

# **Childcare Affordability Pilots (CAP09) - 100% Costs Pilot: the importance of cost as a driver of family decisions about work and childcare - a data analysis report**

**Kevin Goodman**

**HM Revenue and Customs**

The views expressed in this report are the authors' and do not necessarily reflect those of the Department for Education.

© Crown Copyright 2011

Copyright in the typographical arrangement and design rests with the Crown. This publication may be reported free of charge in any format or medium provided that it is reproduced accurately and not used in a misleading context. The material must be acknowledged as Crown copyright with the title and source of the publication specified.

Executive Summary.....	2
Introduction.....	4
Background.....	4
Families Targeted by Pilots.....	5
Processes for customers.....	6
Management Information.....	7
Impact of providing more generous childcare support to parents.....	7
Number of families who move into work and childcare in the pilot group versus the control group .....	7
To what extent is affordability of childcare a barrier to the take up of employment and formal childcare .....	10
Reported costs (were these higher for pilot versus control group?) .....	13
Whether take-up rate differs between different sub-groups (e.g. lone parents and couples) .....	16
Number of families who registered an interest in the offer without moving into work / childcare in the pilot group compared to the control group .....	18
Reasons why families said they weren't interested in the offer .....	19
Discussion on the reasons for 'low take-up' .....	20
Conclusions .....	21

## ***Executive Summary***

This pilot looked to assess whether increasing the childcare element of tax credits acted as an incentive for people to move into work. Data analysis in this evaluation shows that cost is not a single, critical, factor influencing family decisions as to whether to move into work and childcare. It may however have importance in terms of the childcare chosen and is certainly one of a number of factors a family will consider before making the decision to work. Where this data analysis report explains the bare numbers of what families did over the pilot period please also refer to the research element of the Childcare Affordability Pilot (CAP09) project<sup>1</sup> which assesses the reasons behind their behaviours and provides clarity as to the decision processes families go through.

Letters were sent to a sample of 'out of work' families<sup>2</sup> inviting them to join a pilot offering payment of 100% of their eligible childcare costs under the tax credit rules. The results were compared with a control group of families who could claim 80% of their eligible childcare costs through tax credits. Whilst the number of families actually joining the 100% pilot is relatively small, all data indicators suggest that affordability of childcare is not a primary barrier for families looking to move into work.

Whilst some families who were sent an offer letter took up the 100% support offered, significantly more families moved into work and formal childcare outside the CAP09 system of enhanced benefits, so received the standard childcare support available through the tax credits system. Those families moving into work tended to do so some time after the offer was made and families may have forgotten the offer, especially if in the control group where no enhancement was given. Nonetheless, even in the pilot group, nearly three times as many families failed to register their movement into work and childcare via the dedicated CAP09 team within HM Revenue & Customs, so something about the offer and / or follow up has failed to be clear, or there are other factors than cost driving this behaviour.

Of the families who did register via the CAP09 system there are few distinguishing features compared with those moving into work under the on-going tax credits rules. Certainly the offer has been taken up much more by single parent families than couples. Across the five local authorities in the pilot families in one (Croydon) seem to have responded more favourably and another (Hillingdon) less so. Why this is so is unclear but may be due to the low numbers involved leading to volatility in percentage results where small numbers of families actually move into work.

It has not been possible to assess why families chose not to accept the 100% offer. Unfortunately the Call Centre contractor was unable to supply some of the key data explaining why families did not register any interest in the offer.

---

<sup>1</sup> CAP09 research report: Qualitative Research into Families' Experiences and Behaviours in the Childcare Affordability Pilots (CAP09): 100% Costs Pilot

<sup>2</sup> These families were deemed 'out of work' as HMRC records showed that they worked less than 16 hours a week

It has also not been possible to ascertain from pilot data whether the movement of families into work was a sustainable move or not. The pilot period was restricted to less than a complete year so there is insufficient data to track families across all the seasonal issues<sup>3</sup> arising each year.

---

<sup>3</sup> It is known from HMRC administrative data that childcare awards increase between July and September each year, presumably covering the school summer holiday period.

## **Introduction**

The Childcare Affordability Pilots 2009 (CAP09) were set up amongst other things to assess the impact of providing alternative forms of childcare support to families moving into work. A number of pilots were set up across government departments and local authorities and this paper examines one of the three that were run by HM Revenue & Customs (HMRC).

