient for work purposes, and a chance for their child's leisure pursuits. It also stemmed from the amount that childcare cost; for low-cost providers such as morning clubs, it was assumed that such small amounts could not be claimed back. This suggested that while participants understood the notion of the maximum claim, **a few felt there was a minimum claim too**. The participant below was one example where she placed her daughter in an after school club at a greater expense, but did not feel that the morning club she used was over a perceived minimum threshold.

**“She goes into a morning club for 40 minutes, it’s only £2.00, I can’t claim that back. Well I don’t think you can, I’ve never tried. It’s £40 a month for 40 minutes a morning for me to get to work. Can I really claim that?”**

*Lone parent, Pilot group, Folkestone*

#### **8.4.2 UNDERSTANDING OF THE TRANSITION PAYMENT**

Participants, who needed to pay a deposit to their childcare provider before securing their child's place with the provider, were very grateful for the help offered by HMRC for a transition payment. Although approximately half of those interviewed used the assistance from HMRC, **all who knew of or had used this assistance felt it was a necessary and generous addition to the offer**.

Roughly half of those interviewed within the Pilot took up the offer of the transition payment. Amongst those who had used the transition payment, it was often a crucial component to ensuring work and childcare were compatible. **Without such help, many participants felt they would not have been able to afford the upfront payments**, and consequently would have missed out on taking up their chosen childcare provision.

**“I got the full £500. The childminder wanted money up front and being a single mum, being on benefits up till then, I didn’t have that kind of money to hand so it was helpful.”**

*Lone parent, Pilot group, Milton Keynes*

However, **it was often the case that parents avoided using the offer of a transition payment, even if a deposit was required** for the childcare place. This was related to the fear of owing extra money to HMRC, and being worse off in the long-run by paying back a large amount of money. A number of means were used to avoid what they considered a 'loan' from HMRC – either by budgeting around the deposit, using savings to pay for it, or relying on parents or family to help pay for it. The transition payment is discussed in more detail in section 8.6.

**“We didn’t want to start borrowing money and then worrying about not getting as much from your payments. It’s easier just to pay it ourselves, and then have the guaranteed assistance isn’t it?”**

*Two-parent household, Pilot group, Crawley*

### 8.4.3 EXPERIENCES OF CALLING HMRC TO REPORT COSTS

On the whole, **Pilot participants were very positive about staff responsiveness when reporting costs.** Getting through to the dedicated team at the TCO was generally perceived to be unproblematic and easy to manage, as it involved quickly providing information on childcare costs from the past four weeks. Pilot participants said that they **often spoke to the same member of staff every four weeks and felt that they developed a good relationship with them**; queries were also perceived to be answered promptly and efficiently. Experiences here were often in stark contrast to previous and subsequent dealing with the normal HMRC tax credits helpline outside of the section dedicated to the Pilot, where participants were often put on hold, and impersonal members of staff had been encountered.

### 8.4.4 MISSING CALLS AND REMINDERS

Many Pilot participants said that they missed calls to report costs and so received a reminder call from HMRC. They reported finding it difficult to remember to call every four weeks, mainly due to the demands they faced of managing their busy lives which combined work, taking care of children and running a household. These participants often stated that they relied on these reminder calls and, without them, they suspected they may have had their award stopped.

*“I work full time, and when I come out I’m looking after [my son], I have a really busy, demanding job...So a couple of times they’ve rung me and say “We were expecting a phone call”. They ask about how much I’ve paid out. So that’s been really helpful.”*

*Lone parent, Pilot group, Southampton*

This led to most of those that received a reminder call to describe it as a helpful prompt in the management of their claim. On the other hand, however, **a few felt they were being ‘hassled’ when HMRC called to remind them to report their childcare costs.** Pilot participants that remembered to call mainly said that this was because they noted the dates down in a diary. This was felt to be necessary as calls were not due on the same day each month, but every four weeks.

### 8.4.5 CUSTOMERS’ EXPERIENCE OF CHANGES IN CHILDCARE COSTS AND THE 4 WEEKLY SYSTEM

**For the majority of Pilot participants, especially those with young children, the same amount of childcare was used every four weeks** and so costs were the same each time they reported them. Some in this group were happy with the four-weekly system as it was the only set-up they knew (and they were averse to change), but others said that they would find it more convenient to report an annual average and receive payments on this basis.

**For those that experienced changes in their childcare costs, the four weekly system was seen to be particularly helpful as it better reflected the costs they incurred at any given time.** A few Pilot participants experienced changes in their childcare costs between the first and second interviews. These changes were driven by a number of factors: some felt no need to use formal childcare anymore due to a change in their employment situation (moving out of work or reducing hours) or because their



children moved into school. In other cases, more formal childcare was taken up to reduce the burden on friends and family and so costs increased, while in others the level of use was reduced due to financial pressures. HMRC could be informed of these more permanent changes of circumstances via the standard reporting system. As such, the Pilot was felt to make it easy to report these changes as this could be done during the regular call.

