

Parents know best

Giving families a choice in childcare

October 2022

Table of Contents

1. Executive Summary.....	3
2. Britain’s childcare support model.....	7
3. What do UK families want from a childcare support offer?	10
4. Childcare support policy: the landscape	17
5. The current system of childcare support.....	18
6. Options for reform.....	21
7. International examples.....	23

About the Centre for Social Justice

Established in 2004, the Centre for Social Justice is an independent think-tank that studies the root causes of Britain's social problems and addresses them by recommending practical, workable policy interventions. The CSJ's vision is to give people in the UK who are experiencing the worst multiple disadvantages and injustice every possible opportunity to reach their full potential.

The majority of the CSJ's work is organised around five "pathways to poverty", first identified in our ground-breaking 2007 report, Breakthrough Britain. These are: educational failure; family breakdown; economic dependency and worklessness; addiction to drugs and alcohol; and severe personal debt.

Since its inception, the CSJ has changed the landscape of our political discourse by putting social justice at the heart of British politics. This has led to a transformation in government thinking and policy. For instance, in March 2013, the CSJ report It Happens Here shone a light on the horrific reality of human trafficking and modern slavery in the UK. As a direct result of this report, the Government passed the Modern Slavery Act 2015, one of the first pieces of legislation in the world to address slavery and trafficking in the 21st century.

Our research is informed by experts including prominent academics, practitioners and policy-makers. We also draw upon our CSJ Alliance, a unique group of charities, social enterprises and other grass-roots organisations that have a proven track-record of reversing social breakdown across the UK.

The social challenges facing Britain remain serious. In 2022 and beyond, we will continue to advance the cause of social justice so that more people can continue to fulfil their potential

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Foreword

For most of us, our families are more important, most meaningful and more precious than anything else in our lives. And we know that the first 1,001 days of a child's life are absolutely fundamental to his or her future success, health and happiness. Government should always enable family life to be fulfilling, not create barriers to it. Sadly, for many, the costs associated with starting and raising a family – now compounded by the cost of living crisis – mean they cannot have the family life that they desire.

Whether it's the cost of energy, the cost of housing, or the cost of food, most couples in Britain now feel they need two incomes to make ends meet. That's one reason that in recent years there has been so much attention on Britain's highly expensive childcare system.

Solutions usually focus on reducing costs through more subsidy, or changing ratios so care providers can take more children at a time. But we know that in the early years, the best option for most children is to be cared for at home with a loving parent, grandparent or other relative – and that's what more than half of families do. Why is it that government will support families to place children in nurseries, but not to provide care themselves? And has anyone asked parents what they feel would help them most?

In this landmark survey of over 2,500 respondents, the Centre for Social Justice in partnership with Public First have done just that. The results are compelling – 78 per cent of parents with young children say they would like to spend more time with their children, but cannot afford to, and a clear majority of the public think helping parents to spend several months with a new child should take priority over hastening the return to work.

It's time that we placed choice at the heart of our childcare policy. By a margin of 61 per cent to 33 per cent, parents would support a flexible childcare 'budget' – as provided in other countries such as Canada and France – to choose how to spend themselves. Why not repurpose our existing £4 billion childcare support budget and let parents decide how to use it? And why not recognise family and children in our tax system?

No family should lose out because of how they decide to balance childcare and work. Government policy should reflect what voters and families want, and now we have a clear idea of what that is.



By Miriam Cates MP

Member of Parliament for Penistone and Stocksbridge

1. Executive Summary

The UK Government spends nearly £4 billion per year subsidising childcare for families in various forms. Britain's childcare support offer is notoriously complex and confusing for parents, with evidence of mixed levels of awareness of entitlements and deficits in take-up. Childcare support is administered variously through local authorities, the Department for Education, the Department for Work & Pensions, and HMRC.

For all this, UK families still face some of the highest up-front costs in the OECD, spending on average 22 per cent of their income (or 51 per cent of a single person's income) on childcare – double the average for Western economies.¹ British families are on average having between one and two fewer children than they would like – sometimes called the “fertility shortfall”.² Studies have suggested that the most prominent reasons for limiting family size beneath what parents would prefer are 1) economic conditions and 2) issues of work-family compatibility.³

But what is the purpose of Government childcare policy? What is notable is that in contrast to other jurisdictions the UK will, in the main, only provide childcare funding when it relates to formal, institutional settings that are Ofsted-registered. With the possible exception of Child Benefit, no financial support is provided to parents primarily to facilitate parenting. Other than National Insurance credits for grandparents, no financial support is made available to support childcare provision by extended family.

What is childcare policy designed to achieve?

One major purpose of public childcare subsidies is to support families with what would otherwise be a very costly – in many cases unaffordable – outgoing each month. Particularly for disadvantaged children, formalised early years provision can facilitate social mobility and help with child development. And, of course, public subsidy of childcare has helped transform the prospects of women, allowing them to combine family life with the financial, social and emotional benefits of work, including the independence it brings.

However, another key objective of policymaking is to incentivise parents back into work quickly. The motive for this is not only the desire on the part of HM Government to boost labour market participation and productivity. It is also designed to boost parents' future earnings potential by minimising the longitudinal earnings impact of a career break.

A less publicly stated objective of childcare policy is enhancing the tax receipts collected by HM Treasury; the more quickly parents with care responsibilities get back into work, the more quickly they recommence paying income tax and National Insurance Contributions (NICs) on a full-time salary.

But what do families actually want? Too often it seems the state has a pre-determined view of what would be a good outcome for families, rather than seeking to find out how parents would prefer to balance work and family life. Have these questions even been asked?

The CSJ believes that the wishes of parents themselves should inform the basis of childcare policy, so we have conducted an extensive public opinion survey to find out.

1 Social Market Foundation, “Baby shortage could spell economic stagnation for the UK”, September 2021

2 Stone, L. (2017), *How Big is the Fertility Gap in America?*; UK fertility shortfall is 0.34

3 See Beaujouan & Berghammer (2019), *The Gap Between Lifetime Fertility Intentions and Completed Fertility in Europe and the United States: A Cohort Approach*

What do parents want?

In a new and extensive set of polling conducted by Public First on behalf of the Centre for Social Justice (CSJ), we show comprehensively that policies aimed at incentivising parents to place children as early as possible in formal childcare settings do not enjoy public support.

First, what is clear is that a majority of families rely primarily on extended family for support in their childcare needs, rather than formalised childcare settings such as nurseries. 52 per cent of parents use extended family as their primary form of additional childcare – more than any other type of childcare provision.

And our polling shows most families do not prefer more financial support to place children in formalised settings.

81 per cent of parents of young children (age 0-4) said they agreed that parents should be helped to stay at home for longer, rather than being brought back to work quickly. This was agreed with by 74 per cent of parents with school age children and 58 per cent of the general public.

78 per cent of parents with young children said they would like to spend more time with their child than they currently do, not less, citing finances as the main obstacle to doing so. This was true of 80 per cent of mothers and 76 per cent of fathers. 44 per cent of parents with pre-school children said they would like to stop working altogether if they could, and 47 per cent said they would like to reduce their hours if possible.

There is widespread support for pro-family policies that would help to facilitate this. 61 per cent of parents with young children would support a parental budget provided by the Government to choose how to spend, while just 33 per cent said they would prefer support to make formal childcare cheaper. 41 per cent believe boosting the Marriage Allowance would be a good idea, versus just 20 per cent who disagree, and 53 per cent would like to have more parental leave.