The 100% pilot offered to pay families with children 100% of childcare support, rather than 80% under the tax credits system, and payment up to higher limits than under the current tax credits system. The maximum limits of childcare costs that could be claimed under the 100% pilot were:

- Up to £215 per week for one child (up from £175 per week in tax credits)
- Up to £350 per week for two or more children (up from £300 per week in tax credits)

The primary aim of this report was to test whether higher levels of childcare support acted as an incentive for parents to move into work, or increase their hours, and take up formal childcare<sup>4</sup>. In addition this report assesses average childcare costs faced by CAP09 participants across a number of local authorities in London<sup>5</sup>. The CAP09 pilot ran for less than a year. With a relatively low take up and reduced payment period this has meant that whilst results are robust when the sample is assessed overall, they are at best indicative when breaking down the samples into smaller groups to look at specific factors such as the number of children or family set up.

The 100% of costs pilot targeted families with children who lived in five London boroughs (Camden, Croydon, Greenwich, Haringey and Hillingdon), with all the following characteristics:

- Have children (age under 15 or disabled children age under 16);
- Out of work families including single earner couples (working hours between 0 and 15 per week);
- Household income up to £16,000 in 2008-09.

## **Background**

Families with children who work 16 hours or more per week are entitled to receive childcare support within the Working Tax Credit system. The proportion of eligible childcare costs covered by the childcare element was 70% when Working Tax Credit

---

<sup>4</sup> Note that for Tax Credit purposes, moving into work means working 16 hours or more a week. Those working 15 hours or less receive childcare benefits via the New Deal run by Jobcentre Plus. The 100% pilot therefore applied to those already working 15 hours or less or not working at all and whether they either increased their hours to 16 or more or moved into work, also for 16 plus hours a week.

<sup>5</sup> To see if these rise as families are able to access better quality childcare or increase their working hours.

was first introduced in April 2003. It was then increased to 80% from April 2006 onwards. The government announced in the 2010 Spending Review that childcare benefits will return back to 70% from April 2011.

The maximum limits of childcare costs that can be claimed are:

- Up to £175 per week for one child
- Up to £300 per week for two or more children

A previous HMRC internal study looked at the effects of increasing the proportion of support from 70% to 80%. The results suggested that there was no obvious evidence of any behavioural effects, either in terms of movements into work and/or childcare, or higher costs reported by those already claiming childcare support. This analysis however was hampered by a lack of a suitable control group.

Even if it is accepted there were no behavioural effects arising from the 2006 reform, the effects of increasing the proportion of support from 70% to 80% could be fundamentally different to those from increasing it from 80% to 100% with higher limits of childcare costs. Under the latter, parents would not need to pay for any childcare costs themselves<sup>6</sup>, and for that reason they may increase the hours of childcare or have an incentive to use more expensive / better quality childcare providers<sup>7</sup> rather than a provider that can provide the best value for money.

## **Families Targeted by Pilots**

This section looks at the methodologies on how the target families were selected for this pilot.

It was considered important to select five boroughs that were largely representative of London<sup>8</sup>, so that generalisations could be made about the impact of the pilot, if introduced London-wide.

The Index of Multiple Deprivation (IMD) score was used to select five London boroughs which when weighted by population, broadly matched the weighted value for the whole of London. Similar checks were performed relating to the availability of childcare and ethnicity values.

Pilot and control groups were allocated at random on the basis of postcodes. This allocation made sure that the pilot and control groups had the same pre-pilot characteristics, which is very important from the evaluation point of view. Secondly, this reduced the likelihood of families living next door to each other receiving different offers of support. If one was assigned to the pilot group and one to the control group as this may have been perceived to be unfair.

---

<sup>6</sup> If they are already working 15 hours or less and benefitting from the New Deal run by Jobcentre Plus they would not feel worse off if they increase their hours and move into the Tax Credits system.

<sup>7</sup> Or a disincentive to use cheaper childcare providers

<sup>8</sup> London was selected because it experiences a wide range of childcare poverty issues



## Processes for customers

The pilot started on the 26<sup>th</sup> May 2009 and the deadline for the registered families to move into work and childcare was on the 5<sup>th</sup> April 2010. Families were to receive the new system of support for one year after moving into work. The process was as follows:

- Letters were sent to the pilot families, outlining the extra 20% of childcare support in the case of the pilot group, or support under the current tax credits system in the case of the control group;
- In the letter, families were invited to call a helpline run by an external Department for Education (DfE) contractor if they wished to register an interest in the offer;
- A random sample of families who did not call in received an outbound call from the DfE contractor asking if they wish to register their interest;
- Those families with whom the helpline did not make contact, received a reminder letter;
- Those who registered an interest received Keep-In-Touch (KIT) calls after 2, 10 and 18 weeks to ask how their job or childcare search was progressing;
- When families secured work and childcare, they were transferred to a dedicated team in the HMRC Tax Credits Office, who managed their claim thereafter.

