

Paying the Price

The childcare challenge

March 2015

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About this report

This report is the third from Gingerbread's *Paying the Price* project, which runs until December 2015. The project examines single parents' experiences of the 'age of austerity' – the combined impact of a weak economy, public spending cuts and welfare reform on their families.

This report focuses on single parents and childcare, looking at access to childcare provision in recent years and the difference that future reform might make to single parents.

The report draws on data from online surveys, in-depth interviews with a longitudinal panel of single parents, national datasets and the Minimum Income Standard.

Stay up to date with the project:
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Acknowledgements

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And finally – most importantly – Gingerbread would like to thank single parents again for their continued participation in the *Paying the Price* project. Without their input, it would not be possible to conduct this work.

About Gingerbread

We're the leading charity working with single parent families. Since 1918 we've been supporting, advising and campaigning with single mums and dads to help them meet their family's needs and achieve their goals.

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Summary

Childcare is a vital part of single parents' lives. As the main carers of their children, many single parents rely on childcare to work and study, and deal with emergencies. Successive governments have made a commitment to make work pay, underpinned by a prevailing policy narrative that work is the best route out of poverty. However, the price of childcare means this is far from a reality for many single parents, with costs increasing well above wage and price inflation in recent years.

While childcare costs have increased sharply in recent years (Rutter, 2015), single parents have been among the hardest hit by benefit cuts (De Agostini, Hills and Sutherland, 2014) and face a significant risk of low-paid and insecure work (Rabindrakumar, 2014). With childcare set to be an important battleground in the 2015 general election, it is imperative that we understand where single parents are still failing to get the childcare help they need to support their families.

The cut in state support from 80 per cent to 70 per cent of childcare costs in April 2011 undermined the government's commitment to make work pay. Parents moving from tax credits to universal credit will also lose additional support for childcare from other benefits such as housing benefit (Royston, 2014). After growing evidence of the detrimental impact these changes have had on incomes and work incentives for both single and couple parents, and increasing pressure for reform, there is now a growing cross-party realisation of the importance of childcare to help parents balance work and care, with each major political party putting forward different proposals to improve the childcare offer in the run-up to the 2015 general election.

The current government's proposal to help low income families is to increase state support to 85 per cent of childcare support – but only for new universal credit claimants, and only from April 2016. Analysis commissioned by Gingerbread for this report shows that while this move is certainly welcome, it still has its limitations¹:

- The proposed additional support will have a significant impact on single parents' net incomes. And, inevitably, the gains in net income are higher as childcare costs increase (as determined by working hours, the age and number of children and average childcare costs).

Net income gains: A move from a 70 to 85 per cent childcare support rate will mean a single parent with average UK childcare fees, working full-time on an average (median) wage will gain:

- Just over £26 per week (£1,370 per year), with a child aged one
 - Just over £37 per week (£1,950 per year), with two children aged one and four.
- But many – if not the majority – single parents will still not be able to receive a decent income even with the increased support, as measured by the Minimum Income Standard (the income needed to reach a living standard considered to be a minimum by members of the public). This is particularly the case for single parents with high childcare costs – for example, those in London, with pre-school

¹ In the analysis provided, full-time refers to working 37 hours per week and part-time refers to working 18.75 hours per week. A 'low wage' is defined as the lower quartile wage for all UK workers.

age children, or with several children – who will still struggle to meet a basic living standard even with their income gains. The shortfall in a decent income is particularly marked for those on lower wages.

Reaching a decent income: 85 per cent childcare support rate will mean a single parent with average UK childcare fees and working full-time will be:

- Just above the threshold for a decent income (MIS), with a child aged one, at a median wage (compared with over £24 per week short with a 70 per cent support rate)
- Nearly £12 per week short of MIS, with two children aged one and four, at a median wage
- Over £44 per week short of MIS, with two children aged one and four, at a low wage.

- Single parents working part-time use less childcare, therefore additional support has less impact for them in terms of net income or reaching a decent income. However, many will see improved work incentives – those paying average or low childcare fees will gain from moving from part- to full-time work with support for 85 per cent of childcare costs. But these incentives remain modest for those on low wages (largely due to the steep taper for withdrawing state support) – a single parent on the minimum wage paying an average childcare fee will be just over £1 a week better off for each additional hour worked. For those with young children in particular, this may not be a sufficient trade-off against time with children for working nearly 19 hours per week more (the additional hours modelled).
- Furthermore, those with high childcare costs will still not see improved incentives to increase their hours from part- to full-time working. This is principally caused by high childcare costs at full-time hours outstripping the cap on costs eligible for support. These losses are further exacerbated for those working on low wages.

Work incentives: A move from a 70 to 85 per cent childcare support rate will mean a single parent moving from part- to full-time work with two children aged one and four will:

- Gain around £37 per week (rather than £14), when working at the median wage, paying average UK childcare costs
- Lose around £36 per week, when working at the median wage, paying London childcare costs
- Lose around £53 per week, when working at the minimum wage, paying London childcare costs.

It is clear, then, that while the additional support is welcome and will solve childcare affordability for some single parents, for many it will still mean a shortfall in decent income or losses from increasing working hours (or both). The importance of meeting these ongoing challenges is further illustrated by new Gingerbread work with single parents and Department for Education childcare survey data, which shows:

- Single parents use a patchwork of formal and informal childcare in order to meet their needs – we found around a third of single parents surveyed used three or more different types of childcare providers during term-time
- With good quality and accessible childcare, 31 per cent of single mothers would work more hours, compared with 20 per cent of couple mothers; however, only 11 per cent of single parents surveyed said that childcare had not been a barrier to taking up work, while only 14 per cent said the same for taking up studying or training

- Single parents are more likely to rely on longer hours of childcare than couple parents, but less likely to be able to afford them: nationally, 38 per cent of single parents found it difficult to pay for childcare, compared with 23 per cent of couples; around half of single parents we surveyed said it had become harder to pay for childcare in the past two years
- Not only have childcare fees increased, but many single parents have also experienced 'hidden' increases such as new charges for meals and activities; many single parents are also struggling with up-front costs of childcare
- Single parents have attempted to manage these costs by relying more on informal childcare, reducing other outgoings, using savings and turning to self-employment; but these often carry their own risks and are often short-term solutions to childcare barriers
- The burden of childcare costs has had a significant impact on single parent finances – in the last two years, around two-fifths of single parents surveyed have had to borrow from family or friends to cover childcare costs, and a fifth have turned to formal lenders to manage payments (for example, using overdrafts or loans).

Many single parents are therefore struggling to access childcare; for some, prioritising childcare in order to work has actually meant further debts. For these families, improved support for childcare is urgently needed.

Recommendations

We want to see politicians deliver on the promise to make work pay, ensuring the problems faced by single parents for whom childcare remains a significant barrier to entering and progressing in work are resolved. With a new government in 2015 and a cross-party consensus on the importance of tackling the childcare challenge, now is the time to create a childcare system that works for all.

To this end, we would like to see the government:

- Prioritise childcare support for low income families:
 - The government should ensure low income parents receive additional support for childcare at the same time as higher income families (not on universal credit, in the form of 'tax-free' childcare), in autumn 2015
 - The government should ensure that, as universal credit is rolled out gradually, the extra support for childcare is provided simultaneously under both tax credits and universal credit to avoid unfair disparity within the welfare system.
- Revisit the cap: The government should raise the childcare cap, to ensure those who are faced with high childcare costs are not unfairly disadvantaged by the upper limit for state support and maintained at a level that means the value of maximum childcare support is not eroded over time. The cap could be moved to an hourly rate in order to minimise the potential for state support to be used for very expensive childcare covering only a few hours.
- Review childcare affordability and consistency: The government should review how proposed childcare reforms are working by autumn 2016. This review should test whether politicians' promise to make work pay has been realised for all parents, across incomes, working patterns and childcare costs. It should also assess how the new 'tax-free' and universal credit pathways for childcare support interact with each other, and whether they offer a fit-for-purpose solution to the challenge of childcare affordability
- Recognise complexity of childcare payments within universal credit: The phased roll-out of universal credit provides an ideal opportunity to test improved support for up-front or fluctuating childcare costs.

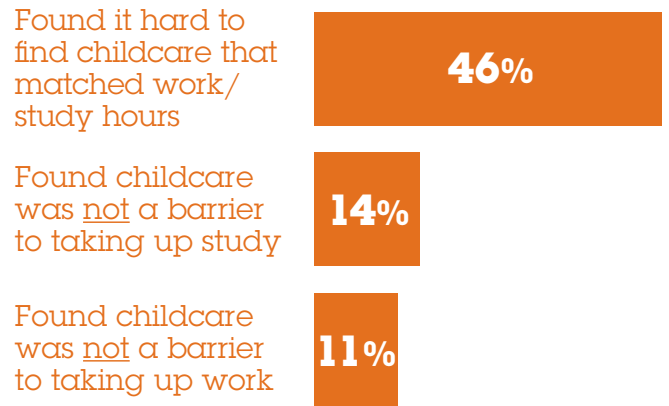
The single parent childcare challenge

Making work possible



The childcare barrier

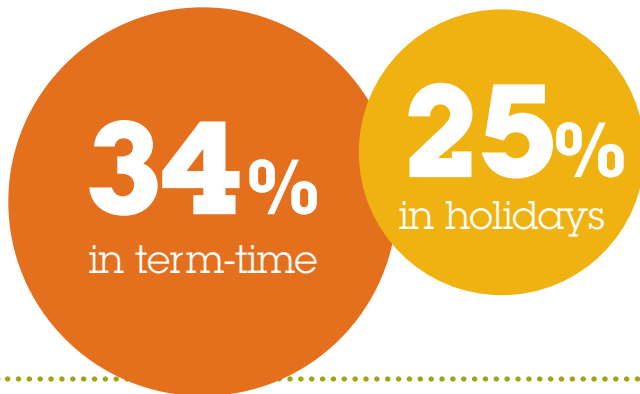
% of single parents surveyed



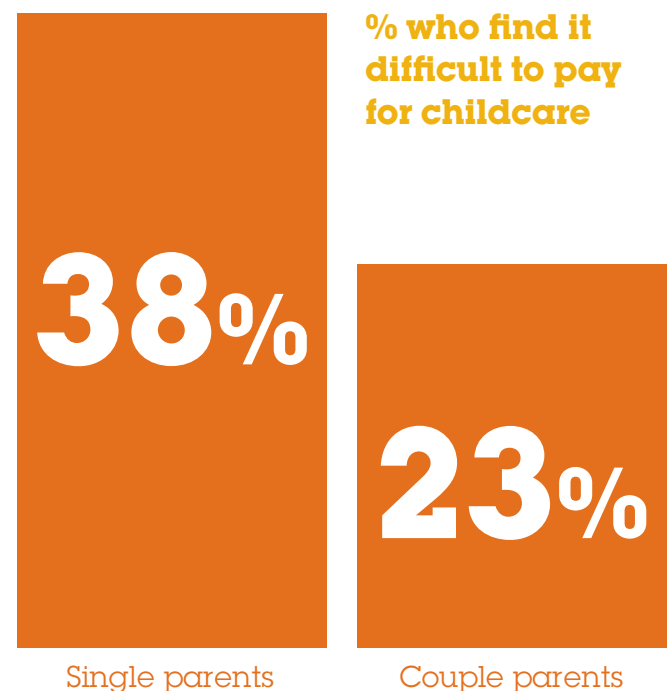
“There is no way that I can break even, whether I work or not...I can be let go from the job at a week’s notice, but I’ll still be liable for six weeks of nursery payments.”