Summary of Recommendations

1. The Government should increase the Marriage Allowance to allow parents earning less than the basic rate income tax threshold to transfer 100 per cent of their personal allowance to their spouse, if their child is under 16.
2. The Government should begin a formal consultation on the implementation of a 'Family Credit', looking to examples such as France and Canada, to replace the 15 and 30-hour free childcare entitlements and Tax Free Childcare by repurposing those measures' budgets and underspend, in line with voters and parents' clearly stated preferences

Centre for Social Justice polling headlines (*Public First, 9 – 15 August 2022*)

- **78 per cent** of parents with children aged 0-4 agreed that they would like to spend more time with their child, but cannot afford to (**80 per cent** of women and **76 per cent** of men).
- **49 per cent** of the general public agreed with the statement “*it has become harder to raise a family with younger children at home over the last decade*”, compared to just **19 per cent** who disagreed.
- The main reasons for thinking this were: general increase in costs (**84 per cent**), children have become more expensive (**78 per cent**), wage levels require parents to work too much (**68 per cent**).
- **52 per cent** of parents rely on extended family for additional childcare, compared to **45 per cent** who use nurseries, 20 per cent who use friends.
- **58 per cent** of the general public agreed that we need to help new parents spend several months at home with their new baby, versus **22 per cent** who thought returning to work quickly should be the priority.
- This rose to **81 per cent** among parents with children aged 0-4, versus just **13 per cent** who disagreed. **74 per cent** of parents (5-18) thought the same.
- **61 per cent** of parents with young children (0-4) were supportive of a parental childcare ‘budget’ given to families to choose how to spend, versus **33 per cent** who preferred policies to reduce the cost of formal childcare.
- **41 per cent** of the general public think a boosted Marriage Allowance would be either a good or very good idea, versus 20 per cent who think it is a bad idea.
- **53 per cent** of parents with children aged 5-18 said they would like to have more parental leave, rising to **66 per cent** for parents with children aged 0-4.
- **44 per cent** of parents of young children (aged 0-4) would like to stop working altogether and **47 per cent** would like to reduce their hours to spend more time with their children if they could afford it.
- **52 per cent** of parents strongly agreed that they felt pressured to return to work as quickly as possible after the birth of their child. **29 per cent** of parents disagreed.
- If finances were not an issue, **49 per cent** of parents of children aged 0-4 said they would prefer for themselves or their partner to take care of their child on their own, whereas only **19 per cent** of parents currently do so.

Trends by voting record (*2019 General Election, 2016 EU referendum*)

- **65 per cent** of 2019 Labour voters agree that it has become harder to raise a family with younger children at home over the last decade, rising to **71 per cent** of 2019 Labour voters with children aged 0-4.
- **59 per cent** of 2019 Conservative voters preferred a parental childcare ‘budget’, compared to **40 per cent** who favoured subsidies for formal care. **62 per cent** of Labour voters supported a budget, versus **29 per cent** who wanted support for formal care.
- **42 per cent** of 2019 Conservative voters thought that increasing the Marriage Allowance would be a good idea, versus **24 per cent** who did not. This increased to **68 per cent** for parents with children aged 0-4 (11 per cent disagreed).
- **59 per cent** of 2019 Labour voting parents of young children agreed (7 per cent disagreed).
- **51 per cent** of 2016 Leave voters and **68 per cent** of Remain voters agreed that we need to help new parents spend several months with their new baby, rather than getting parents back into work as fast as possible, versus **29 per cent** and **18 per cent** (respectively) who disagreed, thinking returning to work should be the priority.
- This rose to **69 per cent** for parents with children aged 5-18 who voted Leave, versus just **20 per cent** of 2016 Remain voting parents who disagreed.

- **78 per cent** of 2019 Labour voting parents (children aged 5-18) agreed, versus **13 per cent** who disagreed.
- **64 per cent** of 2019 Labour voters agreed with the statement: *“As a parent / carer, I would have liked my family to have had access to longer parental leave when my child / children was / were born”*.

Trends by socio-economic group (A, B, C1, C2, D, E)

- For parents with young children, **78 per cent** in the AB social grade agreed that we need to help new parents spend several months with their new baby, rather than getting parents back into work as fast as possible. This rose to **87 per cent** among C1s, and **85 per cent** among C2s.
- Among parents with young children, **32 per cent** in the AB social grade relied on extended family for additional childcare support, compared to **48 per cent** of C1s, **54 per cent** of C2s and **49 per cent** of DEs.
- **44 per cent** of AB parents of young children made use of nurseries / kindergarten, compared to 37 per cent of C1s and C2s and just 30 per cent of DEs.
- When asked about preferred forms of additional childcare to that already provided to their child, **43 per cent** of AB parents of young children said they would prefer that they and / or their partner cared for their child themselves. This rose to **47 per cent** of C1s and **58 per cent** of C2s.
- Among parents of young children this view was shared by **53 per cent** of 2019 Conservative voters and **48 per cent** of 2019 Labour voters.
- A family / childcare ‘budget’ provided by government was universally more popular than more childcare subsidies across all social grades and historical voting patterns.

2. Britain's childcare support model

Cost

The UK spends in the region of 0.7 per cent of national income on early childhood education and care.⁴ This equates to in the region of £4 billion per year.⁵ A middle-class couple who are both working will typically spend 30 per cent of their after-tax income paying for childcare provision.⁶

It should be noted that the proportion of government childcare subsidies paid to disadvantaged families has also declined over time – 45 per cent of funds were allocated to lower-income households in 2007-8, compared to just 27 per cent a decade later.

This is due to two factors: freezes in the real value of benefits from 2010 onwards meaning the amount spent in real terms on childcare support through the benefits system declined; and the amount spent on subsidies aimed at middle and higher-income households has increased through the expansion of entitlements through the 15 and 30-hour free childcare policies.⁷ Clearly, there has been an increasing focus on providing support for middle-income households to return to work.



Source: Britton et al (2020), *Institute for Fiscal Studies*⁸

The UK spends a roughly average amount on childcare support by OECD standards, yet British families face some of the highest up-front personal costs in the developed world. At the same time, while the UK childcare support offer is a highly complex patchwork of different systems, it is at the same time highly inflexible.

4 Institute for Fiscal Studies, *Complicated, costly and constantly changing: the childcare system in England*, September 2021

5 CSJ calculations, 2022

6 Ibid.

7 Ibid.

8 Institute for Fiscal Studies, *2020 annual report on education spending*, November 2021

Aside from the issues of cost, awareness, take-up and delivery, there are fundamental questions to be asked about the childcare support system's ultimate purpose. Significant funds are made available to families if they wish to make use of formal childcare settings, but no such support is given to those wishing to draw upon informal carers such as extended family, including grandparents, figures in the community, or indeed if they wish to be supported financially to provide childcare directly themselves.

While in general UK governments have historically adopted a policy of conspicuous "neutrality" when it comes to questions of lifestyle, especially when it comes to family life, childcare support appears to be an exception: government will provide funding to help parents back into work through extensive childcare support measures, but will not provide the sort of financial assistance that might allow parents more choice concerning how they balance work and childcare commitments.

Rather, current policy is orientated towards "nudging" parents through financial incentives into work as quickly as possible. The Government's interest in doing so is reasonably clear, since parents returning to work quickly increase labour market participation, boost economic activity and recommence paying tax more rapidly.

In this report, the CSJ makes the case that there is an alternative way of supporting families financially, especially in the early years, which empowers parental choice. There are numerous international examples of how this can be achieved, and to which the CSJ urges the Government to look.

To that end, the CSJ has conducted an extensive polling exercise in partnership with Public First, seeking to establish what the preferences of families really are.

Take-up

There is mixed take-up of the various childcare support offers.