Most of the initial calls were handled by the DfE contractor helpline rather than the normal HMRC tax credits helpline. After families secured work and childcare or if families had queries on tax credits, calls were transferred to a dedicated team in the HMRC Tax Credits Office (TCO). This was to help reduce the impact on HMRC resource and operational components necessary to deliver the pilots.

## Management Information

This section looks at the data held by HMRC in the TCO Pilot Office, on HMRC's main Tax Credit systems, on the DfE contractor's call centre database and at other data research undertaken by HMRC in this area. This management information is analysed for pilot and control groups. A number of key questions were set out for analysis at the start of the pilot and these precede each section in bold grey type.

### Impact of providing more generous childcare support to parents

#### Number of families who move into work and childcare in the pilot group versus the control group

Only a small number of families moved into work and childcare.

Figure 1 below shows that just over 18,000 letters were sent to both pilot and control group families. These were followed up as planned by telephone contact and a number "Registered an Interest"<sup>9</sup> in the pilot. The increased 100% payment offer seemed to encourage families to either seek work and to enter employment or increase their hours for those who engaged in the CAP09 process.

Figure 1: Pilot set up information – 100% costs pilot

	Pilot Group	Control Group
Mailed	18,296	18,292
Inbound Calls	1,741	1,319
Proportion	10%	7%
Outbound Calls	6,749	6,831
Proportion	37%	37%
Registered an Interest	1,087	701
Proportion	6%	4%
<b>Moved into work &amp; childcare<sup>10</sup></b>	<b>141</b>	<b>59</b>
Proportion <sup>11</sup>	0.8%	0.3%

Further investigation of pilot and control group families using HMRC Tax Credit data however revealed that a significant number of pilot and control group families did enter employment, or increase their hours, but did NOT register this via the CAP09 processes. Those not registering via the CAP09 process did not receive any uplift in payment. Analysis suggests no demographic differences between those who engaged in the CAP09 process and those who did not. The CAP09 research did not look specifically at families who went into work but not via CAP09. This then may be worth further study<sup>12</sup>.

<sup>9</sup> 'Registered an Interest' are those families who when contacted by the DfE contractor both registered an interest in the pilot and declared that they were looking for work.

<sup>10</sup> Figures are based on families who have moved into work and childcare through the CAP09 process.

<sup>11</sup> The proportion of families who registered an interest and moved into work & childcare were 13% (pilot) and 8% (control)

<sup>12</sup> Though please refer to the section "Discussion on the reasons for 'low take-up'" for a short review of possible reasons.

Figure 2: 100% costs pilot – families who moved into work and childcare

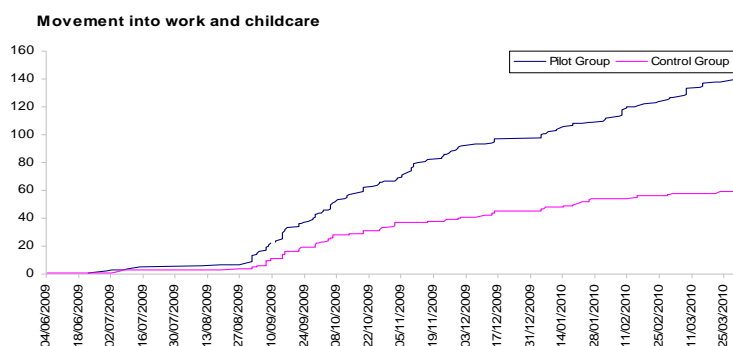
	Pilot Group	Control Group
Gone through CAP09 process	141	59
Not gone through CAP09 process	332	412
Total <sup>13</sup>	473	471

Of those not claiming their childcare benefits via CAP09 in the pilot group 64% who found work 'Registered an interest' with the CAP09 team whilst in the control group 68% had 'Registered an interest'.

Overall there is some positive impact on movement into work and childcare for those engaging in the process, though this does still leaves the question as to why so many pilot families who moved into work and formal childcare ignored the improved offer and went through the standard HMRC TCO procedures.

Where families who did take up the 100% offer have moved into work and received childcare, figure 3 shows that there was little movement at the beginning of the pilot up to August 2009 amongst the pilot group participants. There was however a large uplift at the start of September 2009 coinciding with the start of the school year<sup>14</sup>. The movements into work and childcare slowed down towards the end of February 2010.

Figure 3: Movement into work and childcare



As figure 4 shows the rate of movement into work for Pilot and Control groups, whether via CAP09 with increased awards or not, is about the same.

<sup>13</sup> More families moved into work and childcare after the foreshortened pilot period. The totals were 605 pilot families and 632 control families by the end of September 2010.

<sup>14</sup> Please refer to the CAP09 research report for a discussion on the complex issues families take into consideration when making decisions about moving into work and childcare.