Patchwork of care

% of single parents using at least three providers



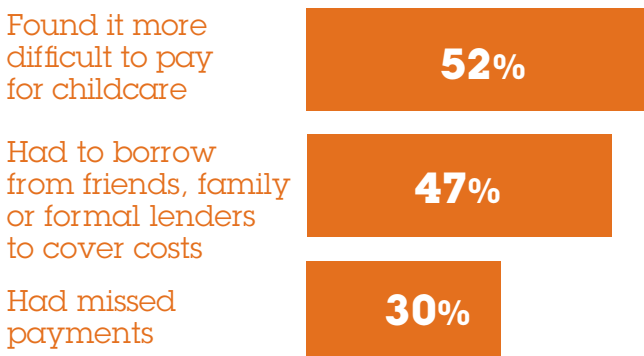
Childcare affordability



Childcare debts

% of single parents surveyed

In the past two years:



1 Childcare and why it matters

For single parents, childcare can often mean the difference between working and not working. Single parents also rely on childcare for critical ad hoc support, for example during job interviews and hospital appointments. Accessible childcare therefore plays a central role in being able to cover essential bills, as well as deal with the unpredictable issues thrown up by family life.

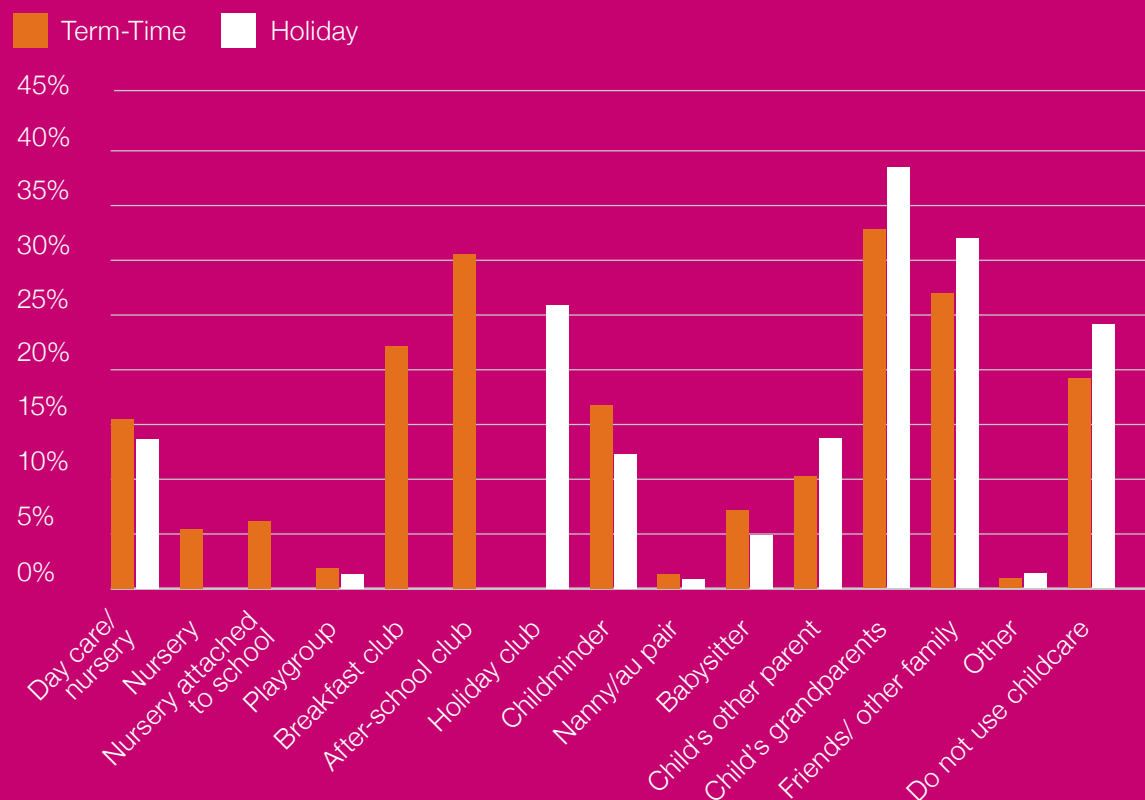
The childcare puzzle

Childcare is not a straightforward matter – our survey reveals not only the range of provision taken up by single parents (Figure 1), but also the often complex patchwork of childcare providers that single parents draw upon to meet their needs. Of single parents surveyed, around a third (34 per cent) used three or more different childcare providers during the latest school term. Even during the last school holiday – when many parents take leave to look after children – a quarter of respondents had at least three different providers.

Figure 1 Range of childcare providers used by single parents

% of single parents; term-time n=1,619; holiday n=1,594

Gingerbread survey, 2015



The complexity of single parents' childcare use in part reflects the range of purposes childcare serves. Apart from managing work and study (expanded on below), many single parents – both working and non-working – wish to use childcare for the social and/or educational opportunities they can provide their children. Furthermore, our survey and interviews also emphasise the importance for single parents of childcare to deal with unpredictable or one-off demands, which may be taken for granted when another partner can also provide support. These examples range from emergencies such as sickness and hospital treatment,

to job interviews or assessment centres; in these situations, even ad hoc childcare can be a critical support system for single parents. For single parents – without the same support as couple parents – the end result is that a range of childcare provision must be called upon to manage the caring responsibilities alongside other demands, as illustrated by Box 1.

“Although not working due to illness, I still have to pay if I need to go to hospital or shopping etc.”

“Was hospitalised and had to put daughter with friends for 2.5 weeks.”

“As well as work cover, single parents need some sanity time for exercise or at least a little mental health down time.”

Paying the Price survey respondents

Box 1 Patchwork childcare: Jessica’s story

Jessica has three children and is self-employed, working as a fitness instructor. She must fit work around her children, and finds being self-employed makes it easier to work around children than being an employee. Even so, finding the right childcare to meet her children’s needs and fit around work can be a fine balancing act.

Jessica’s childcare arrangements illustrate the patchwork of provision needed to cover childcare for children of different ages. Her youngest child goes to nursery full-time three days per week. Her older two children are at school, but go to after-school clubs on two days to allow Jessica to work later in the day. However, this is often not enough, and Jessica often finds herself paying for a babysitter to allow for some flexibility. Together, these childcare arrangements can be expensive, and money is usually tight.

“I pay for babysitters left, right and centre...It is expensive. It’s a case of weighing up if it’s worth earning something rather than earning nothing”

Yet, even these arrangements are sometimes not enough to deal with emergencies, such as when her children are sick, which means she must also rely on her own mother to help out at short notice. The children’s father has also

helped out in the past, but this is rare at the moment.

“I had a situation recently where my little boy was very ill. I phoned up to say I couldn’t go to my class and the lady who runs the studio just said to me, “Well, you’ve got people booked in. You need to be here.” So I felt like...if I don’t go then I’m going to lose the work, so then I had to get my mum to come. Fortunately my mum’s local and she’s very understanding and very helpful. If it wasn’t for her...”

Holidays mean another change of plans; while her youngest child stays in the full-time nursery place, Jessica’s older two children make use of different activities to allow her to continue working. Furthermore, managing different payments that don’t align with when she receives income from work and tax credits and other benefits can be difficult. The end result of juggling childcare arrangements is that work must adjust to her children’s needs, which has a knock-on effect on Jessica’s income and career.

“I’d like to be a successful business person, but at the moment my focus is my three children. I have to fit work around them rather than fitting them around my work.”

Making work a possibility

Childcare has long been one of the biggest barriers to finding work for single parents,² and is still often a deciding factor in whether single parents are able to work or not. According to our survey, only 11 per cent of single parents surveyed

² For example, see Gingerbread (2012) *The only way is up? The employment aspirations of single parents*.

said that childcare had not been a barrier to taking up work, and only 14 per cent said the same for taking up studying or training. The childcare barrier to work and study is particularly challenging for single parents. While couple parents are better able to balance childcare arrangements – for example, through shift parenting – this option isn't available to single parents.

“Jobs are too far away from school to drop off at breakfast club and get there.”

“Cost of term-time childcare means some jobs were not viable.”

Paying the Price survey respondents

Single parents' dependence on childcare to manage work is reflected in the hours of childcare used. The latest Department for Education (DfE) childcare survey for parents (for 2012/13) shows that 67 per cent of single parents use some kind of childcare overall – this rises to 79 per cent for working single parents (Huskinson et al., 2014). While this extent of usage is not markedly different from couple families, single parents tend to use childcare for longer hours. Working single parents are more likely than couples where both parents are working to use above-average hours of both formal and informal childcare. Single parents working full-time – 46 per cent of single parents in 2014 (Office for National Statistics, 2014) – used a mean of 22.3 hours of childcare in 2012/13, compared with 18.9 hours for couples where both work full-time.

The DfE survey also emphasises the relative importance of childcare to enable employment by family type. Thirty-one per cent of single mothers agreed that they would work more hours, if they could arrange good quality and accessible (“convenient, reliable and affordable”) childcare, compared with 20 per cent of couple mothers. Single parents also particularly rely on stable childcare to enable them to work – 57 per cent of working single parents said reliable childcare helped them go to work, compared with 48 per cent of working couple mothers.

The impact of childcare on work prospects has become particularly clear for some panel members looking for work in the past couple of years. In the aftermath of the economic recession, many have felt at a disadvantage due to job competition from many young people out of work without the same caring responsibilities, seeing employers who are able to offer inflexible hours, due to the availability of potential younger employees who can meet these demands.

“Apparently they had 148 applications for a ten-hour administrative job...I know damn well they'd rather employ a 24 year-old who has an administrative background but isn't a single parent.”

Paying the Price panel member

The fact that childcare has such a tangible impact on single parent employment shows the importance of getting childcare right – not just for single parents, but also for the state in terms of income tax receipts and national income contributions. Indeed, it is estimated that getting just 5 per cent more single parents into work would save the state £436 million per year (Brewer & DeAgostini, 2013). It will therefore be important to ensure childcare is not a barrier to work if single parents are to share in, and help secure, the economic recovery.