Accurate data-gathering is hard, but Department for Education statistics estimate that 92 per cent of 3 and 4 year-olds are registered for the 15-hour entitlement. 72 per cent of eligible 2 year-olds are registered for the entitlement.⁹

The DfE estimates that approximately 80 per cent of eligible 3 and 4 year-olds are registered for the 30-hour extended entitlement.¹⁰

Take-up of other offers is significantly lower. According to the Department for Work and Pensions (DWP), only 13 per cent of households claiming UC with working parents and children aged 0-16 were receiving the UC childcare element.¹¹

Take-up of Tax Free Childcare has been notably poor. Between 2017-18 and 2020-21, HM Treasury allocated £3bn of funding towards the scheme, spending in the end only £630m – roughly a £2.4bn underspend. This was revealed after then Shadow Children and Early Years minister Tulip Siddiq asked a parliamentary question on the TFC underspend.¹² There is also evidence to suggest that even among parents with a TFC account, only half were actually using it.¹³

9 [Gov.uk](#), Department for Education, Education provision: [children under 5 years of age](#), June 2022

10 *Ibid.*

11 [Gov.uk](#), Department for Work & Pensions: Universal Credit claimants eligible for and receiving the childcare element between March 2021 to February 2022, June 2022

12 House of Commons Written Questions, [Question for Treasury, Children: Day care](#), UIN 75071, tabled on 15 November 2021

13 [Nursery World](#), Government reveals £2.4 billion underspend on Tax Free Childcare, November 2021

Awareness

There are also limitations on public awareness of the various patchwork of schemes available. 25 per cent of 0-4 year-olds were unaware of the 15-hour universal entitlement, and 25 per cent were unaware of the 2-year-old entitlement for those in receipt of various benefits. Nearly a third were unaware of the 30-hour extended entitlement.

Awareness of Tax Free Childcare is even lower: 41 per cent did not know of the scheme.

A remarkable 61 per cent of parents with young children agreed that the childcare support system is too complex.

3. What do families want from a childcare support offer?

The CSJ in partnership with Public First conducted an online survey of 1,035 adults, 1,003 parents of children aged 5-18 and 537 parents of children aged 0-4. Questions ranged from broad perceptions of the challenges facing parents and families in the UK today, forms of childcare currently used, reasons for choices made, and preferences for various policy options to support parents and families.

All results are weighted using Iterative Proportional Fitting, or 'Raking'. The results are weighted by interlocking age & gender, region and social grade to Nationally Representative Proportions.

The field work was conducted 9-15 August 2022.

Our survey paints a broad and rich picture of public perceptions regarding the challenges facing parents and what voters – including parents – would like to see by way of publicly provided financial support for families.

Our findings – what do families want?

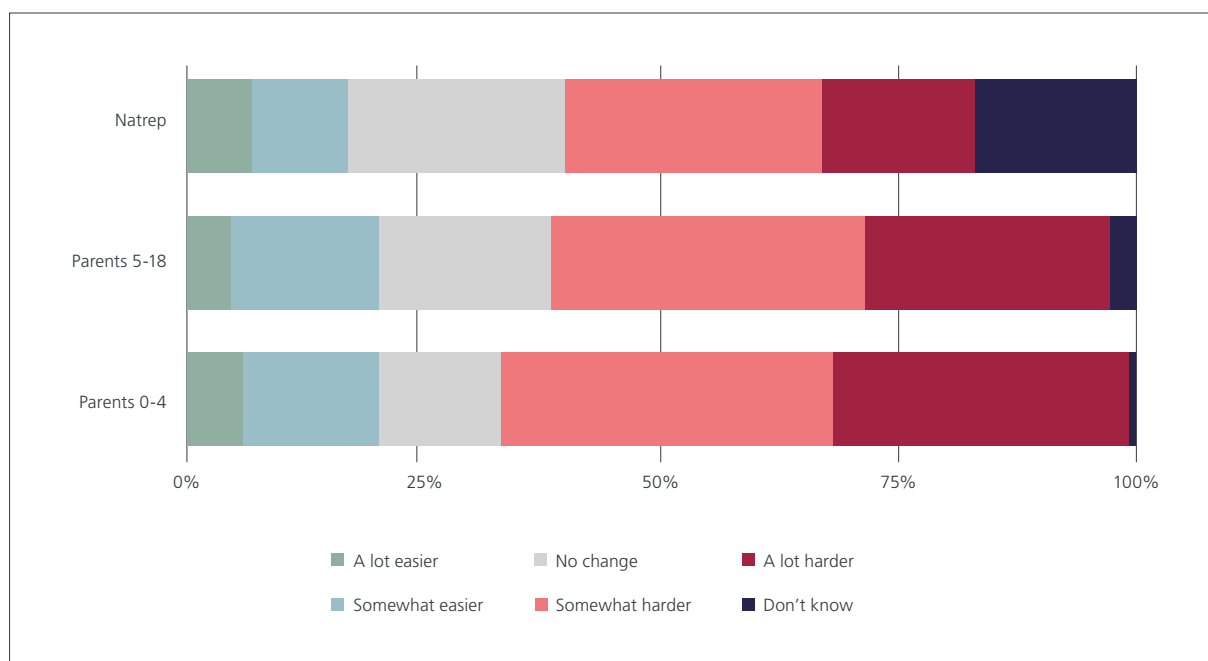
Is raising a family getting harder?

49 per cent of respondents within the nationally representative sample agreed with the statement *“it has become harder to raise a family with younger children at home over the last decade”*, compared to just 19 per cent who disagreed.

This rose to 59 per cent of parents of children aged 5-18 and 67 per cent of children aged 0-4.

65 per cent of 2019 Labour voters agreed with the statement, rising to 71 per cent of Labour voters with children aged 0-4.

And overall, do you think raising a family with younger children at home has become easier/harder in the last decade?

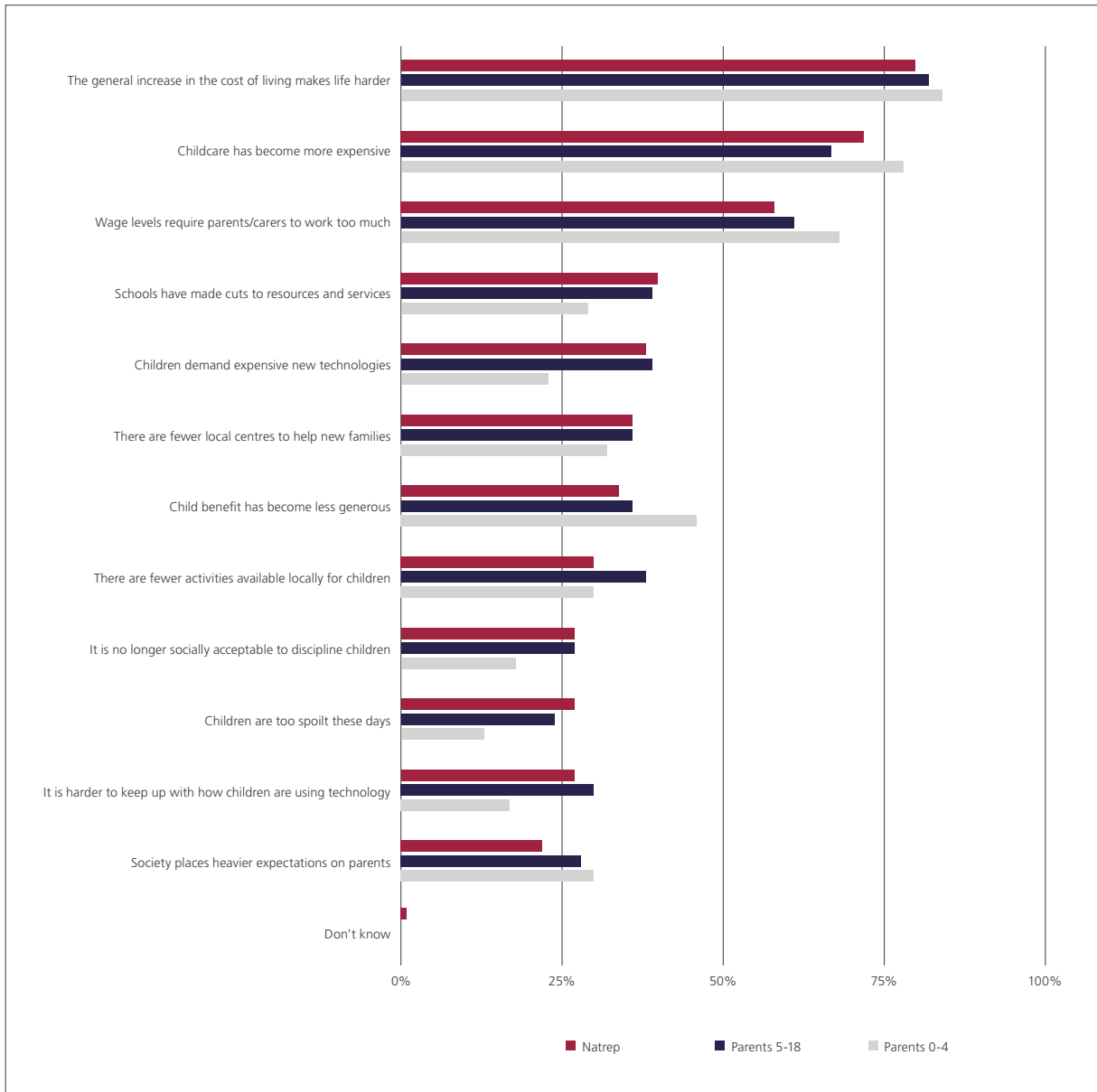


Why is raising a family with children at home getting harder?