Figure 4: Proportion of families who moved into work, whether via CAP09 and claiming the enhanced award or not

	<b>Pilot Group</b>	<b>Control Group</b>
Via CAP09 (up to April 10)	13%	8%
Not via CAP09 - up to April 10	31%	59%
Not via CAP09 - Apr to Oct 10	12%	23%
<b>Overall</b>	<b>56%</b>	<b>90%</b>

Given that the majority of families who registered an interest (in pilot or control group) did indeed move into work, it would suggest that the finding of work and childcare follows a standard pattern and that at best<sup>15</sup> the pilot offer did encourage some families to move into work who were unsure about this step at the time.

A look at all movements into work in figure 5 for the pilot and control groups, for those who went via CAP09 and received the uplifts, and those who did not, shows that, for those families who did engage with CAP09, the movement into work happened on average sooner in the year than for those not engaged with CAP09.

Figure 5: time periods taken for families to move into work, both for those who registered for 100% benefits via CAP09 and those who did not.

<b>Through CAP Process</b>	<b>Period between Offer letter and finding work / childcare</b>	<b>Number</b>	<b>Percentage</b>
Not via CAP09	Before offer letter	<b>223</b>	22%
	Within 3 months	<b>225</b>	22%
	Between 3 & 6 months	<b>206</b>	20%
	Between 6 & 12 months	<b>328</b>	32%
Via CAP09	Before offer letter	<b>3</b>	2%
	Within 3 months	<b>96</b>	48%
	Between 3 & 6 months	<b>69</b>	35%
	Between 6 & 12 months	30	15%

Familiarity with the offer then may be a factor as those who went via CAP09 is strongly skewed to the earlier periods in the pilot. A review of the offer letter itself reveals that Tax Credits and HMRC per se were not mentioned so it is possible recipients did not realise that these were connected. The DfE contractor's management state that their staff were trained to draw the link but may not have done so in some cases.

<sup>15</sup> 'At best' because for those that did engage with the CAP09 processes more families in the Pilot group than the Control group moved into work and childcare

## To what extent is affordability of childcare a barrier to the take up of employment and formal childcare

This section looks at the additional amounts of childcare support claimed every 4 weeks by pilot group families. Did they claim increasingly large amounts as a higher percentage and upper limit were available? Secondly, did family childcare claims tend to be within the existing upper limits or did they increasingly utilise the higher limits in the CAP09 pilot? If they did utilise this increased upper limit then what does this tell us about affordability as a factor in the decision as to whether to work or not?

Figure 6 shows the number of payments made each month to pilot group families who entered work and the average amount paid<sup>16</sup>

		Average reported 4 weekly costs	No. of claims
<b>2009</b>	June	Not available	Not available
	July	Not available	Not available
	August	Not available	Not available
	September	£665	17
	October	£677	50
	November	£688	87
	December	£677	87
<b>2010</b>	January	£696	91
	February	£694	104
	March	£785	142
	April	£779	116
	May	£788	118
	June	£767	136
	July	£802	103
	August	£787	95

The average number of top up requests<sup>17</sup> in 2009 is too small to be indicative in that outlying extreme amounts unduly affect the overall average. Even in 2010 the numbers are small but overall there is no obviously increasing trend in reported costs other than a step change in March 2010. With the pilots terminating early there are no full annual figures to assess whether the higher post March levels were sustained. What can be concluded is that

- Should there be a seasonal effect in average childcare costs, HMRC's monthly childcare data suggests this should happen around July to September each year.
- The 100% pilot costs remain on the standard Tax Credits childcare cost basis of averaging payments across the year. Assuming families are able to predict childcare changes and are able to average them once they do so then there should be no seasonal variation in costs.

<sup>16</sup> Payments are made 4 weekly so allocating payments to a month has been difficult and hence why in March 2010 we report 142 Pilot group payments when only 141 families registered.

<sup>17</sup> Families were asked to inform the HMRC TCO team when they moved into work and childcare. Basic 80% support was taken from the standard tax credit account with the additional 20% 'top up' calculated and paid for via the CAP09 pilot.

The costs reported in the CAP09 pilot do however show a step change but in March, not the summer months. Whether this is down to some error in calculation, or whether families are starting to utilise the more generous benefits to extend their work hours or to buy better quality childcare is unknown. Both may be factors.

The results in Figure 7 show that just under half of the pilot group families benefited from the increased upper limit.

Figure 7 shows the number of pilot families who made claims that needed to use some or all of the increased upper limits

	<b>No. of pilot families</b>
Utilised the increased limit	64
Did not need the increased limit	71
Not known	2

Note: there were 141 100% pilot group families who moved into work and childcare but only 137 who actually claimed top up payments from HMRC TCO. 'Not known' is where the TCO record does not include detailed of the reported weekly cost.