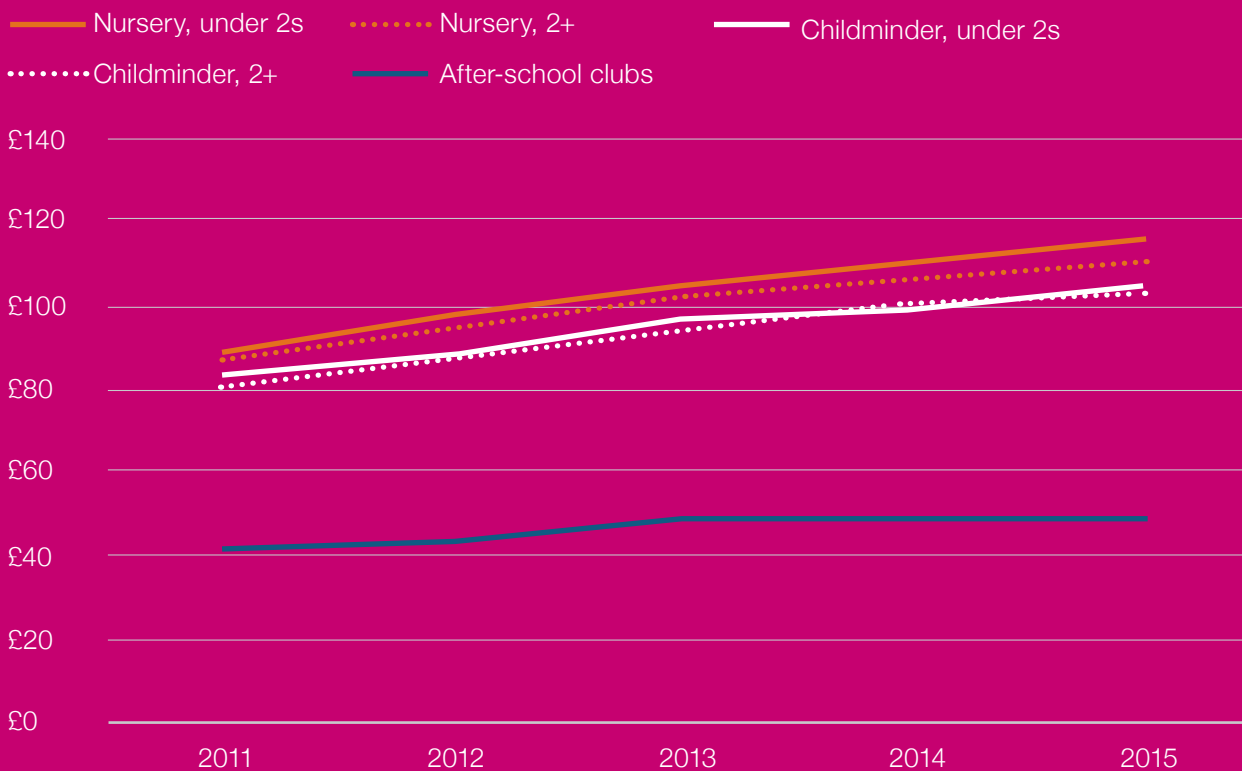
2 Access to childcare

Childcare costs have far outstripped inflation over the past decade. At the same time, single parents have been among the hardest hit from tax and benefit reforms (De Agostini et al., 2014) and many are struggling in insecure and low-paid work (Rabindrakumar, 2014). Further to this, many single parents are finding it difficult to find suitable childcare to meet their children’s needs. The lack of accessible childcare means many single parents rely on informal childcare to provide what they cannot afford, which can mean unsustainable or unreliable childcare arrangements. Furthermore, many are borrowing or using savings to keep up with payments, or simply falling into arrears with providers.

Rising costs

Childcare costs have risen by 33 per cent since 2010 (Rutter, 2015); there have been similar rises in holiday childcare costs (Rutter and Lugton, 2014). Even taking inflation into account, average childcare costs have continued to rise in recent years – particularly for pre-school children (Figure 2).

Figure 2 Weekly childcare costs in real terms, 2011 to 2015



Source: Author’s calculations based on Daycare Trust/Family and Childcare Trust annual childcare survey data. Nursery and childminder costs for 25 hours, after-school club for 15 hours. Inflation estimated by January Consumer Prices Index (‘All items’).

Not only have general childcare fees gone up, but a small but significant proportion of single parents surveyed had experienced a number of ‘hidden’ price increases in recent years. These include the introduction of charges for meals or activities/trips, or cuts to previously free provision. The latter case is particularly worrying, as in some cases these hidden costs relate to recent reforms intended to increase free provision (eg the 15 hours’ free childcare for three and four year-olds). Including these increases, around two-fifths (39 per cent) of single parents surveyed had experienced higher childcare costs through fees and charges in the last two years.

“Nursery started charging for lunches.”

“New one opened at school instead of the one that shut, but new one charges for full week even if we only use one day. So cost has gone up.”

“I have to pay £30 per week for the free 15 hours nursery care for my 4 year-old. This is due to a loophole of food and activities not covered by free entitlement...[the council has] also deducted it from my [childcare subsidy via] housing benefit.”

“The free places for 3 year-olds [are] underfunded and [this] has made us worse rather than better off. Nursery will only allow us to take free hours on three days when need two...tax credits then pay 70 per cent of required childcare ie two days so now having to find extra £20 per week for same care!”

Paying the Price survey respondents

Little wonder, then, that the DfE found that 38 per cent of single parents found it difficult to pay for childcare in 2012/13, compared with 23 per cent of couples.³ Childcare now forms a significant part of single parents’ essential household bills, as Box 2 shows. There are concerns that affordability has also worsened for many in recent years; 46 per cent of single parents surveyed said they find it difficult to pay for childcare at the moment – 52 per cent said it had become harder to pay for childcare over the past two years.

³ Huskinson, T. et al. (2014) *Childcare and early years survey of parents 2012/13*. London: DfE. Table C5.4.

Box 2 The childcare burden

Childcare costs form a large proportion of single parents' outgoings. The minimum income calculator developed by Loughborough University and the Joseph Rowntree Foundation provides an indication of how a typical single parent's essential household bills break down. As shown in the breakdown below, childcare makes up around a quarter of outgoings for a typical single parent with two young children, working at least 30 hours at minimum wage. For a single parent in the same circumstances, but with one child under one, typical childcare rises to 30 per cent of outgoings.

Single parent over 24 years old, two children aged three and seven, working 20 hours per week at the minimum wage

Total income including benefits: £579 per week

Total outgoings: £636 per week, broken down as:

Childcare:	£162 per week
Food, drink, clothing:	£121 per week
Rent:	£91 per week
Gas, electricity, water, council tax:	£51 per week
Travel:	£56 per week
Personal goods and services, other housing costs/goods and services:	£122 per week

"My basic [monthly] outgoings are as follows: childcare £1,010, travel to/from work at least £200, rent £500, [other] bills £200. To that you can add food, baby things, toiletries, a haircut, any holidays, gifts, anything else in life. My take-home pay does not start to cover those costs. Each month, although I work, I have to pay at least £600-700 from my savings to top up my pay...I feel that I am being penalised despite having done all the things that the government/society seems to have asked of me. I got myself educated, and into a career, I saved money instead of spending frivolously. Yet there is no way that I can break even, whether I work or not...I can be let go from the job at a week's notice, but I'll still be liable for six weeks of nursery payments."

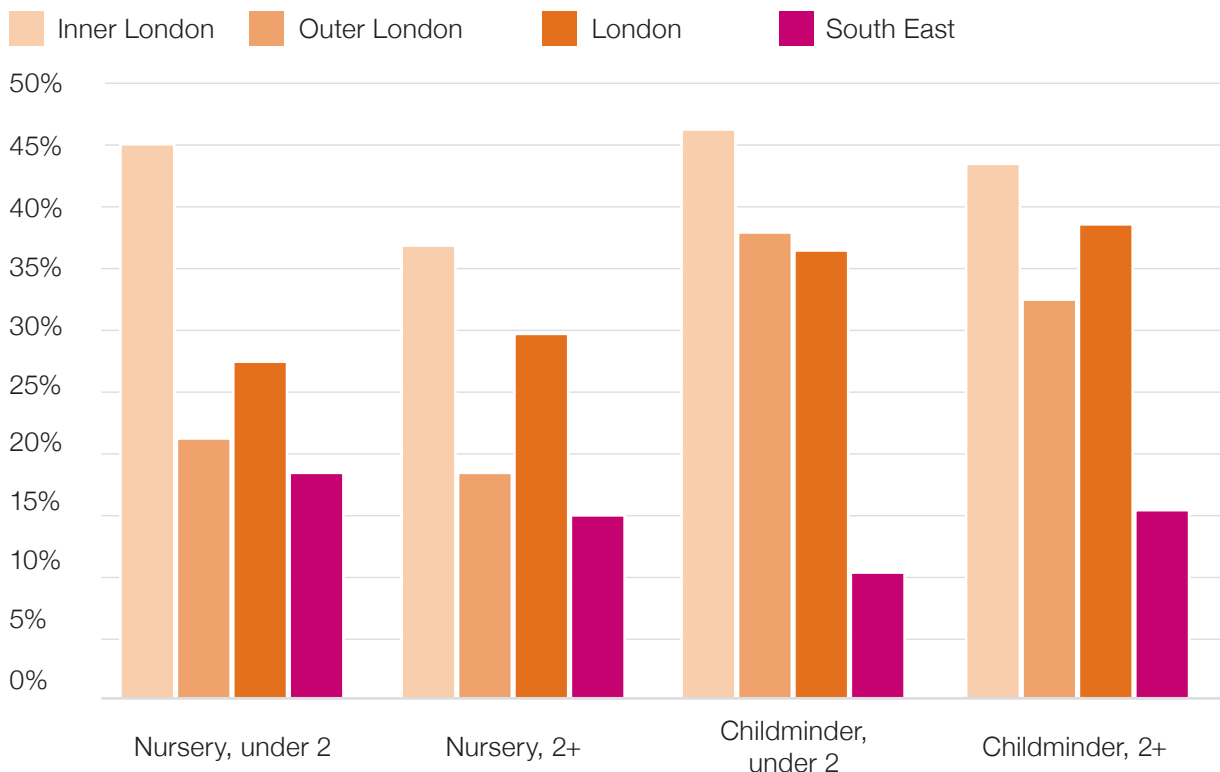
Paying the Price survey respondent

Regional disparity and the childcare cap

There are also wide regional disparities in childcare costs. London's childcare costs are by far the most expensive in Britain, followed by the South East. These differences are most noticeable for childcare for under-fives, where South East prices are around 10-20 per cent higher and London prices are nearly 30-40 per cent higher than the British average (Figure 3). London's expensive childminder costs also continue for school-age children, where childminder pick-up costs are 44 per cent higher than the British average. Worryingly, Family and Childcare Trust figures suggest that this gap has been widening for nursery places in recent years – from 2012-2014, the average British prices for nursery for under-twos and those aged two and over rose by 7.7 per cent and 8.2 per cent respectively, while London prices increased by 10.5 per cent and 22 per cent.

