

A qualitative investigation of the childcare element of Working Tax Credit

HM Revenue and Customs Research Report 84

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SUMMARY OF KEY FINDINGS

Applying for the childcare element

- Two situations led to the decision to apply for the childcare element (CCE) of Working Tax Credit (WTC): wanting to return to work after having a child or experiencing a change of circumstances once in work which meant that taking up the CCE became desirable. Encouragement from family members, learning about the CCE at a timely point, and a sense of entitlement to the CCE were other facilitators to take up.
- Making a claim for the CCE was generally found to be straightforward. Calculating childcare costs was also considered unproblematic when use of childcare did not vary throughout the year. However, it is worth noting that there is no way of knowing whether recipients had calculated their childcare costs correctly. Those with fluctuating childcare costs struggled with the calculation.

Understanding the requirements of the system

- Recipients recognised the need to report the following changes in relation to the CCE:
 - an increase/decrease to childcare costs;
 - a change in childcare provider;
 - if they stopped using formal/registered childcare;
 - and receipt of the Early Years Education (EYE) Grant.
- However, seasonal increases to childcare costs were not always reported. There was also a limited understanding of any interaction between Employer-Supported Childcare (ESC) and the CCE. Tax credits claimants receiving ESC were unaware of the overlap and so had not informed HMRC they were receiving ESC.

Impact of the childcare element

- The CCE was valued by recipients, enabling them to return to work and take up formal childcare, particularly where informal care options were unavailable or considered undesirable, and where household income was less than £20,000 a year.
- The CCE had limited impact on decision-making where recipients were already in work and using formal childcare. However, it did, with hindsight, help some recipients stay in work or maintain their existing work hours.
- The impact of the CCE on higher income households varied and depended in particular on the levels of CCE being claimed. However, even where recipients felt that they could afford to work and use formal care without the CCE, it was felt to have a positive impact on household standard of living, releasing money to pay for 'extras'.
- The CCE also had a number of other positive impacts:
 - enabling people to work part-time and therefore achieve the balance of work and family life that they wanted;

- providing recipients with a greater choice of jobs because their work was not limited to school hours;
- enabling them to opt for formal over informal care;
- and giving recipients a sense of achievement and independence through making work financially worthwhile.

EXECUTIVE SUMMARY

Background and methodology

The childcare element (CCE) was introduced in 2003 as part of Working Tax Credit (WTC) and alongside Child Tax Credit (CTC). Research has consistently shown that childcare costs can act as a barrier to work for some families¹ so in recognition of this, the CCE offers financial support through tax credits to help with the costs of approved and registered childcare for working people.

HM Revenue and Customs (HMRC) commissioned the National Centre for Social Research (NatCen) to carry out qualitative research, using in-depth interviews, to explore customers' understanding and experiences of the CCE and the role it plays in decisions relating to work and childcare.

Key findings

Applying for the childcare element

- There were two main situations that led to the decision to apply for the CCE: wanting to return to work after having a child or experiencing a change of circumstances once in work which meant that taking up the CCE became desirable. This included *needing* to switch from informal to formal childcare, *wanting* to switch from informal to formal childcare, or experiencing a reduction in household income which meant affording childcare was more difficult.
- Encouragement from family members, learning about the CCE at a timely point, and feeling a sense of entitlement to apply were other facilitators to take up.
- Potential barriers to claiming the CCE identified by CCE recipients included:
 - a perception that it would be complicated to make a claim for the CCE;
 - guilt or embarrassment about needing to claim additional financial assistance;
 - and a feeling by some claiming lower levels of the CCE that perhaps it was not worthwhile or appropriate to claim what they perceived to be a small amount.
- Concern about having to pay back overpayments was another barrier, but related to making a claim for tax credits more generally rather than for the CCE specifically.
- Generally recipients had realised prior to the time of application that the childcare they used needed to be registered, though understanding of what registered meant varied.
- There could be lack of clarity around the time of application about the amount of childcare costs that the CCE would cover (see section 1.1 for an explanation of how tax credits entitlements are calculated). Some recipients were unsure whether 80 per cent applied to all applicants or was based on income level. There

¹ Childcare and Early Years Survey 2007: Parents' Use, Views and Experiences. Research Report DCSF-RR025. DCSF, 2008.

was also some confusion over what was meant by 80 per cent. This could result in applicants feeling unsure about whether the work and childcare arrangements they had set up/were currently in were affordable.

Making a claim for the childcare element

- It should be noted that recipients generally had difficulty recalling their application for the CCE and their experience of calculating childcare costs, particularly if they had made their claim for the CCE some time ago. For this reason, respondents' accounts of these processes were often confused and vague. The following findings should be interpreted in this context.
- Recipients who made a claim for the CCE on paper generally found the process straightforward, though some lacked confidence completing forms, were unsure about precisely what information they were required to give, or needed clarification about which sections of the form were applicable to their claim.
- The process of making a claim for the CCE via the HMRC helpline was usually felt to be simple and speedy. These recipients welcomed the assistance of the advisor in helping them complete the application accurately.
- Calculating childcare costs was felt to be straightforward when use of childcare did not vary throughout the year. However, we do not know whether or not these respondents had calculated their childcare costs correctly. Those with fluctuating childcare costs struggled with the calculation.
- When recipients had encountered difficulties with the paper form or calculating childcare costs they generally sought assistance, usually from the HMRC helpline.

Receiving the childcare element and understanding the requirements of the system

- Whilst experiences of receiving the CCE could be positive, some difficulties were also mentioned, notably: having to pay back an overpayment (which related to tax credits in general rather than just the CCE) and experiencing unsatisfactory delays between applying for the CCE and receiving the initial payment.
- Awareness of the need to report changes in relation to their tax credits claim more generally was high, such that recipients were inclined to report promptly all changes regardless of the relevance to their tax credits claim. This stemmed from concerns about having to pay back an overpayment as a result of not reporting a change.
- Once in receipt of the CCE, recipients generally viewed tax credits as a 'lump sum' and so did not distinguish between the changes they needed to report for their CCE claim and the changes they would report for their tax credits claim more generally.
- Recipients mentioned the need to report the following changes in relation to the CCE specifically:
 - an increase/decrease to childcare costs;

- a change in childcare provider;
 - if they stopped using formal childcare;
 - if their childcare provider stopped being registered/approved;
 - and receipt of the Early Years Education (EYE) Grant.
- There was some confusion around the length of absence from childcare that could go unreported. In addition, seasonal increases to childcare costs were not always reported.
 - There was a limited understanding of any overlap between Employer-Supported Childcare (ESC) and the CCE. Those receiving ESC were unaware of any interaction and so had not informed HMRC they were receiving it.
 - All changes were reported via the HMRC helpline; this process was usually considered straightforward.
 - However, some recipients experienced difficulties reporting changes due to technical difficulties:
 - not being able to get through to a helpline advisor;
 - and experiencing problems with the security questions asked.
 - Or operational issues:
 - not being able to report changes in advance;
 - and not receiving a written record of changes reported.

Impact of the childcare element

- The CCE was valued by recipients, helping them to return to work. It also helped recipients take up formal childcare, particularly where informal care options were unavailable or considered undesirable, and in lower income households (household income below £20,000 per year).
- The impact of the CCE on higher income households was more varied and depended particularly on the levels of CCE being claimed. However, even where recipients felt that they could afford to work and use formal care without the CCE, it was felt to have a positive impact on household standards of living, releasing money to pay for 'extras'.
- The CCE had a limited impact on decision-making where recipients were already in work and using formal childcare, or had already chosen their childcare provider. Some recipients felt, however, that the CCE had helped them stay in work or maintain their existing work hours.
- The CCE also had a number of other positive impacts:
 - enabling people to work part-time and therefore achieve the balance they wanted in terms of work and family life;
 - providing recipients with a greater choice of jobs because their work was not limited to school hours;
 - enabling them to opt for formal over informal care where informal care situations were not felt to be ideal;
 - and giving some recipients a sense of achievement and independence through making work financially worthwhile.

Suggestions for improvements

- Recipients said that they would like advisors to make clear how much CCE they were likely to receive before they made firm decisions about work and childcare, to ease the decision-making process about whether the work and childcare arrangements they were setting up would be financially worthwhile.
- They also suggested clearly separating the CCE from the WTC and CTC in HMRC award statements so that recipients can see how much they are receiving per week for each component. However, there was no real indication that this would change behaviour; but rather a sense that it would be 'nice to know'.
- It was felt that improvements to the CCE claim process could be made by extending the application methods available to include online and face-to-face application, and by simplifying the language used in the claim form.

1 INTRODUCTION

1.1 Policy background

The childcare element (CCE) was introduced in 2003 forming part of the new Working Tax Credit (WTC) and alongside Child Tax Credit (CTC), replacing Working Families' Tax Credit. Research has consistently shown that childcare costs can act as a barrier to work² for some families so in recognition of this, the CCE offers financial support through tax credits to help with the costs of approved and registered childcare for working people³. The CCE forms part of the strategy to address the government target of increasing the take up of formal childcare among low income families by 2008⁴.

The eligibility criteria for entitlement to the childcare element are incurring eligible childcare costs, and being a lone parent working at least 16 hours per week, a member of a couple where both are working at least 16 hours per week, or a member of a couple where one partner is working at least 16 hours per week and the other is incapacitated, in hospital or in prison⁵. Currently the childcare element covers up to 80 per cent of childcare costs up to a weekly maximum of £175 for one child and £300 for two or more children.

The childcare element is received as part of the total tax credits award. This is calculated by adding together all the elements that apply based on the circumstances of the family (including their childcare costs) then tapering the award according to household income. This means that those on the lowest incomes receive 80 per cent of their childcare costs, whilst those further up the income distribution can receive less than that.

The CCE is payable only for childcare provided by a registered or approved provider. This includes registered childminders, nurseries, schools providing care out of school hours and after-school or activity based organisations providing care for a minimum of two hours. In England, approved providers are either registered with OfSTED (Office for Standards in Education), who provide childcare providers with a certificate of registration showing the date of registration and a registration number, or approved under the Childcare Approval Scheme, which covers childcare in a child's home or on other domestic premises. A similar regulatory function is served by the Care Commission in Scotland, the Care Standards Inspectorate for Wales and the Health and Social Services Trust in Northern Ireland.

Employer-supported childcare (ESC) is another government initiative which aims to encourage more employers to help their employees with their childcare responsibilities. Income tax and National Insurance Contributions (NICs) exemptions

² Childcare and Early Years Survey 2007: Parents' Use, Views and Experiences. Research Report DCSF-RR025. DCSF, 2008.

³ The Child and Working Tax Credits: The Modernisation of Britain's Tax and Benefit System. HM Treasury and Inland Revenue, April 2002.

⁴ More information on the government target for increasing the take up of formal childcare among low income families can be found at:

http://www.dwp.gov.uk/publications/dwp/2006/dr06/targets/pt1_children.asp

⁵ Claimants must also be at least 16 years of age and the child for which they claim must be aged 15 years or less, or 16 years or less if the child is disabled.

have been introduced as an incentive for employers to provide childcare support through childcare vouchers and childcare directly contracted by employers. Employees can receive exemptions for the first £55 of childcare costs per week. Employees who use workplace nurseries are entitled to an exemption for the full value of the benefit received⁶. Importantly, the income tax and NICs exemptions for ESC interact with entitlement to the CCE as childcare costs covered by ESC are ineligible for the CCE.

HM Revenue and Customs (HMRC) commissioned the National Centre for Social Research (NatCen) to carry out qualitative research to explore customers' understanding and experiences of the CCE and the role it plays in decisions relating to work and childcare.

1.2 Aims of the research

The aims of this study were to investigate:

- knowledge and understanding of the CCE;
- experiences of claiming and receiving the CCE, including understanding and experiences of calculating childcare costs and reporting changes of circumstances;
- facilitators and barriers to claiming the CCE, including the decision-making processes surrounding take up and the availability of advice and information;
- awareness of ESC and how this influences decisions relating to take up of the CCE;
- and the role of the CCE in influencing decisions relating to work and childcare.

1.3 Research design and conduct

In-depth face-to-face interviews were carried out with recipients of the CCE. As is usual in qualitative research, the sample was designed to ensure coverage of the key sub-groups within the target population in order to identify and explain variations in experiences and views. The sample of recipients was designed according to the following key sampling criteria:

- **Household status**
 - Lone parent
 - Two parent
- **Age of oldest child in formal childcare**
 - 0-2 years old
 - 3-4 years old
 - 5 years old and above
- **Amount of CCE received**
 - Less than £60 per week
 - £60 and above per week
- **Area**
 - East London

⁶ See the following report for more information: <http://www.hmrc.gov.uk/research/research-report23.htm>

- City of Manchester
- Nottinghamshire
- Norfolk and Suffolk

Additional sampling criteria were applied across the recipient interviews and included parent/s' **employment status, household income** and **ethnicity**. A detailed profile of the sample is provided in Appendix B.

The original intention was to carry out 35 in-depth interviews with recipients. However, following the Chancellor's statement in November 2007 on the loss of CDs containing Child Benefit records, the scope of the research was revised and only 31 interviews with recipients were carried out. The study also intended to comprise interviews with those eligible for the childcare element but not currently receiving it. Difficulties with recruiting eligible non-recipients meant that only one interview took place, suggesting that eligible non-recipients are a small group. More detail on this issue can be found in Appendix A.

The fieldwork with recipients was carried out between November 2007 and March 2008. Interviews lasted between 60 and 90 minutes and were digitally recorded, with the respondents' consent, and transcribed verbatim. The non-recipient interview lasted approximately 45 minutes and was conducted over the telephone. The interviews were conducted using topic guides that outlined key themes to be addressed and the specific issues for coverage within each. These were used flexibly to allow issues of relevance to be explored depending on the perspective of the respondent – these can be found in Appendices C and D.