This is significantly higher than the national average where only about 5% to 6% of families reach the upper limits<sup>18</sup>. However it should be noted that the pilots were in London<sup>19</sup> where average costs are anyway higher than elsewhere in the country so it can be assumed that the percentage of people needing to utilise the upper limit across the UK would be much lower than in London. Nonetheless the increase in the utilisation of the higher upper limits is significant and suggests families did use the higher offer for higher childcare awards. Again, whether this was to allow them to work longer hours or to obtain better quality childcare is looked at in the research report of the CAP09 pilot.

It is possible that making 100% payments might affect the childcare market in terms of the prices they charge. HMRC has undertaken some economic research into this area but findings to date have not yet been published. The essential findings however are that

- a) HMRC believe that government benefits do not significantly affect the price elasticity of price in the childcare market.
- b) Government childcare benefits account for around 30% of expenditure in this market.
- c) Over the last five years reported childcare costs have increased by around 32%, compared to 15% Cost Price Index (CPI), 18% Office for National Statistics (ONS) Childcare Prices Index and 17% Average Earnings Index.
- d) Of the 32% childcare cost increase HMRC estimate that
  - i. 60% arose through natural price inflation
  - ii. A significant proportion arose through incorrect reporting of childcare costs with tax credits.

<sup>18</sup> From HMRC administrative data

<sup>19</sup> Reported average weekly costs in London are over 40% higher than elsewhere in the country (source: Child and Working Tax Credit Statistics - Finalised annual awards 2008/09: Geographical analyses)

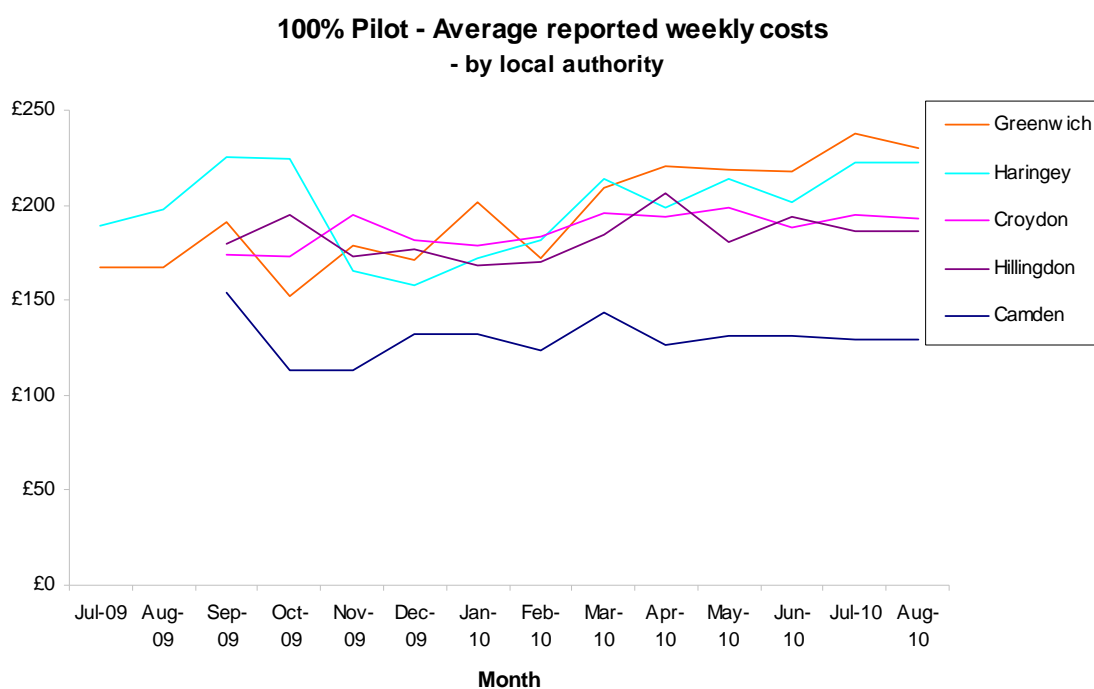
These two elements then explain the majority of price change so leading to HMRC's belief that the existence of benefits themselves had only a minor affect.

Note though here that this assessment was based on a system of 80% benefits. It is quite possible that a system of 100% benefits may have a greater impact on market price elasticity.

## Reported costs (were these higher for pilot versus control group?)

This section of the report reviews average reported weekly childcare costs for the pilot and control groups and whether these vary by local authority, or number of children in childcare. Please note that as the data is sub-divided into these areas the number of claimants becomes very small so any findings become less robust.