Figure 3 Under-fives childcare cost differences in London and the South East (25 hours), 2014

Percentage difference in childcare prices, compared with the British average



Source: Author's calculations based on childcare costs in Rutter and Stocker (2014).

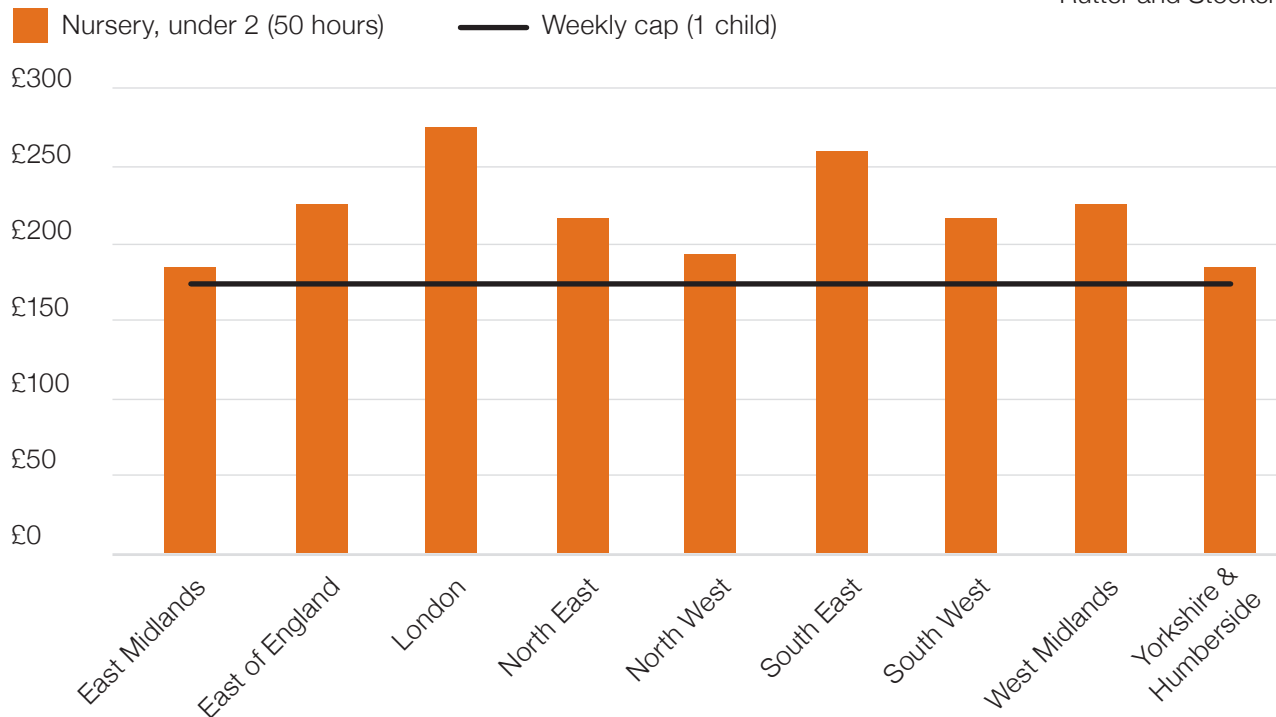
An added difficulty for those with high childcare fees is the maximum threshold for state support with 70 per cent of childcare costs. Provision through childcare tax credits (and childcare support in universal credit) is capped at a maximum cost of £175 (ie £122.50) per week for one child or £300 (ie £210) per week for two or more children. For a parent working full-time with just one young child, average weekly childcare costs (assuming 50 hours are needed) would be above the childcare cost cap in all regions (Figure 4); the gap between the childcare cap and actual costs is most pronounced in London and the South East.

“...there is not a single local authority in Britain where this [childcare cap] would buy full-time childcare for a child under two.”

Family and Childcare Trust, 2014

Figure 4 Average weekly under-2 nursery costs for full-time workers (50 hours' childcare) relative to the childcare cap, 2014

Rutter and Stocker, 2014



The childcare cap therefore creates a significant disincentive to increase working hours for those working part-time. Increasing working hours would mean hitting the childcare cap, and therefore increasing the amount of unfunded childcare used. Under universal credit, you would need to earn about £16.60 per hour to be left with the £4 for an additional hour's childcare (the average cost), after income is taxed and universal credit withdrawn. These effects will be even stronger where childcare is more expensive. Indeed, this in part explains why single parents – as with couple mothers – are less likely to be working in London than elsewhere; in 2012, 51.6 per cent of single parents were in employment in London, compared with 58.1 per cent in Britain overall (Rabindrakumar, 2014).

The effects of the childcare cap have become more pronounced in recent years as the threshold has remained unchanged since 2005, keeping pace with neither overall inflation nor childcare cost increases. So, while the cap was originally set at a rate which would mean most fees would be within the maximum threshold, parents with relatively high local childcare costs on average are now more likely to hit the cap and face unaffordable childcare than before.

Crunch points

Aside from the general rising cost of childcare, single parents also experienced other barriers to managing childcare, in terms of affordability or simply finding available local provision.

One common theme was the difficulty in managing **up-front childcare** costs. These problems typically arose when having to pay for longer periods of time up-front, such as during the holidays, or when ad hoc childcare was needed, such as when attending job interviews or assessment days. A significant proportion of single parents surveyed have also had to pay additional charges on top of regular

payments to hold childcare places – sometimes non-refundable (Figure 5). For some these up-front costs have also thrown up unintended consequences with state support for childcare costs, by appearing as overpayments in comparison with evenly spread childcare costs. This has implications for many single parents once they move onto universal credit, which will be paid in arrears rather than up-front and which assumes regular monthly childcare payments rather than unevenly spread costs.

“I want to enrol her into after-school club but they want a whole term's fees in advance! I have had to save a whole term in order to work two more hours one day a week – just to pay for the school club!”

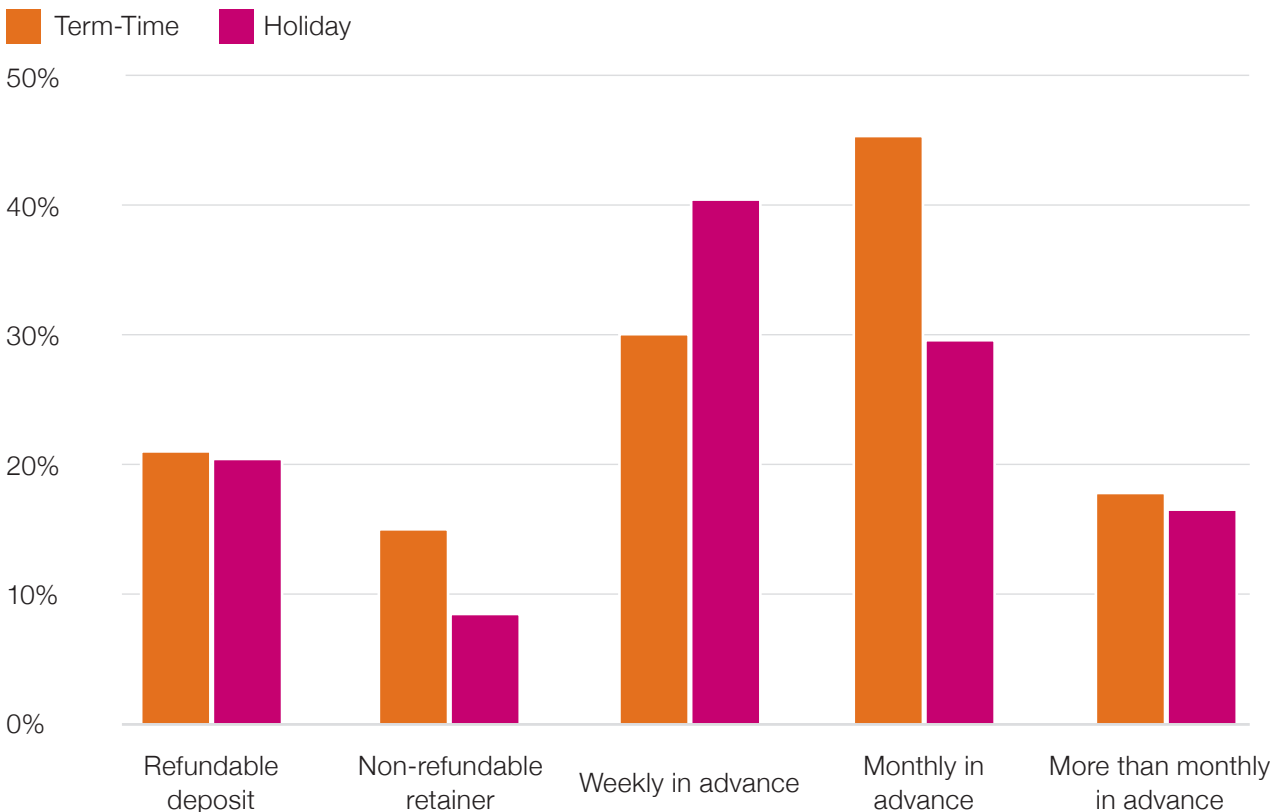
“Being investigated by DWP for overpayment of childcare element, but I have to pay half [a] term in advance and all six weeks of summer holidays up front, but tax credits are paid four-weekly on an average of 52 weeks etc”

Paying the Price survey respondents

Figure 5 Childcare payment arrangements experienced in the past year

% of single parents; term-time n=751, holiday n=638

Gingerbread survey, 2014



Children with particular needs can also fall through the gaps in terms of provision. Two particular groups stand out from panel interviews and survey comments. One group was **older children**, typically aged between 11 and 14 years – a number of single parents raised the difficulty in finding before/after-school provision and holiday childcare that was suitable for this age group but felt they were still too young to be left for too long by themselves. This was often due to childcare providers no longer accepting children once they turned 11 and alternatives not being available locally; others found age-appropriate childcare too expensive.

“Although my eldest at 12 can let herself into the house for short periods after school, I don’t feel she is old enough to be left all day during the holidays. Clubs catering for her age are very expensive as they tend to be more activity based.”

“Unfortunately there is no childcare for children over the age of 11 locally and I do not like the idea of my son travelling across two buses to arrive to an empty home...I am therefore tied to asking family for help but unfortunately this can be unreliable.”