A qualitative approach was adopted to allow for individual views and experiences to be explored in detail. However, the purposive nature of the sample design as well as the small sample size means that the research cannot provide any statistical data relating to the prevalence of these views and experiences.

1.3.1 Analysis and reporting

The data were analysed using 'Framework', a qualitative analysis method developed by NatCen that uses a thematic approach to classify and interpret all units of data. It is a systematic and transparent method of analysis that ensures that the analysis process and interpretations resulting from it are grounded in the data and tailored to the study objectives. Further details of the analytical process used can be found in Appendix A.

The findings have been illustrated and illuminated with the use of verbatim quotations, case illustrations and examples. The quotations have been edited for clarity but care has been taken not to change the recipients' meaning in any way.

1.4 Report structure

Following this overview of the objectives, design and conduct of the research, the following five chapters discuss the research findings in detail. **Chapter 2** explores the circumstances behind recipients' applications for the CCE, and the main triggers and barriers to applying; **Chapter 3** describes experiences of making a claim for the CCE; **Chapter 4** looks at experiences of receiving the CCE and of reporting changes of

circumstances; **Chapter 5** explores the impact of the CCE on decisions around going back to work and staying in work, on formal childcare use and on household standards of living; and **Chapter 6** reflects upon the key messages raised throughout the report and draws some conclusions arising from the research.

2 APPLYING FOR THE CHILDCARE ELEMENT

This chapter describes the circumstances behind recipients' applications for the CCE, how they became aware of the CCE, their knowledge about the CCE around the time of application, and the main triggers and barriers to applying.

2.1 Circumstances behind take up of the childcare element

There were two types of event that led to the decision to apply for the CCE: wanting to return to work after having a child or experiencing a change to circumstances once in work, which made it desirable for the recipient to claim the CCE.

One reason behind making a claim for the CCE was to facilitate the recipients' **return to work**. These recipients said that they either needed or wanted to use formal care when returning to work and that they did not feel that working would be financially worthwhile without help with childcare costs.

Another reason behind applying was **experiencing a change of circumstances once in work**. There were three key types of change here; the first was experiencing a **need to switch from using informal childcare, used when first returning to work, to formal care**. This occurred where friends or relatives were no longer able to care for children. The second was a **desire to switch from informal to formal care** due to a perception that the child or children would benefit more from being in a formal care setting and, in some cases, that a formal setting would provide more reliable care.

The third was where a claim for the CCE was made in response to **a reduction in household income**. One reason for this was **relationship breakdown**, resulting in the main carer in the household becoming a lone parent. This in turn necessitated a reassessment of the affordability of the main carer working and using formal childcare. One response was for lone parents already in work to increase their hours; another (either on its own or in conjunction with the former) was to look into tax credits entitlement. It tended to be through applying for WTC via the HMRC helpline that these people were made aware of the CCE and 'encouraged' to apply by the advisor.

There were also instances where a **drop in the main earner's income** had led to a reassessment of finances and an application for tax credits, as in the example below.

Couple, oldest child in childcare 5+, household income under £20,000, CCE over £60 per week (2C)

Marie had gone back to her part-time bank job after having her youngest child. Her husband, Phil, was a builder. On being made redundant, Phil decided to set up his own business and their household income was reduced considerably as a result. They applied for tax credits and as their children were already in formal childcare they were awarded the CCE as part of WTC. Marie and Phil did not feel they had made a 'decision' to take up the CCE; rather they had applied for tax credits in order to 'get by'.

Finally, there were instances where people had not been influenced by any particular circumstances in applying but rather were back at work and using, or in the process of setting up, formal childcare before they became aware of the CCE. This usually

came about as a result of a view that financial assistance was necessary or desirable to continue working and paying for formal childcare.

Lone parent, oldest child in childcare 5+, household income under £20,000, CCE under £60 per week (1D)

Sylvia is a lone parent living with her three sons, John (22), Gareth (16) and Ryan (8). Sylvia works three days a week and her job requires early starts and occasional evening shifts. John used to look after Ryan when Sylvia went to work in the mornings, and would take him to school. He was also able to pick Ryan up from school if Sylvia was working an evening shift. However, John was accepted onto a full-time course at the local college and so was not able to look after his brother when Sylvia was at work.

Sylvia knew that she would need to use formal childcare, as she had no other friends or family in the area that were able to take this on. She made plans for Ryan to go to a Breakfast Club at his school and to the Afternoon Club once school had finished on the days she works late. She did not consider using any other formal childcare provider; being at the school it was easily accessible and she felt confident her son would be safe there.

Sylvia was not aware of the CCE when she signed Ryan up to the Clubs. It was only when she had a meeting with an advisor at an HMRC Enquiry Centre about which benefits she was entitled to, that she was informed about the CCE and her potential eligibility. The advisor gave Sylvia the application form, which she completed at home and sent off.

2.2 Finding out about the childcare element

In some cases recipients appeared to have found out about the CCE **indirectly**, by 'chance'. This included hearing about the CCE through word of mouth or from a childcare provider, receiving targeted literature (HMRC leaflets included with Child Benefit letters or leaflets in the Bounty Pack), seeing mass media adverts, or as a result of a telephone call to HMRC regarding a change of circumstances relating to an existing tax credits claim.

In other cases, recipients had learned about the CCE as a result of a more **proactive** approach to finding out more about their financial entitlements, either when already in work or when thinking about returning to work. This could be through word of mouth (by specifically asking people they knew for information), seeking advice from local advice/employment agencies (for example, Jobcentre Plus, Job Brokers, the Citizen's Advice Bureau (CAB), HMRC Enquiry Centre), the HMRC helpline, websites (HMRC, entitledto.com), asking childcare providers, or telephoning HMRC specifically to inquire about their tax credits entitlements.

This proactive approach tended to occur around the time that financial assistance with returning to work/staying in work and paying for formal care was regarded as necessary or desirable. As described in more detail in Chapter 5, lone parents returning to jobs which would leave them with less than £20,000 per year and with no informal care options available were particularly likely to have researched their financial entitlements before making the decision to return to work. In contrast, other groups, such as those using informal care and couples, only looked into their financial entitlements afterwards.

It should be noted that in none of these cases was there a sense amongst recipients that they had been looking into the CCE specifically, the term usually being unfamiliar even to long-term recipients. Rather, it was a case of finding out that help with childcare costs was available; either as a result of looking into their general tax credits entitlement, or where their tax credits entitlement had changed as a result of a change in circumstances.

Before making an application, it was usual for recipients to telephone HMRC for more information about the CCE and their eligibility. However, there were also cases where recipients said that they had received enough information from other sources to be able to telephone HMRC and make the application straight away.

It was evident that receiving **useful and timely information** about the CCE could be a significant factor in prompting and/or encouraging people to apply. Talking about the CCE with someone – whether an HMRC advisor or an advisor from another agency - and getting a sense of how it worked and roughly how much they might be entitled to was particularly valued. However, as described in Section 2.3 below, some applicants were unclear about a number of areas relating to how the CCE operated.

2.3 Knowledge of the childcare element at time of application

It is important to highlight that disentangling precisely what recipients had known about the CCE around the time of application from what they had subsequently learned was difficult because recollections were often vague. Recall was a particular problem among claimants who had made their claim some time ago.

However, what was clear was that because recipients did not usually know how much the CCE would be worth to them before applying, they did not feel they were making fully informed decisions about the financial viability of working and paying for childcare. Rather, they tended to feel that they had been feeling their way into a situation and that the financial viability of their working and childcare arrangements would become clearer to them once they were actually in work, using childcare and receiving the CCE.

2.3.1 Knowledge of the childcare element

Who was eligible for the childcare element

Awareness of the **types of people the CCE was aimed at** was generally accurate; recipients assumed that it was for lone parents and couples on low incomes who wanted to return to work but who needed help with childcare costs to do so. However, there were also instances of recipients who thought that the CCE was for lone parents only. In one instance this perception had affected behaviour, with a recipient not applying for help with childcare costs until her partner left her, even though it seemed likely from what she said of her circumstances that she would have been eligible for the CCE as a couple.

Use of childcare

In relation to childcare use, recipients generally understood prior to the time of application that the **childcare they used needed to be registered. There was, however, a varied understanding of what it meant to be registered.** At one end of the scale recipients knew that providers needed to be registered with OfSTED, and that inspections were carried out to look at and inform parents about the quality of care provided. At the other there was some uncertainty about who the registering body was and exactly why providers were registered. Nevertheless, there was a general awareness that inspection somehow made the providers 'official' and 'safe', and that some sort of 'official number' was required to apply for the CCE. No

respondents had struggled to find registered providers, or understand which providers were registered.

There were a number of misunderstandings, however, around the eligibility requirements for the **CCE relating to use of childcare**. Exceptionally, one respondent had misunderstood that the CCE would only cover full-time childcare, so had placed her daughter in a nursery full-time even though she was only working part-time. Another area of confusion related to how many providers it was possible to claim for; one respondent using both a nursery and a childminder was only claiming for one, because she was not sure that the CCE would cover both. There was also confusion over whether the CCE was linked to childcare costs. Some respondents were unsure if they would receive a higher CCE award if they changed to a slightly more expensive provider. For example, some recipients who correctly understood that the level of CCE they received was related to their income (see below) had incorrectly assumed that they were receiving a 'fixed rate' of CCE for that income level and did not understand that what they received also depended on their childcare costs.

Childcare costs covered by the childcare element

Similarly, there was varied understanding about **the amount of childcare costs that the CCE would cover, and whether this amount was related to income**. Some recipients thought that the CCE would cover 70 or 80 per cent of childcare costs (depending on the time of application) regardless of income levels. However, other recipients assumed that the percentage of childcare costs covered by the CCE was calculated according to income level, therefore the higher the income, the lower the percentage of childcare costs an applicant would be eligible for. There were also cases where recipients had believed, and continued to believe once receiving the CCE, that all of their childcare costs were being covered by the CCE. Finally, although not stated explicitly, it was evident from the context of what some recipients said that they did not really understand the concept of 80 per cent, and were therefore unsure, when applying for and even when receiving the CCE, how to work out how much of their costs were being covered. Confusion around this could lead applicants to feel worried about whether they would be able to afford childcare, and whether they had made the best decisions about their working hours and the amount of childcare they used.

Other eligibility criteria

A further related area of confusion was around the **maximum household income level for eligibility for the CCE**⁷. No-one knew with any certainty what this was, and lack of knowledge about this resulted in some recipients expressing concern about whether increasing working hours in the future, or taking a promotion, would lead to their CCE being stopped or reduced.

Understanding was also varied around **how many hours recipients were required to work** in order to be eligible for the CCE. In some cases 16 hours had been understood correctly as the minimum, although even here there was sometimes concern that working significantly more hours than this might affect levels of CCE received. However, there were also instances where recipients had either

⁷ HMRC do not provide a definitive maximum household income level at which claimants can benefit from the CCE. This is because entitlement depends on individual circumstances and interactions between household income, childcare costs, number of children and the number of adults and children claiming the disability element of Working Tax Credit.

misunderstood that they needed to be working *exactly* 16 hours, or *more than* 16 hours to be eligible. In some case this misunderstanding had affected the working hours they then negotiated with their employer.

2.4 Triggers and barriers to making an application

As well as particular events, and accessing information about the CCE (see above), there were two other key triggers that encouraged people to apply. The first was **encouragement from friends or family members**. This had been particularly important to those who acknowledged feeling some embarrassment about claiming due to regarding the CCE as a benefit rather than an 'entitlement', or those who had had concerns about overpayments. These barriers are discussed in more detail below. Knowing other people who had claimed without experiencing problems, or receiving reassurance from a relative that they were only taking up their due, was said by some to have been extremely reassuring.

The second was a **sense of entitlement to the CCE, combined with an understanding that receiving it would lead to the household being better off**. The way that this was usually articulated by recipients was that if it was available to them, and they would be better off by claiming it, it was theirs to take. These recipients seemed to regard the CCE very much as an 'entitlement' rather than a 'benefit'; indeed, some said explicitly that it lacked the stigma often associated with benefits. They said, for example, that the application could be made in a professional fashion over the telephone; recipients were only receiving what they were entitled to as a result of NICs made from working in the past; and that tax credits were different to benefits, because recipients were bettering themselves by working.

"I tend to believe that if you're entitled to a benefit and you've been paying ... all this money while you've been working then you're entitled to it. It's there to help people, so why not?"

Couple, oldest child in childcare 0-2, household income £20-30,000, CCE under £60 per week (2B)

It seemed in some cases that the perceived high cost of childcare also played a role in 'normalising' applications for CCE; the thinking here was that financial help was necessary for a lot of people because childcare was prohibitively expensive without it.

Lone parent, oldest child in childcare 5+, household income under £20,000, CCE over £60 per week (1A)

Hazel has two children, aged 11 and 9. She did not go back to work following the birth of her second child and the subsequent breakdown of her relationship because she thought it would be too expensive.

When her child had turned four she met a childminder at a playgroup who told her about the CCE. She phoned up HMRC and asked them to give her an idea of how much she would get if she took a job worth £13,000. On the basis of this information she found a job and arranged for her sons to go to a childminder before and after school and in the school holidays. She had no doubts about applying for the CCE – she had always wanted to work again after having children and did so as soon as she understood that it would be affordable.

This was not to say that recipients were always entirely comfortable with the idea of making an application, and five barriers were also mentioned. With the exception of the one non-recipient in the sample, the triggers had in the end won out because of

recipients' desire to work, perceived need to work and/or strong sense of entitlement to help with childcare costs.

The first barrier to claiming the CCE was **concern amongst applicants that they would have to pay back overpayments**. Those who worried about this usually knew somebody who had received an overpayment, or had been 'panicked' by television adverts about benefit fraud. Specifically, their concern was that either they or HMRC would make a mistake in the application or calculation process that would result in them having to pay back money that they might already have spent. This concern was aggravated for some by the fact that their working hours, and therefore earnings, fluctuated.