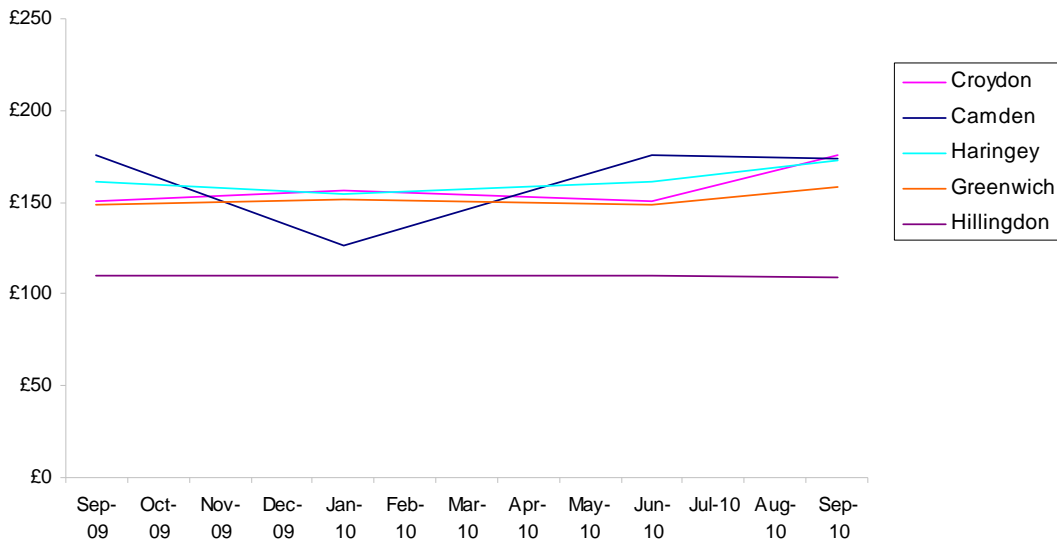
Figure 8 shows how reported weekly costs of childcare for each local authority, for each of the pilot and control groups, to see if the availability of 100% payments drove up average costs



Average reported weekly costs in the pilot group for 3 local authorities remain fairly static but one, Greenwich, seems to report increasing costs post April 2010, whilst another, Haringey reports a dip between November 2009 and March 2010. This may be simply down to the small number of claimants in the group where one or two outliers can change the overall picture.



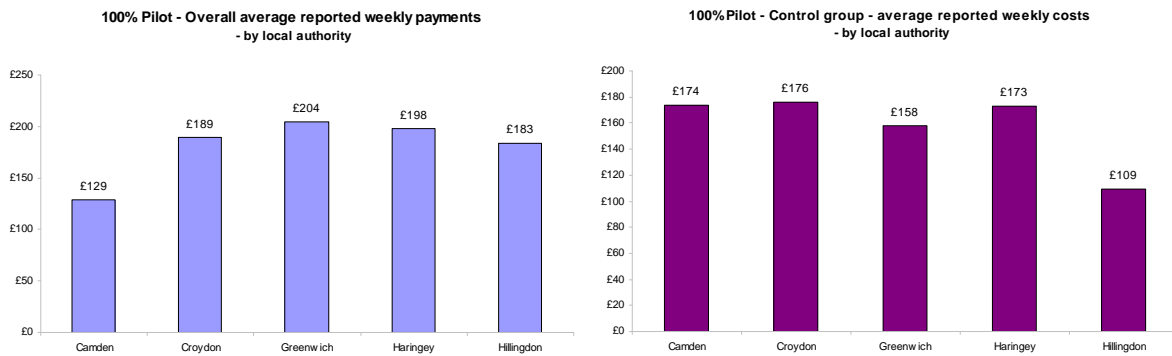
**100 Pilot - Control Group - Average reported weekly costs - by local authority**



The reported weekly childcare costs in the control group appear to remain reasonably static throughout the pilot period<sup>20</sup>.

Certainly there appears to be no pattern of a difference in reported weekly costs comparing pilot to control group so provides no evidence that the 100% pilot encouraged families to seek more expensive childcare<sup>21</sup>.

Figure 9 shows the overall average care costs reported by families residing in each local authority.



Of the local authorities Croydon shows no real difference between pilot and control groups. Greenwich and Haringey are a little higher in the pilot group whilst Hillingdon is significantly higher in the pilot group. A review of social research will be enlightening here to see if other recognisable factors such as location rather than cost in finding childcare drive behaviour or it might be that the costs charged by providers simply vary by area even within London. Cost however is clearly not a single defining factor.

<sup>20</sup> Hillingdon results are not representative as the sample is made up of entirely 1 child families thus resulting in a lower average weekly cost.