The most common reasons people gave for stating that it has become harder to raise a family with younger children were financial: the general increase in cost of living, the cost of childcare, and low wages overwhelmingly topped the list across all three samples.

The responses are illustrated below.

You said that raising a family with younger children at home in the last decade has become harder. Why do you think that is? Select all that apply



What forms of supplemental care do different types of family use?

In order to develop a picture of the patterns of childcare families currently use, we asked parents about what forms of care, other than care provided by themselves, that they draw upon.

- 52 per cent of parents with children aged 0-4 said they used extended family, followed closely by 45 per cent who said they used nursery / kindergarten (45 per cent).
- Nearly one-fifth (19 per cent) of parents with young children polled said they did not use any additional forms of childcare.

There were stark socio-economic variations. The lowest socio-economic groups were most likely not to use any forms of additional childcare, while AB, C1 and C2 groups all had a similar rate of not using additional childcare (11-14 per cent).

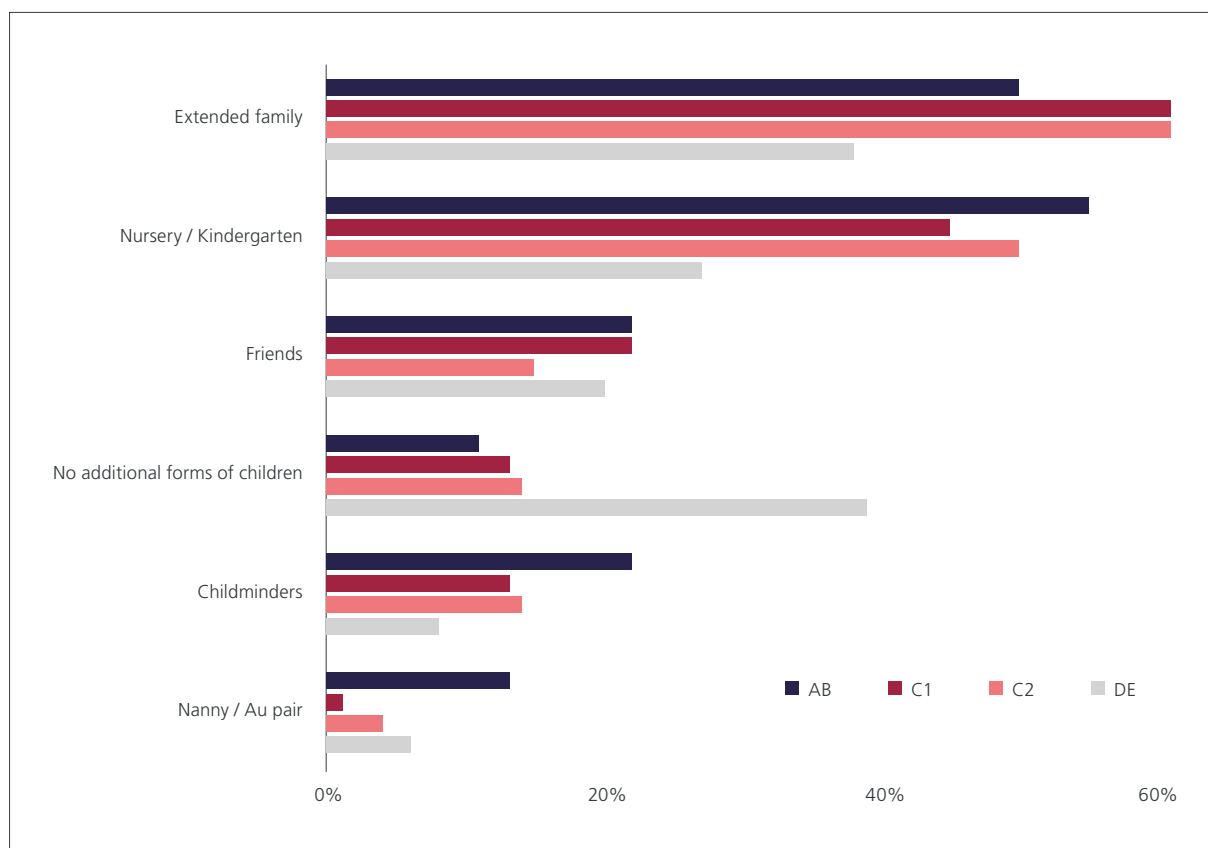
However, there were differences in the type of care used by these groups.

- 61 per cent of parents in C1 and C2 groups used extended family.
- 22 per cent of AB parents used childminders compared to 13 per cent of parents in C1 and 14 per cent of parents in C2.
- Parents in the lowest socio-economic group had the lowest average number of additional forms of childcare.

When asked about the reasons for choosing their current childcare options, the most common driver was by far cost (55 per cent), followed by safety (44 per cent), location (32 per cent) and opportunity to mix with other children (31 per cent).

The responses are illustrated below.

Other than the care you provide for your child, which of the following other forms of childcare do you use? Select all that apply (Parents of 0-4 year olds)



Parents were then asked about what forms of additional childcare they would draw upon if finances were not an issue.

- The majority of parents of young children indicated that they would prefer for them/their partner to look after their child on their own (49 per cent), which is significantly higher than the current number of parents which do so, as highlighted above (19 per cent).
- This drops slightly to 40 per cent for when their child reaches age 5.

There was some variation between socio-economic groups, with groups C1 and C2 expressing a stronger preference for they themselves or their partner providing additional childcare, though parents providing additional care themselves was the most popular across all socio-economic groups.

- 43 per cent of AB parents of young children said they would prefer that they and / or their partner cared for their child themselves.
- This rose to 47 per cent of C1s and 58 per cent of C2s.
- Among parents of young children this view was shared by 53 per cent of 2019 Conservative voters and 48 per cent of 2019 Labour voters.

