



**The future of childcare support for
working parents**

Introduction

In October 2016, Working Families and the Childcare Voucher Providers Association (CVPA) held a roundtable on *“The future of childcare support for working parents”*.

Our roundtable drew together stakeholders from the childcare and family advocacy sectors, as well as professional associations, and employers.

The discussion was held in advance of the roll-out of a new system of childcare support, Tax-Free Childcare, from early 2017.

Tax-Free Childcare marks a major change from childcare vouchers, the existing scheme that provides support with childcare costs. Under current plans, the popular childcare vouchers scheme will be closed to new entrants from April 2018.

Vouchers are a salary sacrifice benefit, offered by employers. The employer role is one of the defining features of childcare vouchers. This gives a formal mechanism for employers to have constructive conversations with their workers about family-friendly working practices.

For employers, vouchers can help to attract and retain talent, and demonstrate to employees their commitment to supporting family-friendly working practices.

There is no role for employers under Tax-Free Childcare, raising concerns about how parents will get the information they need and what the future looks like for employers in supporting the parents who work for them.

Our roundtable event generated broad agreement from all participants that childcare vouchers and Tax-Free Childcare should run concurrently, to enable parents to use the scheme that is most suitable for their needs, and offers the most support to their families.

About Working Families

Working Families is the UK's work life balance charity. We support working parents and carers to tackle discrimination, achieve flexibility in the workplace and navigate the in-work benefits system through our free legal advice service.

We also work directly with employers on enabling them to create family friendly workplaces that work for people and the economy.

Finally, we campaign for change to enable people in the UK to better balance work and care.

About the CVPA

The Childcare Voucher Providers Association is the industry association established to represent the views of childcare voucher provider companies and to formulate best practice which protects all stakeholders' interests.

Childcare vouchers

Childcare is a crucial issue for many families in the UK. With costs having risen faster than incomes in recent years, a large majority of parents still find their decision to work dependent on the availability of good quality, local and affordable childcare.

According to the Department for Education's most recent childcare and early years survey, only 39% of parents rate the affordability of their childcare as very or fairly good. Research from the Family & Childcare Trust shows that a part-time nursery place for a child under two rose by 20% between 2011 and 2016.

Childcare vouchers are a popular scheme that employers have been able to offer since 2005. There are currently 780,000 parents using vouchers, and over 60,000 businesses of all sizes around the country offer vouchers to their employees.

Childcare vouchers operate as a salary sacrifice scheme, with an employee's contributions taken from their salaries before their usual tax and National Insurance contributions are deducted.

Basic rate taxpayers can save just over £930 a year, with higher and additional rate taxpayers able to save just over £620 a year. Employers also save on National Insurance Contributions, to cover the administrative costs of offering the scheme.

Vouchers can be used to cover the cost of care for children up to the age of 15, and can be used for any form of registered care, including nurseries and before & after-school clubs.

Tax-Free Childcare

At the 2013 Budget the Government announced its plans to introduce a new system of childcare support called Tax-Free Childcare (TFC).

The scheme is due to be rolled out from early 2017 and will be available for parents of children up to the age of 12 (or 17 for disabled children).

To be eligible, all parents in a family must be working at least 16 hours per week and earning no more than £100,000 a year individually.

TFC will provide a 20 per cent top-up on parents' contributions towards childcare costs, up to a maximum of £2,000 a year (£4,000 for disabled children).

Unlike vouchers, parents will need to administer TFC themselves. This means that employers will not be automatically involved in conversations around supporting parents with their childcare needs.

Instead, parents will access the scheme through an online government portal, setting up and maintaining special childcare accounts for each child they are claiming in respect of.

TFC will be available to the self-employed and workers earning the minimum wage, extending welcome support to these groups for the first time.

The Government intends to close childcare vouchers to new users from April 2018. Existing vouchers users will be able to continue claiming vouchers, as long as they remain with their current employer.

The role of employers

Childcare vouchers are offered through employers. This system makes it easier for parents whose employers participate to get information about vouchers, and to sign up for the support they are entitled to.

Tax-Free Childcare (TFC) will be available to more parents, as it opens up access to the self-employed and workers on the national living wage. However the lack of a role for employers means the administrative burden will be shifted onto parents. Parents will be required to open and operate childcare accounts themselves. And although there will be a system to support those who are digitally excluded, this may prevent some of the most disadvantaged from benefiting.

The lack of any role for employers within TFC means parents will lose an important access point to information on childcare. The employer link has been a major contributor to the success of vouchers, helping to raise awareness and support take-up of the scheme. More generally, childcare vouchers have made childcare support the norm.

Vouchers help employers engage in conversations about family-friendly working practices, giving a formal mechanism for businesses to have conversations about supporting working parents around their childcare needs. They are also a way for employers to 'do their bit' in supporting the parents who work for them.

Employers like offering vouchers as a benefit to their employees and prospective employees – they are a central plank in the benefits packages that many employers offer, particularly in the public sector.

The removal of the employer role could lead to falling levels of engagement from employees. Research from Working Families and Bright Horizons shows that employees who feel supported by their employers are more focussed and less stressed, and consequently up to 43 per cent more productive.

Employers have played a vital role in supporting childcare vouchers, with a positive impact for their employees and their businesses.

Supporting families

Childcare vouchers and Tax-Free Childcare (TFC) are separate systems, with different eligibility criteria and entitlements. Naturally, some families will be better off under TFC, whilst many others could lose out compared to what they're getting now under vouchers.

TFC subsidises parents according to their childcare spend, with those who spend the most gaining most. In order to get the headline £2,000 worth of support, parents would have to be spending £10,000 per child a year.

Childcare vouchers, by contrast, allow basic rate taxpaying parents to salary sacrifice the most, and thus save the most.

A two-parent household, where both parents are basic rate taxpayers, can save up to £1,866 a year with vouchers. The equivalent figure for higher and additional rate taxpaying households is just over £1,240.

TFC requires all parents in a household to be in work. In contrast, childcare vouchers are available to any parent at work, regardless of whether their partner is in employment or not.

According to DfE's most recent figures, the average family in England spends £53 per week on childcare. Assuming the average family uses childcare for 38 weeks in the year, their annual spend is £2,014.

With childcare vouchers, parents can each salary sacrifice up to £55 per week, getting £1,866 worth of support with their childcare costs. The average family would get only £403 of support under TFC in this scenario. This is a loss of £1,463 compared to the support they would likely access on vouchers.

This raises questions about whether TFC is designed to support average families, or whether it tilts support towards higher earners.

Give families a choice – keep childcare vouchers open

Childcare vouchers should be kept open

Working Families and the Childcare Voucher Providers Association are calling for childcare vouchers to be kept open alongside Tax-Free Childcare.

Vouchers are a widely-used benefit that have supported millions of families since their introduction.

Vouchers could easily be kept running concurrently with Tax-Free Childcare. Under the Government's current plans, vouchers and TFC will both be available to new entrants until April 2018.

Parents should be able to sign up for the scheme that is most suitable for their needs and offers the most support to their families.

Vouchers could be revamped to extend support to the self-employed and employees could be granted a "right to request" to guarantee access to vouchers, helping to make the scheme even more widely available.

Instead of being closed to new users from April 2018, childcare vouchers should be kept open indefinitely to give families a choice and best support working parents with their childcare needs.

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