Paying the Price survey respondents

The second group was **disabled children**, for whom many single parents struggled to find suitable and affordable childcare. Research has found a significant childcare barrier for disabled children (Contact a Family, 2014); as single parents are more likely to have a child with a disability or long-term illness than couple parents, they are unsurprisingly affected by these issues.

“I have a disabled child and it is very difficult to be able to find a childminder who is able to meet his needs.”

“I want childcare to take a disabled child; none where I live so can’t work.”

Paying the Price survey respondents

Holiday costs also present a significant challenge for single parents. As noted above, in some cases, this is due to having to pay for longer hours of childcare, and often covering more weeks up-front than during term-time. Research shows that holiday club childcare costs vary widely by provider and local area, meaning some incur high costs during this period (Rutter and Lugton, 2014). Furthermore, there is extremely patchy provision during the holidays – the proportion of local

authorities with adequate holiday childcare for working parents halved since 2009, from 34 per cent to just 16.5 per cent in 2014.

“Six-week holidays are a killer, finding and then affording childcare for two younger children is utter hell.”

Paying the Price survey respondent

“My mum comes down from Liverpool. Without her, I’d be stuck...because all the holiday clubs, they’ve got really ridiculous times. They start at 9:30 and they finish at 4:30. If you work 9:00 until 5:00, how does that work?”

Paying the Price panel member

Our research reveals that this patchy provision can mean relying on more expensive childminders and other providers. Some single parents face an added complication of finding holiday childcare that is covered by state support; finding alternative holiday childcare can mean relying on other forms of childcare which are not liable for funding, such as informal childcare or babysitters and au pairs.

“I want to work more but my options for childcare are severely limited in my local area. When I have to pay for childcare (ie during school holidays) I find myself working for virtually no pay as I’m having to pay the childminder.”

“School holidays are a nightmare. You can’t claim support [you’re] if not using a holiday scheme for four weeks or more.”

“I work full-time in a school and finding childcare for the drop-off and pick-up for the school day and school holidays proved impossible. As such I had only one option which was to have an au pair.”

Paying the Price survey respondents

As with holidays, lack of available or affordable childcare while **training** was also problematic for many single parents. There is no childcare funding for students from Jobcentre Plus – the flexible support fund offers one-off support and is

discretionary; there is no avenue for regular longer-term childcare help. Some single parents can access childcare support by applying for discretionary learner support, operated by colleges, but again there is a lack of consistency in how this is provided across trainers (Newis, 2014).

“Recently left full-time education the childcare grant didn't cover full costs [and] I ended up owing the childcare provider money.”

“Unable to find a regular, reasonably priced babysitter to allow me to go to college one evening per week.”

“Ad hoc childcare (just for a week of training) was not available, because childcare providers want steady clients and crèches won't take full time babies for a whole week.”

Paying the Price survey respondents

“I don't get any money, funding for [childcare while at] college. They do have a fund there. But by the time I applied, they said it was first come, first serve.”

Paying the Price panel member

The **nature of single parents' jobs** also had an impact on whether childcare remained affordable. Jobs with atypical hours – such as shift work in the evenings or weekends – often made childcare difficult to find and/or expensive. This in part reflects the nature of work for many single parents – over two-thirds of single parents enter the three lowest paying sectors when they find work (Newis, 2012); further, single parents are more at risk than the average worker of getting stuck in low-paid work (D'Arcy and Hurrell, 2014). These jobs can often entail evening and weekend work, leading to childcare difficulties.

“Childcare costs are very high as I have to use childcare early mornings and weekends.”

“I have to pay childcare, but childminder doesn't work weekends... I pay a lot of money...so that I can work the weekend... [I] also have to find alternative childcare when I work nights.”

“No one to look after child so could not apply or take up teaching positions at weekend or evening.”

Paying the Price survey respondents

A final theme around managing childcare costs was trying to maintain childcare even when not using provision or when moving out of work, adding further financial strain at times when single parents were without the wages or funding to support these costs. This was generally in order to retain a childcare place during these periods (eg while out of work, in the hope of finding a job quickly) or to cover the time taken to apply for jobs and attend interviews.

“[Pay childcare] to hold place over summer holidays during uni [from] May to October.”

“Made redundant and paid a fortune in childcare so I could keep applying for jobs.”

Paying the Price survey respondents

Making childcare work

The challenge of finding accessible childcare for single parents is reflected in the type of childcare they use. Single parents tend to rely on informal childcare more than couple parents – 38 per cent of children of single parents were in informal childcare, compared with 29 per cent of children of couples. Apart from care provided by non-resident parents, the DfE survey suggests that the use of informal providers is primarily for economic reasons (Huskinson et al., 2014). This is borne out by our research, with many single parents noting they avoid otherwise burdensome childcare costs by calling on support from family and friends – particularly grandparents. In some cases, this is not just a cost-saving measure or a matter of preference, but simply about making work viable.

“Grandparents are a godsend. Without them I would struggle to afford before and after school care.”

“My mother stopped watching him for me so I had to leave work as I couldn't afford childcare.”

“If it wasn't for my parents and sister, I would have to give up work.”

Paying the Price survey respondents

The reliance on informal childcare by so many single parents makes the position of single parents without this support network all the more difficult. Isolated single parents often struggle, as highlighted in our findings. Furthermore, informal childcare can be less reliable than formal settings; it is often not a long-term solution to childcare difficulties, particularly as children's grandparents get older or suffer from ill health. When informal childcare is not an option, this can have significant consequences for single parent employment and training.

“I even have my 10 year-old get her sister from class to walk to their grandma’s as she cannot collect due to arthritis.”

“I had to work full-time to support family – I have had to ask elderly parents to assist – not my preferred choice or theirs.”

“I had to resign from my previous job straight after maternity leave as I couldn’t pay private nursery fees as a single parent without ex-partner’s support and no family around.”

Paying the Price survey respondents

Other single parents have turned to self-employment. This has in part been a response to a difficult labour market, but it also reflects a need to minimise childcare costs. For some, this means arranging work hours to fit in with school hours and holidays. However, self-employment carries its own risks, particularly in terms of low pay (Rabindrakumar, 2014), but also in terms of the risk of lost earnings this entails when children are sick and the toll it can take from trying to find working hours around caring responsibility.

“I had a part-time job but had to give up the job because it barely met my childcare costs...I have become self-employed...purely to reduce my childcare costs. I then use evenings and weekends to make up my work week. But it means...other aspects of life with the kids are suffering. It’s a constant juggling act.”

“I try to take up extra work I can do from home at night, while my son is asleep in order to make up for the hours I couldn’t work during the day. It’s difficult sometimes.”

Paying the Price survey respondents

Many single parents try to keep up with childcare payments by sacrificing other bills or expenses in order to prioritise childcare. Previous research also found that a third of single parents had cut back on spending on essential household items in order to pay for summer holiday childcare (Hawkins, 2014). These sentiments were echoed in our findings for this report, with survey respondents speaking about cutting back on spending elsewhere, selling items to generate money, or using up savings.

[When asked how they managed childcare costs, single parents said:]

“Credit union loan, go without other things, beg childminder.”

“Raid the savings.”

“Go without food.”

Paying the Price survey respondents

Inevitably, from interviews and open survey responses, where childcare costs are most manageable are where fees have stayed largely the same for the past few years. Beyond this, flexibility from childcare providers has been critical in ensuring childcare costs are managed effectively – for example, allowing payment plans for debts, or recognising the difficulty in dealing with upfront costs and allowing costs to be spread over time. The other important source for managing childcare costs is financial support (ie not loans) from parents or the child’s other parent.

“School holidays are hard when you have to pay up front for the whole summer but I asked the holiday club if I could split the payments and they agreed which was a big help.”

“I spread the total yearly cost over equal instalments during the year to avoid a big increase in payments over holiday periods.”

“I have had no financial support from my children’s father for past four years. This forced me to move from London to Yorkshire to be nearer family who could provide wraparound childcare so that I could continue to work.”

“I’m fortunate that my ex-husband is still involved in childcare to some extent and that the level of maintenance he pays allows me to continue working.”

Paying the Price survey respondents

Ensuring childcare fits with jobs or courses is also part of the solution. Forty-six per cent of single parents surveyed found it hard to find childcare that matched their working or studying hours. Employers and course providers also have a role to play in ensuring childcare remains accessible, and it is in their interests to do so – 44 per cent of single parents surveyed felt that childcare responsibilities had a great deal of impact on their working or training.⁴ Worryingly though, a significant proportion of single parents surveyed felt their employer lacked understanding when it came to their childcare needs. Around a fifth (21 per cent) of single parents felt their employer had no awareness of the impact that childcare had on their working day; worse, around a quarter (26 per cent) of single parents surveyed said their employer was not at all sympathetic to the impact of their childcare needs on work. These views were echoed in interviews – in particular, the lack of consistency in the extent to which employers appreciate and accommodate caring responsibilities, and the difference this makes to single parents’ ability to manage working hours (Box 3).

Box 3 The role of employers in childcare

Jasmine is a single parent of a ten year-old and works full-time in marketing. She uses a childminder to do the school run but has found a big difference in her ability to manage her childcare arrangements since moving jobs.

In Jasmine’s previous role, her manager was reluctant to recognise the need to balance childcare responsibilities with working hours. There was little provision for flexible working hours, and no allowances for emergencies such as doctor or dentist appointments. Since moving roles, Jasmine has found her new manager much more flexible. This has meant working from home or leaving early when necessary; this makes work and childcare more manageable and, in future, Jasmine hopes she may be able to save some money on childcare costs by being able to manage the school pick-up or drop-off herself.

Still not enough

Despite these strategies to make childcare a feasible option, many single parents now face childcare debt. Our first two *Paying the Price* reports showed how many single parents are living on the breadline, struggling to cover essential household bills. This still seems to be the case, with 68 per cent of surveyed single parents saying that managing household finances are a constant struggle at best. Childcare costs are an important part of this picture. Three in ten single parents surveyed said they had missed a childcare payment at least once in the last couple of years – 14 per cent said they’d missed more than two payments. Around the same proportion (14 per cent) of single parents surveyed said they were currently in debt to their childcare provider(s).

⁴ Defined as issues such as interruptions at work, leave when children are ill and limits to working/training hours.

“I got into debt...because I had to pay for holiday club up-front...and I didn't have the money so had to use after-school money for it.”

“Due to heavy nursery costs when my daughter was pre-school I have massive debts which I am in a debt management programme to pay off.”

Paying the Price survey respondents

Many single parents also raise debt elsewhere to cover the costs. In the past two years, nearly four in ten single parents said they had borrowed from friends or family to cover their childcare costs; a fifth had turned to formal lenders either through credit cards and overdrafts, or loans (including from door-step or payday lenders). It is clear, therefore, that the lack of accessible childcare means work and training is not a financially viable option for a significant proportion of single parents.