**Only a small number of Pilot participants stated that they found it difficult to deal with receiving payments in arrears;** most said they never felt 'out of pocket' as their award was paid within a few days of phoning HMRC. This is interesting given that a considerable number felt they were struggling to pay their childcare bills prior to joining the Pilot. This may be linked to the finding that, prior to receiving support from HMRC, Pilot participants were 'making do' as best as they could to ensure that they could pay for childcare anyway.

**The majority of Pilot participants were unaware that they could draw forward payments from future months to help them with the costs of childcare.** This was partly because the overwhelming majority of participants felt that with up to 80% of their costs covered by HMRC, and the payment process putting them into arrears for only a few days, they did not need any extra money to cover the costs. As such, most did not mention to the TCO that this would be a problem – and were therefore not told about drawing forward payments. Furthermore, when this option was explained in interviews, there was some aversion to the idea, as many did not want to owe HMRC money. In a similar vein to some participants' dislike of transition payments, parents did not want the burden of a loan to pay back – partly due to a fear of overpayments, but also due to a general aversion to debt, as discussed above in section 2.3.

#### **8.4.6 SEASONAL VARIATIONS IN CHILDCARE COSTS FOR PILOT GROUP PARTICIPANTS**

On the whole, seasonal variations in childcare costs for Pilot group participants were linked to a number of factors with the age of the children in question being the strongest determinant here. Once children were of school age, Pilot group participants had to contend with organising childcare (such as childminders and clubs) during the school holidays which they reported had a huge impact on their childcare costs.

There were also other factors that participants discussed in relation to seasonal variations. In terms of employment, shift work allowed parents to adjust their working hours to accommodate the seasonal variations in their childcare needs. Working part time often helped parents to cover seasonal variations in a similar way.

### **8.5 UNDERSTANDING THE END OF THE PILOT**

The Pilot was initially offered to participants for a year, but following the 2010 Election, CAP09 was scaled back and ended in August 2010 for those who had not taken up a transition payment, and September 2010 for those who had. A number of the Pilot group were therefore only able to take up the offer for between 6 and 11 months.

### 8.5.1 COMMUNICATIONS FROM HMRC AND UNDERSTANDING OF THE END OF THE PILOT

Although Pilot participants all understood that the Pilot scheme was coming to an end, **there were mixed levels of understanding about moving onto the estimating and averaging system, and what this meant in terms of their responsibilities.** There was also a feeling that they were less engaged with the end of the Pilot than they had been during it, stemming mostly from the fact that the end of the Pilot was communicated to them via a letter. Given that their interaction with HMRC had been almost entirely telephone based for the duration of the Pilot, and participants reported building up a good relationship with staff they spoke to, this manner of communications therefore seemed slightly jarring.

There was also a sense that the tone of the letter was too final - “you will receive no further payments” – which left some concerned as to whether they would be able to claim anything at all in the future.

“Look – their letter says “the scheme is closing” and that “you will receive no more payments”. And another letter, “thank you for taking part in the childcare scheme...We have worked out your final childcare costs payment”. I mean it all sounds as if that’s it, it’s over.”

*Two-parent household, Pilot scheme, Crawley*

**Many participants on the Pilot were not surprised to see it end, seeing it as an expected result of the government spending cuts.** Most people expressed disappointment, even though they acknowledged that it was a Pilot scheme and would not last forever. A minority, however, were quite bitter about the Pilot’s end and saw it as a cut to the help available for people on lower incomes. This was because although the amounts being offered to participants was the same as under the Pilot, many understood averaging to mean a lower total than under the actual costs system. This is discussed further in section 8.5.2. A minority felt that the estimating and averaging system was more sensible and less bureaucratic, and would be easier and more appropriate for many people on the Pilot scheme.

**There was considerable confusion about how claims would be transferred on to the estimating and averaging system,** with many Pilot participants assuming that the amounts they could now claim were a lot lower. This mainly stemmed from parents’ understanding of the term ‘average’ – expressing that it would not include one-off childcare usage, or unexpected childcare usage. Where this had been a claim they could make under the actual costs system, they understood that the averaging system only allowed them to claim for definite and known childcare use at the beginning of each year. As such, the total they would be claiming was seen as lower than under the Pilot. In one instance, the claimants were unaware that they had actually moved on to the other system altogether. In this case, as their average claim had been made at the same time as they had given their last Pilot claim, they had subsequently misunderstood the terms of their new claim. They asserted that they had received no further written communication about their estimated claim and, as such, were unaware that they were receiving payments each week, until they actually checked their award notice, highlighting many participants’ confusion over the end of the Pilot.

More extreme, there was also a minority of participants who, when told about the parameters of the estimating and averaging system that they could move onto, decided that it would be too difficult for them to predict their childcare costs over the year. This resulted in them ceasing their claim for the CCE.