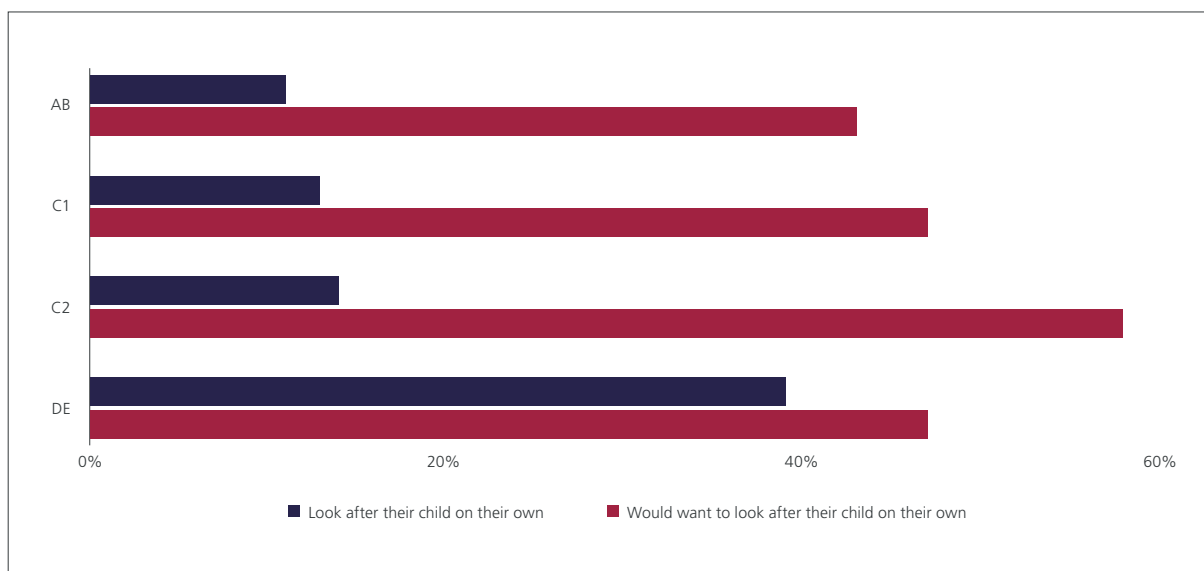
Our poll also revealed that current work patterns and family life are still at odds.

- A majority (78 per cent) of parents with children aged 0-4 agreed that they would like to spend more time with their child, but cannot afford to.

The responses are illustrated below.

Other than the care you provide for your child, which of the following other forms of childcare do you use? Select all that apply (Parents of 0-4 year olds)

If money was not an issue, what forms of childcare would you prefer in addition to the care you already provide? Select up to three (Parents of 0-4 year olds)



Parental presence in the home

The general public and parents largely agreed with the arguments in favour of helping parents help stay at home longer after the birth of their child rather than bringing parents back into work as quickly as possible to help employers and the economy, by 58 per cent to 22 per cent.

Parents also strongly agreed with this view, with 74 per cent of parents of children of school age in agreement and 81 per cent of parents of children aged 0-4.

A significant proportion of parents of young children (aged 0-4) would like to stop working altogether (44 per cent) or reduce their hours (47 per cent) to look after their child when they if they could afford it, which also held true for when their child is aged 6 month to 1 year (45 per cent and 46 per cent).

Women were only slightly more likely than men to want to stop working altogether if they could afford it (63 per cent versus 57 per cent), and men were slightly more likely than women to want to reduce their hours if they could afford it (82 per cent versus 73 per cent).

This view is popular across socio-economic grades

For parents with young children, 78 per cent in the AB social grade agreed that we need to help new parents spend several months with their new baby, rather than getting parents back into work as fast as possible.

This rose to 87 per cent among C1s, and 85 per cent among C2s.

There is stronger support for this view among 2016 Leave voters

- 51 per cent of 2016 Leave voters agreed that we need to help new parents spend several months with their new baby, rather than getting parents back into work as fast as possible, versus 29 per cent who thought return to work was the priority. Only 29 per cent of Remain voters agreed.
- This rose to 69 per cent for parents with children aged 5-18 who voted Leave, versus just 20 per cent of 2016 Remain voting parents.
- 78 per cent of 2019 Labour voting parents (children aged 5-18) agreed, versus 13 per cent who disagreed.

We tested various policy options among those surveyed. One policy for which support was tested was an increase of the Marriage Allowance.

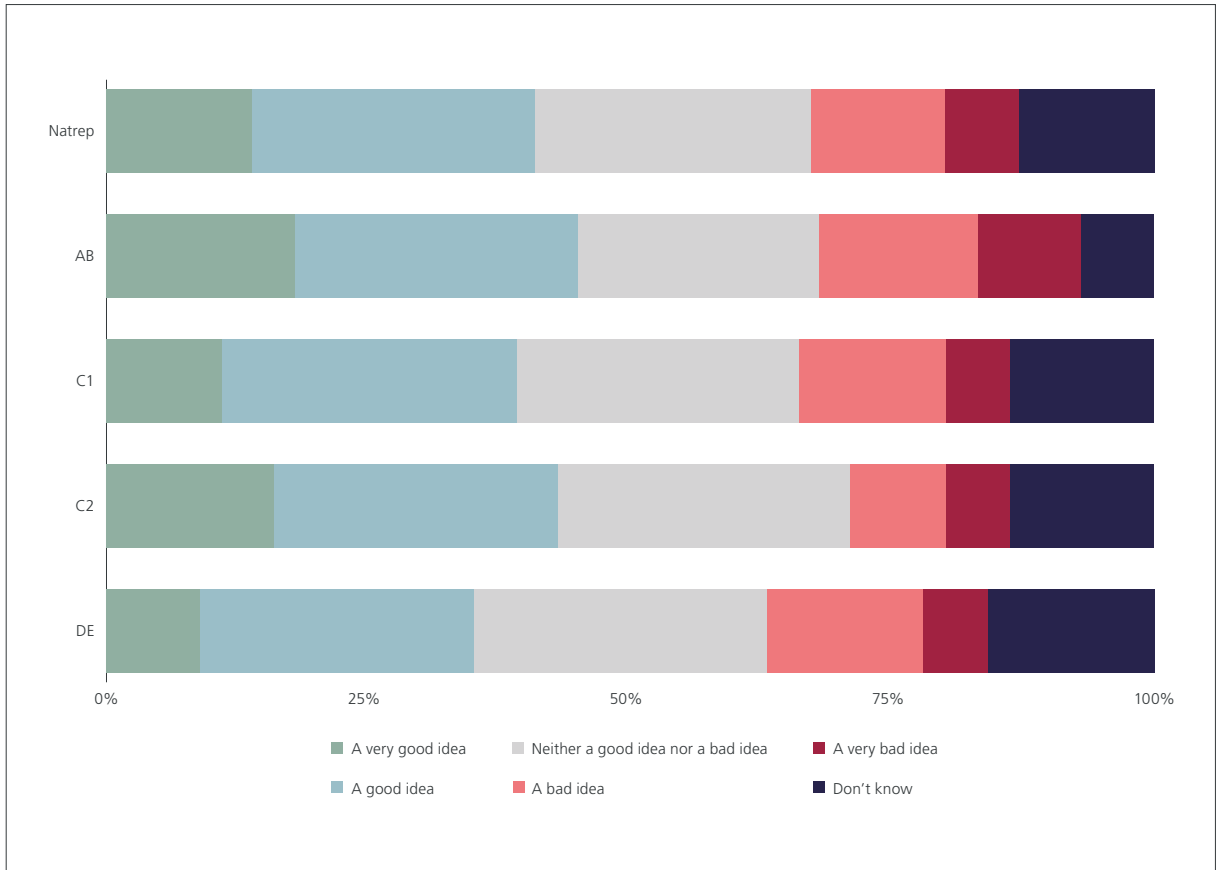
The Marriage Allowance

- Over a third (37 per cent) of the public is not aware of the Marriage Allowance, meanwhile another third are aware of it but do not understand it (34 per cent).
- Awareness is much lower among young people (72 per cent of 18-24 year-olds are unaware, whereas 20 per cent of 65+ year-olds are unaware), as well as lower socio-economic groups (46 per cent unaware for DE versus 28 per cent for AB), and Labour voters (43 per cent unaware for 2019 Labour compared with 28 per cent unaware for Conservatives).
- The public is on balance more in support of than opposed to a 'boosted marriage allowance', with 41 per cent thinking it is a good idea and 20 per cent thinking it is a bad idea, whilst a significant proportion feels neutral about it (39 per cent 'Neither' or 'Don't know').
- 2019 Conservative voters were also generally in favour of it (42 per cent saying 'good idea' and 20 per cent 'bad idea').

- There was no strong correlation with socio-economic groups, with the lowest group only being slightly less likely to think it is a good idea and slightly more likely to feel neutral about it than the highest socio-economic group.

The views expressed on increasing the Marriage Allowance are illustrated below.