Beyond the immediate impact on single parent finances, the longer-term outcome of inadequate childcare support is that single parents too often 'bump down' in the labour market in order to find hours and work patterns that better fit childcare needs. This creates a vicious circle where it is hard to progress due to both the type of jobs undertaken to reduce childcare needs and the increased childcare costs entailed from changing roles.

“Childcare is a difficult issue as the times that I would start for higher paid jobs I cannot get childcare for.”

“At the minute my parents mind my children but are getting a bit old for the responsibility, I would love to work more hours financially but couldn't expect more from my parents.”

“Changed job to a term-time only role as it solved my child care problems but now I earn minimum wage...”

Paying the Price survey respondents

The lack of support while training is also worrying, as a common theme in interviews was single parents who need to change careers after having a child, in order to find family-friendly work. Those who had previously worked long hours or far from home now found themselves unable to meet these requirements after having children. Any career change requires training support, which itself often requires childcare. Some single parents have had to weigh up their ability to find childcare with their desire to forge a long-term career path that they can manage around caring responsibilities, often sacrificing their employment plans – and income – until childcare becomes more manageable.

“I really want to study to become a teacher. But I am finding the prospect of studying nearly impossible with a disabled child, with increased childcare costs. I just don’t feel that I can do it, though I would desperately love to make our futures a bit more optimistic.”

Paying the Price survey respondents

Box 4 Childcare cost struggles

“I struggle from week to week with childcare, I don’t know how long I can hold onto my job, due to rising childcare costs and not having enough time to get to and from work, due to limited opening times for childcare. I sometimes wonder if it’s best to stay on benefits due to the torture of juggling childcare and the extra money I pay out for babysitters during the holidays off school, as tax credits don’t allow for this. It’s bad enough that we struggle with day to day living due to my son being disabled, but the added stress of financial trouble due to extra childcare costs, make me wonder if holding onto my job, with gritted teeth, is all worth it.”

“I work full-time, but use annual leave / flexi time to take one day off per week so I can look after the children. Rationing out my annual leave in this way to maintain a full salary led to me not having more than one day off in a row for a year (other than bank holidays). I burnt out and had to have extended sick leave for stress.”

3 **The future for childcare costs**

Financial support for childcare under tax credits has been vital to helping single parents balance work and care. While the reduction of tax credit support from 80 per cent of childcare costs to 70 per cent made a significant dent in single parent finances, new analysis suggests the proposal to increase support to 85 per cent of costs under universal credit will reverse this pattern and improve work incentives for many. However, those with above-average childcare costs – mainly those in London or with more than two children – will still significantly struggle under the present capped system.

State support for childcare

Many single parents have been affected by a rise in precarious employment at a time when childcare is too often becoming less accessible. Nearly a fifth of working single parents surveyed in our last *Paying the Price* report said they had experienced wage or hours cuts; 30 per cent had experienced unpaid overtime for the first time in the past two years. The proportion of single parents in full-time employment fell between 2007 and 2012, while under-employment has almost doubled. Further, as noted above, single parents are more at risk than the average worker of getting stuck in low-paid work.

Not only are many single parents experiencing unstable and low earnings to cover childcare costs, they are also less likely than couple parents to receive childcare help from employers. Seventeen per cent of children of couples where both parents work benefit from employers' financial help (largely through childcare vouchers), whereas only 3 per cent of children of working single parents benefitted from the same help.⁵ This might at least partly reflect single parents' risk of low pay (families are more likely to benefit from employers' financial assistance when parents have higher incomes; (Huskinson et al., 2014)). Either way, it underlines the importance of the state in meeting single parents' childcare challenge.

There have been successive attempts to address the affordability of childcare. The introduction of the childcare element of working tax credits in 1999 went some way to making childcare more affordable. Under the current government, a number of reforms have attempted to help with childcare costs (Box 5); however some of the effects of this increased support were undermined by a cut in childcare support under tax credits from 80 to 70 per cent of childcare costs in April 2011.

This situation, though, is set to change again – in March 2013, the government announced they would increase the support provided under universal credit to 85 per cent of childcare costs up to £175 per week for one child or £300 per week for two children or more (the existing caps for childcare support), from 2016. This additional support is to be welcomed and will mean much-needed gains in net income for the many single (and couple) parents who are struggling financially.

⁵ *The government has now committed to launching 'tax-free' childcare, effectively a 20 per cent subsidy for parents using childcare who do not receive universal credit, from autumn 2015 for children up to 12 years old. This will also start the phasing out of employers' childcare vouchers, though current voucher users will get to choose which scheme they wish to use.*

Box 5 Coalition government childcare cost reforms

- **2010:**
Free early years entitlement for three and four year-olds extended from 12.5 hours to 15 hours per week, and from 33 weeks to 38 weeks a year (the entitlement was made more flexible in 2012)
- **2011:**
Childcare element of working tax credits cut from 80 per cent to 70 per cent of childcare costs (still to a maximum of £175 per week for one child and £300 per week for two or more children, and for those working 16 or more hours)
- **2013:**
 - Universal credit pilots start, which includes an extension of support for childcare costs to parents working less than 16 hours per week, with £300m additional funding, once they enter the universal credit system (see below)
 - Free early years entitlement for the 20 per cent least well-off two year-olds, extended to the 40 per cent least well-off from September 2014 (a 'two year-olds offer' had been piloted from 2006; pilots for the current offer started in September 2012)
- **2014:**
Universal credit opens to families with children in 32 jobcentres in November (extended to 96 jobcentres from March 2015), which provides support for up to 70 per cent of childcare costs (to the same maximum thresholds stated above) for any hours of work.

Analysis carried out for Gingerbread by the Centre for Research in Social Policy at Loughborough University also shows that some parents will be able to reach a decent income, as measured by the Minimum Income Standard (MIS, see Box 6), and in terms of improved work incentives (Hirsch, 2015).⁶ However, concerns remain particularly for those with high childcare costs, who are still likely to struggle to manage childcare in future years. Moreover, this analysis is focused on the support provided on universal credit – for those single parents moving from tax credits, any gains under universal credit will need to be offset against lost housing benefit support due to childcare costs (Royston, 2014).

Box 6 The Minimum Income Standard

The MIS is the level of disposable income that families need for a minimum acceptable standard of living. This standard is developed through public consensus, using detailed discussions with groups of members of the public to specify what goods and services should be included in a minimum household 'basket'.

The MIS level referred to here is the net disposable income that a household requires after paying for rent and childcare, and after tax. This income can come from a combination of wages and state support such as universal credit.

- MIS for SP with one child under one was £290.98 in 2014
- For two children aged 1 and 4, this increased to £369.10.

- Full-time work is 37.5 hours a week; part-time work is 18.75 hours a week
- Total childcare required is 50 hours a week for full-time work and 26.25 hours a week for part-time work, but paid-for childcare is calculated net of school hours and the 15-hour early years entitlement where relevant
- The single parent family rents social housing, at outside-London rates
- Childcare cost projections based on the 2013-14 increase in childcare costs, according to the Family and Childcare Trust annual surveys
- Other projections based on Office for Budget Responsibility economic forecasts and announced government policy.

Hirsch (2015) provides further details on the methodology used; more information on the MIS model can be found at www.jrf.org.uk/topic/mis.

Key assumptions used for the analysis in this report:

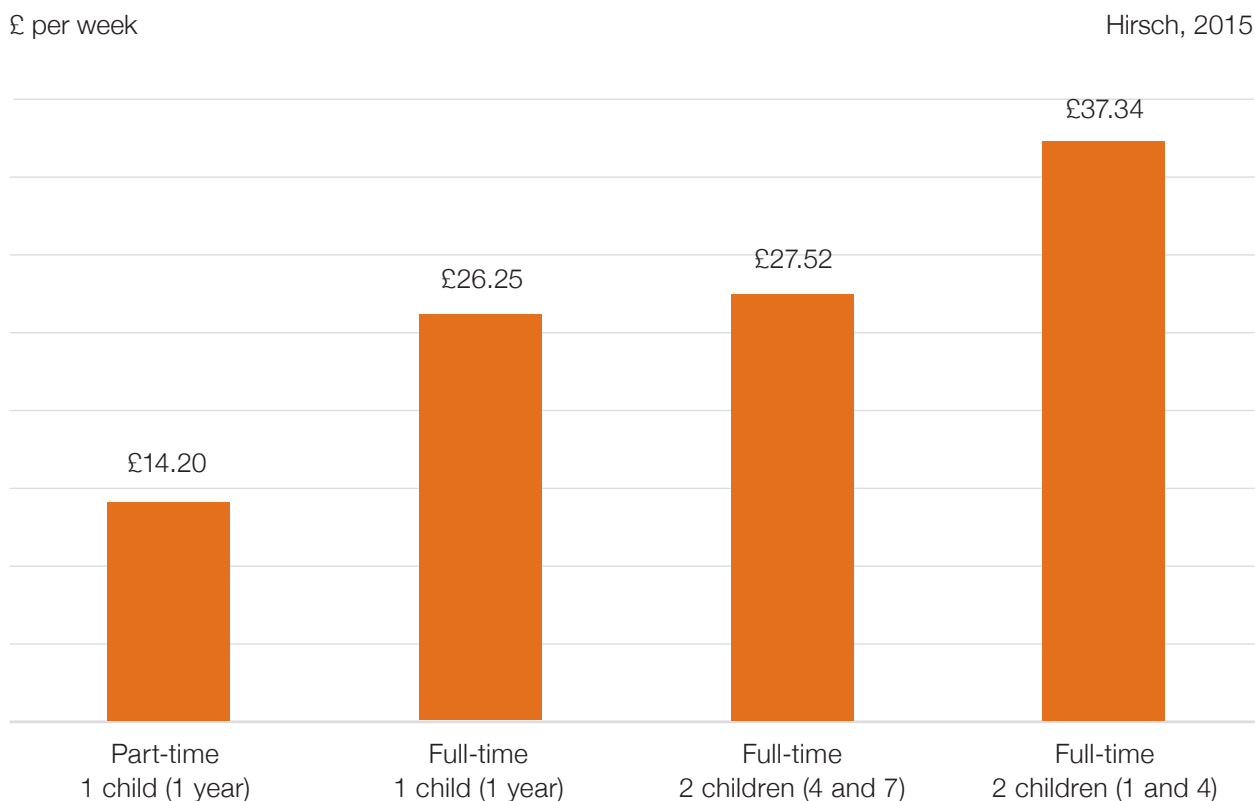
⁶ As we wanted to particularly focus on the impact of increased support for low income households, this analysis focuses solely on support under universal credit, and does not look at the impact of the introduction of 'tax-free' childcare.