"I panic over the slightest thing, I panic over owing someone two pounds and ... when you see on the telly all the time, 'If you've told us the wrong stuff then we could have you done and go to prison' and things like that, even though you know you're saying the right stuff, it's the way that they ask you the questions ... they really, really do sort of try and probe you to try and catch you out."

Lone parent, oldest child in childcare 0-2, household income under £20,000, CCE under £60 per week (1E)

The second was **lack of clarity about how much money they would actually get from the CCE**, for the reasons described in Section 2.3.1. Some of these recipients felt that HMRC had not been sufficiently clear about how much help with childcare costs they were likely to receive, even though they had been able to provide estimates of their earnings and childcare costs⁸. This meant in some cases that recipients were anxious about whether they would be able to afford to pay the remaining childcare costs on top of what they received from the CCE. In addition, this also led some recipients to question whether their working hours and use of childcare were optimum in terms of their financial situation.

"I phoned them up to say he might be starting, [and] they said, 'Right you need to ring back nearer the time ...'. So then I phoned back nearer the time ... I mean to be honest I don't think I knew how much I was going to get then, and I think I was still a little bit panicky 'cause it was sort of in limbo a little bit ... No one says, 'Right if you pay this much this much'll paid of it', no one tells you that."

Lone parent, oldest child in childcare 3-4, household income under £20,000, CCE over £60 per week (1F)

The third concern with applying for the CCE and/or tax credits more generally was that **it would be complicated to make a claim**. However, as described in Chapter 3, this concern was overcome either by the process turning out to be simpler than anticipated, or by receiving timely help and advice.

In marked contrast to those who regarded themselves as having a strong entitlement to the CCE, a further barrier for some recipients was that they regarded the CCE very much as a 'benefit' rather than an 'entitlement' and therefore seemed to feel some **guilt or embarrassment about claiming**. In some cases this was due to a perception that they had claimed nothing before having children, to claiming several things afterwards, such as CTC, WTC and Housing Benefit. A certain sense of pride in being able to manage without financial assistance was evident amongst these recipients. This was also illustrated by the one non-recipient in the sample who was eligible for the CCE but had chosen not to claim it because she felt that as she was

⁸ It is also possible that recipients did not understand information they were given about how much money they would get from the CCE, as a result of some of the issues described in 2.3.1, such as confusion over how much childcare costs would be covered by the CCE.

able to pay for childcare herself she should not claim the CCE. Other recipients who expressed some reticence about claiming felt that they were 'claiming enough already', or that perhaps the CCE was only intended for the 'really needy'.

Related to this, a final obstacle mentioned was a feeling that perhaps it was **not worthwhile or appropriate to claim the CCE for what recipients perceived to be a small amount**. However, this concern could be overcome by a realisation that because the margins in terms of the financial benefits of working were so tight, even a small amount of CCE could make a difference to how well off the household was in work.

Lone parent, oldest child in childcare 0-2, household income under £20,000, CCE under £60 per week (1U)

Rachel decided to return to work when her son turned one. She had been a bit depressed following the break up of her relationship, and thought it would be good for her to work, and would set a good example for her son. She had been to a Jobcentre and an advisor had told her about WTC and CTC and helped her find a job in a local call centre.

At first Rachel used her mother to look after her son for three days a week, but then she decided that it might be good for him to go to a childminder for one of these days, to socialise with other children. For four weeks she had not applied for the CCE, feeling that it was not really worth it when she was only paying out £15 a week. She changed her mind when she realised that she was only £5 a week better off in work than on benefits and that this money would therefore make quite a difference.

3 MAKING A CLAIM FOR THE CHILDCARE ELEMENT

This chapter describes how recipients went about making a claim for the CCE, including any problems encountered and help sought during this process. It then explores how recipients calculated their childcare costs for the purpose of making a claim for the CCE. It is worth stressing that recalling the process of applying for the CCE and calculating their childcare costs was difficult for recipients and accounts could be vague as a result.

3.1 Experience of making a claim for the childcare element

Applications for the CCE were made either via a form completed by the recipient or by calling the HMRC helpline. However, it is important to note that some recipients had great difficulty recalling the process of making a claim for the CCE and gave extremely muddled accounts, confusing it with claims for other benefits and voicing uncertainty around whether they had made a separate claim for the CCE or had claimed alongside their claim for tax credits more generally. This was particularly true of recipients who had made their initial claim some time ago.

Adding to this, recipients who had been 'led' into claiming the CCE by an HMRC helpline advisor after calling HMRC for other matters had not always known that they had actually applied for the CCE during the course of the call. This lack of clarity hindered their recall of this process. Such recipients had become aware once additional money was received as part of their tax credits payment and exceptionally, in the interview itself, where a recipient had only become aware that she was receiving the CCE when she examined her tax credits awards notice in the latter stages of the interview.

"Yeah, that does ring a bell, because when I rang up, when we sorted out the Working Tax Credit, I had to give them the OfSTED number ... they must've logged something about his nursery and stuff, mustn't they? ... Yeah, I think I must be getting it already. They don't even tell you what you're getting and what you're not; they just give you the money."

Couple, oldest child in childcare 0-2, household income £20-30,000, CCE over £60 per week (2H)

How recipients went about calculating their childcare costs will be discussed separately in Section 3.1.3.

3.1.1 Completing a paper claim form

Those who applied for the CCE on paper were making a new claim for tax credits. Some respondents who were already receiving tax credits recalled that they had made a separate claim for the CCE via the paper application form⁹. Some recipients found that completing the form was 'straightforward', particularly in comparison to other benefit claim forms, such as Housing Benefit. However, problems were experienced by recipients who seemed to lack confidence completing forms more generally, or who were unsure about precisely what information they were required to provide in the application form. Difficulties recalling the application process in detail

⁹ Only new tax credits claimants complete the tax credits application form for the CCE. Those already in the tax credits system claim for the CCE by reporting a change of circumstance to HMRC over the phone or in writing. It is likely that this finding is due to respondents' difficulties in recalling the claims process.

meant that recipients were often vague about the exact nature of any problems they had encountered, though most problems seemed to relate to estimating income, including both their earnings as an employee and any benefits received.

Obtaining their childcare provider's registration number for the application was largely considered unproblematic; recipients had found these details on their provider's prospectus or other paperwork. However, some recipients recalled that they had also been asked to provide HMRC with a letter from their childcare provider and providing this was felt to be more time-consuming¹⁰.

The application process was seen as more onerous by recipients who appeared to apply for WTC and the CCE at the same time. In such instances, recipients commented on the amount of information that they had to read in order to apply, referring to the guidance notes sent with the tax credits claim form. This, and the time taken to find the information required for the claim, meant that the process of completing the application could be time-consuming.

Help and advice received with completing a paper claim form

Though generally considered straightforward, there were some recipients who encountered difficulties applying for the CCE by completing a paper application form. Such recipients had been unsure about precisely what information they were required to give in the application - particularly in relation to earnings and any benefits or tax credits they received; needed clarification about which sections of the form were applicable to their claim; or lacked confidence in their ability to complete the form accurately and needed someone to 'double-check' what they had done.

Some recipients had initially attempted to complete the application without assistance, but on encountering the difficulties above had called upon one of the following sources for help and advice:

- the **local Council**, specifically, what seemed to be Family Information Services;
- a **recruitment agency**, that a recipient had used in order to find work;
- or the **HMRC helpline**.

The advice sought enabled these recipients to complete the application process.

¹⁰ Claimants of the childcare element provide HMRC with details of their childcare provider on the tax credits claim form, over the telephone or by letter when reporting a change of circumstance to HMRC. HMRC does not ask claimants to provide a letter from their childcare provider when claiming the childcare element. This finding may reflect difficulties in recalling the claims process.

Lone parent, oldest child in childcare 3-4, household income under £20,000, CCE under £60 per week (1P)

Nicky is a lone parent with a three year old son, Adam. Adam goes to nursery three days a week while Nicky is at work. Nicky found out about the CCE through work colleagues, who told her that as she was paying for formal childcare she was entitled to financial support with her childcare costs as part of her WTC claim. Nicky decided to apply for the CCE, as she had recently separated from her partner and so needed the extra money.

Nicky made an appointment at her local Council and told an advisor she was paying for formal childcare. The advisor gave her an application form for the CCE and she took it home to work through as she felt she would be wasting the advisor's time if she filled it in with her assistance. She completed the form as best she could, but struggled with calculating how much tax credits she received each month, as she received it weekly. She also found it difficult to calculate her childcare costs, as they varied from month to month. Nicky could not complete the form by herself and so she went back to the local Council, along with all her tax credits paperwork, and an advisor carried out these calculations on her behalf. Nicky was then able to submit her application for the CCE.

3.1.2 Making a claim via the HMRC helpline

Recipients had also claimed the CCE by calling the HMRC helpline. The call had been made either with the intention of claiming the CCE, or for any of the following reasons:

- to enquire about help with childcare costs more generally;
- to make a claim for tax credits more generally;
- to raise an issue or query relating to their existing tax credits claim;
- or to report a change of circumstances - the nature of which revealed their potential eligibility for the CCE to the helpline advisor.

In making a claim for the CCE over the telephone, recipients described giving information to the helpline advisor in response to questions asked about their circumstances. The information thought to be required for the claim included the number of hours worked each week by the recipient; the name, address and registration number of their childcare provider; the cost of the childcare; and the number of hours of childcare being used each week.

The process of making a claim for the CCE via the helpline was generally felt to be very simple. Recipients welcomed being able to make a claim over the telephone as opposed to having to complete a paper application form, due to the relative speed of the process and the confidence they had in the advisor to ask the right questions and complete the application accurately. However, variation in the quality of service offered by the helpline advisors was highlighted. While advisors were generally found to be both helpful and clear, some recipients had encountered 'off' advisors who they considered unhelpful. This was because the helpline advisor had been unable to explain how much CCE they would receive¹¹.

¹¹ Advisors can provide customers with an estimate of how much they will receive from the childcare element. However, advisors explain to customers that this is only an estimate.

Help and advice received with making a claim via the HMRC helpline

Recipients who had claimed via the helpline invariably did not seek help or advice with their claim as the helpline advisor had guided them through the application process during the call. However, one recipient described how she visited the HMRC website prior to calling the helpline to find out what information she would need to give in order to apply for the CCE. This meant she had the necessary paperwork to hand before calling, so could complete the claim in just one call.

3.1.3 Experience of calculating childcare costs

As with the application process more generally, recipients had difficulty recalling how they calculated their childcare costs for the purpose of claiming the CCE in any detail and consequently their accounts of this process could be very vague. Again, in some cases this was because recipients had carried out the initial calculation required for their CCE claim some time ago. Perhaps unsurprisingly, this was particularly true of recipients who recalled the process as being straightforward.

Ease of calculating childcare costs

Perceptions of the ease of calculating childcare costs seemed to depend on the nature of recipients' childcare arrangements. If their weekly childcare use was consistent throughout the year, and did not alter as a result of their childcare provision being limited to term time for example, recipients found the process of calculating costs to be 'simple'. Recipients were either well aware of the cost of the childcare they were using, having been using it prior to making a claim for the CCE, or they had referred to guidance given to them by the childcare provider which outlined the rates charged, either hourly or by 'session'. Multiplying this by the amount of childcare they used they would calculate their weekly or monthly childcare costs. There was a lack of consensus over whether weekly or monthly childcare costs were required, though this could be a result of recall difficulties¹².

"[It was] easy, because ... her crèche gives you a schedule of what the different sessions cost ... she's only doing two sessions, as in a Friday and a Wednesday, it's not really hard to work out how much it was going to cost a week ... they [HMRC] just asked you for the weekly amount and that was it."

Lone parent, oldest child in childcare 1-2, household income under £20,000, CCE under £60 per week (1N)

Difficulties in calculating the costs had arisen where the use of a childcare provider varied throughout the course of a year. For instance, when a recipient was using an after school club or childminder during term time and a holiday club in the school holidays, there would be a number of weeks in the year where childcare costs would be higher. Those who were receiving the Early Years Education (EYE) Grant¹³ explained that their childcare costs varied because the EYE Grant was only received in the weeks corresponding to term time, which meant that costs were higher during the school holidays. In more complicated circumstances like these, some recipients struggled to calculate average weekly childcare costs over the course of the year.

¹² HMRC asks CCE claimants to provide their average weekly childcare costs.

¹³ The Early Years Education Grant is paid by local authorities and provides funding for five sessions per week (each session lasting 2.5 hours) of registered childcare for all 3 and 4 year olds. The EYE Grant is only available during term-time. The grant is paid directly to childcare providers.

Help and advice received for calculating childcare costs

Where difficulties were experienced, recipients sought assistance from the HMRC helpline, or, in one case, from an advisor at their 'local council' (possibly Family Information Services) who did 'the sums' on their behalf. These recipients generally remained unaware as to how the calculations were carried out, though some recalled being told how this had been done.

"You phone them and tell them this is what my childcare costs are ... how they work it out I don't know, it's quite complicated how they do it anyway, but you just tell them how much your childcare costs are and they work it out for you ... it's sort of like say it would be 12 times the monthly figure is it, divided by the 52? I think that's it, yes."

Lone parent, oldest child in childcare 3-4, household income under £20,000, CCE over £60 per week (1L)

It is worth noting that there is no way of knowing whether recipients had calculated their average childcare costs correctly. In addition, for those who claimed over the telephone, we do not know the extent to which the helpline advisor assisted with the calculation. Recipients who had made a claim for the CCE via the helpline gave the impression that the application process was very much led by the helpline advisor, so it is possible that advisors carried out the calculation without the recipient's knowledge.

4 RECEIVING THE CHILDCARE ELEMENT AND UNDERSTANDING THE REQUIREMENTS OF THE SYSTEM

This chapter explores the experience of receiving the CCE and any difficulties encountered by recipients. It also examines understanding of the need to report changes of circumstances and experiences of doing so. Finally, the chapter looks into recipients' awareness of ESC and the EYE Grant, focussing specifically on their interaction with the CCE.