Thinking about the different taxes the Government could change in the next few years, do you think it is generally a good or bad idea to look at changing this tax to reduce bills for married couples, even if it costs the Treasury money?



Those who support the boosted marriage allowance were generally in favour of extending it to various forms of families - such as those with elderly caring responsibilities (67 per cent agree) and couples who have children and live together (70 per cent agree).

On the other hand, they tended to oppose restricting it to couples with children under the age of 4 (45 per cent disagree while 31 per cent agree).

“Childcare budget”

Respondents were asked about two potential forms of Government support for families - entitlement that goes towards directly reducing the cost of childcare at nurseries/child care providers, or family budgets which families can choose how to spend.

Respondents were asked whether they were more supportive of:

1. An entitlement for all families to a ‘childcare budget’ allowing them to spend it as they wish (pay themselves, pay nursery, pay family members)

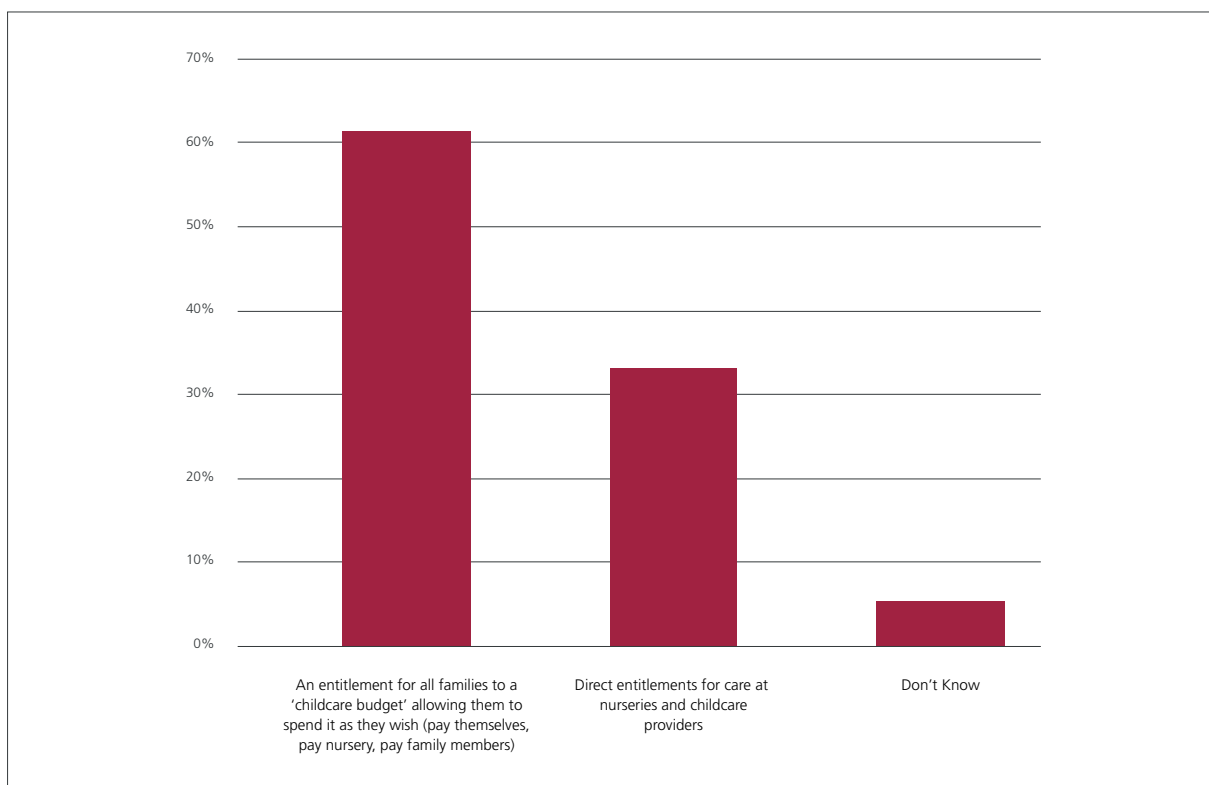
Or

2. Direct entitlements for care at nurseries and childcare providers

Parents polled were far more supportive of the latter (61 per cent compared to 33 per cent), and this was the case across all socio-economic groups. There were also no significant differences between voting groups, with 2019 Conservative and Labour voters being about equally supportive of the family budget (59 per cent for Conservatives and 62 per cent for Labour voters).

Notably, support for a ‘childcare budget’ was even higher than average among parents of young children who voted for the Brexit Party in 2019, at 82 per cent.

If the Government decided to provide financial support and subsidies for childcare, which of the following would you prefer? (Parents with children aged 0



Source: CSJ, Public First 2022

4. Childcare support policy: the landscape

UK childcare policy suffers from conflicting policy objectives: the encouragement of parents, especially second earner parents, to work, and generating the best social, emotional, economic and health outcomes for the UK's children.

The first standard childcare subsidy in the UK was a £1,100 childcare voucher introduced by the Conservative government of John Major. This could be used with any registered provider and could be topped up by the payer.

The system was replaced under the 1997 Labour government with a mandate for local authorities to provide 12.5 hours a week of free childcare for all 4 year-olds, extended to 3 year-olds in 2005, to 38 weeks of the year in 2008, and then to 15 hours a week by the Coalition government in 2010.

Childcare support was also provided in Children's Centres via the Sure Start programme from 1998. This programme was scaled back as a result of public spending cuts from 2010 onwards, but have to an extent been replaced by Family Hubs, to which the Conservative government of Boris Johnson pledged an extra £301 million of investment in 2021.¹⁴

The principal objective of UK policy has historically been encouraging parents, especially mothers, back into work. The motivations for this are: empowering women, boosting labour market participation, and increasing tax receipts to HM Treasury. All of these policy objectives are, the logic goes, best furthered by means of public subsidies for paying formal childcare providers.

The Department for Education's 2019 Childcare and Early Years Survey of parents¹⁵ found that just under two-thirds (64 per cent) of children aged 0-4 had made use of formal childcare in England in 2019. This varied progressively with age, with 11 per cent of 0 year-olds using childcare versus 93 per cent of 4 year-olds.

¹⁴ Department for Education and Department for Health & Social Care, [Family Hubs & Start for Life Package: methodology for pre-selecting 75 local authorities](#)

¹⁵ [Gov.uk, Childcare and early years survey of parents](#), December 2019

5. The current system of childcare support

The 15 and 30-hour entitlements

All 3 and 4 year-olds in England are entitled to 15 hours of free childcare – “the 15 hour entitlement”, or “universal provision” – regardless of their parents’ means.¹⁶ This must be used with an approved childcare provider – this is known as “approved childcare”¹⁷ – and ends when a child starts in reception class or reaches compulsory school age (whichever is later). The system explicitly rules out relatives such as grandparents.¹⁸

This entitlement is for 570 hours per year, usually taken as 15 hours a week for 38 weeks of the year, but can be stretched over further time, subject agreement with the provider.¹⁹

Some parents are entitled to an additional 15 hours of free childcare – “the 30 hour entitlement” or “extended entitlement”. This entitles parents to a further 570 hours, usually taken as 30 hours a week for 38 weeks of the year, as with the 15-hour entitlement.²⁰

To qualify for the extended entitlement both parents in a two-parent household, or a parent in a single-parent households, must expect to earn at least the National Minimum Wage on average for 16 hours per week for the next 3 months. Families expecting to earn over £100,000²¹ are not eligible for the entitlement.

Usually, to be eligible for the extended entitlement a single parent, or both parents in a two-parent household, must expect to earn at least the National Minimum Wage or Living Wage for 16 hours a week on average over the next three months. If a person (and/or their partner) have an expected ‘adjusted net income’ of over £100,000 a year, they are not eligible for the extended entitlement.