### 8.5.2 UNDERSTANDING OF CHANGES TO THEIR RESPONSIBILITIES

Understanding how the move onto the estimating and averaging system would change their responsibilities for claiming childcare assistance varied greatly among participants. Though **most claimed to understand the terminology of estimating their annual childcare costs, many were not fully aware of how to calculate this**, or understood that predicting their annual costs included irregular or seasonal periods of childcare use. For many, the understanding of ‘average’ meant childcare use that was regular and calculable at the start of the claim – seasonal childcare in this sense did not come under their cognitive understanding of average. The notion of seasonal variation was poorly understood, while few parents were able to accurately predict when they would be in or out of work or need extra care over the months ahead.

The difficulties of estimating childcare use within the Working Tax Credit are explored in HMRC research conducted by Ipsos MORI in 2009.<sup>19</sup> The level of understanding of the estimating and averaging system amongst participants on the Pilot is covered in more detail in section 8.7.

**The understanding of the transition period between moving from the Pilot onto the averaging system was also mixed** amongst the Pilot group participants. Parents who were well engaged with the system appeared to believe that the transition would be immediate, and called up to give their estimated claim immediately. Others proactively called the TCO to give their final actual costs claim and were transferred to another office immediately, removing the necessity of this being done at the time of their final Pilot call. These participants tended to be well aware of the responsibilities expected of them under the estimating and averaging scheme, due either to having read about the conditions of the system since hearing about the end of the Pilot, or understanding the terms of the CCE as similar to their responsibilities for receiving their main WTC award. Such participants tended to be long-term claimants of WTC (though not CCE) and, as such, were more familiar with the system. They also tended to have more regular hours of work and childcare use, which aided them in being able to estimate their annual childcare use more accurately and with greater ease.

Many were less clear on this matter though. The end of the Pilot occurred during the summer months, when many parents with school-aged children had placed their children in summer holiday clubs to cover the six weeks. For those participants who were uncertain whether the estimating and averaging system would begin immediately, the cost of paying the holiday period childcare became a concern. In the case of one participant, the amount she would have to pay if the new system *did not* start immediately was enough for her to withdraw her children from the childcare.

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<sup>19</sup> See Ipsos MORI for HMRC (2009) ‘Cognitive Testing to Investigate Customers’ Understanding of Processes Relating to the Childcare Element of Working Tax Credit (WTC)’.

“I cancelled the last half week of the holiday camp because that’s when I received the letter through saying they weren’t funding anymore...and if I wanted I could apply to tax credits instead. I mean you’re talking hundreds of pounds here...I had no idea what I’d be entitled to so I cancelled it by faxing [the childcare provider] a letter terminating it.”

*Lone parent, Pilot group, Woking*

As such, whilst most participants who moved out of the Pilot scheme understood the theory of the estimating and averaging system, their practical understanding of their responsibilities, when the new system would be enacted and whether they were being moved onto the new system *at all*, was very varied. These variations arose according to how far participants actually understood the new system when it was explained to them at the time of making their last claim under the Pilot. Those who understood the change well also understood their own responsibilities, whilst those less clear about the explanation of the new system were not only less likely to understand their responsibilities, but more likely to remain disengaged with it and how they could ensure their claims were accurate.

## 8.6 PAYING BACK THE TRANSITION PAYMENT

**There was some confusion experienced amongst Pilot participants who had taken up the transition payment – approximately half of those we spoke to on the Pilot scheme - about the terms by which they would be expected to pay it back.** In part, this confusion was felt to be a result of their conversations with the TCO during which staff were thought to be unable to give a clear answer as to how transition payments were to be repaid.

“All they said was we will take it when it comes near to the end of the year, or we’ll just deduct it from the money that we give you...But they never said when that would happen so they never made it clear.”

*Lone parent, Pilot group, Milton Keynes*

Furthermore, participants’ ability to pay back the transition payment was very dependent on their budgeting skills. Those with reliable and familiar budgeting systems in place were far more able to cope with the loss of money when paying the transition payment back than others. For those less adept at budgeting, processes for paying back the initial payment ranged from those who negotiated for the payment to be taken out of the CCE payments over a couple of months, to those who simply prioritised it over other expenditures. This latter group often found that, as a result, their payment of other household bills suffered as a consequence.

“It just meant I’ll have to pay the electric a bit later, not much you can do about it.”

*Lone parent, Pilot group, Isle of Wight*

The hardship these participants felt as a result of having to pay back the transition payment resulted in a number of complaints from a small minority. Some felt that not

enough warning had been given (possibly an unavoidable outcome of ending the Pilot early) and that taking the transition payment in the first place had been more trouble than it was worth due to their falling into arrears on other bills as they attempted to pay back this money to HMRC.

## 8.7 MANAGING TAX CREDITS CLAIMS

### 8.7.1 GENERAL UNDERSTANDING OF RESPONSIBILITIES IN CLAIMING THE CHILDCARE ELEMENT

Claimants who were offered the Control system of assistance, were moved onto a process of estimating and averaging from the beginning, and had no knowledge of the Pilot system of reporting costs based on the actual use over the previous four weeks. As such, they present an interesting contrast to the attitudes of those members of the Pilot group who transitioned onto the estimating and averaging system at the end of the Pilot, who were familiar with both approaches.

