



## Work and Pensions Committee

### Oral evidence: Universal Credit and childcare costs, HC 871

Wednesday 20 April 2022

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Members present: Stephen Timms (Chair); Debbie Abrahams; Shaun Bailey; Siobhan Baillie; Neil Coyle; Steve McCabe; Nigel Mills; Selaine Saxby; Dr Ben Spencer; Chris Stephens; Sir Desmond Swayne.

Questions 99 - 195

#### Witnesses

**I:** David Rutley MP, Minister for Welfare Delivery at Department for Work and Pensions; Mims Davies MP, Minister for Employment at Department for Work and Pensions; Neil Couling, Director General, Change Group at Department for Work and Pensions; and Donna Ward, Director for Poverty, Family and Disadvantage at Department for Work and Pensions.

Written evidence from witnesses:

[Department for Work and Pensions \(UCC0015\)](#)



## Examination of Witnesses

Witnesses: David Rutley, Mims Davies, Neil Couling and Donna Ward.

Q99 **Chair:** A warm welcome, everybody, to this meeting of the Work and Pensions Select Committee in our inquiry on the support for the costs of childcare. This is the final evidence session in this inquiry. We are delighted to welcome the two Ministers and their team this morning. Thank you both for being here. David, do you want to start by introducing yourself, and Mims, do the same?

**David Rutley:** Absolutely. I am the Minister for Welfare Delivery. Mims can introduce herself, but she needs no introduction. Neil Couling is the SRO for Universal Credit, but also the Director General for the Change Group. Donna Ward, to Mims's left, is Director for Poverty, Family and Disadvantage and knows a lot about childcare, so it is good to have her here as well.

**Mims Davies:** Good morning, everybody. I am the Member of Parliament for Mid Sussex and I have had the pleasure of being the Employment Minister for nearly three years, which is quite surprising.

Q100 **Chair:** Well done. Yes, thank you. We are very pleased to see you all here. We have lots of questions that we would like to ask you about this subject and I will start. You are probably aware that we have heard quite a lot of criticism in our inquiry of the effectiveness of the current arrangements for supporting the costs of childcare. Can one of you give us an assessment of the effectiveness of childcare support in Universal Credit, including its cost effectiveness? What is the Government's view on this? We know that Ministers have resisted the idea of a review of the childcare system. Why is that? Do you recognise that we do need some changes in this area?

**David Rutley:** I will start. Thanks again for the invitation. This is an important subject. As you can see, we have two Ministers here and two very senior officials to help us answer the questions from the Committee.

In terms of cost-effectiveness, it is obviously very difficult to attribute directly the labour market progression that is linked specifically to Universal Credit childcare. However, that also needs to be seen in context of the wider support that we are providing across Universal Credit, which is £41 billion in 2021-22. It is worth reminding ourselves—I am sure that the Committee is aware of this—that the UC childcare cost element is just one part of a comprehensive offer of childcare, including the free childcare that is available through DfE funding in England and other offers around tax-free childcare, and so forth.

What I would say is that as we look at the impact that this is having and the outcomes that we want to drive, particularly with Universal Credit, it is about trying to help people overcome barriers into work. If we look at



## HOUSE OF COMMONS

what is going on with female employment rates particularly, which are absolutely critical, that is currently at 72.2%, which is a 13.7 percentage point increase on 2010. In terms of lone parents, the employment rate is 66.7%, which is an 11.6 percentage point increase on 2010. If we add those factors in, we can see that the direct impact that that is going to have on people and their opportunities to work is very real and clear. Directly attributing it to the Universal Credit childcare element specifically is quite difficult. I am sure Mims can say more on the labour market effect.

In terms of a review, I am sure we will come on to this later on, but there is now an IMG—interministerial group—on family, which is chaired by the Secretary of State for Education. It is looking at childcare across Government. As for whether it is as specific as the formal review that you are referring to, Chair, I can assure the Committee that this is being looked at in the round through an IMG.

Q101 **Chair:** Has that been set up very recently?

**David Rutley:** It has, yes.

Q102 **Chair:** In response to what?

**David Rutley:** In response to the Government wanting to do more to understand the impact of their policy and what they can do to support families. The childcare dimension is a subject that is at the top of the list.

**Chair:** What is the timescale for that group to review—

**David Rutley:** It is an ongoing IMG and it has its own agenda, which the Education Secretary is driving forward.

Q103 **Chair:** Your description of it acknowledges that it is a very complicated landscape at the moment. There are lots of different schemes trying to work out what is the right thing for people to do and, as you say, the cost-effectiveness of it all is quite difficult. Do you accept that?

**David Rutley:** It is an offer across childcare that involves several elements. We are working very hard to make sure that our work coaches can help explain clearly what offer might be most effective to the claimant in the space that we work in. I was at Thornaby Jobcentre last week—again, we will talk about the promotion activity that we are doing in due course, I am sure—and it was great to see how, unprompted, childcare was very prominent in the jobcentre. When I spoke to them about this particular subject and about coming to see the Committee this week, they were very clear that they were given training and support.

Yes, we do need to do more to help simplify this and to communicate the offers, and I am sure that we will come on to that as well. Mims may want to say more about the labour market aspects and what goes on in terms of helping to clarify this for our claimants.



## HOUSE OF COMMONS

**Mims Davies:** I was at Crawley Jobcentre yesterday, our new site, working with Gatwick Airport and with the supply chain specifically in and around Crawley, where there are around 5,000 jobs available in the vicinity. I have never met a more diverse group of employers who were willing and able to flex hours around claimants and opportunities. It was quite staggering.

I do not know how many jobcentres the Committee has been to see recently. Selaine, you were with your jobcentre over the recess. I do not know how much evidence you have taken directly from work coaches, but it is very rare that I hear childcare is the single issue that is stopping people progressing. It is very often transport, wider caring issues, training or confidence. There are always other things going on and we are looking at the barriers that are stopping our claimants from progressing. Childcare is very rare, in my experience, as a single issue that is stopping people from moving forward.

Our work coaches are absolutely brilliant at delving into what is going on in a claimant's life that is holding them back. They have those tailored one-to-one conversations and if childcare or the cost is a barrier, they will drill into that before people are looking to go into work. Quite often, lone parents, particularly, or people in different situations are not ready to go straight into work. They will need the Flexible Support Fund. They will need help not just for childcare for going into work, but for training, for confidence, for getting the experience of going back into work, which our work coaches are very good at.

In fact, the Secretary of State and I have a monthly conversation with work coaches up and down the land about what is going on and what is holding claimants back or what is frustrating our work coaches on the ground and how we can fix it. One of the largest interventions of those conversations is being able to use the Flexible Support Fund for people in the lighter-touch category sooner and more widely. That was exactly because work coaches felt, particularly for lone parents and people with caring responsibilities, that that could help them progress sooner. Therefore it is not something that comes through to me, as Employment Minister, as a singular issue that is holding people back.

Explaining the breadth of support there is very important. Obviously we have our work coaches doing that up and down the land individually with people and we have good childcare explainers and other things through our DWP comms. I was at the Emirates at a job fair recently, focused on Kickstart. I met a 21-year-old girl who was taken on by a fantastic restaurant company. She was a lone parent at 21. She knew after that jobs fair and working with us that the employer was incredibly flexible around what she could do—that was a massive eye-opener for her—and, secondly, that the Flexible Support Fund and help with childcare and those costs was available for her.



## HOUSE OF COMMONS

A lot of people need to know that on the ground it is a lot easier than you think. I would love for you to chat to our work coaches and get out on the ground to see whether this is really what is holding claimants back. We saw in the in-work progression report, which we are currently putting our response to, it is much wider. It is transport; it is confidence. There are other things that are holding people back. Quite often, it is that mix of things.