<sup>21</sup> Again it must be stressed that as data is subdivided between already small samples caution is needed in interpreting variations between groups.

Overall average costs, 1 child families		
	Pilot	Control
Camden	£142	£111
Croydon	£152	£135
Greenwich	£152	£157
Haringey	£177	£132
Hillingdon	£157	£110

Camden breaks any trend with higher costs on average reported in the control group however this is skewed by the number of multiple children families in this area in the control group and when this factor is removed the results become more similar.

Figure 10 shows the average reported weekly costs for childcare dependent on the number of children in childcare, as declared when the pilot period started



A look at costs by number of children in childcare again suggests no pattern can be discerned. If we strip out the number of children as a factor whilst we might expect higher costs where there are more children this was not the case in Camden but was true elsewhere. Again the small sample sizes may have affected these results.

## Whether take-up rate differs between different sub-groups (e.g. lone parents and couples)

This section looks at any variations related to family set up or local authority.

Family set up is categorised as out of work lone parents, out of work couples and single earner couples, with the categorisation based on the TCO record at the start of the pilot<sup>22</sup>. A review of the TCO record shows that the family status of a few families has changed over the pilot however the number is very small and numbers have been suitably adjusted to account for one family per record.

Overall there does seem to be a greater likelihood for 'lone parents' to respond to the 100% pilot offer more than those categorised as a 'couple'.

Figure 11 shows the number of families, by family type, who moved into work and childcare at various points in the pilot. The pilot group split shows how the recorded family type at the point that the pilot period started.

Pilot families finding work and formal childcare	Sep 09	Jan 10	Sep 10	% at Sep 10	Pilot Group split	Control Group <sup>23</sup>
Out of work couples	2	5	7	5%	14%	8%
Out of work lone parents	37	80	115	82%	62%	68%
Single earner couples	9	12	19	13%	24%	24%
<b>Total</b>	<b>48</b>	<b>97</b>	<b>141</b>			

A review of results by local authority is harder to assess.

Figure 12 shows the percentage of families in the pilot and control groups residing in each local authority at the start of the pilot and the percentage of families in each group who found work (also split across the local authorities)

Shows split of families in each Local Authority, overall and just those families in work	Pilot Group		Control Group	
	All families split:	Families in work split:	All families split:	Families in work split:
Camden	14%	9%	13%	15%
Croydon	25%	36%	25%	29%
Greenwich	19%	20%	21%	24%
Haringey	23%	21%	22%	20%
Hillingdon	18%	14%	18%	12%

The movement into work seems to form a similar pattern within each local authority though the movement in Croydon in particular in the pilot group is greater. Because of the low take up figures this is only indicative that in Croydon the additional payments gave a greater incentive to move into work and childcare more than

<sup>22</sup> The proportion of single parent families is significantly higher in London than elsewhere in the UK - National Statistics: Figures published April 2010: Child and Working Tax Credits Statistics

<sup>23</sup> This figure is the equivalent to the % at Sep 10 split for the Pilot group. Clearly again we see a greater propensity for out of work lone parents to be attracted to the 100% offer

elsewhere. This is perhaps worth further study especially in comparison to Hillingdon and its local characteristics to see why the movements there are different.

A review of the number of children in registered childcare in each local authority shows some variation between local authorities but again the numbers are too small to be anything other than indicative.

Figure 13 shows the number of children registered in formal childcare in each local authority for those families who took up the 100% offer

<b>Pilot / Control</b>	<b>No. of children in childcare</b>	<b>Camden</b>	<b>Croydon</b>	<b>Greenwich</b>	<b>Haringey</b>	<b>Hillingdon</b>
Pilot Group	1 child	8	29	17	19	14
	2+ children	4	22	10	9	5
Pilot Group Total		12	51	27	28	19
Control Group	1 child	2	9	9	8	7
	2+ children	7	8	5	4	
Control Group Total		9	17	14	12	7

## Number of families who registered an interest in the offer without moving into work / childcare in the pilot group compared to the control group

Given the number of those who registered an interest in the CAP09 pilot who did not move into work and childcare are high, whether via CAP09 or not, here even relatively small variants (more than 2%) are robust at the 95% confidence level

Figure 14: families who registered an interest in the 100% pilot but did not move into work and childcare<sup>24</sup>

Split of families by family set up where interest registered but work not found	Pilot Group	No. of families	Control Group	No. of families
Out of work couples	9%	35	10%	22
Out of work lone parents	72%	282	71%	159
Single earner couples	18%	70	19%	43

Family set up, whether as part of a couple or a lone parent, shows no real variation in terms of whether someone, interested in the idea of 100% payments, nevertheless fails to find work and childcare. Whether this is because the pilot was terminated early and there was insufficient time (effectively they had from September 2009 to March 2010) or some other reason is not known from the data.