Amongst those estimating and averaging, a mixture of levels of understanding with regard to their obligations to HMRC emerged. **Knowledge of the responsibility to estimate an annual amount of childcare costs appeared to be widespread** – though was difficult to carry out in practice for some, particularly those who equated the notion of an estimated average with an approximation.

Those who felt they understood the estimating and averaging system and how to calculate their annual childcare costs tended to have stable working hours and used childcare regularly throughout the year. This meant that calculating an average cost was fairly straightforward – some parents explained the process of dividing their annual cost by 52 weeks to gauge their average weekly cost. Having children of pre-school age tended to lend itself to more easily calculable average costs – with few variations in childcare use throughout the year, regular use meant that constant costs were spent.

**“As soon as you’ve had that through, you wait for your payslip at the end of April, what you’ve earned that year, phone them up, that’s what I’ve got.”**

*Lone parent, Pilot group, Folkestone*

In contrast, there were a few Control participants with *varying* circumstances who also stated that they understood the averaging system. These parents usually had school-age children, but felt that they understood the estimating and averaging system and could predict childcare use throughout the year. These parents tended to be very able financial managers, and were able to work out the annual use of childcare even where school holidays meant that variations in annual childcare came up.

Overall, however, most parents – whether they felt that they were able to calculate their annual childcare costs or not – were **unclear as to whether the amount they actually received was accurate or not**. When probed, very few participants had actually checked their tax credit award to ensure they were receiving the correct amount – and even those who had were unable to gauge if what they being paid was correct. In contrast to those who received separate payments, many felt this was difficult to do

when their CCE came as one payment along with their WTC; they were unable to distinguish how much should be put aside for their childcare costs.<sup>20</sup>

**“Just looking at the paperwork, I didn’t get answers as to what I was getting...there was just no rhyme or reason to it.”**

*Lone parent, Control group, Surrey*

Furthermore, a strong theme emerged amongst both Pilot and Control groups that **parents were often under-claiming for their total childcare use**. The reasons for under-claiming depended on whether parents were in the Pilot or Control groups: for the Pilot group, lack of understanding of what types of childcare was eligible was a factor here; while for the Control group, reporting of changes to the yearly estimate was incorrectly calculated from the start. This is explored in more detail below. Many parents who understood the principles of estimating and averaging their costs for the year were not actually carrying out these principles in practice. When probed about changes in circumstances, many did not realise that they should update HMRC on changes to their childcare costs throughout the year, if there was an increase or decrease in their average weekly childcare costs by £10 or more. Participants described their understanding of estimating their childcare costs as that which they were *certain* they would be using throughout the year. This generally meant regular, in many cases term-time, childcare use. Consequently, in cases where childcare providers might be used irregularly throughout the year, such as in school holidays, many parents did not claim for these in their original estimate.

It appeared from this that **many claimants understood the estimating to be a one-off process**; they could place their estimate initially but, from this point, their claim was non-adjustable. This was compounded by the fact that, often, they did not feel able to accurately predict their entire childcare use for the whole year – only those months for which their care requirements would remain regular. Thus, they preferred to leave childcare use they were uncertain about out of their predictions rather than guess incorrectly.

**“I’d rather under quote than over quote.”**

*Lone parent, Pilot group, Woking*

This kind of behaviour was closely linked to their fear of overpayments, as discussed further in section 8.7.5. However the consequence of not updating HMRC with unexpected need for childcare was either that parents would struggle to pay the cost of formal childcare from their salaries, or they would make sacrifices to avoid using formal care at all. Claimants illustrated this with examples of avoiding the extra cost of the summer holidays by using a mixture of shift changing, using up their annual leave and relying on informal care – where available.

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<sup>20</sup> Pilot participants mentioned this issue in spite of the fact that they were sent a letter every four weeks which outlined precisely what they were receiving from WTC and the CCE.

## 8.7.2 SEASONAL VARIATIONS IN WORK AND CHILDCARE COSTS – HOW THE DIFFERENT GROUPS MANAGED THESE CHANGES

**Amongst those on the Pilot, managing seasonal variations in work and childcare costs was understandably easier, as they were able to provide their costs to HMRC on a four weekly basis.** However, there were some Pilot participants who were not claiming for one-off childcare needs (such as a childminder for the day or holiday clubs) and this was often financially challenging for them, as discussed above in section 8.7.1. For example, one lone parent who did not realise she could claim for holiday clubs prior to the first interview was extremely annoyed about this; she said that the cost of childcare in summer 2010 made her consider giving up work as she believed she would be better off on benefits.

**For Control participants who experienced unexpected seasonal changes in childcare, a significant number were aware that they could report this to HMRC and their annual claim would be updated.** Not all who understood this actually did so though. For instance, if an unexpected day's training came up for which their children would need to be in an extra session of nursery, it was common for both Control participants and those who had moved from the Pilot onto the estimating and averaging system to feel it was more hassle than a benefit for them to update HMRC on such small amounts of extra childcare use<sup>21</sup>. For some this was actually quite a struggle to pay for, but they felt this was a natural consequence of the estimating and averaging system.