**Q104 Chair:** There are circumstances in which, if people increase their hours, by the time they have paid for the extra childcare they are worse off as a result of working more. It should not be like that, should it?

**Mims Davies:** No, it should not, but many of us—I was a single working mum—have been at the point where you are wondering what it is all about and how you are progressing. It is something that happens whether you are a Universal Credit claimant or not. Sometimes you are literally paddling to continue. I am not saying that that is acceptable, I am saying that that is part of the challenge of being a working parent and how you manage that. Donna, I will turn to you there.

**Donna Ward:** I can come in on some of the calculations that have been offered to the Committee on the marginal returns. It is true that once you go beyond the childcare cap and you are paying for childcare yourself, the marginal return is quite low. However, the thing that we focus on with claimants is the better-off calculation. What is the difference between working versus not working or working 30 hours versus 15 hours? Those are the sorts of choices that people are making. Taking everything together, the work allowance, the £600-odd that you already get from childcare support and so on, it looks a lot better than just looking at your last marginal hour. Wherever you put the childcare cap, you would get the problem that once you go over the cap, the marginal hour looks bad at that point, but it is the better-off calculation, taking everything together.

Can I say something on how we know whether the childcare market is successful generally?

**Chair:** We will come back to that, if we may, in response to later questions.

**Q105 Sir Desmond Swayne:** I would like to know why only 6% of those claiming the child element of Universal Credit are also claiming the childcare element. However, we are not even sure about that 6%, are we? That figure is not robust. We are told that the Department has its own way of estimating, its own methodology, but that is not sufficiently robust to be used in official statistics. That begs the question: do we know enough about our clients, about the claimants? Have you sufficient ambition to find out more about them and how changes in policy will therefore have an impact on them? Have you looked at the cost-benefit analysis of finding out more about them?



**David Rutley:** A typically incisive question from Sir Desmond, and thank you for it. We have tried to explain in the correspondence prior to this hearing that it is difficult for us currently to measure the true take-up rate. It is partly about the denominator and what is included. The 6% includes people who are not in work, those who are not eligible, so it is low at 6%. In terms of our ambition to get more information to become more incisive, we are conducting further analysis. I can commit to the Chair and to you, Sir Desmond, that we will be publishing that and it will produce an estimate of in-work Universal Credit claims in receipt of the childcare element. It will show a range of characteristics as well, the age of the youngest child and so forth. Obviously, we will get the data to you in due course.

The analysis that we are working on shows that over 50% of working families on Universal Credit have school-aged children. That means that those parents are not so much in need of childcare as perhaps one might think. For those with children of pre-school age, DfE's free entitlements are sometimes sufficient, particularly since many Universal Credit claimants are part time.

It is also clear from DfE's research that lower-income families are more likely to use more informal types of childcare to provide the support. That is about not just affordability, but flexibility—the point that Mims was making earlier on about some of the uncertainty that parents are facing. They are the factors that have come out. As I have said though, we will be publishing that analysis as soon as possible and we will forward it to the Committee. Also, Sir Desmond, we are ambitious to increase the take-up rate too. There is a lot of work that we will be doing to significantly improve that and the Committee will hear more about that—unfortunately not today, but there is activity in terms of both clarifying the data and driving the take-up rate.

Q106 **Sir Desmond Swayne:** Notwithstanding the conversations to be had with work coaches, the conversations we have been having with the claimants show that they are having a great deal of difficulty meeting the up-front costs of childcare. Beyond the measures that you have already taken, is there any more that we can expect from you to address this issue and the extent—if we are even aware of it, knowing sufficiently about our clients—to which it is an impediment to people taking on work or taking on more work?

**David Rutley:** We know that the up-front costs, from the evidence that you have received, can create some cash-flow issues. We sympathise with that. That is in part the operating model that the childcare providers have, in the sense that they want payment in advance rather than in arrears. Neil will have a clear view on this, having helped to design Universal Credit in the first place.

One of the fundamental design principles of Universal Credit is that we want to understand people's actual costs and actual hours worked, their earnings, to then work out a whole payment—not just the standard



## HOUSE OF COMMONS

element but the other elements, including the childcare element. Of course, to help with that up-front piece and the barriers is the Flexible Support Fund. We have the design principle of Universal Credit that is more generous than the Working Tax Credit by some distance and then we have the Flexible Support Fund to try to help up front. Neil, is there anything you want to say about the design of Universal Credit at this stage?

**Neil Couling:** Yes, briefly. The one bit of advice I got from Steve Lamey, who was running Benefits and Credits in HMRC back in 2010, was, "Don't pay childcare costs in advance; pay them in arrears". HMRC has a big problem in tax credits with fraud with childcare. If we were paying in advance and had the same level of fraud that tax credits have in Universal Credit, it would have cost £170 million last year. In fact, the amount we lost to fraud in childcare was only £1 million by paying it in arrears. As the Minister says, that does give some cash-flow issues and that part of the market is adjusting, I am certain, to the fact that we pay in arrears rather than in advance like tax credits. But if we went back to paying it in advance, first, I do not know how you would do it with the design of Universal Credit—that is another question—and secondly, you would create a fraud problem.

**David Rutley:** In terms of the up-front piece, Mims, you may want to say something about the Flexible Support Fund, because that helps pay the first month for many people.

**Mims Davies:** In fact, it can be slightly further on. The discretion is up to the work coach. As Donna inferred about the better-off calculations in terms of being in work, we want people to take a job, progress and stay in work. We do not want to set them up to fail, hence we want the Flexible Support Fund, where it is supporting childcare costs, to work for them and for them to spring forward from that point.

Sir Desmond, you asked a wider question that I would be keen to address about understanding our claimants' needs, why they are stuck and how we can help them further. Just this month, the in-work progression work will be rolling out. It has existed since May 2021 in South Yorkshire, covering Doncaster, Sheffield and Barnsley. This is working one-to-one with work coaches. We are going to have 37 progression champions across the piece to spearhead working with partners—including employers and skills providers—to identify the opportunities for those lower-paid claimants to help them move into better paid work, to get more confidence, help make ends meet and move from that stuck cohort.

The evidence that we have learned from South Yorkshire is being rolled out from this month. That is part of the in-work progression report response. As I said earlier, childcare was one element there—for sure—confidence was massive, and transport and accessibility very often was a challenge. That again is where the Flexible Support Fund can help people.





## HOUSE OF COMMONS

For example, in the south-west, there are schemes like Wheels to Work, which puts on buses and support to get people to particular factory work or other areas where hours or public transport does not work, so they can use that or a bus fare or whatever through the Flexible Support Fund. We are looking at any barrier that is holding people back from getting into their first job—any job—and then that better job and that career through in-work progression, and we are looking at all of this in the round, as David described.

**Q107 Chair:** On that specific point, my understanding is that you cannot have access to the Flexible Support Fund if you have earned more than £2,600 or something in the previous six months. If it is a progression point, then the Flexible Support Fund probably cannot help. Is that right?

**Neil Couling:** No, it is not. There was a slight confusion in the evidence of one of your previous witnesses, which I will have a go at trying to explain. That witness was talking about earnings limits of £2,600 in six months, or £3,600. That is the qualifying condition for a budgeting loan, which can be used as well in the system to help people with the initial costs of childcare or perhaps more likely the costs in the summer or something where childcare costs may go up. It was a confusion, I think, between the rules for budgeting loans rather than the Flexible Support Fund that does not have an earnings rule in it.