Gains in net income

The proposed increase in the rate of childcare support will have a significant impact on single parents' net incomes, as shown in Figure 6. Inevitably, the gains in net income are higher as childcare costs increase. As shown below, this means that single parents working part-time gain far less net income from the change, as they use less childcare. Similarly, a single parent with more children gains more in net income, as they use more childcare. This is particularly the case for those with pre-school age children, who will require more hours of childcare than those whose children go to school.

Over the course of a year, these gains can be quite substantial – a single parent working full-time with a one year-old child would gain around £1,360 per year from the increased support, while a single parent working full-time with two children aged one and four would gain around £1,930 per year.

Figure 6 Gain in weekly net income by moving from a 70 to 85 per cent childcare support rate, by family circumstances



Note: As net gains in income are determined by the childcare support received, the income gains above are the same for a given number of childcare hours (as determined by working hours), regardless of wage level.

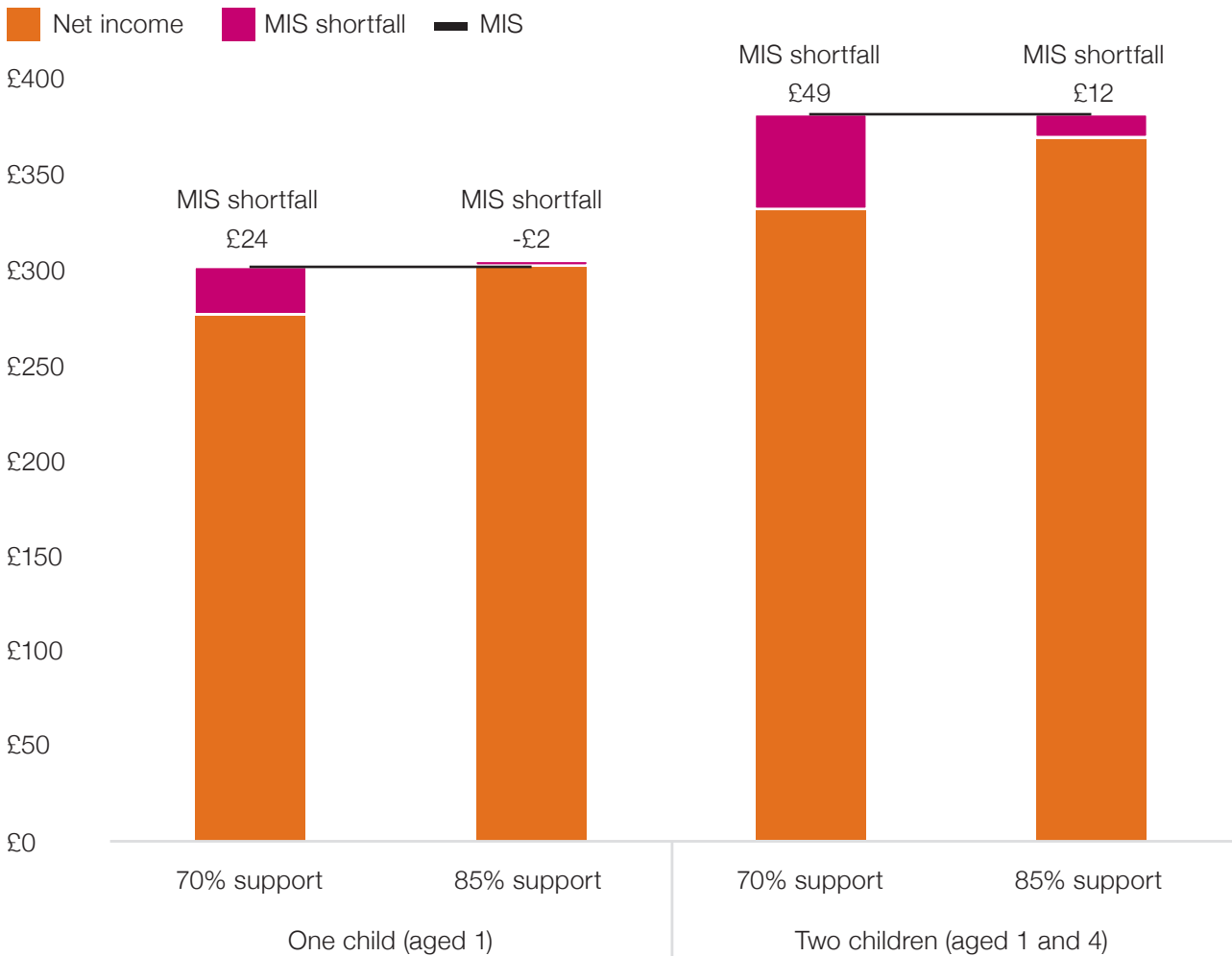
Reaching an adequate income

Another way of measuring the effectiveness of the increased childcare support rate is to determine whether single parents can reach an adequate income. Our analysis shows that this increased support will reverse an otherwise growing shortfall in a decent income for many single parents – an important improvement to prevent parents falling further behind in childcare affordability. And, by 2016, the move to support for 85 per cent of childcare costs will actually mean a single parent working full-time at a median wage with a child aged one will be just above a decent income. Those with two children benefit from an even bigger reduction in their shortfall due to increased support (see Figure 7).

Figure 7 Projected impact of increased childcare support on the gap between net income and a decent income for single parents, by number of pre-school age children, 2016

Single parents working full-time on median UK wage
Weekly net income compared with the MIS, 2016

Hirsch, 2015

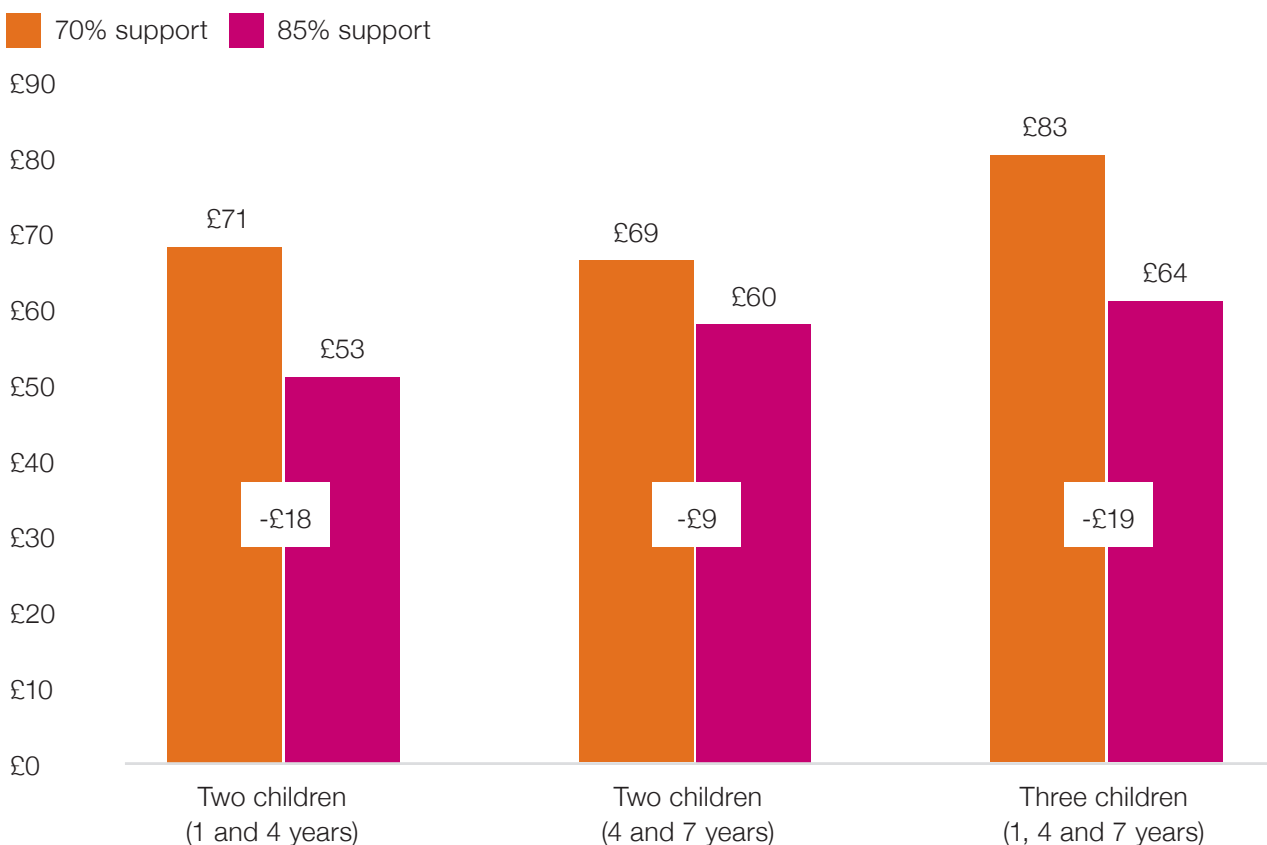


However, the impact of the policy depends strongly on family circumstances. Those using less childcare (eg due to children being in school) understandably see a smaller shortfall in income through increased childcare support – this is illustrated by the difference in income shortfalls between single parents with children aged one and four and those with children aged four and seven in Figure 8 below. On the positive side, as the chart illustrates, those using more childcare – for example, due to having working full-time, having young children or having larger families – experience a larger reduction in their income shortfall. However, those with high childcare costs are likely to still face a significant gap in their income, despite additional support, as Figure 8 shows.

Figure 8 Projected change in the gap between net income and a decent income, by number and age of children, 2016

Single parents working part-time at median wage
Shortfall in weekly net income compared with MIS, 2016

Hirsch, 2015



The impact is also weaker for those on lower wages, because they have a much bigger shortfall in income. The absolute drop in the shortfall in income remains the same for a given amount of childcare costs, therefore it makes less difference relative to low-paid single parents' shortfall in income. As Figure 8 shows, there is a drop of just over £18 for a single parent working part-time at median wage with two children aged one and four – this is a 23 per cent reduction in their shortfall, to £52.73. For a single parent with the same family, but working for half the median wage, this £18 drop is only a 20 per cent reduction in their shortfall, to £72.62.

The end result is that, single parents can only reach a decent income as a result of the increase in childcare support in very particular circumstances – if they work long hours, have one very young child and are on the median income. Many single parents in part-time, low paid work will still struggle to make work pay.

Improving work incentives

There is more positive news for single parents working part-time in terms of work incentives. In general, the increased support does improve the gain from working extra hours which need additional childcare, addressing the 'hours trap'. A single parent on a median wage, and paying average childcare costs for two children aged one and four, gains £37 a week by moving from part-time (18.75 hours a week) to full-time (37.5 hours a week) work, with the increased support. This compares with a gain in net income of £14 by moving to full-time work, under the existing 70 per cent support. For those on a minimum wage, this change means the difference between losing out by moving to full-time work (by nearly £3 per week) and gaining £20 per week (Figure 9).