Some participants on the estimating and averaging system fully understood the ramifications of seasonal variations in childcare and, to cope with this, reported needing to be very organised in both how they managed their money and their tax credits claim.

**“For any childcare I need in the summer I’m just going to have to ring up and say the average has now changed, and I’m going to have to split it sort of like two weeks’ worth of full-time summer camp into 52 weeks and just change the average.”**

*Lone parent, Control group, Southampton*

However, for others who lacked the ability to budget appropriately, managing seasonal variations in costs proved to be very challenging. Where Control participants struggled to pay the childcare costs, they ‘got by’ by dipping into savings, borrowing or accepting money from family members or ensuring that their children were looked after for free (by a partner/ex-partner, older siblings, other family members or friends).

**This issue with budgeting was a particular problem for Pilot participants who were on the estimating and averaging system by the time of the second interview. While**

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<sup>21</sup> Please note: This example is not valid for all participants. Claimants should notify HMRC if there is an increase or decrease in their average weekly childcare costs of £10 a week or more. For parents who pay fixed weekly childcare costs, this means there is an increase or decrease in their actual weekly childcare costs by £10 or more, and the cost applies in each week for at least 4 weeks in a row. For parents who pay variable childcare costs (or monthly childcare costs), there is an increase or decrease in their average weekly childcare costs by £10 or more.

**they understood the theory behind seasonal variations, and how this should be managed, few actually practiced this.** The reality of having to put money aside for future months, when responsibilities and costs came up throughout the year made it very difficult to budget accordingly. Section 8.3 discusses the experiences of estimating and averaging amongst Non Take-up group participants, and why they felt this system was preferable to the Actual Costs Pilot, namely that they were used to the estimating and averaging system and had developed budgeting techniques to account for variations in childcare costs.

**“I mean technically I could open a second account and put the money in there and save that for the summer [holidays], but I don’t think many people are that organised to be honest.”**

*Lone parent, Pilot group, Woking*

### **8.7.3 EXPERIENCES OF ESTIMATING AND AVERAGING SINCE THE END OF THE PILOT**

Most Pilot participants moved on to the estimating and averaging system once the Pilot ended, but there were mixed levels of understanding of their responsibilities to HMRC and what they were entitled to. Indeed, there was a strong sense among these claimants that since they had moved onto the averaging and estimating system that they were being paid less, as discussed earlier in section 8.5.1.

A few people did not move on to the estimating and averaging system, but this was generally because circumstances changed which negated the need for childcare; for example, a child moved into school and a nursery place was no longer needed, or a participant stopped working for health reasons.

It was much more unusual for Pilot participants to completely opt out of the estimating and averaging system because they did not understand it but this did happen in a few cases. In one case, a Pilot participant did not claim under the new system as she did not understand what she was eligible for (she therefore removed her daughter from an after school club). The experiences of these claimants are discussed in section 8.5.

### **8.7.4 PERCEPTIONS AND UNDERSTANDING OF RESPONSIBILITIES WITH ESTIMATING, FINANCIAL MANAGEMENT AND ABILITY TO PUT MONEY ASIDE FOR FUTURE MONTHS**

Whereas many claimants on the Pilot system felt that their assistance based on actual costs had been transparent and definite, **they did not feel as satisfied with the payment process of estimating and averaging.** Across all participants who moved from the Pilot scheme to the estimating process, there was a sense that the calculations were unclear, that there was an uncertainty in predicting childcare usage for the whole year, and that having it spread across 52 weeks gave rise to some uncertainty about whether costs would always be covered.



“It’s not a guarantee in the same way. I don’t work the same days, the same hours. They change. That was ok before.”

*Lone parent, Pilot group, Folkestone*

**Many customers discussed the lucidity of the Pilot process; that it was based on reality and, therefore, more tangible.** This was partly because the payment for childcare was paid separately from the rest of their WTC award, an element of the Pilot programme which all Pilot claimants found very useful in order to compartmentalise their budget for childcare. It was also however, because when variations in childcare costs did occur, parents did not have to think ahead and budget accordingly.

“Although I do get the same amount back from tax credits, it’s not as versatile as [the Pilot scheme] was.”

*Lone parent, Pilot group, Woking*

Many people who had variable working hours were also unable to predict how this would affect their childcare use over the year. As discussed in section 8.7.1 above, this meant that many parents were not factoring into their claim any hours of formal childcare that were irregular. For some parents, the continual variation due to seasonal work each week meant that managing to report accurately was extremely difficult, and they ended up not updating HMRC with changes to childcare costs. Some parents in this situation noticed that this meant they were receiving less from the CCE than they had received during the Pilot scheme. For some, this prompted concern about the overall affordability of the childcare they were using.

“I need to work out if it’s financially worth it. But I’m scared to find out that it isn’t – I don’t want to change the pattern I have for [my son] and I want him to think it’s important to work. So I’m avoiding working out if I’m better off in work or not.”