**Chair:** That is helpful; thank you.

**Siobhan Baillie:** Apologies for lateness—childcare problems. I want to make a quick point on the up-front costs. Minister, you mentioned that it causes a cash-flow problem. It causes a cash-flow problem every single term. I will just make this point and I am not going to make you talk again on this. It is the one aspect of this that is undermining the whole policy, the generosity of the policy and what you are trying to achieve, because you have parents who are scrabbling around and really struggling. This is the evidence not just from the witnesses we have heard from, but from my own constituents. The very nature of that constant fight and constant battle and borrowing and then not being able to pay it back is a real issue for this policy.

**Q108 Steve McCabe:** We are sticking with the Flexible Support Fund that we heard about earlier. If we accept that one of the aims of Universal Credit is to get people into work—that is what you are very focused on—why do you think so few work coaches and parents have heard about the Flexible Support Fund, and what exactly are you doing to change that?

**Mims Davies:** I will take that one. We have a regular meeting each Wednesday across DWP for training and support and awareness. I am not going to deny that, as a work coach, you have a blooming big workload and huge knowledge base. There is no doubt that we ask a lot from our work coaches in terms of their understanding. That is why we have special points of contact. Very often, those are the people who process Flexible Support Fund claims. You have the mother hens, as they are





## HOUSE OF COMMONS

described by our Secretary of State sometimes, in terms of being the all-seeing eyes in jobcentres who can help particularly newer work coaches taking on new understanding.

One thing that the Secretary of State and I have been very keen to do with the Flexible Support Fund is increase that knowledge and understanding and that discretion piece. As you mentioned, Steve, it is about making sure that people use it on the ground to unlock barriers for people, whether that is a haircut, a new suit, the first month's bus fare or support with childcare, so that our work coaches are confidently bringing it forward and using it. If I am honest, I have heard that sometimes the perception is, "We need to be careful about that fund. We need to look after it, we never know who might need it". I have been of the other mindset that—

Q109 **Steve McCabe:** It has been underspent for 11 years.

**Mims Davies:** Absolutely. In my mind, it is completely the opposite. If there is a barrier, particularly for younger people through the Kickstart scheme—having the right work clothes, bus fare, haircut, anything they have needed—the Flexible Support Fund has been the way of unlocking that barrier. The Flexible Support Fund is not solely for childcare; it is for all of the things that I have just described, including transport. This is about making sure that work coaches, jobcentres and local leadership feel confident that they are spending the money the right way and that we, as Ministers in the Department, are going to back them up because they are spending it to unlock those barriers.

Q110 **Steve McCabe:** Are you monitoring, Minister, whether or not these ambitions of yours are being translated into action?

**Mims Davies:** Yes, there is the management around cascading the messages, which I started with, and trying to look at how it is spent. Each area, each community, each claimant will be different.

Q111 **Steve McCabe:** I want to understand this. I am not sure how you have been monitoring it and what sorts of things you are monitoring. Is it how many people get a new suit, how many people get help with childcare or how many people get help with travel in the first weeks? Do you have hard indicators where we can see what the progress is? As I say, if it has been underspent every year for 11 years, I would expect the underspend to be reducing as well. That would be evidence of the success of your efforts, would it not?

**Mims Davies:** We got additional Flexible Support Fund through the Plan for Jobs, through the Chancellor, to help.

Q112 **Steve McCabe:** Why would you need more if you could not spend what you had?

**Mims Davies:** We had, for example, funding for 250,000 Kickstart places. We have fulfilled over 160,000, but we had a much lower



## HOUSE OF COMMONS

unemployment gap to fill. Therefore we have not needed to spend it. Nobody here at DWP is frivolous and I would not expect anybody at any level, particularly on the ground, to feel, “Hey, it’s there, let’s just go and spend it”. I think that our work coaches use their discretion. They tailor the needs of the claimant. We do have breakdowns in terms of categories—removing barriers, training, childcare, partnerships and others. I have been very keen as well to use it more widely to support people who are in self-employment or to get set up in self-employment.

**Q113 Steve McCabe:** This monitoring that you are doing that shows the progress you are making—is that something the Committee could see?

**Neil Couling:** The Minister wrote to the Committee with the figures for 2021 on 30 December 2021.

**Mims Davies:** We shared it, yes.

**Q114 Steve McCabe:** Does that break down what I have been asking: how much you are spending on childcare; how many people have new suits? Does it tell me that?

**Neil Couling:** It breaks it down by category and by geography.

**Q115 Steve McCabe:** What does it tell me, Neil? That would be helpful. I am sorry.

**Neil Couling:** That is fine, there is lots of correspondence. It breaks it down by region.

**Q116 Steve McCabe:** It gives the category of the spend. In the figures I am looking at here, it says transport, childcare, training. I am sorry if I did not make myself clear. I was trying to ascertain how many people were benefiting from that. Obviously, that is a round figure that you are presenting me with, I appreciate that. However, the query that was raised was that insufficient numbers of people and insufficient work coaches were aware of the Flexible Support Fund and therefore it was not playing the role that it was intended to in getting more people into work or helping people to make progression in work—the very thing that the Ministers are trying to achieve. I was trying to figure out how many more people have benefited as a result of the initiatives that you are taking. If you have given me that information, it is not obvious to me from what I am looking at at the moment, but maybe I am misreading your bald figures.

**David Rutley:** I understand the point that you are making. First, it is worth point out that this is a discretionary fund. It is not like the other schemes; it is a discretionary one to help people with specific needs, which can be quite difficult to work out. One of the things that is worth noting—I am sure we will come on to the comparisons with the Northern Ireland scheme—is that this is very flexible, because an individual could claim from the Flexible Support Fund on multiple occasions in the year,



## HOUSE OF COMMONS

given their circumstances. It is extraordinarily flexible, but the data that we hold is mainly about the amount paid out.

**Mims Davies:** Yes, rather than the people.

**David Rutley:** Rather than the people. What you are saying, Steve, is that we could do more to look at the people side of things. We will go away and look at what we can do on that.

Q117 **Steve McCabe:** I thought that the numbers would have been important to you because you are interested in the number of people who are making that progression, are you not? That is the point.

**David Rutley:** Yes, they are. I am just reassuring you as well. The other thing that you talk about is awareness. It is worth highlighting that our work coaches do an amazing job, no question about that, but they have also been through a pandemic, like all of us, where their workload increased exponentially—even worse than the number of emails that we received every day during the pandemic. It was a step change. Things are now settling down. We have 13,500 new work coaches and our priorities are now focusing—well, refocusing, speaking to Mims—on getting people into work, with Way to Work and so forth. We have 37 childcare champions across the country and we will be redoubling our efforts to work with them to drive this awareness through the different tools that we have. Again, if you come through to a lot of the jobcentres, you will see that a lot of this is being displayed on walls and on posters, and that people are being directed to the online resources, so there is a lot going on. However, we can and will do more.

Q118 **Steve McCabe:** I do not doubt your intentions—I really don't. I just wonder what is happening between what you see here and what I hear on the ground. If I picked up the phone to a jobcentre in my constituency now and asked the work coach, "How many people have you seen today? How many have asked for help from the Flexible Support Fund and how many have you given it to?", what kind of answer do you think that I might get?

**David Rutley:** If you are asking about what they are doing that day, they will have a very clear answer, so I would not worry too much about that. Whether they can directly access what has happened over the last month is a different issue.

Q119 **Steve McCabe:** Can I ask two other things quickly? First, you did say in the letter that came from the Department that you have internal assessments to inform the Department's approach to tackling up-front costs for low-income families when accessing childcare. What are those internal assessments?