4.1 Understanding of the childcare element

There was often lack of clarity amongst recipients about three main issues: what the CCE was called; which tax credits and/or elements of tax credits they were receiving; and how their tax credits payment broke down in terms of the amount received for different tax credits/elements of tax credits, including the CCE. These were as follows:

- **lack of clarity about what the CCE was called:** the CCE was rarely referred to by its correct name, being described instead as 'the childcare bit' or 'top up bit' of the CTC or the WTC;
- **lack of clarity about what tax credits they were receiving:** recipients receiving CTC alongside WTC and the CCE were not always sure which tax credits their tax credits payment consisted of;
- and **lack of clarity about how tax credits received were broken down¹⁴:** tax credits payments were usually regarded as a lump sum, rather than broken down into their constituent elements. Recipients were typically unable to say precisely how much they received from the CCE. There were examples of explicit misunderstandings, for example that the CCE covered half of childcare costs, or that it covered all childcare costs. Interestingly, even where recipients said specifically that they were aware that the CCE covered 80 per cent of costs, this did not necessarily translate into awareness of how much they were actually receiving, suggesting a lack of understanding about what was meant by 80 per cent, or how their CCE award was calculated.

As a consequence of this, when talking about receiving the CCE, recipients had generally conceptualised it in terms of some extra money which came with their tax credits to pay for childcare costs, rather than being specific about the precise amount, or name of the CCE.

4.2 Receiving the childcare element

Experiences of receiving the CCE varied. One group of recipients had largely **positive** experiences. They said they had received the CCE shortly after applying for it; had received, where relevant, back payments for childcare costs already incurred; had encountered no difficulties in getting through to a helpline advisor to report changes; and had those changes confirmed in writing soon after.

¹⁴ WTC and CTC, along with individual elements of each, are paid directly to tax credits claimants as one payment. From April 2008, the tax credits award notice that is issued to all claimants provides a breakdown by CTC, WTC, and the different elements of each (including the CCE).

Childcare providers were sometimes perceived to have helped the process along, for example by being willing to wait for payment until the recipient had started to receive the CCE. This was considered a huge help and relieved pressure on the recipient to fund the childcare themselves.

Where **difficulties** had been experienced, they centred on two issues. The first of these was **overpayments**, which related to tax credits in general as opposed to the CCE specifically. Where these had occurred, they caused both frustration and worry to those who had received them and who subsequently had to pay them back. Paying them back, where unanticipated, had resulted in recipients worrying about how they would manage their household finances, and specifically, how they would manage to pay childcare costs.

“The only problem I have with that whole system is the going back and then finding you owe them all this money because it’s all calculated on a different year ... For three months at the start of the financial year I’m going to be effectively without childcare because I’ve got to pay them back an overpayment from last year, so that’s going to be difficult, because ... if I want to keep her in childcare, I’ve then got to find that extra money to pay like £200 plus a month.”

Lone parent, oldest child in childcare 1-2, household income under £20,000, CCE under £60 per week (1N)

Views about overpayments were less negative where the amount that had to be paid back did not have a notable impact on the recipient’s finances.

The second issue where difficulties had been encountered was where recipients had experienced what they considered to be an **unsatisfactory delay to receipt of their first CCE payment**. Where recipients had started to use formal childcare in-between making a claim and receiving the CCE, they had to meet the full cost of childcare themselves, which was ‘a bit of a struggle’ for some recipients. Delays of anywhere between one to three months were reported and some recipients described being disappointed and frustrated that the CCE had not been paid to them sooner. Recipients who found the delay particularly difficult to cope with financially were those who had just returned to work and so did not have the previous month’s pay to go towards the cost of childcare while they waited to receive the CCE.

4.3 Reporting changes of circumstance

4.3.1 Awareness of the need to report changes and which changes to report

Awareness of the **need to report changes was high**, to the extent that recipients were inclined to report all changes, regardless of the relevance to their tax credits claim. This stemmed from concerns about having to pay back an overpayment as a result of not reporting a change of circumstances and the consequences that would arise if they were unable to pay it back. Some respondents thought that this could lead to imprisonment or debt spiralling out of control. Those who voiced most concern were lone parents who earned under £20,000 per year. Recipients had been made aware of the importance of reporting changes via television advertisements, news coverage and the experiences of others.

“You hear it all the time where people have been overpaid and they’ve got to pay it back ... and then they end up with £2,000 in debt and they’re going to get the bailiffs round ... so yeah, I am aware of the fact that any changes in

our circumstances need to be reported straightaway so they can recalculate it [the tax credits entitlement], because ... if it did turn out that, they said, 'oh sorry, we've overpaid you £1,500, so now we're not going to pay you [tax credits] for six months', you know, that then puts a bigger strain on us because then we have to then find additional money to prop up our own salaries."

Couple, oldest child in childcare 5+, household income under £20,000, CCE over £60 per week (2C)

The 'horror stories' aside, recipients felt it 'common sense' to report any changes to their circumstances, so that they could be sure they were receiving the correct entitlement.

Although there were recipients who felt that it served as useful reminder, the **letter sent out by HMRC to remind them about reporting a change of income** had limited influence on recipients, who generally had a heightened awareness of the need to report changes. However, it is impossible to ascertain whether the letter helped create this level of awareness in the first instance.

As described in section 4.1 above, once in receipt of the CCE recipients generally viewed tax credits as a 'lump sum' and so did not distinguish the changes they needed to report specifically for their CCE claim from the changes they would report for their tax credits claim more generally, such as an increase/decrease to working hours, an increase/decrease to income, the birth of a child, and changes in household composition. However, in relation to the CCE, recipients mentioned the **need to report the following changes** and had, in some instances, done this in practice:

- **if childcare use, and therefore costs, increase or decrease** – there was varied awareness of the need to report an increase/decrease of £10 a week or more for at least four weeks in a row, with some assumption that all changes to childcare costs needed to be reported, even if very small. One recipient, for example, had reported an increase of £1.50 per week to HMRC, as she had thought it best to 'let them know';
- **if they changed childcare provider;**
- **if they stopped using formal childcare;**
- **and if their childcare provider stopped being registered/approved** – recipients generally only mentioned this after prompting, though this did not appear to be due to lack of awareness but rather the view that if childcare stopped being registered/approved then they would seek an alternative childcare provider anyway.

Recipients voiced some confusion about **what length of absence from childcare could go unreported**. Those who raised this were generally unable to be definitive in their guesses, with one recipient describing how she would need to report if her son did not attend childcare due to illness once he had been 'out for a bit'. Another thought absence needed to be reported once a child had been absent for three weeks¹⁵. An additional concern surrounded reporting changes that were only temporary; one recipient queried what action would need to be taken if her childcare

¹⁵ These recipients did not seem to associate a lengthy absence from childcare with a decrease in childcare costs, which would have to be reported. This may be due to a requirement by some childcare providers to pay for a childcare place regardless of attendance.

costs increased but only for a short time before returning to normal¹⁶. This concern was not grounded in experience but rather a 'what if?'

It is important to note that **seasonal increases to childcare costs**, due to school holidays for example, were not always reported to HMRC. The reasons why recipients did not report seasonal increases were not always made explicit; however, there were recipients who considered it a 'hassle' to report changes for what they imagined would be a small amount of additional financial support.

Recipients generally understood the importance of reporting changes promptly, although there was varied understanding of the period within which they needed to report the change. Views ranged from 'as soon as possible', one month, three months, to on a term-by-term basis.

4.3.2 Experience of reporting changes

Changes were generally reported as soon as possible, seemingly out of worry about what would happen if changes were reported late.

Changes were reported via the HMRC helpline and the process was generally considered straightforward and unproblematic. Where recipients had experienced difficulties, criticisms centred on the following aspects of the process:

- **getting through to a helpline advisor** – this was a source of irritation for some recipients, who had found the process time consuming. Negative experiences included being put on hold 'forever' and getting cut off;
- **not being able to report changes in advance** was found to be similarly frustrating;
- the **security questions** asked of the recipient, although deemed necessary, were considered tedious and had caused anxiety in an instance where a recipient had answered some of the questions incorrectly and was not able to talk to an advisor as a result;
- and **not receiving a record of changes reported via the helpline** – recipients had been concerned when they reported a change over the telephone and had not received confirmation in 'black and white' soon afterwards.

4.4 Awareness and understanding of other financial support with childcare costs

4.4.1 Employer-Supported Childcare (ESC)

Recipients had a varied awareness of ESC. Where they were aware, they certainly did not recognise it by name, but rather referred to it as 'the vouchers', 'busy bees' (the name of one of the voucher providers), or 'child tax vouchers'. Where there was awareness, ESC was broadly understood to be childcare vouchers, provided by

¹⁶ HMRC requires claimants with fixed weekly childcare costs to report changes that result in a weekly increase or decrease of £10 or more for 4 weeks in a row; claimants whose childcare costs vary each week or month are required to report any changes that result in a weekly increase or decrease of £10 or more than their old weekly average.

employers, to pay for childcare costs under a salary sacrifice arrangement. Only those who received ESC explicitly recognised that the costs of the childcare provided were exempt from tax and NICs, though non-recipients of ESC voiced a notion that although the employer takes the cost of childcare from the employee's wage, there was 'some reduction'.

Reasons for not receiving ESC varied, and consisted of the following:

- a **lack of awareness** of ESC;
- an **understanding that it was not offered by their employer** – there were recipients who had raised ESC with their employer but who had been informed that it was not offered by their company. Other recipients felt that ESC was offered only to parents who work in hospitals and was therefore unavailable;
- a **perception of ineligibility** – the belief that the CCE and ESC could not be received concurrently meant that taking up the CCE had led some recipients to think they were ineligible for ESC (see section 1.1 for an explanation of ESC and the overlap with the CCE). The assumption that working full-time was a requirement of receiving ESC had similarly led recipients not to take it up;
- and a **perception of a complicated delivery** – the delivery of ESC was seen to be 'complicated' and 'too much to take in' by those who were not receiving it, especially compared with the relative simplicity of receiving tax credits. Confusion surrounded how take up would impact on salary and how the childcare provider would be paid. One recipient, for example, felt that receiving ESC would involve her employer paying her childcare provider directly, which she considered unfeasible as she varied her childcare use depending on the hours she worked.

There was a limited understanding of any overlap between ESC and the CCE, but on probing, there was a general assumption that receipt of ESC would lead to a reduction in the CCE among those who were not receiving it. Interestingly, those in the sample who were receiving ESC were unaware of any interaction between the two and so consequently had **not informed HMRC they were receiving ESC**. There was also some assumption that HMRC would somehow know they were receiving ESC.

"I don't know if I'm wrong not to tell them [HMRC], but I'm sure they know anyway ... it's something that is helping with childcare, but I'm sure it doesn't make any difference. I'm sure it doesn't, I hope."

Lone parent, oldest child in childcare 3-4, household income under £20,000, CCE over £60 per week (1L)

4.4.2 The Early Years Education Grant

Recipients were generally aware of the EYE Grant as they were either currently receiving it, had received it in the past, or were aware that they would be eligible once their child had reached three years old. Where eligible, recipients appeared to be receiving the EYE Grant. It is worth noting that the grant was not widely known by name, instead recipients referred to it as help from the government for their childcare costs, or recognised it once it had been described as entitlement to two and a half hours of free childcare a day in the interview.

Recipients who had started receiving the EYE Grant since claiming the CCE had experienced a reduction in their childcare costs, and had therefore reported this to HMRC. Those who were due to receive the grant some time in the future were occasionally confused about what this would mean for their childcare costs but understood, as described in the section above, that they would need to report any changes in their childcare costs to HMRC.

5 USE AND IMPACT OF THE CHILDCARE ELEMENT

This chapter describes how people used the CCE and the impact of the CCE on decisions around work, childcare use, household income and a number of broader areas.

5.1 Use of the childcare element

A general perception was that tax credits in their entirety comfortably covered childcare costs, with some 'extra' left over for household bills and expenses.

There were two main ways for tax credits to be used. The first was to **use money from tax credits to pay for childcare costs and other household bills or expenses incurred by the children**. In some cases, tax credit money was transferred to a different account, out of which these bills were paid. There were also cases where bills were paid from tax credits and then spending money transferred to another account. Some said they did not physically separate their tax credits and other money in this way, but did so conceptually.

Another way of managing tax credits was to **pay childcare bills and other household bills out of wages and use tax credits money for other household expenses, such as food or clothes**.

Finally, it was apparent that some recipients did not separate tax credits out from other household income or expenditure at all, either physically or conceptually; it was one of several contributions to the general household pot out of which bills were paid, childcare included.

The approach adopted tended to depend on the timing of when tax credits were received and when childcare costs needed to be paid out. In particular, those adopting the first approach tended to pay for childcare shortly after receiving their tax credits, which was why they found it easy to conceptualise in this way. However, there were also instances of people adopting the first approach who paid their childcare costs termly or monthly even though they received tax credits weekly. These recipients said that they either physically or conceptually kept money aside for their childcare costs.

Timing, in relation to when tax credits were received and when childcare costs needed to be paid, was one factor explaining which of the above approaches people adopted, with those paying for childcare shortly after receiving tax credits being particularly likely to say they adopted the first approach. An additional factor explaining approaches, however, was the extent to which recipients preferred ring-fencing the CCE for childcare costs specifically.

Typically, recipients said that they found it easy to work with one of the methods described above and were happy with the way that tax credits were received. However, a recipient whose main childcare was a holiday club said that she would prefer to receive the money towards this at the time it was due, rather than as small amounts spread evenly throughout the year. Another felt that her money for the childminder was 'gobbled up' by other things because it was paid a few days before

she paid the childminder, and she felt it would be easier if the childcare money was paid directly to the provider.

There was also some call for greater clarity on tax credits award statements about how tax credits were broken down; in particular, recipients seemed to want a weekly breakdown of exactly what they were receiving. There was no real indication that such knowledge would change behaviour; rather, a sense that it would be 'nice to know'.