Split of families by Local Authority where interest registered but work not found	Pilot Group	No. of families	Control Group	No. of families
Camden	8%	13	11%	25
Croydon	32%	125	32%	72
Greenwich	21%	82	21%	47
Haringey	20%	78	19%	43
Hillingdon	18%	70	17%	38

There is also a lack of variation across local authorities except in Camden where it seems families are less likely to remain out of work and childcare once they became aware of the 100% offer. To match this there should be an increased percentage moving into work in the pilot in Camden from the pilot. In fact this is not the case (see figure 12 above) so from the data findings it can only be concluded either that the response to the pilot offer was too low to allow robust assessment and / or the number of families that moved into work and childcare, but not through the CAP09 process, have made it impossible to draw any concrete conclusions.

<sup>24</sup> This refers to families who did not move into work via the CAP09 uplifted benefits process. As noted earlier a significant number of these families did move into work but for some reason not via CAP09

## **Reasons why families said they weren't interested in the offer**

It has not been possible to assess why families stated they were not interested in the 100% costs award pilot from HMRC administrative data or the DfE contractor's data. Please see section 9.5 in the CAP09 research analysis on this topic for better insight.

## ***Discussion on the reasons for 'low take-up'***

The take up of the 100% pilot from the overall mailing group appears at first sight in Figure 1 above to be low at 0.8% for the pilot group and 0.3% for the control group. Inclusion of all families that moved into work and childcare, whether via CAP09 or not, results in take up of 2.6% for the pilot group and 2.6% for the control group.

From Figure 4 however, in terms however of families that registered an interest in CAP09, and stated they were looking for work and formal childcare, the percentage that actually moved into work and childcare is 52% for both groups. However, as noted above, the majority of these families did not pass through the CAP09 process. With more families moving into work and childcare after the foreshortened pilot period (the totals were 605 pilot families and 632 control families by the end of September 2010) this equates to 56% of the pilot group and 90% for the control group.

This is a significant portion of the families who registered an interest in the pilot / control groups earlier on and would suggest that families that say they are considering work do mean it regardless of the childcare benefits, though writing to families about the childcare award may have prompted some earlier action.

The data analysis then suggests that cost whilst not being a 'magic bullet' in policy terms for moving families into work may well be a factor in the hierarchy of considerations families consider.

This then leads to two key questions:

- 1) Was the take up actually low or is this a genuine reflection of families' ability / desire to move into work given their specific circumstances?
- 2) Why did so many families, especially in the generous pilot group, register their move to work and childcare via standard HMRC claim processes rather than via the CAP09 pilot and claim the 100% benefit?

HMRC administrative data analysis looking at all out-of-work families in London in April 2007 showed that some 12% were in work one year later and that of these around 3% were in work and childcare. The CAP09 results then far from being 'low' are in fact as expected taking the full group of work and childcare families. What is possibly 'low' is the number who registered via CAP09 for the increased support so reasons for take up levels might better look at the CAP09 delivery mechanisms.

Given the generosity of the 100% pilot the reasons so many families who moved into work and childcare did so outside the pilot so missing on the enhanced benefits is then of interest.

The movement of families into work outside the CAP09 pilot is more skewed towards longer periods after the offer letters were sent out so to some degree this may be due to forgetting over time.

## **Conclusions**

Affordability of childcare is not a 'magic bullet' that will move families into work or extend their hours but is one of a hierarchy of factors that families consider once they start to consider work as an option. This aligns well with much econometric literature that states that family decisions to work are negatively correlated to childcare costs i.e. that costs are indeed a factor that may deter families from working but that it is one of many factors and in many cases is secondary to many other issues families need to deal with.

The roll-out of this pilot was well planned and went smoothly. Whilst take-up rates, both of those who registered an interest in the pilot and in moving into work might appear low they appear to align with evidence collected through the CAP09 research and from HMRC administrative data. given what we know about the voluntary nature of the pilot, the overall movement into work of the pilot and control groups and the fact that cost itself is not the single defining factor in their consideration of work.

- a) Government policy now is to reduce childcare benefits from 80% back to 70%. The pilot itself was never designed to test a possible policy for raising childcare benefits but rather as a means of understanding how best to help families move into work.

It is possible that increasing the percentage of childcare costs paid to 100% might affect the price elasticity of the childcare market based on the increase in average costs reported from March, however economic research at HMRC on the current 80% benefit suggests no discernable impact from government childcare benefits.



**Ref: DFE-RR100**

**ISBN: 978-1-84775-889-7**

**© HMRC**

**April 2011**