**Donna Ward:** Do you want me to answer that?

**David Rutley:** That would be great, thank you.



## HOUSE OF COMMONS

**Donna Ward:** There are a couple of different things on internal assessments. I know that they have been mentioned a few times. We have our monthly MI data showing how many people take the childcare element. We track that and publish that, of course. Then we do internal assessment of the MI data, the take-up statistics that we talked about, which we will send to you as part of that.

We have also been doing research with claimants around childcare and with operational staff specifically about childcare. That research is not finished—it is still ongoing—but it will certainly be shared with the Committee in due course. Those are the kinds of internal assessments, because obviously the Flexible Support Fund that we have been discussing is one small part of it, but we have been interviewing claimants and ops staff to understand the whole journey.

We also get feedback from operations staff about the extent to which they understand all the different elements that they have to communicate to claimants. We know that the 13,500 work coaches recruited through the pandemic were struggling with childcare because it is not something that was a priority in the pandemic, and that is why we have refreshed the training. There is structured, proper research going on with claimants and ops staff, as well as MI data and analysis around that, which we will definitely share when it is ready.

**Mims Davies:** In terms of operational insight as well, Steve, you will be aware that the Commonwealth games are providing a huge amount of opportunity in your local patch. The Flexible Support Fund will be supporting people with those training opportunities and the travel, particularly where they are going to be volunteering or making their first foray into work. The Commonwealth games is affording that opportunity. We have a new jobcentre in your patch that will be giving advice to people daily. We have the youth club that we link into and a youth hub in the patch. All those are areas where we can have daily conversations with claimants about the wide-ranging support that is there for them. We will use every single opportunity for people to progress. The Commonwealth games is a fantastic opportunity for many people to get that first foray into something.

We have things like the sector-based work academy programmes. We can do up to six weeks' training and learning. One of the things that you might need the Flexible Support Fund for will be to travel to that, for example. Anything there is where a work coach can use their discretion. Quite often, it is about very small amounts of money—for a haircut or bus fare—in comparison to the fund, but it makes a very big difference to the claimants' lives.

Q120 **Steve McCabe:** I am optimistic about the Commonwealth games too; it is part of my interest in pursuing this. Can I ask one last question, Minister? You mentioned the Northern Ireland situation, the Adviser Discretion Fund, a moment ago. Quite a lot has been written suggesting that it is a



## HOUSE OF COMMONS

better model than the Flexible Support Fund, in the sense that it offers a non-repayable grant and it is straightforward about how people get it and what it helps them do. Have you given any thought to that approach here?

**David Rutley:** Yes, we have—we have looked at it. Our Flexible Support Fund is less restrictive than the Northern Ireland scheme, which is called the Adviser Discretion Fund, ADF. The Flexible Support Fund is not restricted to a maximum payment of £1,500 within a 12-month period, which sounds quite generous, but if you think about the Flexible Support Fund and the maximum allowances there, which are £50 a day or £75 a day with two children, and then multiply that for a month, that would be £1,600. On the point that we made earlier, that individual may be able to access the Flexible Support Fund a couple of times a year, whereas the ADF has a clear limit of £1,200 over a 12-month period.

Q121 **Steve McCabe:** It still depends on how easy the access is. One of the suggestions is that access to the Northern Ireland version is a bit easier than access to the Flexible Support Fund. It may technically be more generous, but only if you are getting it.

**David Rutley:** Yes, but what we are getting across is that we are doing a lot of work to drive awareness with claimants and with work coaches. The Flexible Support Fund really is flexible—it is not just about childcare—and it is a simple process to access it. The thing that I love about interacting with work coaches is that, despite the work pressures they are under, they take that extra step and think, “Is it a suit, a haircut or childcare that is required?” It is quite complex. It is a bit like being in one of our advice surgeries. You do not always know where people are coming from. With the Flexible Support Fund, the great thing that these work coaches can do is provide something very quickly to this person, and they make that extra effort.

**Neil Couling:** It is worth the Committee noting that in Northern Ireland, they do not have the free childcare offer that we have in England and that is mirrored in Scotland.

Q122 **Chair:** Isn't the crucial thing with the Northern Ireland arrangement that if you have your initial costs paid for through that fund, you can then use the receipt from that to claim Universal Credit support, childcare support, whereas with the Flexible Support Fund you cannot?

**Neil Couling:** The point that I was seeking to make about Northern Ireland was on the opportunities for parents to access free childcare, and we know that the peak of childcare demand is pre-school. You might then think of a different policy mix in Great Britain compared to Northern Ireland because of that.

Q123 **Chair:** As I understand it, the problem with the Flexible Support Fund is that you can pay your first month's costs through that but you still have to pay up front for the following month, whereas in Northern Ireland, you can use the receipt that you get from having paid through the fund for



## HOUSE OF COMMONS

the first month to enable you to claim support through Universal Credit.

**Donna Ward:** That is true. It is effectively double-funding the first month though, which is expensive. Of course, I did ask our analysts straight away how much it would cost if we did that here and it is in the hundreds of millions. The Northern Ireland scheme has been going for six months or so and we do want to see how that works, but it is an expensive proposition to double-fund that first month. Of course, if you have used the Flexible Support Fund, yes, you do have to foot the bill the next month, but you have then been paid a salary that month with a reduced taper rate. That is the idea. The Northern Ireland model is interesting, but it is expensive.

**Chair:** Thank you. Neil Coyle wanted to raise a quick point.

Q124 **Neil Coyle:** Yes, this is linked to the Flexible Support Fund. It is great to hear the celebration of the difference that the Flexible Support Fund can make to individuals and their outcomes, which is fundamentally what we are about, but what is the explanation for why it is so underused?

**Mims Davies:** In the last couple of years, as David has alluded to, the issue is that people have been at home more, home schooling and so on, and there have been fewer people to understand how it works in normality. As David described, we have a lot of new work coaches coming in who are having the training and getting the understanding of it.

I genuinely think that a lot of our work coaches are very mindful of making sure that they only use it when needed. That is not to say that they are disbaring or stopping anyone from using it or that we are not aware of the wideness of it. It is just that they are always trying to make sure that they are being prudent with it. We are trying to trust and empower our work coaches wider and further. It is a conversation that I have regularly when I am in jobcentres: "Are you using the Flexible Support Fund as widely as you can? Make sure that if there are any particular barriers or something specific, such as the geography here, that you feel that you can use it for, please do it". We are trying to trust and empower people even further, but it has been difficult to manage it over the covid period, in terms of our understanding of it.

Q125 **Neil Coyle:** These things are pre-covid, and Neil has just spoken about the data and stats that have been sent through to us. If it is a haircut that makes that significant difference to someone starting work or keeping the job, or a suit or travel or—the purpose of today's Committee—childcare, why is that not done more routinely? We had Amber Rudd here as Secretary of State in the previous Committee, who told us the guidance would be strengthened and advisers would be better supported to make sure that childcare costs were flagged up more routinely. Today you are back telling us that you still think that the Flexible Support Fund is brilliant, but there is fundamentally no change in how it is used.





**Mims Davies:** I think that it has changed, with the Wheels to Work programme. For example, I know that there are particular businesses in Wales, Bristol and other areas where we have needed to put on a bus to allow people to get there and use the Flexible Support Fund. That is something that I do not think people would have thought two or three years ago. If there anything that is a barrier that is stopping people to go into work, where the Flexible Support Fund can be used, we are helping with it. For example, we have used a skills to screen fund, which specifically helped people affected in the aviation sector to move into the film sector. There was a glut of jobs around there so we were using that fund to provide support to make sure that when that sector needed people, we could progress them through and use that on the ground. I had to look at that specifically because it was quite bold and quite wide-ranging. We are trying to empower work coaches to use it as widely as possible and we will use that weekly training to do it even further.