5.2 Impact of the childcare element on considerations about returning to work and the sustainability of work

The CCE had three different impacts on people's decisions about returning to work and on the sustainability of work, described below. These impacts should be read in the context of what has been said above about the lack of clarity amongst recipients about how much CCE they were receiving. In particular, recipients tended to conceptualise impacts not as the *impact of the CCE specifically*, but rather the impact of *being able to pay for their childcare costs through the money they received from the tax credits system*.

Impact 1: no real impact on the decision to return to work, or on the sustainability of work. One group said that whilst receiving help with childcare costs through tax credits was useful and beneficial, it had not influenced either their decision to return to work, or on the financial viability of their current working arrangements.

Impact 2: strong impact on both decision to return to work and on the financial viability of work. Other recipients said that the CCE, often in conjunction with WTC, had had a strong influence on their decision to go back to work, and the financial viability of remaining in work. These recipients felt that they would not have been able to afford to work the type of job and hours they did without help from the CCE.

Impact 3: no impact on decision to return to work, but impact on financial viability of work. A final group said that the CCE had not had an impact on their decision to go back to work because they had not known about it at the time of returning to work, had only a vague understanding of the type of help they might be able to get, or had not needed help at the time. Three situations had led to take up once they had returned to work, which meant that they were able to sustain their work and childcare arrangements.

- **a change to their childcare situation once in work**, most commonly a need to change from informal to formal care but also a sudden change in childcare costs, for example, one respondent had faced a significant increase in childcare costs due to the childcare provider realising they were charging the recipient the wrong fee;
- **a change to household income**, for example as a result of a relationship breakdown, or the main earner becoming redundant or moving to lower paid employment;
- and **a perception, once in work, that their work and childcare arrangements were not financially worthwhile without help with childcare costs.**

Recipients experiencing the third reason had either not known about help with childcare costs through tax credits or had known that they might get something, but had been unclear exactly what. They had arranged to return to work and to use formal childcare without any certainty about the implications for their finances, although they had a broad perception that they would probably be better off. They had only realised what they would be entitled to through the CCE once they had started work, either because they had found out about it (in some cases as a result of an update call to HMRC) or gained a clearer idea of what it would be worth to them at this point. They had felt with hindsight that their work and childcare arrangements would not have been sustainable without help from CCE, because they would not have been earning enough to feel that work was financially worthwhile.

This section now goes on to discuss the main **factors** which affected the impact that the CCE had on people's decisions about returning to work and on its financial viability.

5.2.1 Point at which recipient became aware of the childcare element

As described in Chapter 2, whilst some recipients were aware of the CCE before returning to work and used it to inform decisions about work and childcare, others only became aware at a later point, sometimes as a result of a change of circumstances once in work. In these cases, the impact of the CCE had been on the financial viability of the individuals' working arrangements, rather than on their actual decision to return to work.

Household structure seemed to have some influence on the importance of the CCE in deciding to return to work. Whilst this would need further investigation with a larger group of claimants, the evidence from this sample was that lone parents who did not live with any other adults tended to have looked into or sought advice about their finances before returning to work and therefore had found out about the CCE at around this point. In contrast, some couples and lone parents who lived with their parents had only found out about the CCE at a later date. Although not stated explicitly, it seemed that the presence of other working adults in the household provided a psychological safety net, which meant that decisions about work and childcare were taken first and the financial implications of these decisions were worked through later.

5.2.2 Availability of informal care options

The second factor that influenced the impact of the CCE on people's decisions about work was **whether any informal care options were available**. In terms of returning to work, the availability of low-cost informal care options at the outset had meant that some recipients did not have to think about setting up or affording formal care. As a result, the CCE had not influenced decision-making. In terms of the financial viability of work, there were also recipients who were using formal care but were able to fall back on relatives. The CCE was therefore not pivotal to sustaining their current work arrangements. In contrast, where no informal care was available, the CCE tended to be perceived as important in enabling a recipient to return to work or sustain their current working arrangements.

In some cases however, as described in section 5.4 below, using informal care was regarded as an inferior option to formal childcare. For this reason, **attitudes towards informal versus formal childcare** as well as the availability of informal care options influenced people's views about how important the CCE was.

5.2.3 *Role of household income levels, amount of childcare element used, and household structure*

The third factor affecting recipients' views on the impact of the CCE on decisions about work related to **household income levels**. In this sample, **lower income households** (household income of less than £20,000 per year) in particular tended to feel that the CCE had an important impact on decisions about returning to work, and/or the subsequent financial viability of work and childcare arrangements. In this sample these were predominantly lone parent households. In these cases, recipients tended to feel that the CCE made working financially worthwhile. This was the perception regardless of the amount of CCE received; even those **receiving less than £20 per week in CCE** felt that the difference it made to their 'profit margin' in work was important.

However, where household income was higher, the **amount of CCE received** tended to be more relevant. Those receiving the higher amounts of the CCE, particularly over £60 per week, also tended to attribute the CCE with an impact on the financial viability of the main carer's current working situation.

In comparison, **couples with incomes of over £20,000 per year who were receiving less than £60 per week CCE**¹⁷ tended to say that the CCE, whilst important in terms of living standards, had not been critical in their decision to work or to the financial viability of their current working situation. However, there was some variation in this as other recipients in this category felt the CCE had been important in influencing their decision to work. This was usually because their attitude towards work was that they felt they needed to be significantly better off in work for it to be worthwhile (see 5.2.4 below).

Lone parent, oldest child in childcare 0-2, household income under £20,000, CCE over £60 per week (1T)

May decided to go back to work when her daughter reached the age of two because she had been becoming increasingly depressed at home, worrying about her future. She spoke to a Jobcentre Plus advisor and a friend who works at a 'Benefits Office' and they told her that she would be entitled to WTC and the CCE.

As a result of this information she decided to go back to work, found a job in a clothes shop, and then arranged her daughter's nursery place. She then phoned HMRC to apply for tax credits. May feels that without the CCE she would not have been able to return to work. She is on the minimum wage and would not have been able to afford her daughter's nursery fees as well as bills and rent.

5.2.4 *Attitudes towards working and being better off in work*

A fourth important factor influencing how pivotal people thought the CCE had been in terms of decisions about work was **attitudes towards working and the importance of being better off in work**. These attitudes could influence people's perceptions to the extent that recipients with similar financial situations could have different views about the impact of the CCE.

At one end of the spectrum there were recipients who said they would work **regardless of whether or not it resulted in their being much better off than on benefits**. In these cases, the CCE was not pivotal to their decision-making, or to their

¹⁷ There were no lone parents in this sample to whom this category applied.

continuing with the work arrangements they had set up. This was because they felt strongly about working for reasons other than financial ones; notably investing in their future career, setting a good example to their children, and for the social opportunities work offered. Those most likely to feel that they would probably continue to work even if they only broke even or were very slightly better-off were couples, or lone parents living with other relatives.

Others said that they would **probably not continue to work if they were only breaking even or very slightly better off in work. These recipients therefore felt that the CCE had provided them with a financial incentive to work.** Lone parents living as the sole adults in a household were one group particularly likely to feel like this. The perception in these cases was that, no matter how much they wanted to work, a certain profit margin was necessary in order to be able to meet essential household expenses such as rent and utility bills, and to fund extra expenses which were a consequence of working, for example clothes and travel. However, the extent to which the recipient felt they were gaining job satisfaction out of their current situation was another reason for feeling like this, and applied to secondary earners in couples as well as lone parents. In particular, those who were in jobs they did not enjoy or did not intend to do for very long were the most likely to say that they would not be working were it not for the fact that they were better off. In these cases the CCE had had a significant influence on their decision to work.

Couple, oldest child in childcare 0-2, household income £20-30,000, CCE under £60 per week (1S)

Natalie and her partner felt that she needed to return to work at the end of her maternity leave because otherwise their finances would be too tight. She did not think it was possible to return to her previous, fast-paced reception job, so she found a job as a nursery assistant at a nursery which also agreed to take her daughter at a discounted rate.

She had 'some idea' before returning to work that she would be eligible for help, because a lady at a local advice agency had talked her through her financial options. However, she had only phoned HMRC once she was back in work, and had been 'led into' applying for the CCE by an advisor. Whilst the CCE did not influence her decision to go back to work, she now feels that without it, working would not have been worth her while, because she would have been taking home so little once the nursery fees had been taken into account. She feels this is particularly the case given that she did not really want to go back to work so soon after having her baby, does not find the work rewarding, and is not intending to continue in this line of work in the future.

5.3 Influence of the childcare element on hours and type of work

Those who felt that the CCE had influenced their decision to go back to work also felt it had influenced the **number of hours they decided to work.** Specifically, their perception was that it had made part-time work an affordable option, which was important because they had not usually wanted to consider using full-time childcare¹⁸.

The CCE had helped recipients maintain their current working hours where they had learnt about the CCE following a change of circumstances after returning to work. What would have happened without help with childcare costs was usually a matter for conjecture, rather than being something people had actually calculated. Some, for example, said that without the CCE they would probably have

¹⁸ The following report by the Joseph Rowntree Foundation provides further evidence on the influence of tax credits on mothers' employment: <http://www.jrf.org.uk/knowledge/findings/socialpolicy/2108.asp>

had to increase their hours significantly or take on another job in order to be able to carry on working and paying for childcare. While others, particularly those on low incomes, thought that they might need to reduce their working hours in order to reduce their childcare costs.

There were also recipients who said that **they had specifically not increased their working hours, even though offered more, on the understanding that this would reduce their tax credits entitlement.** These recipients seemed to be talking about tax credits in *total*, rather than isolating the CCE. Their broad perception seemed to be that the more they earned through increasing their working hours, the less tax credits they would be entitled to receive for childcare costs. Recipients who expressed this view had not clarified the situation with HMRC. Indeed, some had been put off doing so out of a perception that HMRC would be unable to advise them, as HMRC had been unable to provide a precise estimate of what they would get before returning to work.

Finally, there was a feeling in some cases that **help with childcare costs had had a positive impact on the type of work** that a recipient was able to do; the financial flexibility it afforded permitting a greater choice of employment. One recipient, for example, said that without it she would have been limited to jobs whose working hours fell within school hours, meaning that she would have been less likely to find work that suited her skills.

“If I wasn’t getting help with my childcare I couldn’t work. Or I would be working to pay my childcare costs and what’s the point of doing that? ... The childcare element pays for the childcare so that I can go out and do a job I enjoy doing. That’s worthwhile. [Without it] I would either not be working because I couldn’t get the hours that I need to fit in around school or I... might be in a shop or something.”

Lone parent, oldest child in childcare 5+, household income under £20,000, CCE over £60 per week (1A)

5.4 Impact of the childcare element on childcare use

Recipients who **did not have informal care options available felt that the CCE was critical in enabling them to afford the formal care they were using.** These included recipients who said that the CCE had influenced their decision to go back to work, and those who had changed from informal to formal care out of necessity once in work.

Exceptionally, there was also a recipient who had changed from informal to formal care following a relationship breakdown because paying for formal care with the help of the CCE was less expensive than using her relative, who she had been paying.

Some of these recipients had been very happy about the idea of using formal care, feeling, for example, that their children had been about the right age to go into a formal setting. There were also recipients who had been nervous about the change to formal care and said they would have preferred to have their children taken care of by a relative. However, there was a sense that the fact that financial help was available for formal care through the tax credits system somehow legitimised formal care and made it less of a worrying prospect. The feeling seemed to be that formal care must be a safe option if endorsed in this way through the tax credits system.

“There’s a strong feeling of the unknown [about using a childminder], and having your childcare paid kind of pushes you into the unknown with a little less, you know, with a little less worry, doesn’t it?”

Lone parent, oldest child in childcare 3-4, household income under £20,000, CCE under £60 per week (1C)

There were also recipients who had informal care options available, who said that the CCE had enabled them to **opt to use formal care over informal care for some or all of the time they were at work**. They had chosen to do this because they felt that formal care would bring benefits for them and their children that they would not have if entirely using informal care; for example, socialising with other children, exposure to a greater variety of activities and, where several informal providers might have to be used, a greater sense of stability and routine. Being able to afford childcare they were happy with had in turn made them feel more positive about working.

“I think [without help to pay for childcare] I’d probably have to shuffle my hours around so that they fitted in well when the family could look after her. Which would mean her being passed round a bit more and wouldn’t be very nice. At least at the childminders she’s happy and she’s got people she can play with and it’s routine for her isn’t it, whereas if I was to have family and that look after her it would be like, ‘Oh, who’s having her this week? Who’s going to have next week?’ Just not nice.”

Lone parent (living with parents), oldest child in childcare 0-2, household income over £30,000, CCE under £60 per week (1H)

There was no real sense in these cases of the CCE having influenced *which* formal care provider these recipients opted for. This was because recipients did not usually perceive price differentials between different providers to have been sufficiently diverse for the CCE to make a difference in this respect. In addition, as described above, recipients’ knowledge of how much they would get through the CCE did not tend to be precise enough to be able to influence such decisions. As a result, other factors such as word of mouth recommendation, convenience, and getting a ‘good feel’ on visiting were mentioned as the most important.

The CCE did not have an impact on choice where recipients were already using formal care before applying for the CCE. Here the understanding was that the CCE had helped them to **continue to access formal childcare**, rather than having to consider changing their working situation or trying to find another type of childcare. There were also recipients, as described in section 5.2. above, who felt that whilst the CCE had been very useful financially, they would probably be working similar hours and using similar childcare without it.

5.5 Impact of the childcare element on household income

The **financial difference that the CCE was perceived to have on the household varied** according to how well-off the household were likely to be without the CCE. However, **the general perception was that the household’s standard of living was much better as a result of receiving the CCE than it would be without it**. Recipients who felt that the CCE made an important difference to their being better off in work also tended to feel that not having to pay for childcare costs left their money free to meet other essential costs such as heating, children’s transport and children’s clothing. Those who felt it was less pivotal to their decision to stay in work felt they would be able to pay for the basics without it, but would have to go without what they described as ‘extras’, such as days out, accessing leisure facilities, having the occasional takeaway, and good quality as opposed to ‘basic range’ food.