*Lone parent, Pilot group, Isle of Wight*

### **8.7.5 UNDERSTANDING AND EXPERIENCE OF OVERPAYMENTS**

**The fear of overpayments was a very real concern for many participants,** whether those in the Non Take-up group who had been receiving WTC and CCE for some time, those in the Control group, or those who moved onto the estimating and averaging system after having been on the Pilot. This concern stemmed from a mixture of previous experiences of overpayments from their WTC award, word-of-mouth from their friends and family, and media coverage. It led many to question the consequences of predicting their childcare use over the year, and then not using that amount of childcare after all.

“When I was trying to work it out, I had a figure...but what if I don’t use as much childcare next year? Will I be penalised and will I have to pay money back because I don’t want to be in that situation at all.”

*Lone parent, Control group, Surrey*

“I’ve spoken to them and said I’m not using that much childcare, I’m using this much childcare. Hopefully, they will just change the amounts accordingly and I won’t end up with a big overpayment. But last year I had a big overpayment which I’m paying back now by direct debit at £36 a month. You know, they said I could pay it back over a period and, to be honest, I can’t even remember what that overpayment was for.”

*Two-parent household, Non Take-up group, South East*

This fear of overpayments was understandable – despite most participants living careful lifestyles, finances were invariably extremely tight so the need to repay any money received could cause severe problems for the household budget.

### **8.7.6 CUSTOMERS WHO HAD NOT MOVED ONTO THE ESTIMATING AND AVERAGING SYSTEM SINCE THE END OF THE PILOT**

A few participants had not moved onto the estimating and averaging system after the Pilot ended, and this was for a number of reasons. For the most part, this was not a result of misunderstanding of the estimating and averaging system, but due to a number of external circumstances that rendered claiming the CCE irrelevant. In a few cases, parents had left work either due to redundancies or ill health, and had therefore not been able to claim the childcare costs within their WTC. In one instance, an increase to the couple’s income meant they no longer felt the need to claim WTC anymore, and were paying for their son’s afterschool club with their own salaries. In all other cases, parents had removed their children from formal care – partly due to the cost, and partly because they were now available to look after their children during the day.

“I don’t need him to be in the afterschool club anymore, I’m around.”

*Two-parent household, Pilot group, Dover*

However there were also a few participants whose lack of understanding and trust in the accuracy of the estimating system drove them to cease claiming the CCE. Generally these claimants tended to have erratic patterns of childcare use, and did not feel confident enough in their ability to either predict annual childcare use, or to check whether their claim was correct. The attitudes and concerns of participants who felt their childcare claims were less reliable as a result of the estimating system are discussed earlier in section 8.5. However, for those whose concerns with the lack of transparency of the estimating system were great enough to withdraw them from the process altogether, this had a severe impact on their use of childcare. No parents who ceased claiming the CCE were still using formal childcare; parents had either returned to relying wholly on informal care, or were re-negotiating their working hours in order to avoid periods where their children were not being cared for.

“I’ve steered clear of [the childcare provider] ever since this averaging thing came out because I can’t predict what I’m going to do, so I’d rather not predict anything.”

*Lone parent, Pilot group, Woking*

## 8.8 HOUSEHOLD BUDGETING

### 8.8.1 BUDGETING, TAX CREDITS AND CHILDCARE

As discussed above, without CCE, few participants felt they would be able to afford formal childcare. Most experienced restricted economic flexibility whereby one unexpectedly large bill could cause problems for the household finances.

*“To be honest, it is just a case of struggling by. It is just a case of looking and saying right, we’ve got a bill from the nursery for however much, that means we’ve only got however much left to spend on shopping this month...it is day to day struggling.”*

*Two-parent household, Non Take-up group, South East*

Budgeting was considered to be something of a hassle by all, but also a necessary evil. Approaches to budgeting varied considerably. While all budgeted to some extent, this was on a spectrum from well-organised computer spreadsheets with all monthly incomings and outgoings detailed to more informal week-by-week budgeting. However, some lacked basic budgeting skills and relied on outside help, for example money management schemes provided by their bank. It is worth noting that budgeting approaches did not seem to be related to the income level of the participant, with different types and complexities of budgeting behaviour being found across the income spectrum.

Three broad types of budgeting behaviour seemed to exist among participants:

- **No formal budgeting** – often struggled to make ends meet and were confused about exact amounts involved in outgoings and income, which made them reluctant to spend money.

*“It’s just a case of keeping a very close eye on it all and it is more luck than judgement.”*

*Two-parent household, Non Take-up group, South East*

- **Some order within a chaotic system** – informal household ‘pot’ but not very well managed, with no detailed itemising of expenses or income.