Q126 **Nigel Mills:** Do you know what proportion of those seeking the childcare element are in contact with a work coach? You are looking blank. The reason I ask is that if I am in a household claiming UC and I have a child and go off on maternity leave and I want to go back to the job I had before I had the child, the cost of childcare is a barrier. How do I claim the Flexible Support Fund if I am not unemployed or have ever seen a work coach, which will be quite a large cohort of your claimants, will it not?

**Mims Davies:** One of the issues, of course, is that if you are not on Universal Credit, it does not necessarily open up an array of interventions for you.

Q127 **Nigel Mills:** In this scenario I am. I am in a low-earning household and we claim it, but I have never been able to work so I have never seen a work coach.

**Neil Couling:** If you are part of a couple, you would be required to maintain a claim yourself and be in contact with a work coach.

Q128 **Nigel Mills:** My partner is working and is on £15,000 or something through maternity leave, so we have been entitled to claim UC through the maternity leave. I want to go back to work to my old job for some hours in the week, but I cannot afford the up-front childcare. Who do I ask for the Flexible Support Fund?

**Neil Couling:** You would ask your jobcentre.

Q129 **Nigel Mills:** How do I know that I can do that?

**Neil Couling:** You could, on your partner's journal, raise the question, "I'm thinking about returning to work. What help would be available to support me with childcare?"

**Mims Davies:** That is one of the reasons that I am really keen that people come to us and work with work coaches in that progression





scenario or the change scenario. I call Jobcentre Plus, “jobs, community, progression”. It is important that people know that they can talk to a work coach, they can come in and do a drop-in, they can use the JobHelp website, which is brand new, and engage with us that way. It is important that people know that they can turn to us with those questions, not necessarily when they are in peril or in times of need. As David said, we have the childcare champions as well. We do have support there for people. We do drop-ins and outreaches in local libraries. They do them, for example, in my local town council. It is important for us to be out there as equally as we expect people to come into the jobcentre or use the journal. That is something that I am very ambitious about.

**David Rutley:** The other thing, Nigel, is the Childcare Choices website. A lot of families will be trying to google and find out what support might be available. That gives the array of choices that are available there and can be helpful for parents, too.

Going back to Neil Coyle’s point—as opposed to Neil Couling’s—one thing that is worth nothing with the Flexible Support Fund is that the childcare payments increased by £15 a day in spring 2021. On the point that you are making, we want to drive further awareness of that. There have been changes in the Flexible Support Fund and, now that we are learning to live with coronavirus, we have the time and the focus to drive awareness of this, but that also relates to the point earlier about the Universal Credit childcare element. Going back to the previous point, with the Flexible Support Fund it is about the payment, the data that we have at the moment, and then we can talk about the number of people.

**Mims Davies:** Can I address Nigel’s point briefly? In the Alfreton Jobcentre, there have been wellbeing events and drop-in events for people in your local constituency, whether it is covering Disability Confident, part of our Way to Work scheme or our job fairs. One of the best things about Kickstart has been the way that we can bring people into the jobcentre to talk about getting into work and to meet employers directly. Part of that has been around the wellbeing and the wider support, whether it is access to work and others.

People should take from this that they can go to those jobcentre events with questions such as you have raised, where they absolutely can talk to work coaches about getting insight into the Flexible Support Fund. I would love to see this more and more and hopefully this has given the Committee an insight. We are doing that, absolutely, so nobody should be worrying. One thing they can also do is go on the benefits calculator on gov.uk. That can help them, too.

Q130 **Chris Stephens:** Picking up on Nigel Mills’s question, there is a wider issue here about understanding entitlement. I have a number of questions. We have been told as a Committee that it can be very difficult for parents and carers to know which childcare support scheme to use to maximise their entitlement. There is a belief that the information



## HOUSE OF COMMONS

provided by the Government can be confusing or incomplete. What is the Department doing to help ensure that people understand what childcare support is available to them?

**David Rutley:** There are several levels here. One, as I have already mentioned, is that in jobcentres, Childcare Choices and other resources are available. There is another thing that I am finding to be quite innovative. As part of the commitment process for new claimants or people changing their circumstances, what I was finding in Thornaby was that our work coaches were having conversations with people and saying, "As part of your commitment, please go and look at Childcare Choices. Please go and have a conversation or review, at least online, the sort of support that might be available from childcare providers in our area". That is what is happening at the very micro level.

Q131 **Chris Stephens:** Can I ask you a question about Childcare Choices? It is important because you have mentioned that a couple of times now. Gingerbread told this Committee that it met the Department in 2019 and said that it had made what it felt were helpful suggestions. It had met the Department so that information in Childcare Choices would be updated and clear and better understood, but there does not seem to have been any action taken as a result of that meeting. Can you give an assurance to us that when major stakeholders are meeting the Department and saying, "Here are some helpful suggestions that can help people claim entitlement", those suggestions are taken up?

**David Rutley:** All I can say is that I was not there in 2019 when those conversations were had, but yes, if stakeholders come up with good ideas, we are normally very quick to implement them. I will go away and look at that specific point.

Chris, on the point that you make about wider awareness, something that is going on at the moment that some of you—depending on what social media you are viewing or the radio stations you are listening to—might be hearing is about the work we are doing to drive awareness of Universal Credit for people who are currently claiming Working Tax Credits. This is to encourage a voluntary move where it makes sense for those individuals. As part of that campaign, which has a wide, wide reach, we are highlighting the childcare element in Universal Credit—the 85%—which is resonating with people. That is getting millions of views, listens and page clicks, and hundreds of thousands of people are engaging with our content.

Q132 **Chris Stephens:** That is the campaign to make sure that the awareness is out there on childcare.

**David Rutley:** Yes, but it is part of a wider campaign. I am not saying that this campaign is just on childcare, but it is a key element of that particular campaign.

Q133 **Chris Stephens:** Specialist provision for disabled childcare can be both expensive and hard to find. Has the Department made any assessment of



the availability or affordability of childcare for disabled children?

**David Rutley:** Bear with me just a second.

**Donna Ward:** Do you want me to start off? It is important to note that DfE has the overall policy on childcare and that local authorities have a sufficiency duty to ensure enough childcare places in their local areas for working parents. On the availability side, and even the affordability side, that is squarely with DfE and local authorities. What we can do on the benefit side is make sure that people with disabled children get more support. For example, on the childcare element, whereas you would have to both be working as a couple to get it ordinarily, if you have a disabled child, one person working is sufficient. We cannot do a lot about the overall affordability and availability of the childcare market other than to work constructively with DfE and local government, which we do through the IMG and other forums.

Q134 **Chris Stephens:** Thanks, Donna. On your work with DfE, a witness told this Committee in January about childcare affordability pilots that were running in 2019 specifically looking at childcare for disabled children. The issue of specialist providers was taken up there. Has the Department taken any action in the last 12 years, along with DfE, to grow the number of specialist providers for disabled children?

**Donna Ward:** I do not know what DfE has done on that. We have not.

Q135 **Chris Stephens:** Thank you. That brings us to the fact that a lack of childcare can be a barrier to work. But to benefit financially from recent changes to Universal Credit, parents must be in work. However, we pointed out as a Committee that a one-child lone parent who worked 30 hours a week would be worse off than if they had worked just 25 hours a week. What is the Department doing to address that issue?

**David Rutley:** As Donna was saying earlier, this is about the approach that needs to be taken in terms of the overall benefit to the individual. If you look at the marginal rate, that is one thing, but if you look at the benefit of going to work or the benefit of work in the wider picture, that is significant not just financially, but also in terms of confidence and progression in time as well. Therefore, it is a much wider calculation than the one that you are talking about there. Donna, is there anything you want to add to what you said previously?