In one case, a recipient felt that they were actually worse off financially as a result of the CCE. This was because without it they would have used informal care, which was free. However, this recipient felt that the benefits of using formal care, such as socialising with other children and exposing their child to a greater variety of activities, outweighed the fact that they were a little worse off financially.

Couple, oldest child in childcare 0-2, household income £20-30,000, CCE under £60 per week (2B)

Geena returned to her administration job at the end of her maternity leave. She loved her job and had always intended to return to work. She was aware she would get help with childcare costs before returning and arranging her daughter's nursery place, from leaflets she had picked up at the CAB, although she was not sure exactly how much she would get. She applied for the CCE straight after returning to work. Geena and her partner, who is a builder, feel that they probably could have afforded for Geena to work and send their daughter to nursery without the CCE. They thought they would have had to 'miss out on a few Chinese' though, and/or perhaps consider using relatives for a proportion of the time that Geena is in work.

5.6 Other impacts

In addition to the impacts around working, childcare use, and household income, a number of broader impacts were also described. The first was **facilitating a good balance between work and family life**. Enabling recipients to feel that they could work part-time (see section 5.3, above) often meant in turn that they were comfortable with the balance they had achieved between being at work and spending time with their children.

"I can work 16 hours and still make enough money to be able to be the mum I want to be ..."

Lone parent, oldest child in childcare 3-4, household income under £20,000, CCE under £60 per week (1C)

The second broader impact was around the **personal benefits to working**. This was the case where recipients felt that the CCE had made a difference to their ability to go back to, or sustain, working, and that working had had a positive impact on their self worth, personal development, and also, in some cases, mental health.

"I just feel much better working really, I feel much better with myself. I feel that my life has improved ... I was very depressed, I couldn't see past my nose two years ago ... I mean I was crying every day, I was really seriously depressed because I was just indoors worrying about my future."

Lone parent, oldest child in childcare 0-2, household income under £20,000, CCE over £60 per week (1T)

Related to the first two factors, some recipients also felt that receiving the CCE had **reduced their stress levels by giving them peace of mind about their current situation**. For example, it had made them better off in work, facilitated the work life balance they had sought, improved the household's standard of living or enabled a switch from unstable informal childcare to reliable formal care. It had also helped recipients feel confident that their children were in a setting where they were being stimulated and well looked after where the CCE had enabled access to formal care.

Finally, it was also evident that a broader impact of the CCE was to **increase recipients' feelings of independence**. This was through allowing them greater choice over which jobs they took, enabling them to live independently of benefits, and in one case, enabling a recipient to continue to pay to live in her own home rather than live with her parents as a result of being able to afford to stay in work.

6 CONCLUSIONS

This final chapter reflects on key findings about recipients' knowledge and understanding of the CCE, their experience of claiming and receiving the CCE and the impact of the CCE in influencing decisions relating to work and childcare. Suggestions from recipients for improving information about the CCE, as well as the CCE claim process are also explored.

As a caveat, it should be noted that this research was carried out with recipients only (with one exception) and so further research would be needed with eligible non-recipients if more information on barriers to claiming the CCE was needed. However, the difficulties in recruiting eligible non-recipients for this study suggests that take up of the childcare element among the eligible population is high and therefore that **further research or analysis about the prevalence of eligible non-recipients would be necessary before proceeding with any research involving non-recipients.**

It is also important to highlight that awareness and understanding of which and how much tax credits recipients were receiving was sometimes extremely muddled. Recipients also had difficulties recalling when and how they had applied for the CCE. These problems meant that the level of detail respondents were able to provide about claiming the CCE was limited.

6.1 Customer journeys

The two 'customer journeys' below illustrate how recipients decided to apply for the CCE, the process of claiming and receiving the CCE, and the overall impact of claiming the CCE.

Lone parent, oldest child in childcare 1-2, household income under £20,000, CCE under £60 per week (1N)

Background: Charlotte is a lone parent of two children, aged nine and one and a half. She works for a government department, and went back to work part-time at the end of her maternity leave. She would have preferred not to work, but went back for financial reasons.

Deciding to claim: When Charlotte first went back to work, she used family to look after her daughter. Recently, however, her daughter has started going to nursery for one and a half days a week, and will go for three once a place becomes available. Charlotte knew that help with childcare costs was available through the tax credits system before arranging the nursery place. She had heard about it at work, but also through word of mouth and television adverts. Whilst she says she was aware from other mothers that it paid around 70 per cent of childcare costs, she also says she was concerned before the first payment came through about exactly how much she would get, suggesting some lack of clarity about what was meant by 70 per cent.

Applying for and receiving the CCE: Charlotte phoned HMRC to report that her daughter was going to be going to nursery a month before she was due to start and was told to phone back ten days before, which she did. She was already on their system because she was receiving CTC and WTC. She found the application process easy. Her understanding is that she will not receive any money towards her childcare costs for about three months, because HMRC are taking money back for overpayments last year. She finds it annoying that they do this retrospectively; she thinks they should base what they pay on what they know about people's current earnings.

Impact: The CCE did not have an impact on Charlotte's decision to go back to work, because she used family to care for her daughter at first. However, knowing that help was available with childcare costs had a big impact on her decision to start her daughter at nursery after a few months back at work. Financially she feels she is probably a bit worse off than before she was using the nursery. The three months when she is not receiving the CCE because of overpayments will be difficult; she will constantly have to play 'catch up' with her money. After this she will still have to meet a fraction of the childcare costs herself, as opposed to when she was using relatives, who she did not pay. However, she feels much happier with her daughter at nursery. The arrangement feels more organised than 'shoving her from pillar to post' with family, and she also feels that now her daughter is a bit older, it is better for her to be socialising with other children.

Couple, oldest child in childcare 3-4, household income £20-30,000, CCE over £60 per week (2L)

Background: Janet is a teaching assistant and lives with her husband, who works in removals and her three children, aged 14, 11 and 4. She went back to work full-time at the end of her maternity leave after having her youngest child, though recently went down to part-time to enable her to do a counselling course. At first her daughter attended a local Children's Centre nursery from 8.30 - 4; she now goes there for two hours in the morning, and is taken to the local pre-school for her two and a half hours EYE.

Deciding to claim: Janet had already arranged to go back to work and send her daughter to the Children's Centre when she found out she would be able to get tax credits. This included the CTC, which she had not known about before. She likes her job, and has always worked. She cannot remember where it was she learned about tax credits, but thinks it might have been through a leaflet that came with her Child Benefit, or through the door. She phoned up HMRC who told her to phone back once she had gone back to work, which she did.

Applying for and receiving the CCE: Janet found the application process 'dead easy', and the money was in her account within two weeks. At first she was paid £160 a week, which she thought was made up of 'the childcare' and CTC. It has now gone down to £80 because her childcare costs have gone down. She was pleased to receive £160, and phoned HMRC up immediately after the first payment to check with them that they had got it right because she did not want to have to pay money back. She has since phoned them up to report the changes to her childcare costs when she went part-time, and when her daughter started at pre-school. Janet said it stated very clearly on the claim forms that she needed to report such changes. HMRC have responded to each call within a few days, and Janet thinks they are 'very efficient'.

Impact: Although Janet had already decided to go back to work before she found out they would be able to get tax credits, she now thinks that it would have been 'a nightmare' financially without them, because their childcare costs amounted to £400 a month. Things would have been 'really, really tight' and they might have decided that they could not afford for her to work.

6.2 Awareness of the value of the childcare element

Recipients were often unaware of exactly how much they were going to receive from the CCE around the time of application. In part this seemed due to confusion around the meaning of 80 per cent and whether this 80 per cent applied to all applicants. It was also due to a perception that HMRC are not clear with applicants about how much they are going to get, confirming amounts only once the recipient is working and using childcare, rather than before¹⁹. The research shows too that advisors in other agencies – for example Jobcentres, FIS and childcare providers – were not always able to clarify these issues.

Lack of understanding about exactly how much CCE they were eligible to receive could result in anxiety **amongst claimants about whether the work and childcare arrangements they were going into or had already set up were going to be affordable**, and a feeling of being 'in limbo' until amounts had been confirmed.

¹⁹ Advisors can provide customers with an estimate of how much they will receive from the childcare element. However, advisors explain to customers that this is only an estimate.

It is also evident that once receiving the CCE, some recipients held **back from increasing their working hours or accepting promotions and pay rises for fear that this might result in a cut to their CCE** or the receipt of an overpayment. There were also concerns that increases in childcare costs would not result in a corresponding increase to the CCE.

As well as a lack of clarity around the time of application, **recipients were also often unable to say how much they were currently receiving in CCE**, as the CCE was lumped together with other tax credits. However, the **general perception amongst recipients was that the 'lump sum' they received from tax credits as a whole comfortably covered childcare costs.**

Recipients' suggestions for improvements

Recipients suggested that greater clarity around these issues could be provided by:

- making it standard practice for advisors to provide applicants with a clear steer on how much CCE they could expect to receive in the scenario they are currently in or a situation they are considering going into
- clearly separating the CCE from the WTC and CTC in HMRC award statements so that recipients can see exactly how much they are receiving per week for each component

The research also shows that whilst the CCE was commonly viewed as an entitlement for parents who want to help themselves and their families by working, there could be some guilt around claiming, particularly for small amounts. Anxieties about having to pay back overpayments - related to tax credits more generally - could also lead to concerns about claiming, as well as concerns amongst applicants about how much they would actually receive.

6.3 Ease of claiming the childcare element

Applying for the CCE was generally felt to be straightforward, but appeared more onerous for recipients who applied for WTC and the CCE concurrently by completing a paper application form, due to what was perceived as extensive paperwork that contained complicated language. **Calculating childcare costs was felt to be straightforward when use of childcare did not vary throughout the year, but could result in difficulties where childcare costs varied**, for example in school holidays where there was an increased use of childcare.

However, it should be noted that it was not part of this study to ascertain how accurate the childcare costs that recipients' gave to HMRC were, and it was evident that assistance from HMRC advisors/other advice agencies in calculating childcare costs, particularly where they fluctuated throughout the year, was highly valued.

Recipients' suggestions for improvements

Recipients suggested that improvements to the CCE claim process could be made by:

- extending the application methods available to include online application and also face-to-face, for those who felt they were prone to making mistakes when completing forms
- simplifying the claim form to use 'layman's' language – though recipients were unable to specify precisely how this should be done

The improvements suggested by recipients could also refer to the application for tax credits more generally.

6.4 Impacts of misunderstanding the requirements of the system

Awareness of the need to report changes was high, with recipients being inclined to report all changes, regardless of whether it was necessary to their claim for the CCE or tax credits more generally. This diligence stemmed from concerns about having to pay back an overpayment as a result of not reporting a change of circumstances.

However, although **recipients generally demonstrated a good awareness of the need to report changes** to their childcare costs, childcare provider and employment conditions, there was **some confusion surrounding when absence from childcare needed to be reported and the need to report changes known to be temporary**. It is also important to highlight that **seasonal increases to childcare costs were not always reported to HMRC**. In addition, **none of the recipients in receipt of ESC had reported this** to HMRC and were unaware that they should.

Not reporting these changes means that it is likely that these recipients were not receiving the correct tax credits entitlement and could either benefit more from the CCE, or were at risk of receiving an overpayment.

Whilst recipients felt that HMRC were generally very clear about the need to report changes, it appears that there is a need to emphasise that the CCE will be adjusted if changes to childcare costs of £10 or more occur for four weeks or more, and also that recipients of ESC need to report this to HMRC.

6.5 Does the childcare element play a part in decisions about work and childcare?

Recipients were not always aware of the CCE at the time they decided to return to work. This research indicates that lone parents with no informal care options or other adult earners in the household had generally taken the initiative and found out about their financial entitlements - including the CCE - before making the decision to work.

Where recipients found out about the CCE when already at work, this was because of a change to the household's financial situation, a need to take up formal childcare, or a realisation that the work/childcare arrangements they had set up were not financially 'worthwhile' without help.

This research demonstrates that the CCE is highly valued by recipients and has a number of positive impacts. It **enabled some recipients to return to work and also led them to think that their work and childcare arrangements were financially**

viable. This was particularly the case where there were no informal care options available, where there was no desire to use informal childcare, or where household income was below £20,000. In these situations, the CCE can be attributed with a **strong influence on the main carer's ability to work and be better off through working.** However, there were also cases where household income was higher where the CCE was felt to have an impact on the financial viability of the main carer's work arrangements. This is particularly the case where higher weekly rates of the CCE were being claimed, and where the main carer felt that they would not want to work unless it was financially worthwhile.

Even where recipients felt that they would probably continue to work/use formal childcare without it, the CCE was felt to have a **positive impact on household standards of living**, releasing money to pay for 'extras' such as access to leisure facilities or better quality food. Other positive impacts were:

- **enabling people to opt to use formal over informal childcare** either at the outset of their return to work, or a later point - sometimes attributed with a positive knock-on impact on child development, and on the organisation of parents' working life;
- enabling recipients to **return/continue to work part-time and achieve the balance they wanted in terms of work and family life;**
- and in doing this, providing recipients with **peace of mind** and a **sense of achievement** about their current work/childcare situation, and a feeling of **independence** through allowing them to be better off in work than on benefits.

APPENDIX A TECHNICAL REPORT

An overview of the design and conduct of this research is reported in Chapter One. This technical report provides further details.

A qualitative approach was adopted for this research to allow for individual views and experiences to be explored in detail. However, the purposive nature of the sample design as well as the small sample size means that the research cannot provide any statistical data relating to the prevalence of these views and experiences.