Some parents may be entitled to the extended entitlement even if they do not meet the criteria above, for example if one or more parent is in receipt of benefits connected with sickness or parenting (such as sick leave or maternity/paternity leave), or is in receipt of Incapacity Benefit, Severe Disablement Allowance, Carer’s Allowance or contributory Employment and Support Allowance, and their partner meets the income means-test.²²

All the above childcare entitlements are available only to British and Irish citizens, those with settled or pre-settled status (or living in the UK before 31 January 2021 with the right to reside), or otherwise have permission to access public funds.²³

The 15-hour entitlement has an annual cost of £2.26 billion,²⁴ with the 30-hour entitlement costing the Department for Education (DfE) a further £841 million.²⁵

According to Made for Mums,²⁶ the UK average hourly cost of a registered nursery is £4.65, making the average value of the 15-hour universal entitlement £69.75 and the average value of the 30-hour extended entitlement £139.50 per week.²⁷

16 House of Commons Library, [Childcare: support with costs](#), 13 August 2021, p. 8

17 [Gov.uk, Childcare you can get help paying for](#)

18 House of Commons Library, [Childcare: support with costs](#), 13 August 2021, p. 8; [Gov.uk, Childcare you can get help paying for](#)

19 *Ibid.*

20 *Ibid.*, p. 9

21 Here the threshold is measured by adjusted net income, see [Gov.uk, Personal allowances: adjusted net income](#)

22 House of Commons Library, [Childcare: support with costs](#), August 2021, p. 9

23 *Ibid.*, p. 10

24 [Gov.uk, Dedicated schools grant \(DSG\), 2022 to 2023](#), December 2021

25 House of Commons Library, [Childcare: support with costs](#), p. 9, August 2021

26 Made for Mums, [How much do nurseries, nannies and childminders cost?](#), January 2019

27 See [Coram Childcare Survey 2019](#), and [Childcare.co.uk 2018](#)

Provision for 2 year-olds

The Coalition Government introduced a 15-hour free childcare entitlement for disadvantaged two year-olds in 2013. Parents and carers are eligible for this if they are in receipt of a means-tested benefit such as Universal Credit, Income Support or Jobseekers' Allowance and their income is below a threshold (these vary according to which benefit is being claimed).²⁸

2 year-olds can also receive free childcare if they are looked after by the local authority, have an Education, Health and Care (EHC) plan, receive Disability Living Allowance, or have left care under an adoption order or child arrangements order.²⁹

The extended entitlement for 2 year-olds costs a further £397 million.³⁰

Tax Free Childcare (TFC)

Tax Free Childcare replaced childcare vouchers. A parent or carer pays into a TFC account; each £8 paid in is then topped up by the Government by an extra £2, up to a maximum of £500 per child every three months (or £1,000 every three months for a disabled child), with an annual maximum of £2,000 or £4,000, respectively. Money in the TFC account can be used to pay for approved childcare for any child under 12 years of age (under 17 if the child is disabled).

A parent or carer can usually only qualify if they (and their partner, if they have one) earn at least the equivalent of 16 hours a week at the National Minimum Wage or National Living Wage (depending on their age). If their household has an adjusted net income of over £100,000 they are not eligible.³¹

The eligibility criteria are the same as for the 15 and 30-hour free childcare entitlements outlined above. Someone can claim both TFC and the 30-hour entitlement if they are eligible under the respective rules. It should be noted that those in receipt of means-tested benefits such as Universal Credit (UC), Working Tax Credits (WTCs), Child Tax Credits (CTCs) cannot claim TFC.³²

Employer-Supported Childcare (ESC) was replaced by TFC and was withdrawn for any parents joining an employer-supported scheme after 4 October 2018.

Tax Free Childcare has a total cost of £411 million per year and is paid by HMRC.³³

Universal Credit

Parents receiving Universal Credit (UC) can claim up to a maximum of 85 per cent of their childcare costs through the UC childcare element, subject to deductions via the UC taper, for children who are up to the age of 16. The UC childcare element has a monthly cap of with the maximum amount payable being £646.35 a month for one child, or £1,108.04 a month for two or more children.³⁴

Eligibility for the UC childcare element is dependent upon the work condition, meaning that both parents in a two-parent households must be in paid work or have accepted an offer of work; the work condition also applies to a single parent claiming UC. If in a two-parent household one parent is working and the other has limited capacity for work, they may still be eligible for the UC childcare element.³⁵

28 [Gov.uk, Free education and childcare for 2 year-olds](#)

29 [Ibid.](#)

30 [Gov.uk, Dedicated schools grant \(DSG\), 2022 to 2023](#), December 2021

31 House of Commons Library, [Childcare: support with costs \(England\)](#), August 2021, p. 11

32 [Ibid.](#), p. 12

33 [Ibid.](#), p. 12

34 The weekly equivalent amounts are £149.16 and £225.70, respectively

35 House of Commons Library, [Childcare: support with costs \(England\)](#), August 2021, p. 15

The UC childcare element can be claimed at the same time as the 15-hour or 30-hour entitlement, if the claimant qualifies for them, though it should be remembered that the 15 and 30-hour entitlements are only currently offered for 3 and 4 year-olds (and 2 year-olds in the case of low income or disadvantage).

The UC childcare element is paid in arrears as part of a monthly UC award, and up-front costs must be paid to providers by the claimant. The CSJ has argued in the past that the incomplete nature of the UC childcare element operates as a work disincentive, since it increases the effective marginal rate of tax faced by low-income working parents in receipt of UC.³⁶

In effect, by adding to working UC claimants' fixed costs, childcare liabilities encountered by parents claiming UC increase the UC taper, resulting in the experience of lost earnings and reducing the extent to which work pays.

The UC childcare element is gradually replacing the Working Tax Credit (WTC) childcare entitlement, which is only 70 per cent of costs.

The UC childcare element costs the DWP £39.8 million per year.³⁷

Tax Credits

Those in receipt of WTCs or CTCs can also claim up to a maximum of 70 per cent of their childcare costs back through the benefits system. Tax Credit childcare support is being gradually replaced by the UC childcare element.

Ofsted registration

The childcare support offer is heavily tied to institutions on the Ofsted register. Although parents can choose which provider to use when claiming the 15 or 30-hour free childcare entitlement, it must be Ofsted registered. This restricts funding support to these formal settings.

Grandparents' allowance

The Government does already, to an extent, reflect the care provided by extended family in the case of Specified Adult Childcare credits. These National Insurance credits were introduced in 2011 and can be claimed by a grandparent or other relative of a child who is under 12 if the child's parent (or main carer) is working.

Specified Adult Childcare credits work by transferring the NI credit usually attached to a Child Benefit claimant to a family member who is providing care. There is not a credit for each child, rather credits are allocated per person claiming Child Benefit.

The purpose of these credits is to help a relative such as a grandparent build up their National Insurance Contributions (NICs), which then contributes towards their state pension entitlement.³⁸

Although this cash transfer takes place via the National Insurance Contribution mechanism, through it the Government has accepted the principle of providing financial support for family-based care. As such, the CSJ suggests that the principle of supporting family-based care through a cash transfer is to a degree already established.

³⁶ Centre for Social Justice, [A Bright Start](#)

³⁷ [Gov.uk, Universal Credit and childcare](#)

³⁸ [Gov.uk, Specified Adult Childcare credits, Fact sheet, May 2020](#)

6. Options for reform

Taxing Families

The UK is an international outlier in not recognising family in the tax system, taxing couples with children as though they are individuals, and not recognising economic dependents.

This means we do not incentivise stable families through the tax system. In practice, a one-earner household with four children has to earn nearly £80,000 to have the same standard of living as a single person earning £27,000.³⁹

A married couple earning the average household salary pays around 14 per cent of their income in tax in the UK, compared to just 4 per cent in the USA and 1–2 per cent in Germany.⁴⁰

By failing to allow non-working parents, or parents earning less than the income tax basic rate threshold, to transfer their personal allowance to their partner, HMRC effectively discriminates against couples who wish to make certain choices about they divide work and childcare responsibilities as a couple. If the household income is evenly split between two full-time earners, that household will pay less tax than if the same income were to be earned by just one earner.