**Donna Ward:** It is difficult with any benefit system. It is always going to be the case that if somebody has exceeded the maximum support available for childcare and they are now paying for it themselves, the marginal hours will not be worth it. That is going to be the case wherever you put the childcare cap. Having more generous childcare caps solves one problem, but it also brings a lot more people into the benefit system and keeps them there for longer. In the case where somebody is better off working 25 hours rather than 30 hours, they should probably work 25 hours in that case. There will always be those kinds of cliff edges in any



system. Obviously, we try to make it as smooth as possible, but there is always—

Q136 **Chris Stephens:** If the way out of poverty is work, as we keep being told many times in the Chamber by a number of Members, it seems rather odd that somebody has to work fewer hours, rather than longer hours, to benefit financially. It seems there is a system failure there, is there not?

**Donna Ward:** That would be at specific moments—for example, when children are young and childcare is expensive at that time. That would not be a once-and-for-all thing. When we have looked through the examples that have been given to the Committee, it has been people with high housing costs, very young children and high childcare costs. There are those moments in time, but the system generally is very favourable towards supporting full-time work, not part-time work. I am just pointing out that in any system there are always difficult trade-offs.

Q137 **Neil Coyle:** Are Ministers comfortable with the line that some people should work fewer hours if it means that they are better off on benefits? In Devon, we have had examples of it many times.

**David Rutley:** The example that Chris may be referring to is in the letter on 23 February from the Committee—is that right?

**Chris Stephens:** Yes.

**David Rutley:** That takes a specific snapshot, or a scenario, from Sutton, close to London, dealing with a one year-old in that environment. With a one year-old, it can be more challenging because, first, the provision is not always as readily available and it can be a lot more expensive. Again, you can look at that particular case, but once you start getting to a two-year-old, if that person is disadvantaged they will be getting more support—an extra 15 hours—and the situation changes. The thing with the one-year-old's situation is that is going to be a difficult choice for parents whatever the income they are on. It can be a very challenging period in their life. We are providing a wide range of support, but it is very difficult to be able to do that in every single circumstance, as Donna said.

Q138 **Chris Stephens:** In a way, there is a principle here. Minister, do you accept that people can only work a certain amount of hours and if they work more hours they end up being penalised financially? It does seem that there is a systemic failure there. Do you accept that?

**David Rutley:** What I am saying is that this needs to be seen in the wider context, with the support that is available throughout that child's life.

Q139 **Selaine Saxby:** We have heard from parents and providers that they often experience incorrect or late payments from DWP. What data does the Department hold on the number of incorrect or late payments to parents?



## HOUSE OF COMMONS

**David Rutley:** Perhaps I could come in here and I am sure Neil will, in his usual indomitable style, help to clarify. On this occasion, it will be Couling as opposed to Coyle, though both have indomitable styles—I am not going to decide who is more indomitable on this occasion; they can have that conversation outside of this room.

The Department publishes information on payment timeliness, which can be found on Stat-Xplore. Provisional data from October 2021 shows that, of households receiving the childcare element, 80% receive their award in full and on time. A further 18% receive part of their Universal Credit payment on time and part of their payment late. The reason for some of these issues could be the result of late submissions of required evidence by the household.

As for the 2% who did not receive any of their payment on time, this is where there could again be some blockers—for example, identification has not been verified, claimant commitment has not been signed and other outstanding verifications, such as the habitual residence test. We continue to work on this, but that is the data that is available at the moment. I am sure Neil Couling will want to weigh in on this one as well.

**Neil Couling:** The Minister is absolutely correct. This is one of the things that will happen from time to time. At the start of the claim, we verify absolutely everything in terms of the identity of the childcare provider and how much is being paid. We ask for evidence that it has been paid and then, during the course of the claim, as childcare amounts change, we may request some additional verification. That, in part, is driving slightly down the number of cases being paid in full on time—if the claimant doesn't respond in time to tell us that piece of information.

As I have said to the Committee before, the extent of lateness is quite close to the period in which they should have been paid. What tends to happen is somebody forgets to do that. They say, "You haven't paid us the childcare". We say, "We need to see the evidence this month". They bring the evidence to us and we make the payment. There are not months of delay. It is normally just a few days, and it is normally a glitch between the claimant telling us something we have asked and just not doing it on time.

Q140 **Selaine Saxby:** There have been calls for increased access to free childcare provision. Would extending access to free childcare provision, perhaps for younger children, help more parents to work, and would this be cost-effective to Government?

**David Rutley:** There is a cost element. I think what you are saying, Selaine, is that some people want to expand the number of available hours for free childcare. Is that what you are saying?

Q141 **Selaine Saxby:** I was, but I think there is also an issue with years for free childcare, particularly for those that are perhaps not claiming benefits. It does not kick in until the children are three. We heard quite a



## HOUSE OF COMMONS

lot about that sort of gap—of people almost wishing away those earliest years, so that the money kicks in so that they can go back to work.

**David Rutley:** Obviously, childcare is a very expensive item across Government. We have not said this so far: we spend around £6 billion a year on childcare. That is not a trivial number; it is a lot of money. Yes, points have been made about how we can clarify the different elements of that, but in terms of increasing the number of hours of free childcare, that is an expensive proposition and obviously it is not for us to decide that. That is across Government, but it is also a Department for Education lead.

What we are doing is obviously focusing on what we can do to help top up or complement the DfE offer through the universal childcare offer, which is more generous than what is currently available with Working Tax Credits. Donna used to work at DfE and she may have a perspective that can help.

**Donna Ward:** I think the free entitlements are great. They are very popular and they get high take-up, but they just are expensive. I think DfE was spending about £3.7 billion on free entitlements in the most recent data. As you know, we do have, at age two, the disadvantaged offer, where you can get 15 hours of free childcare, and most parents tend not to work when children are one. I suppose it does work for disadvantaged children from age two but, yes, it is a great offer. It seems to work. Parents like it, but it is very expensive.

Q142 **Selaine Saxby:** Following on from that and thinking a bit beyond it, given the current employment situation—where, in constituencies like mine, unemployment is very low again, yet job vacancies are incredibly high—is work being done by the Department with employers to develop a childcare solution to enable more people to go back to work, if childcare is what is holding them back?

**David Rutley:** Mims probably wants to answer this one—she is itching to answer it.

**Mims Davies:** We have discussed this before. It is a nice problem to have in your patch that the unemployment is incredibly low, but it is still a problem if you are recruiting.

**Selaine Saxby:** A big problem for employers.

**Mims Davies:** Exactly. It is an employee's market, so people can be quite choosy about how and where they work. One thing I have seen through the Plan for Jobs, through Kickstart and what we are doing in Way to Work is just how brilliant it is in terms of disrupting recruitment practices that very often screened people out, particularly lone parents, and left people behind. Employers are now coming to the table. Whether you are a young person, a care leaver or have had a brush with the law and some time with MOJ, people are changing their recruitment practices. They are giving people a chance. They are giving them hours that work





## HOUSE OF COMMONS

around their wider caring responsibilities and childcare needs, and progressing and supporting people. This is incredibly welcome.

In fact, it is meaning that people who have been stuck with us at DWP for far too long, who have been overlooked and not been helped to progress, are in the market to move forward. I have been struck how Way to Work is building on the success of Kickstart. It is meaning that people are looking at split shifts, commuted hours, hybrid flexibility and it means that if you have an impairment or a health condition, you are absolutely able to access that labour market.