Sample design and selection

As is usual in qualitative research, the recipient sample was designed to ensure coverage of the key sub-groups within the target population in order to identify and explain variations in experiences and views. Purposive sampling was used to structure the sample of recipients according to the following primary sampling criteria:

- **Household status**
 - Lone parent
 - Two parent

- **Age of oldest child in formal childcare**
 - 0-2 years old
 - 3-4 years old
 - 5 years old and above

- **Amount of CCE received**
 - Less than £60 per week
 - £60 and above per week

- **Area²⁰²¹**
 - East London
 - City of Manchester
 - Nottinghamshire
 - Norfolk and Suffolk

The sample was essentially constructed around the criteria above and additional sampling criteria were applied to ensure a diverse sample of recipients. These were:

- **Parent/s employment status**
 - Working full-time
 - Working part-time

- **Household income level**

²⁰ These regions were chosen to take into account the availability of childcare in different parts of the country; cost of local childcare; local labour markets; maternal employment rates; and ethnic minority profile.

²¹ Two of the recipients came from areas other than the four listed as they were recruited from the non-recipient sample, which was geographically dispersed. One had originally been recruited as a non-recipient and the other had been recruited from the non-recipient sample as a recipient, as she had taken up the CCE since the sample had been drawn.

- Up to £19,999
- £20,000 - £29,999
- £30,000 and above

- **Parent/s working pattern**
 - Self-employed
 - Working atypical hours
 - Working changeable hours

- **Ethnicity**
 - White
 - BME

Recipient sample was drawn from HMRC administrative data. Each recipient on the sample was sent a letter from HMRC to introduce the research and NatCen, invite them to participate, provide reassurance about confidentiality and anonymity, stress that their participation was voluntary and to give them the opportunity to opt out of the research process. Recipients were then recruited over the telephone after a short screening exercise to ensure that they met the sampling criteria and to collect additional information, about their working pattern, for example.

The research was originally designed to include a cross section of non-recipients eligible for the CCE to explore their reasons for not taking it up. The sample of non-recipients was drawn from the 2007 Childcare and Early Years Survey, carried out by NatCen on behalf of the Department for Children, Schools and Families (DCSF), which provided information on all of the required sampling variables.

Twenty telephone depth interviews were to be carried out but due to difficulties in recruiting eligible non-recipients only one person who was eligible for the CCE but not currently receiving it was found and interviewed for this research. Contact was made with over one hundred families who had been identified through the DCSF Childcare and Early Years Survey as using childcare and not claiming the childcare element. These families were assessed for entitlement to the childcare element but only one family was found to be entitled. The main reasons for families not being entitled were:

- respondents' **income was too high and/or childcare costs were too low** for them to be eligible for the CCE;
- respondents **no longer using formal childcare** which left them ineligible for the CCE;
- and respondents **taking up the CCE** after the sample was drawn.

It should be noted that a second non-recipient was recruited, but it transpired that she was actually receiving the CCE and only became aware of this when she examined her HMRC awards notice in the latter stages of the interview. As a result, this was treated as a recipient interview.

Conduct of the interviews

The interviews were carried out by qualitative researchers with extensive experience of conducting in-depth interviews and specifically, non-directive interviewing.

Each interview was exploratory and interactive to enable questioning to be responsive to the experiences of the respondent. The interviews were based on topic guides (see Appendices C and D) that outlined key themes to be addressed and the specific issues for coverage within each. Whilst topic guides help to ensure systematic coverage of key themes across interviews, they are used flexibly to allow issues of relevance to be explored depending on the perspective of the respondent. All members of the research team took part in a briefing to ensure the interviewing approach was consistent across interviews.

Despite the best efforts of the researchers it could be difficult to unravel which and how much tax credits recipients were receiving, as awareness and understanding of this was sometimes extremely muddled. The one non-recipient in the sample received WTC and CTC and was similarly confused. Generally, unless something about the process had particularly stood out for them, recipients also had difficulties recalling when and how they had applied for the CCE, including how they had gone about calculating their childcare costs. These recall problems meant that detailed data about experiences of claiming the CCE were limited.

The interviews with recipients were carried out in the recipient's home, with the exception of one that was conducted over the telephone as the respondent had initially been recruited as a non-recipient (see above). Recipients were given £25 as a 'thank you' for taking part. The non-recipient was interviewed over the telephone and given £20 in gift vouchers.

Analysis

Interviews were digitally recorded and later transcribed verbatim. Transcripts were then analysed using Framework, a qualitative analysis method developed by the Qualitative Research Unit at NatCen. It uses a thematic approach to classify and interpret all units of data. It is a systematic and transparent method of analysis that ensures that the analysis process and interpretations resulting from it are grounded in the data and tailored to the study objectives.

The first stage of analysis involves familiarisation with the transcribed data and identification of emerging issues to inform the development of a thematic framework. This is a series of thematic matrices or charts, each chart representing one key theme. The column headings on each theme or chart relate to key sub-topics, and the rows to individual respondents. Data from each case are then summarised in the relevant cell. The context of the information is retained and the page of the transcript from which it comes is noted, so that it is possible to return to a transcript to explore a point in more detail or extract text for verbatim quotation. This approach ensures that the analysis is comprehensive and consistent and that links with the verbatim data are retained. Organising the data in this way enables the views, circumstances and experiences of all respondents to be explored within an analytical framework that is both grounded in, and driven by, their own accounts. The thematic charts allow for the full range of views and experiences to be compared and contrasted both across and within cases, and for patterns and themes to be identified and explored.

APPENDIX B SAMPLE PROFILE OF RECIPIENTS

A total of 31 recipients took part in the research. The achieved sample is shown below, first by the primary sampling criteria, then by the secondary criteria.

1.1 Sample profile (1) – primary sampling criteria

		Lone parent households	Two parent households
Oldest child in childcare aged 0-2	<i>CCE less than £60 per week</i>	6	3
	<i>CCE £60 or more per week</i>	2	3
Oldest child in childcare aged 3-4	<i>CCE less than £60 per week</i>	2	1
	<i>CCE £60 or more per week</i>	4	2
Oldest child in childcare aged 5+	<i>CCE less than £60 per week</i>	3	1
	<i>CCE £60 or more per week</i>	2	2
Area	<i>East London</i>	5	3
	<i>Manchester</i>	3	2
	<i>Norfolk/Suffolk</i>	5	4
	<i>Nottinghamshire</i>	5	2
	<i>Other</i>	1	1
Total		19	12

1.2 Sample profile (2) – secondary sampling criteria

		Recipients
Employment status	<i>Working full-time</i>	9
	<i>Working part-time</i>	22
Household income	<i>Up to £19,999</i>	21
	<i>£20 – 29,999</i>	8
	<i>£30,000+</i>	2
Amount of CCE	<i>Less than £20</i>	0
	<i>£20 – 59.99</i>	16

received per week	£60 – 99.99	14
	£100+	1
Working pattern	<i>At least 1 member of household self-employed</i>	4
	<i>At least 1 member of household working atypical hours</i>	11
	<i>At least 1 member of household working changeable hours</i>	2
Ethnicity	<i>White</i>	24
	<i>Black</i>	6
	<i>Asian</i>	1
Total		31

APPENDIX C RECIPIENT TOPIC GUIDE

Qualitative investigation of the childcare element of Working Tax Credit

Depth interviews with recipients

Aims of the interview are to explore:

- sources of early awareness of tax credits
- levels of understanding of tax credits
- the decision-making processes in claiming the childcare element of the WTC
- experiences of making a claim and of the administration of the claim
- the role of the childcare element of the tax credit in influencing decisions relating to work and childcare

1. Introduction

- Introduce self and NatCen, confirm independence of NatCen
- Introduce study:
 - commissioned by HMRC to explore parents' views and experience of claiming the childcare element of the WTC
- Digital recording – check OK
- Reassure about confidentiality and how findings will be reported
- Important they feel free to speak openly and honestly – want to hear about all experiences, whether positive or negative
- Remind them their participation is voluntary (and won't affect any claims they are making)
- Length of interview – up to 1½ hours
- Invite questions

2. Participant background

- household composition (*including ages of adults and children*)
- employment of household members (*hours worked, length of time in job*) – *including details of irregular/atypical hours*
- details of current childcare arrangements
- types of formal care used, for which child and for how many hours – *NOTE that could be mixture of different types of care (e.g. nursery, childminder, approved nanny, after school clubs, holiday clubs, breakfast clubs)* – knowledge of whether registered/approved
- types of informal care used whilst respondent working (for which child and for how many hours) – *this refers to people who look after their children who are not registered or approved, for example friends, family*
- how childcare varies during school holidays/weekends
- details of tax credits claimed – PROMPT for CTC, WTC, childcare element of WTC
 - *how much childcare element/CTC/WTC they receive*
 - *knowledge of how much the childcare element of the WTC is worth*
- whether qualify for any Early Years Education (free 12.5 hours per week for 3 and 4 year olds)

NOTE – moderator to note which tax credits respondent receiving, and amounts on postcards, and keep for reference during interview

3. Decisions about work and childcare

- **brief details of working history before/after having children**
- **reasons for starting work/returning to work/staying in work/changing their working hours** after having children – *explore spontaneous reasons and then PROMPT for importance of:*
 - *financial considerations – what difference has working since having children made to them financially*
 - *partner's working hours and salary*
 - *WTC*

 - *own desire to work*
 - *contractual obligations (i.e. requirement of maternity pay)*
 - *employer attitudes*
 - *possibility of part time/flexible working*

 - *views about childcare*
 - *availability of childcare in local area*
- **sources of help/advice** when making decision to return to work – who, reasons accessed, views about
- **decisions about which childcare provider to use**, and influences on decision
 - factors influencing choice of current childcare provider/s– *explore spontaneously and then PROMPT for importance of:*
 - *availability of childcare (extent to which have a choice)*
 - *perceptions of quality*
 - *childcare being registered/approved by OFSTED*
 - *cost*
 - *accessibility*
 - *convenience*
 - *perceptions of what's best for children*
 - *ability to 'wrap around' Early Years Education*
 - *need to fit requirements of the childcare element of the WTC*
- sources of **help/assistance** with choosing childcare provider – who, reasons accessed, views about
- **affordability of childcare**
 - proportion of salary/salaries spent on childcare after childcare element of WTC
 - outgoings taken into account when working out how much to spend on childcare
 - views on current affordability of childcare
- of all the things discussed which were the **most important factors** in making work a possibility; and how would they prioritise (i.e. decisions about childcare Vs decisions about returning to work/type of work)

4. Initial awareness and current knowledge about tax credits and childcare element of WTC

- how long they have been claiming tax credits
- what prompted them to claim tax credits
- views about tax credits
 - *purpose*
 - *intended beneficiaries*

- awareness of childcare element of the WTC
- when they first became aware of childcare element of WTC

- how they first became aware of childcare element of the WTC
 - *sources of information,*
 - *what they were told*
 - *who told them*
 - *views about sources of information*

- knowledge of childcare element of WTC
 - *who for*
 - *qualifying criteria*
 - *level of funding*
 - *which types of childcare providers are eligible*
 - *what means to be registered/approved*
 - *which types of childcare costs are eligible*
 - *changes to knowledge over time and reasons*

- views about childcare element when first told
 - *purpose*
 - *intended beneficiaries*

5. Decision to claim tax credits

- **when/how made the decision** to claim childcare element (timing of claim in relation to returning to work/setting up childcare)

- *If respondent has a partner – role of partner* in decision making process, which of them took the lead and why

- **reasons for making claim** for childcare element
- factors taken into consideration – **barriers/facilitators** – *explore spontaneously and then PROMPT for importance of:*
 - Facilitators**
 - *nature of working hours*
 - *financial incentive – perception of being better off*
 - *perception that better off claiming childcare element than alternative form of financial support i.e. ESC*
 - *availability of registered/approved provision in area*
 - *suitability of registered/approved childcare for their requirements*
 - *free provision through Early Years Education for 3 and 4 year olds*
 - Barriers**
 - *nature of working hours*
 - *perceptions of tax credits system*
 - *the tax credits claim process*

- requirements of the tax credits system (reporting changes; calculating costs)
- preference for informal childcare and reasons why
- free provision through Early Years Education for 3 and 4 year olds
- **role of childcare element of WTC in decision to start work/return to work/stay in work/change their working hours** versus other factors
 - decisions about whether to work – self, partner
 - nature of work – self, partner
 - hours worked – self, partner
 - perceptions of whether/how much household better off by as result of working/claiming childcare element of WTC
 - interaction of decision to claim with decision to work/which hours to work- which decision came first and why, how did one decision influence the other
- **role of childcare element of WTC in decisions around childcare**
 - interaction of decision to claim with decision about which type of childcare to use – which decision came first and why, how did one decision influence the other
 - impact of childcare element on how much childcare used
 - impact of childcare element on choice of formal/approved over informal care
 - impact on perceptions of affordability of childcare
- nature of any **concerns about making a claim** – how overcome
- **sources of information** used when making decision
i.e. word of mouth, HMRC leaflets/information on web, CAB, Jobcentre advisors, childcare providers, Sure Start/Children's Centres, Children's Information Services (these might be called something different in some areas e.g. Families Information Services, Families and Children Information Services, Childcare Link (web and telephone line)
- views of sources used and impact on decision-making
- any unanswered questions when making decision and why
- **awareness** of any other forms of financial support for working parents – *explore spontaneously and then PROMPT for:*
 - e.g. **Early Years Education Grant** - *NOTE moderator might need to explain that this is free provision of 12.5 hours per week for 3 and 4 year olds*
 - e.g. **Employer-Supported Childcare** – *NOTE interviewer might need to explain here that ESC takes form of tax/national insurance free childcare vouchers provided by employers and deducted from salary OR childcare provided directly by employers e.g. workplace nurseries, or an employer buying places for employees with an external provider*
 - impact on their choices and decisions
 - whether feel made informed choice between these options
 - whether would be interested in ESC/would pursue ESC if their employer offered it
- whether aware of overlap between the two; i.e. receiving ESC affects eligibility to childcare element of WTC and vice versa