*“I think we probably sat down and worked out how much everything costs in terms of your electric and all that sort of thing so you’re just perhaps aware of it and try to stick to a bit of a budget with food shopping and that kind of thing.”*

*Two-parent household, Non Take-up group, London*

*“It’s just common sense. I’ll go shopping and just get what we need...I know where my bank balance should be and if it’s less than that, I stop all luxuries.”*

*Two-parent household, Pilot group, Woking*

- **‘Super budgeters’** – detailed breakdown of all income and outgoing expenses. Rarely seen behaviour and seemed to be driven by skills derived from either their current job or educational experience.

“I’ve got something on my spreadsheet... so I know what my weekly outgoings are, because I like to work with a week and then, you know, see how it builds up into the month. And then as soon as my main bills, utilities, have been paid out I know what I spend averagely in terms of food and transport and all the other stuff. Then I work out whatever I’ve got left is either it’s saved towards the holiday club or other stuff for emergencies.”

*Lone parent, Non Take-up group, South East*

Finances were rarely totally compartmentalised by those on the Control or Non Take-up groups. Indeed, this was only seen amongst ‘super budgeters’, though some Pilot participants felt that the separate payments helped them budget, as discussed below in section 8.8.2. Instead, there was usually a notional ‘pot’ into which all income (including both wages and benefits) were paid and from which all expenses, including childcare costs, were taken. For a small sub-section of participants, receiving the same amount for childcare each month therefore made budgeting simpler and more straightforward, regardless of how childcare costs varied because this removed much of the uncertainty over how much money would be paid and when .

### 8.8.2 BUDGETING FOR CHILDCARE

Childcare was considered a key item of expenditure for the majority of participants, and one bill that they were keen to pay in full and on time. **Receiving the CCE via a separate cheque then separate BACs payment therefore enabled Pilot participants to more easily do this for the duration of the Pilot.** However, for participants in the Control and Non Take-up group (as well as those that later moved onto the estimating and averaging system) all incoming payments tended to go into one household ‘pot’, from which all outgoings were taken. This is in contrast to the Pilot group, who appreciated the way that they received a separate payment, allowing them an easier way to monitor childcare costs more closely, rather than within the totality of household finances.

This led several participants on the estimating and averaging system to speculate about the possibility of childcare payments being made directly to the childcare provider, rather than having to go through the families themselves – many felt this added unnecessary complication to the process (see section 8.2.3 Payment Process for further discussion of this).

“There’s nothing when you have your payment or anything like that telling you how much of that is for childcare or... and obviously none of it goes direct to the nursery...I would much rather they paid it directly to the nursery.”

*Two-parent household, Non Take-up group, South East*

## 8.9 CONCLUSION

This chapter looked at the experiences of those participants who both decided to register and participate in the Pilot scheme, as well as those who declined to take up the offer. It discussed both the processes of joining the Pilot scheme and claimants' experiences of this, as well as their experiences during and after the Pilot ended. Other issues covered included the levels of understanding of the offer letter; reasons for not joining the Pilot, and experiences of managing tax credit claims.

Calculating average childcare costs was often problematic for those on the estimating and averaging system. This was largely due to the fact that **they found the process to calculate their level of award to be rather opaque** and they did not understand what factors and issues fed into this.

**The notion of seasonal variation was often poorly understood.** Moving onto the estimating and averaging system was positive for those with stable work and childcare. These families found it relatively straightforward to predict their childcare costs across the year. In contrast, those with fluctuating circumstances found it harder to understand and predict seasonal variations. Thus, they had a more negative experience of the end of the Pilot.

**For Control participants who experienced unexpected seasonal changes in childcare, a significant number were aware that they could report this to HMRC and their annual claim would be updated.** Not all who understood this actually did so though. It was common for both Control participants, and those who had moved from the Pilot onto the estimating and averaging system, to feel it was more hassle than a benefit for them to update HMRC on small amounts of extra childcare use.<sup>22</sup>

**Understanding of the offer varied between Pilot group and the Non Take-up group.** There were **some misunderstandings over frequency of reporting** – four weekly or monthly being a point of confusion. There were also lapses in reporting on time, with fairly stable or consistent costs making failing to report costs on time more likely. Indeed, a small number of participants relied on the reminder call from HMRC as a prompt to report their costs.

The **Non Take-up group, on the other hand, generally believed the letter to be offering greater financial assistance than they already received** and were surprised to find that this was not the case once the offer was explained to them in more detail. Indeed, as this group had become accustomed to claiming via the estimating and averaging system and were reliant on the steady income it provided they were reluctant to move to the Pilot scheme. Without greater financial assistance, it was simply **deemed to be not worth the effort of switching to a new system and the increased contact with HMRC that this implied.** Even among those that had reached the point of expressing an interest in joining the Pilot, understanding was poor – there was widespread confusion over the frequency of reporting, how consistently this must be done and little recall of the transition payment. This group was driven by a sense that altering the status quo was unnecessary. **They had been using the estimating and**

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<sup>22</sup> Claimants should notify HMRC if there is an increase or decrease in their average weekly childcare costs of £10 a week or more.

**averaging system for some time and this was now fully integrated into the way their household budgets were managed.** In this way, seasonal childcare costs were typically considered only within the context of the overall household budget – any variation was absorbed by cutting back on other expenses or luxuries.