To avoid discriminating against households who wish to have only one full-time earner, HMRC taxes different households with the same household income in different ways. This seems prima facie unjust, and indicates a public policy preference in favour of ‘nudging’ parents into work via the operation of the tax system.

To avoid this, the CSJ argues that the Government should conduct a wholesale review of the interaction of family and the fiscal system, starting with the taxation of families. Couple partnerships and children should be explicitly recognised in a revised family taxation system, as is normal in other economies.

As a first step towards this, the CSJ recommends extending the Marriage Allowance to 100 per cent of the personal tax allowance, saving households up to £2,500 per year.

Front-loading Child Benefit

The CSJ has previously argued that parents should have the option of front-loading Child Benefit into the early years.

This would significantly empower choice for parents regarding in which stage of their child’s life they would like to receive most support, allowing them extra financial headroom so they can make the right decision for them on how to balance work and childcare in the early years.

It is not suggested that front-loading child benefit should be a replacement for a Family Credit (Child Benefit has different eligibility criteria and applies to children of different ages). Rather, granting parents the option of claiming more of their child’s lifetime Child Benefit allowance early would facilitate additional support and therefore go further towards empowering choice in the early years.

³⁹ Tax and the Family, [The Taxation of UK Families: Including international comparisons for 2019](#)

⁴⁰ Tax and the Family, [Who Bears the Heaviest Tax Burdens?](#)

The case for a 'Family Credit'

Given the complexities of the patchwork of childcare support offers, and the clearly expressed views of voters – especially of parents with young children – the CSJ calls upon the Government to review the case for parental budget to be spent in the best way parents see fit.

An initial proposed model would see the budget apply to parents of 3 and 4 year-olds, i.e. those with children of an age that would qualify for the 15 and 30-hour entitlements. There should also be a maximum income to minimise regressive impact.

The CSJ suggests that an effective maximum household income of £200,000 per annum to receive support is too high; households with a combined income of over £100,000 should not be eligible, or the Government should consider implementing a taper mechanism.

Since the purpose of a Family Credit would be to facilitate greater parental choice regarding how to balance work and childcare commitments, the CSJ does not recommend that there should be a work condition to qualify. Family Credit would allow parents to choose what form of childcare to use, whether a childminder, an Ofsted-registered provider, a relative such as a grandparent or simply to top up their own income.

The CSJ proposes that the current budgets for the 15 and 30-hour entitlements, the budget for TFC and the TFC underspend should be pooled in order to fund a Family Credit. This would free up in the region of £3.85 billion to be repurposed for a Family Credit.

The Government should consider options for parents who wish to claim their Family Credit over a longer period, claiming the same amount spread over the period when a child is between 9 months and 3 years of age. Ideally, a Family Credit would begin at 9 months and could be claimed until a child begins school. But in the current fiscal environment, allowing parents to “spread” their entitlement would be a cost-neutral way of delivering the model.

It is proposed initially that weekly value of Family Credit should equate to the 15-hour universal entitlement. The Government should, however, also consider a Family Credit option more generous than the value of the 15-hour entitlement, given that the budgets for the 30-hour entitlement and TFC would be rolled in; a more generous parental allowance would also serve the goal of promoting genuine choice for parents in how to balance work and childcare.

Universal Credit

Childcare within Universal Credit is a separate and parallel system. The CSJ does not propose abolishing or otherwise seriously altering the current mechanism of childcare support for working parents in receipt of UC. However, as it has recommended before, the CSJ recommends that the Department for Work and Pensions (DWP) should increase the proportion of childcare costs recoverable via UC from 85 per cent to 100 per cent, and that the system of payment in arrears is ended, to be replaced by a system of submitting receipts to the JobCentrePlus or online.⁴¹

However, if a parent in receipt of UC would qualify for the 15-hour universal childcare entitlement, it is suggested by the CSJ that they should qualify for the Family Credit.

⁴¹ For the CSJ's full proposals for reform of childcare within Universal Credit, see A Bright Start

7. International examples

FRANCE

In France families are always taxed as households. There are also numerous benefits to which couples with children are entitled, depending on income, number of children and age of children.

A Basic Allowance is paid to families with children, depending on income, up to the age of 3. This is up to a maximum of €132.61 per month, increasing if a couple has more than two children.

In addition to this, there is the Shared Allowance, or "*Prestation partagée d'éducation de l'enfant*" (*PreParE*). This is designed to help one parent to stop work or reduce their hours in order to take care of a child. This is up to a maximum of €400.39 per month, tapering if the care-providing parent works part time. This can be claimed by families with children under the age of 3.

France also operates a benefit paid to families who wish to pay a childcare provider themselves for a child under the age of 6, the "free choice of activity supplement", or "*Complément de libre choix du mode de garde*".⁴²

France also has an Additional Family Allowance, paid to parents / guardians with at least three dependent children of age 3 or over, as well as specific additional support for even larger families.⁴³

ESTONIA

In Estonia, new parents are paid a Childbirth Allowance of €320 at the birth of a new child.

Any parent providing care for a child up to the age of 16 is given a Child Allowance of €60 per month for each of the first two children, and €100 per month for the third and each subsequent child.

Parents with a child under 3 are paid a Parental Benefit, followed by a Childcare Allowance after the period of expiry, worth €38.30 per month. This is extended if the parent cares for a child under 3 and a child age 3-8, by €19.80 per 3-8 year-old, and by another €19.80 for each 3-8 year-old if a family has 3 or more children eligible for Child Allowance.

A further allowance is awarded to families with at least three children, paid to a care-providing parent or guardian, worth between €300 and €400 euros per month.⁴⁴

42 <https://ec.europa.eu/social/main.jsp?catId=11110&langId=en&intPagelD=4532>

43 <https://www.angloinfo.com/how-to/france/family/bringing-up-toddlers/family-assistance>

44 Republic of Estonia, Social Insurance Board, Kinds of Family Allowances

CANADA

In Canada, families are usually taxed as households rather than individuals. Canada also has a comprehensive federal cash benefit for parents with children under 17, which varies according to the child's age and to household income.

In 2016 Canada replaced its previous system of funding for families with children with the **Canada Child Benefit** (CCB), a tax-free payment targeting low- and middle-income families.

In the 2018-19 benefit year, the CCB payments were up to C\$6,496 per year per child under the age of 6, and up to C\$5,481 per year per child aged 6 to 17 in benefit year 2018-19.

The CCB is income-dependent; the first income threshold for families to receive Canada Child Benefit is \$30,450 and the second threshold is \$65,975 in 2018-19.

The budget for Canada Child Benefit was increased in 2019, increasing the annual benefit to a maximum of C\$6,639 for children under 6 and C\$5,602 for ages 6 to 17.

The CCB starts to phase out on a tapered basis when a household's income is over C\$30,000, but 90 per cent of families receive the benefit (i.e. only 10 per cent receive nothing).⁴⁵

The federal programme has been criticised, with some pointing instead to Quebec's low-fee, high-subsidy system for formalised day care.

However, child outcomes associated with Quebec's programme are reportedly low, and opinion polls consistently show greater support for the federal CCB, which allows for greater flexibility and choice, rather than being tied to particular registered childcare provision.⁴⁶

A drawback of the CCB model is that due to the effect of the taper / phase-out, effective marginal tax rates are increased, which disincentivises labour market participation and parents seeking higher earnings. While the operation of an all-stage means-test and gradual taper make Canada's programme more progressive, the "EMTR" effect produces a perverse incentive. There is therefore a strong case for a more universal family benefit, even if its impact up to a certain income threshold is technically regressive.

⁴⁵ Institute for Family Studies, [The Pros and Cons of Canada's Child Benefit](#), 2019

⁴⁶ *Ibid*; Institute for Family Studies, [Measuring the long-term effects of early, extensive day-care](#), 2018

Parents know best

Giving families a choice in childcare

October 2022

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