Can we do more? Do we need to do more? Absolutely, but I think this is a sea change and a revolution in terms of inclusivity in the workplace and I hope that that will benefit your constituency. I know that there is a huge amount of work going on because of the success of Kickstart. I know that job fairs, SWAPs and support for the care sector, for example, are changing the labour market locally. One thing that I would like to see is people with wider caring responsibilities getting a much easier shot at coming back into the labour market. That is something that I am working specifically on, because I think that a lot of people do not realise that that is a very valuable, positive experience, with lots of transferable skills that they can bring into the labour market and also maybe flex around existing care responsibilities. It is all to play for, but it is absolutely a challenge. For me, it means that those claimants—many of them have been stuck on tax credits or out of the labour market, or with too many barriers for people to look at before—are now being given a chance. I think that is incredibly welcome for us and it is life-changing.

As David said, being in work is so much more than a pay packet. It is not necessarily just about, "Are you £1 or £2 better off?". Quite often, you are not, by the time you have bought lunch or have done the travelling or have missed out time with the kids. However, for long-term wellbeing, for that experience within the household, for the positivity, that confidence of earning a pay packet and bringing it home and what it means to you long term, it is to be hugely welcomed. We know the wellbeing that comes with that pay packet is exponential.

**Chair:** Thank you very much. We do need to speed up a bit. Siobhan Baillie has a quick point.

- Q143 **Siobhan Baillie:** One of the complicating factors is assessment period dates for claimants—this is not just claimants, but jobcentre staff telling me this—particularly when you think about the claims for childcare payments and then the repayments for childcare payments and this constant debt cycle that people are getting into, borrowing for the up-front cost. What has the Department done to look at whether assessment dates could be changed to align with childcare providers and to make that simpler? Could that be done? If you are making a childcare application, could you have an adjustment for your assessment dates? I think that would be welcome from the jobcentre—





## HOUSE OF COMMONS

**David Rutley:** I will start on that, if you don't mind, and then I will hand over to Neil because of his weight of experience with Universal Credit. Again, what we need to understand with Universal Credit is that this is a payment that is made in totality, so it is a unified payment. What happens is it is a standard element and then there are layers on top—different elements that an individual may be entitled to, including a childcare element. The assessment is then made based on the income in the month that just happened, and then out comes the payment. It is in real time and is based on actuals.

The childcare element needs to be factored in in that way and that is why, as we talked about earlier, we need to be able to pay in arrears. There is also the issue that if you do pay in advance, somebody could be overpaid and they will then have to pay that back, so there could be a debt issue for that person to manage, as is often the case through Working Tax Credits. There are also fraud issues that are possible. That is why it is designed in the way that it is. We can seek to accommodate people for that first payment through the Flexible Support Fund and they then get into this regular pattern of payment in arrears, for the reasons we set out.

Neil, you helped design this, so are there any other points you want to highlight around the assessment periods?

**Neil Couling:** On assessment periods, first of all there is no provision in the legislation for periods of a part of an assessment period, so they are legally a period in which entitlement is determined, and that is a core piece of the DNA of the way UC is designed. The system itself does not recognise part-month entitlement periods; it only recognises monthly entitlement periods, so it follows the law in that respect. Therefore, you would be seeking to change the core DNA of the system, which would be a very complicated task. I would almost say that it is nigh on impossible now because of where we are, given that so much hangs off that monthly assessment period in terms of the rest of the system design.

Q144 **Siobhan Baillie:** Would you commit to taking that away? It is an issue that jobcentre staff have raised with me. I respectfully contend that there may be an argument where childcare needs to be taken out of Universal Credit, if it becomes so complicated.

**Chair:** Can you respond to us on that particular point with a note later?

**David Rutley:** We will take that away, but all I can say is that because of the points that Neil Couling has made—that it is such a fundamental part of the design—it is very difficult.

Q145 **Siobhan Baillie:** It might be worth a question to jobcentre teams: what are their suggestions about how we make this better?

**Neil Couling:** If you take childcare out of Universal Credit and you still want to income-relate it, you will create a double-taper problem that Universal Credit got rid of, which is such a bugbear for tax credits and the



## HOUSE OF COMMONS

way in which that works with housing benefit. It is not a simple solution to take it out. I think the House of Lords Committee suggested this, and it is not a good idea if you want to have income-related adjustments to childcare help. If you want to make a universal childcare system, you would not need it in the UC system, because it would be universally free for the entire population. But by taking it out and keeping it income-related, you will basically create a double-taper trap.

**Q146 Nigel Mills:** Can I take us back to 2005? God knows where we all were then—I think even Mr Couling was not dealing with Universal Credit, because it had not been thought of or invented. That was when the cap for the maximum amount of childcare that can be claimed back was set, and it has not been increased since. It seems a little unlikely, as we are sat in a huge inflation crisis, that what was the right amount in 2005 is still the right amount in 2022. Are we ever going to have a look at that cap and see whether it really is fair across the country?

**David Rutley:** It is worth reminding the Committee that the caps did increase in 2016, because the amount of childcare reimbursement went from 70% to 85%. That in itself is a 21% increase.

**Q147 Nigel Mills:** It is not changing the cap, is it? It is changing the proportion.

**Neil Couling:** The cap did change in 2016. What you are referring to, Mr Mills, I think, is the caps in tax credits where, you are right that the caps in tax credits have not changed since 2005. But the caps were increased in Universal Credit in 2016.

**Q148 Nigel Mills:** What has inflation done since 2016 then, Minister, if you think that is a good comparison?

**David Rutley:** If one looks at the inflation rates over that time, the 21% increase from 70% to 85% is significant. The other thing that is worth highlighting—let me just come on to another point that I think will help make the point more clearly than the point I have just made—is that with the cap level that is in place at the moment, 92% of the payments are unaffected by the cap. I understand the point that you are making, Nigel, because childcare costs are increasing at a higher rate often than inflation. I do not know the very latest, but when you look at the trend, what is interesting—we have provided this information to the Committee—is that 92% of payments are not affected by the cap.

**Q149 Nigel Mills:** If we accept that the 2005 to 2016 was covered by the 70% to 85% increase, we have obviously had a rise in childcare, as you say, ahead of inflation for the six years since the Government did that. Plus we know that every bill is going up. My childcare has gone up quite a lot this month, as everything else has. Are you planning an increase to the cap just to make sure that those who are being restricted are not in a pretty difficult situation by the time we get to next year, or are you planning to keep this cap sat where it is?



**David Rutley:** There are no current plans to increase the childcare cap, but we will continue to keep the policy under review. I just reiterate that 92% of payments are not affected by the cap. That is a significant figure.

Q150 **Nigel Mills:** At what level do you get concerned? If you found that number came down to 85% not affected by the cap, would you start to get concerned? Is there a trigger where you would think, "Oh God, maybe the cap is now—"

**David Rutley:** We will continue to monitor that. We will work with other Government Departments to monitor the situation more broadly as well. We talked about the work of the IMG on family and there is a broader issue than just the childcare element on UC. It is the whole framework of the £6 billion that we are talking about as well. In the element that we are talking about, and the cap that you are mentioning, as I said—I will say it a third time—it is significant. As for where we are at today—not 2016, but where we are at now—in October 2021, as we said to the Committee, 92% of the payments have not been affected by the cap.

Q151 **Dr Ben Spencer:** Minister, by definition, people are of course going to avoid going over the cap, because they don't want to work the extra hours because they will be financially penalised. So it will always be the case that the majority of payments will be below the cap.

**David Rutley:** I do not have the figures as to how many are close to the cap. I do not think anybody here would have that figure at the moment, but I can see if that is available and let you know, Ben.

Q152 **Dr Ben Spencer:** The question is: how many people would work more if it meant going over the cap?