Figure 9 Projected change in net income due to moving from part- to full-time work with average UK childcare costs, by wage level, 2016



While this will be welcome news for many single parents, one note of caution to sound is that for some who will benefit from increasing working hours as a result of this policy, these gains will be marginal. For example, the single parent on a minimum wage in Figure 9 will be better off by moving to full time work due to increased support by £23 in net income; this works out as a little over £1 extra income per hour in reward for nearly 19 hours' extra work. For some single parents – particularly those with pre-school age children – this may not be a realistic compromise. While the improved support may technically make work pay for those that would previously be worse off from working more hours, the improvement may be marginal in some circumstances and make little difference to the real-life trade-off facing single parents between family life and work.

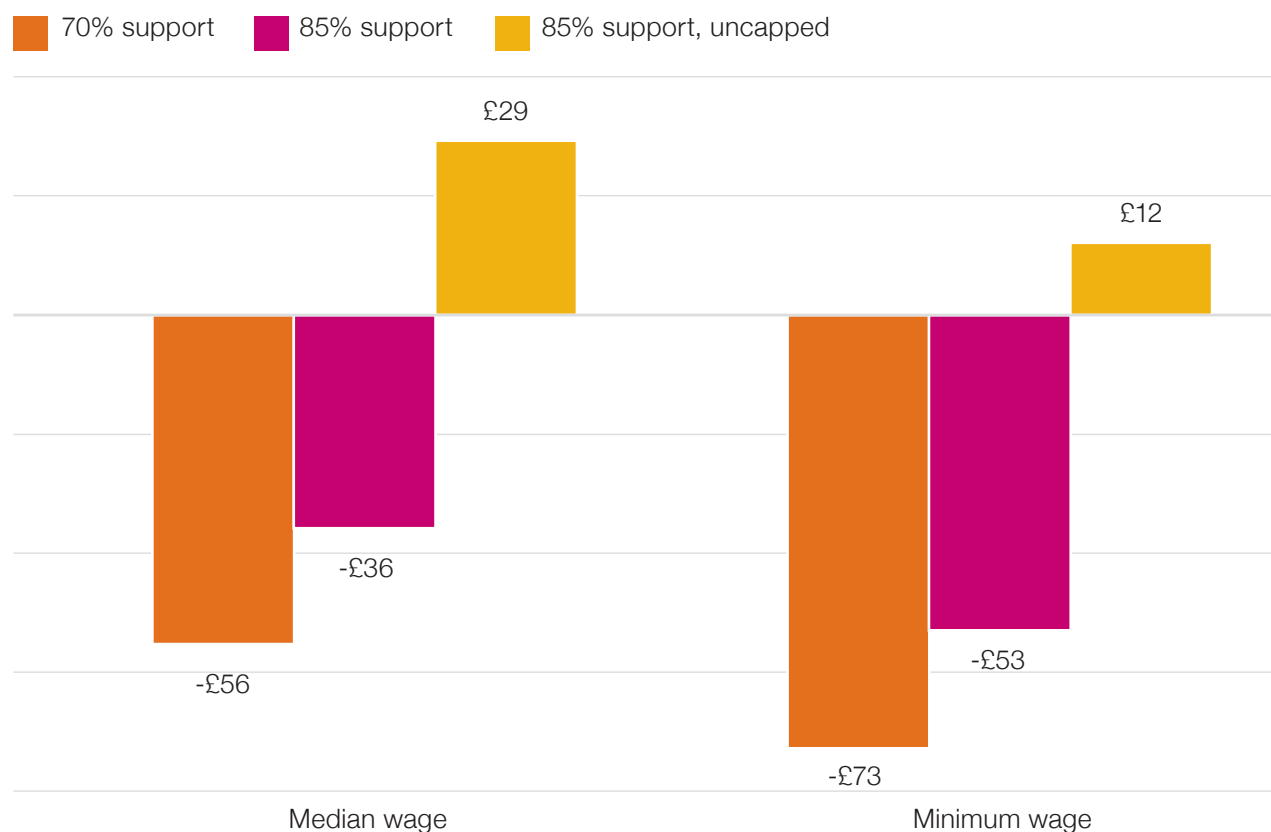
Furthermore, those with high childcare costs – such as parents living in London – will still lose out from increasing their working hours to full-time work, albeit by slightly less under 85 per cent support. Again, the issue is exacerbated for those on low wages; single parents in London on the minimum wage would lose over £50 per week by increasing their working hours to full-time (Figure 10).

This is largely due to high childcare costs breaching the existing cap – were the support for childcare costs uncapped (ie without an upper limit), the disincentive to increase working hours would be removed, as illustrated in Figure 10. Thus, while increasing childcare support does broadly improve work incentives for single parents facing average childcare costs (or below), there will be a significant number for whom work will still not pay.

Figure 10 Projected change in net income of moving from part- to full-time work with London childcare costs, by wage level, 2016

Single parent with two children, aged one and four
Increase in weekly net income

Hirsch, 2015



Meeting the childcare challenge

Our analysis shows the importance of increasing the support for childcare costs for families on low incomes. Increasing support to 85 per cent of childcare costs will go a significant way to making childcare more affordable, improving incomes and work incentives. However, additional support is only due to come into effect from April 2016, and it is unlikely that significant proportions of low income single parents will be eligible due to the slow roll-out of universal credit.⁷

Moreover, there are many single parents who will still not have an adequate income to reach a decent standard of living due to high childcare costs, and for whom increasing working hours will still not pay for the additional childcare needed. The cap on state support, which has remained unchanged for a decade, is now proving to be a significant part of the childcare problem for those who face high childcare costs.

Other single parents will face ongoing childcare barriers to work and study, which will not be addressed by increasing state support. Finding childcare that matches working and commuting hours, managing up-front and uneven childcare payments while universal credit is paid in regular instalments, in arrears, finding childcare support to enable training for more sustainable employment – these are all issues that need a more nuanced solution to ensure parents can work and study.

⁷ Universal credit is due to be rolled out to all jobcentres in early 2016, but will only be open to single claimants without children initially; based on the current strategy, single parents are likely to transfer to universal credit last. In November 2014, universal credit was opened to families with children (including single parents) in 32 out of 764 Jobcentre Plus offices; in March 2015, this was expanded to 96 offices.

We have outlined a number of recommendations below which would help to address the ongoing challenges of childcare. Meeting these challenges is vital to improve single parents' lives – helping them enter work, enjoy sustainable employment and reduce the risk of poverty faced by their children. With a new government in 2015 and a commitment from politicians to make work pay, now is the time to create a childcare system that works for all.

- **Prioritise childcare support for low income families:**

- The government should ensure low income parents receive additional support for childcare at the same time as higher income families (not on universal credit, in the form of 'tax-free' childcare), in autumn 2015
- The government should ensure that, as universal credit is rolled out gradually, the extra support for childcare is provided simultaneously under both tax credits and universal credit to avoid unfair disparity within the welfare system

- **Revisit the cap:** The government should raise the childcare cap, to ensure those who are faced with high childcare costs are not unfairly disadvantaged by the upper limit for state support and maintained at a level that means the value of maximum childcare support is not eroded over time. The cap could be moved to an hourly rate in order to minimise the potential for state support to be used for unusually expensive childcare.

As childcare above the cap becomes very expensive, it is assumed that not many people will be paying for childcare above this threshold, so raising the cap would involve little to no deadweight. Assuming raising the cap encourages those for whom high childcare costs are a barrier to work to move into employment or more working hours, this would yield additional income tax and national insurance receipts that would offset the cost of raising the cap. There is a discussion to be had about the best way to approach this policy (for example, moving to an hourly rate to minimise support for very expensive childcare), but further engagement with providers is needed to establish the most cost effective way of reforming the cap (for example, to avoid an inflationary effect on childcare fees).

- **Review affordability and consistency within the childcare system:**

Within 18 months, there will be four potential provisions of state support for childcare costs – existing tax credits and income tax rebate through employer childcare vouchers, as well as 'tax-free' childcare and childcare support under universal credit. While existing systems are expected to be phased out, this may yet take a number of years. In the meantime, parents face a confusing and inconsistent system. We would like to see a review by autumn 2016 of how proposed reforms are working.

In particular, we would like the review to test whether politicians' promise to make work pay has been realised for all parents, across incomes, working patterns and childcare costs. This would look at whether childcare reforms have ensured parents are helped above the poverty line (ie avoid in-work poverty), reach a decent income threshold and benefit from genuine work incentives. We would also like to see an assessment of how the new 'tax-free' and universal credit pathways for childcare support interact with each other, and whether they offer a fit-for-purpose solution to the challenge of childcare affordability.

- **Recognise complexity of childcare payments within universal credit:**

The phased roll-out of universal credit provides an ideal opportunity to test improved support for up-front or fluctuating childcare costs, reflecting the new flexibilities to be introduced in the parallel 'tax-free' childcare system.

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Appendix 1 Methodology

This research was made up of three main strands:

- An online survey with 1,743 single parents, 5 December 2014 to 7 January 2015
- 19 in-depth interviews with single parents from our Paying the Price panel
- Analysis from the University of Loughborough on childcare support under universal credit.

Online survey

We conducted our survey online between 5 December 2014 and 7 January 2015, using SurveyMonkey survey software. We used convenience sampling, with the survey promoted via Gingerbread's social media outlets and membership e-newsletter.

We have excluded responses from those who are not single parents – we define single parents as those with at least one dependent child, who do not currently live with a partner and who are the main carers for their children (ie whose children stay with them for at least half the week). As a result, non-resident parents without equal shared care are not included in our sample of single parents.

We are conscious that our convenience sampling approach can introduce bias to the results. We have, however, compared the demographic data we collected in our survey with that of the single parent population to provide context to our sample. Critically, the income profile of the sample broadly reflects the income profile of the wider single parent population. This is important, as it indicates that our survey sample does not over-represent single parents on low incomes – in other words, those most likely to be affected by difficulties of childcare affordability (the main focus of this paper).

Due to the non-random nature of the sample, we cannot assess how reliable our results are in relation to the whole single parent population. We therefore take efforts to ensure we only apply our findings to those single parents surveyed, and consider these alongside wider childcare surveys.

Panel research

For this third *Paying the Price* report, our panel research included 19 out of 25 remaining panel members (missing members were not available for this round of interviews). We used a purposive sampling approach to get single parents in a range of circumstances; further details on the recruitment and sampling for the panel can be found in the appendix of our first two *Paying the Price* reports at: [www.gingerbread.org.uk/paying theprice](http://www.gingerbread.org.uk/paying-the-price).

Gingerbread

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