In contrast, Pilot participants were very positive about the payment process, and **also showed a clear preference for having the CCE paid separately** to them from the rest of their WTC. This was because it allowed childcare costs to be managed entirely independently of the rest of their budget.

**Some parents avoided the transition payment, even if a deposit was required** for the childcare place. This was, in large part, due to the fear of owing extra money to HMRC and being worse off in the long-run by paying back a large amount of money.

**Both Pilot and Control groups believed the offer letter to be generous; they were very happy to receive it and expressed considerable surprise at the levels of support available to them.** In turn, this letter provided considerable impetus to moving back into work or increasing working hours.

## 9 CONCLUSIONS

### 9.1 KEY MESSAGES FROM THE PILOT

The notion of seasonal variations was poorly understood, with many parents unable to accurately predict work and childcare needs over the coming months. Therefore, for those **on the Pilot, managing seasonal variations in work and childcare costs was understandably easier, as they were able to provide their costs to HMRC on a four weekly basis.**

Pilot participants were very positive about the payment process, and **showed a clear preference for having the CCE paid separately** to them from the rest of their WTC. This was because it allowed childcare costs to be managed entirely independently of the rest of their budget.

While the Pilot group generally felt that they understood the offer well and that moving onto the scheme was simple and straightforward, there were some misunderstandings over frequency of reporting and lapses in reporting occurred. **In particular, those with stable costs found that remembering to call every four weeks was rarely at the forefront of their minds.** This led many to **occasionally rely on the reminder call from HMRC before reporting their childcare costs.**

Due to the level of service by the TCO staff, Pilot participants were able to understand the payment process, and the extent to which claiming the CCE was helping them meet their childcare costs, thus making the Actual Costs system more attractive to parents.

In contrast, **many Control participants who experienced unexpected seasonal changes in childcare were unaware that they could report this to HMRC and their annual claim would be updated.**<sup>23</sup> Furthermore, not all who understood this actually did so. It was common for both Control participants, and those who had moved from the Pilot onto the estimating and averaging system once the Pilot ceased, to feel it was more hassle than a benefit for them to update HMRC on such small amounts of extra childcare use. Indeed, this notion that it could be burdensome to contact HMRC was a key reason underpinning the behaviour of the Non Take-up group.

**The end of the Pilot and the move onto the estimating and averaging system resulted in mixed outcomes for parents.** Those with more constant work and childcare circumstances found predicting their childcare use fairly easy. In contrast though, those with varying circumstances found it much harder to understand and predict seasonal variations. This suggests that the Actual Costs system worked most effectively for those with variable costs, rather than those with more static costs. Furthermore, Pilot families felt that the Actual Costs system was more transparent, and easier to comprehend than the estimating and averaging system.

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<sup>23</sup> If parents' average weekly childcare costs change by more than £10 per week throughout the year, or if they cease using some or all of their childcare, parents are responsible for updating the TCO and having their CCE award amended.

**A lack of awareness of the support available was the key constraint on parents moving into work.** Parents across all three groups shared a strong belief in the socio-economic benefits of being in work – for both the individual and the wider family. Parents believed that working conveyed a positive message to children, and felt to an extent that there was a stigma attached to claiming benefits.

**Once Pilot and Control parents were made aware of the support available through the offer letter, their transition into work was for the most part rapid** – so long as the main elements of finding suitable work and childcare occurred at roughly the same time. It is important to remember, however, that by definition these participants had found work by the time of interview, and were thus successful jobseekers.

In terms of the childcare providers used, **few parents were keen to rely solely on informal care.** In part, this was due to a reluctance to be a burden on their families and friends. However, this was also because they believed that formal care was highly beneficial, socially and educationally, to their children. This was particularly common among families with only one child, as other opportunities for socialisation with other children were rare. For most, there was a preference for a mixed approach, with formal care providing social development but informal care allowing a strong bond with the family to be maintained.

## 9.2 THE NON TAKE-UP GROUP

This group were already receiving the CCE under the estimating and averaging system and were offered the opportunity to report their costs differently by moving onto the Actual Costs Pilot, but declined to do so. Unlike the Pilot and Control groups, the Non Take-up group generally believed the letter to be offering greater financial assistance than they already received and were surprised to find that this was not the case once the offer was explained to them in more detail. Even among those that had reached the point of expressing an interest in joining the Pilot, understanding of the offer was poor – there was widespread confusion over the frequency of reporting, how consistently this must be done and little recall of the offer of a transition payment.

This group had become accustomed to claiming via the estimating and averaging system and were reliant on the steady income it provided. They coped with seasonal variations in childcare costs by cutting back on any other expenses or luxuries. This was partly due to the way that they budgeted whereby the CCE was fully integrated into their overall household budget. They were reluctant to move to the Pilot scheme; without greater financial assistance, it was simply deemed to be not worth the effort of switching to a new system and the increased contact with HMRC that this implied.



## 10 APPENDICES

Please see separate appendices document.

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