6. Experiences of making a claim

- **how** they went about making a claim for childcare element of the WTC
- **who** in the household made the claim
- experience completing application **form**
 - *where accessed*
 - *how long took them to fill in*
 - *any difficulties and how overcome*
 - *ease of completion overall*
- nature of contacts had when making claim – who with, views about – *for e.g. HMRC tax credit helpline, HMRC Enquiry Centres*
- sources of help and advice when making claim, *for e.g. CAB, HMRC, Jobcentre advisors* – who with and views about
- ease of making claim
- **any difficulties experienced** with claim and how overcome – *PROMPT FOR:*
 - *calculating childcare costs*
 - *arranging appropriate childcare*
 - *arranging for childcare/starting or returning to work to coincide OR having to cover costs of childcare until start work if couldn't get the two to coincide*
 - *checking childcare is approved, registered – awareness of how to do this, whether any confusion experienced, whether more information needed*
- **nature of any actions taken in order to make their claim** - childcare decisions, employment decisions, impact on them
- contact with childcare provider over claim – nature, and views about
- **how assessed childcare costs**
 - *factors taken into consideration*
 - *how difficult/straightforward they found the process of calculating childcare costs and why*
 - *nature of any help/advice sought for calculating costs*
- length of time before first payment received – impact, any difficulties encountered
- **views about the amount awarded**
 - *understanding of how amount received is calculated*
- **suggestions for improving claims process**
 - *what would have made it easier for them*

7. Experiences of the system

- **when** childcare element is **received**
- how does this compare with when they pay for their childcare (e.g. weekly or monthly)
- **who in the household** it is paid to and why
any differences between CTC/childcare element of WTC in this respect
- which account they put money in (if different to above)

- what do they **see their childcare element of WTC as being for**
- **how much of their childcare costs does it cover**
 - any *OTHER* sources of help with childcare costs
- **how they use the childcare element**
 - whether separate the childcare element of the WTC from the general WTC money (either physically or conceptually)
 - how do they keep track of how the childcare element is spent
- **how aware about the need to report change**
 - what changes did they think they had to report – explore spontaneously and then *PROMPT* for:
 - childcare stops being registered/approved
 - childcare costs go down by £10 a week or more for at least 4 weeks in a row
 - childcare costs go down to zero
 - childcare costs going up by £10 a week or more
 - start receiving *EYE* or *ESC*
 - awareness of when need to inform *HMRC* about above changes
 - sources of information/help/advice with reporting changes
 - whether received a letter sent by *HMRC* to remind people to report changes – *MODERATOR TO SHOW EXAMPLE HERE*
 - views about sources/letter; impact on behaviour
- **whether they have ever reported changes of circumstances**
- what changes did they report
- what prompted them to report a change
- when did they report a change (*explore reasons for timing if not already covered*)
- how they felt about reporting changes in circumstances
 - factors affecting own decisions about whether to report changes – *PROBE* specific situations after spontaneous explanation, i.e.
 - childcare costs going up/down
 - fluctuation in use of childcare (including reduction in costs once child eligible for free 12.5 of *EYE* for children who are 3 and over); seasonal variations due to school holidays
 - changing childcare provider
 - childcare provider losing approval/registered status
 - changing employment conditions
 - start receiving *EYE* or *ESC*
- can they **describe the process went through when reporting changes**
 - nature of contact with *HMRC*
 - nature of any contact had with childcare provider
- **how easy or difficult to report changes**
 - nature of difficulties and how overcame them
 - how could it have been made easier to report changes
- (*if not already covered*) – experience of any overpayments or underpayments
 - if understand reason for overpayment / underpayment
 - if and how overpayment / underpayment resolved

8. Impact of childcare element on household budget

- **what difference does the childcare element of WTC make to:**
 - *what they are able to afford as household – PROMPT for on whether money received permits them to afford things that they would not be able to without – i.e. access to leisure, access to transport etc.*
 - *perceptions of household quality of life*

- how would they have **managed without the childcare element**
 - *in terms of nature of work and hours worked and why*
 - *in terms of childcare and why*

- any final comments

THANK AND CLOSE

APPENDIX D NON-RECIPIENT TOPIC GUIDE

Qualitative investigation of the childcare element of Working Tax Credit

Telephone interviews with non-recipients

Aims of the telephone interview are to explore:

- how respondents make decisions about working and childcare
- awareness of childcare element of WTC
- reasons for not claiming childcare element of WTC – key barriers
- awareness of ESC and reasons for claiming/not claiming – key barriers, and perceptions of ESC in relation to childcare element of WTC
- how currently manage childcare costs, how affordable childcare is
- impact of childcare costs on household income/decisions about work/decisions about how much childcare to use

Adapt guide depending on which type of respondent:

- Claiming CTC or WTC, eligible for childcare element but not claiming
- Not claiming CTC or WTC, eligible for childcare element but not claiming

1. Introduction

- Introduce self and NatGen, confirm independence of NatGen
- Introduce study:
 - commissioned by HMRC to explore parents' decisions around work and childcare and their views on financial support for childcare costs
- Digital recording – check OK
- Reassure about confidentiality and how findings will be reported
- Important they feel free to speak openly and honestly – want to hear about all experiences, whether positive or negative
- Remind them their participation is voluntary (and won't affect any claims they are making)
- Length of interview – up to **45 minutes**
- Invite questions

2. Participant background

- household composition (*including ages of adults and children*)
- employment of household members (*hours worked, length of time in job*) – including details of **irregular/atypical hours**
- details of current childcare arrangements
- types of formal care used, for which child and for how many hours – *NOTE that could be mixture of different types of care (e.g. nursery, childminder, approved nanny, after school clubs, holiday clubs, breakfast clubs)* - knowledge of whether registered/approved
- types of informal care used whilst respondent working (for which child and for how many hours) – *this refers to people who look after their children who are not registered or approved, for example friends, family*
- how childcare varies during school holidays/weekends
- details of tax credits claimed – PROMPT for CTC, WTC
 - *how much CTC/WTC they receive*

- whether qualify for any Early Years Education (free 12.5 hours per week for 3 and 4 year olds)

3. Decisions about work and childcare

- **brief details of working history before/after having children**
- **reasons for starting work/returning to work/staying in work/changing their working hours** after having children – *explore spontaneous reasons and then PROMPT for importance of:*
 - *financial considerations – what difference has working after children made to them financially*
 - *partner's working hours and salary*
 - *WTC (if claiming)*

 - *own desire to work*
 - *contractual obligations (i.e. requirement of maternity pay)*
 - *employer attitudes*
 - *possibility of part time/flexible working*

 - *views about childcare*
 - *availability of childcare in local area*
- **sources of help/advice** when making decision to return to work – who, reasons accessed, views about
- **decisions about which childcare provider to use**, and influences on decision
 - factors influencing choice of current childcare provider/s– explore spontaneously and then *PROMPT for importance of:*
 - *availability of childcare (extent to which have a choice)*
 - *perceptions of quality*
 - *childcare being registered/approved by OFSTED*
 - *cost*
 - *accessibility*
 - *convenience*
 - *perceptions of what's best for children*
 - *ability to 'wrap around' Early Years Education*
 - *need to fit requirements of the childcare element of the WTC*
 - sources of **help/assistance** with choosing childcare provider – who, reasons accessed, views about
- of all the things discussed which were the **most important factors** in making work a possibility; and how would they prioritise (i.e. decisions about childcare Vs decisions about returning to work/type of work)

4. Awareness of tax credits and the childcare element of WTC

If claiming tax credits:

- how long have they been claiming
- what prompted them to claim tax credits
- *views about tax credits*
 - *purpose*

- *intended beneficiaries*
- awareness of childcare element
 - *when and how they first became aware of childcare element of WTC, if applicable*

If not claiming tax credits:

- awareness of tax credits
- when and how they first became aware of tax credits
- *views about tax credits*
 - *purpose*
 - *intended beneficiaries*
- awareness of childcare element
 - *when and how they first became aware of childcare element of WTC, if applicable*

- **what they know about childcare element of the WTC**

- *which type of households intended for*
 - *qualifying criteria (income thresholds, hours worked)*
 - *level of funding available*
 - *which types of childcare providers are eligible*
 - *what means to be registered/approved*
 - *which types of childcare costs are eligible*
 - *perceptions of how to apply and what would involve*
 - *how it interacts with other types of support (e.g. ESC/EYE)*
- sources of information about childcare element of WTC and views about

5. Decision to not claim childcare element of WTC

- **reasons for not claiming childcare element of WTC – explore spontaneously and then PROMPT for whether following were a factor:**
 - *lack of knowledge/understanding*
 - *lack of awareness*
 - *perceptions of work/time involved in: going through form and guidance to find out about tax credits; collating information needed to make application*
 - *cost of childcare (for e.g. if was low, might not have considered it worthwhile applying)*
 - *nature of childcare needs (for e.g. if they only/mainly need childcare during school holidays it might not be possible or be too complicated for them to feel it was worthwhile to claim the childcare element)*
 - *nature of working hours prohibit/make it difficult to use sufficient formal childcare to make them feel a claim was worthwhile*
 - *perception that better off taking up alternative form of financial support i.e. ESC*
 - *perception that childcare would be unaffordable if using enough to take them up level of eligibility for tax credit (e.g. because would still have to find 20% or more)*
 - *availability of registered/approved provision in area*
 - *suitability of registered/approved childcare for their requirements*
 - *requirements of tax credits system, e.g. informing HMRC about any changes relating to childcare, income, household composition*
 - *perception/experience of overpayments when claiming tax credits*

- preference for mixing formal and informal childcare (for e.g. meaning that formal childcare costs low, so might not have considered it worthwhile applying)
- preference for informal childcare
- what, if anything, would need to change about their situation for claiming childcare element of WTC to be a realistic option for them

MODERATOR TO DESCRIBE KEY ELIGIBILITY CRITERIA OF CHILDCARE ELEMENT OF WORKING TAX CREDIT AS RELEVANT TO RESPONDENT'S SITUATION: lone parents working at least 16 hours per week; couples where both working at least 16 hours a week; couples where one member working at least 16 hours per week and the other incapacitated/in-patient in hospital/in prison; where childcare being used is registered or approved; childcare element can help with 80% of eligible costs up to maximum of £175 per week for one child/£300 a week for two or more children, depending on income. **ALSO EXPLAIN that people taking up the childcare element need to keep HMRC informed of certain changes, for example a change of childcare provider, or if they change the amount they are spending on childcare.**

- what do they think about this financial support for childcare
- whether this information affects feelings about claiming and why
- whether still face barriers to claiming – what these are
- whether feel that claiming could impact on working/childcare choice – if so, how and why (*particularly for those using informal childcare*)

6. Awareness and experiences of Employer-Supported Childcare

- awareness of any other forms of financial support for working parents with childcare costs – *explore spontaneously and then PROMPT for:*
 - e.g. **Early Years Education Grant** - *NOTE moderator might need to explain that this is free provision of 12.5 hours per week for 3 and 4 year olds*
 - e.g. **Employer-Supported Childcare** – *NOTE interviewer might need to explain that ESC takes form of tax/national insurance free childcare vouchers provided by employers and deducted from salary OR childcare provided directly by employers e.g. workplace nurseries, or an employer buying places for employees with an external provider*
- **if taking up either ESC or EYE Grant (NOTE that primarily interested in ESC):**
 - when found out about
 - how found out about – sources of information
 - why decided to take up
 - interaction of decision to take up with decision to work/which childcare provider to use
 - whether considered claiming childcare element of WTC
 - how aware whether could claim childcare element of WTC alongside ESC/EYE
 - if not, why not
 - if aware, what were their reasons for taking up ESC/EYE instead of childcare element of WTC
 - perceptions of similarities/differences between the workings of the childcare element of WTC and ESC in terms of:

- how money is paid
- what is worth to them
- requirements re childcare providers
- **if not taking up ESC or EYE Grant (NOTE that primarily interested in ESC):**
 - reasons for not taking up – explore spontaneously and then PROMPT for whether following were a factor:
 - *lack of knowledge/understanding*
 - *lack of provision on part of employers*
 - *nature of working hours prohibit use of formal childcare*
 - *perception that wouldn't be better off financially*
 - *perception that formal care would still be unaffordable*
 - *requirement that childcare registered/approved*
 - *availability of registered/approved provision in area*
 - *suitability of registered/approved childcare for their requirements*
 - *preference for current form of provision if not registered or approved*

7. How childcare costs are currently managed

- **paying for childcare arrangements**
 - costs of childcare provision per week/month
 - how pay for childcare costs
 - whether weekly, monthly etc
 - whether in cash or 'kind'
 - **who pays**
 - them, their partner, whether get help from anyone else, i.e. family
 - any OTHER sources of help with childcare costs
 - WHERE RELEVANT – whether perceive WTC/CTC as going towards childcare costs
 - any difficulties in paying
- **affordability of childcare**
 - proportion of salary/salaries spent on childcare
 - outgoings taken into account when working out how much to spend on childcare
- **impact of current childcare costs**
 - on household finances – what if anything they feel they have to go without to pay for childcare
 - on whether better off in work/how much by
 - on how much childcare used – *would they use more if more affordable/received financial support*
 - on hours worked – *would they work more hours if childcare more affordable/received financial support*
- *(if not already covered)* - what difference would it make to them if they had help with meeting their childcare costs – how much help would they need to make the difference
- where they go for information/help/advice on financial matters

Ask those currently receiving CTC/WTC

- how currently use WTC/CTC money
- whether conceptualise as going towards childcare costs – why, why not
- adequacy of WTC/CTC in helping to meet costs

8. Suggestions and close

- suggestions for overcoming barriers to claiming childcare element of WTC
 - what would encourage them to claim
 - how should the childcare element be publicised
- any final comments

THANK AND CLOSE