**Donna Ward:** Minister, I have seen the average payments and we should make them available to the Committee. The average payments are well below the cap—like half the rate of the caps—so you could get £600 a month maximum. The average payments are around £300. We do need to make this data available to the Committee, but I have asked the analysts to look at that.

Q153 **Nigel Mills:** The challenge with that is: what age of children do you have in that average? Once a child gets to three you are on top-up claims or wraparound, not on trying to cover a whole working week, so you could get a very skewed number if you included children up to 11 in that calculation. What you probably want is one to three or something. Isn't it a strange—

**David Rutley:** I am sure you need to look at the total population who are on Universal Credit with children. We said earlier that it is interesting that over 50% don't have pre-school children.

Q154 **Nigel Mills:** I suppose I am just trying to work out what the policy logic is of having a cap that does not inflate. Either the cap is set so high that it is irrelevant or by not inflating it you will catch far more people that you



## HOUSE OF COMMONS

ever intended to. Isn't the obvious logic of a cap that it needs to inflate every year?

**David Rutley:** There are other caps that don't inflate each year either, as you know.

**Nigel Mills:** Yes, and that is nonsensical as well. I am trying to understand the logic of this one.

**David Rutley:** Yes. I think the point that Ben was trying to make is a very valid one. If we are at a point where, as I said, 92% are not affected by the cap but that is because they are a pound below, I would come to you and say even I would agree that we have an issue, but that is not the case. As Donna has just highlighted, it is not that they are a pound off; they are significantly below it. We will continue to monitor that situation and have conversations across Government.

Q155 **Nigel Mills:** What is the policy logic for having the cap? What are you trying to achieve?

**David Rutley:** We are trying to make sure that we balance people's need for childcare, but also recognising the need for fairness and the need to balance the impact on taxpayers, too.

Q156 **Nigel Mills:** Is the aim to have a limit on how Rolls-Royce I can have my childcare, because you are not going to pay me to have 16 different childminders all looking after my children at the same time, costing tens of thousands? You could possibly get to that if you had, in theory, no cap. The aim is: we will give you 85% up to effectively a certain rate—

**David Rutley:** At the moment, that is working for the vast majority of people.

**Donna Ward:** I think the rationale is that as you are working more and spending more on childcare, you spend more of your own earnings on childcare. I think the cap is very helpful.

**Nigel Mills:** That is why you have an 85% claim limit.

**Donna Ward:** Yes, but you will obviously spend more than that on average as you work more. It helps people up to that point, but then as people are working and earning more, they pay more of their total childcare from their own earnings. People who aren't on benefits will be paying for childcare and getting tax-free childcare, for example, but that is 20% of the cost. I think it is just a balance between helping people, but expecting them to pay their bills as they earn more.

Q157 **Neil Coyle:** Just quickly, 92% is the figure used, so what is the 8% who are affected, in people terms? How many people is that 8%?

**David Rutley:** We would probably need to speak to our statisticians to get that exact number, but you could do a back-of-the-fag-packet calculation—I am not sure if I am allowed to do back-of-the-fag-packet calculations, Neil Couling.



## HOUSE OF COMMONS

**Neil Couling:** As of July 2021, there were 9,100 people.

**David Rutley:** My back-of-the-fag-packet calculation was 9,200, so I was not too far off. There we go.

Q158 **Neil Coyle:** This is a big issue for those people affected. Also, a Mumsnet survey shows, I think, 40% of people in work saying they would work more hours if the cap was not there and they wouldn't be hit, so there are more people who could work more hours. There is more for the UK economy and more for employers if this policy is delivered better in certain parts of the country.

And Minister, if you think I have an indomitable style, you should meet the chatty mums club in Bermondsey, Rotherhithe because they are truly indomitable. They are brilliant. They came to me to talk about their concerns. This is an issue across cities primarily, but especially London, where we have a high cost of living, work longer hours and have higher living costs. Although you say that 92% is the national average, I think the London figure is something like one in four beneficiaries is at the cap limit. How does the Department reflect regional variations in childcare costs in this policy?

**David Rutley:** I understand the points that you make, Neil Coyle. It can be quite challenging in certain circumstances. Going back to Nigel's point about what we are trying to do with the universal childcare element, it is about helping people get into work and is income-related, but we need to balance off the cap with fairness, because people that are not able to get the universal childcare element will only get 20% support. So there is a fairness piece and a taxpayer element.

I think where you are heading is towards some sort of regional changes. It would be incredibly complicated in a system that already has its own complexities built into it and would make it very challenging. It is a generous offer as it stands: 85%, up to a big number, which could be up to £13,000 a year. As I said, most people, even in London—you are suggesting, I think, 75% and I think it is a figure closer to 77%, but it is of that order—are taken care of through the universal childcare element without going to the cap.

Q159 **Neil Coyle:** That already means that one in four are not. We have heard again today the Devon example, where employers need people to work more hours or need more people able to work, so if there are these regional barriers to work, what are the Government doing? You say that you accept there is a challenge. What is the Department's solution? What is the Department's offer?

**David Rutley:** Our offer is the universal childcare element, which, for the vast majority of people in London, satisfies a need.

**Neil Coyle:** Yes, this is the same point—but for a quarter it doesn't.



**David Rutley:** Hold on—but for 75% and more it does and it is part of a wider context of offers that are available. The alternatives for people who are not able to access the universal childcare element is 20% support from the Government. There are choices available for parents and they should be looked at as well.

**Mims Davies:** I think we are addressing it in other ways as well. One is the in-work progression work that I described to the Committee earlier. Obviously, we can monitor what the childcare champions are saying specifically around London, but there are also the bootcamps and the other learning and training opportunities that people can take up around their existing work to then help them move into better paid work.

For example, at DWP at the moment, we have the Google certificates, which are a level 3 qualification that can be done around existing work and commitments, which can help people move into better paid work. I think those kinds of elements are the sort of things we should be helping people with, as well as the childcare offer. It is about that progression and training offer and being able to move into something where there are not necessarily more hours, but there is more money and more that you are getting back. I think there is a mixed economy of answers that we need to give here, particularly for working mums around children.

Q160 **Neil Coyle:** To Save the Children and others who have advocated a regional variation or the means of the cap being extended to cover full-time costs of childcare, you are saying that that does not fit with the model or structure of Universal Credit and would introduce further problems. Is that what you are saying, Minister?

**David Rutley:** I am saying that it would be very complex to administer.

Q161 **Neil Coyle:** It would be complex to administer, so it is not a no.

**David Rutley:** Chair, is he always like this?

**Neil Coyle:** Yes, unfortunately.

**David Rutley:** I know you well.

Q162 **Neil Coyle:** The Department's recent letter mentions the review of the disparity in costs, so what is that looking at and when will that review complete? It sounds like you are saying already that it would be too complex to do anything about it, even though this review is under way.

**David Rutley:** No. I know that we are, quite rightly, talking about and focusing a lot on Universal Credit childcare. That is the element that we are responsible for, along with the Flexible Support Fund. This is part of a £6 billion package of childcare support across the UK, and what I indicated to the Chair earlier is that there is an IMG working for families and looking at childcare very actively. We are going to be doing our bit as part of that process. The Secretary of State is very involved across Government and we will probably end up talking a bit about that towards





## HOUSE OF COMMONS

the end, but this isn't the only thing in town. There is a bigger package and there are wider conversations that are taking place around that package.

Q163 **Neil Coyle:** When will the review be complete?

**David Rutley:** It is an ongoing conversation within the ministerial group.

Q164 **Neil Coyle:** You do not know. You are saying that it will be too complex to change the system, but you don't know when the review will be completed.

**David Rutley:** No. Sorry, what I am saying is that you are asking specifically about the complexities of putting in a regional variation—

Q165 **Neil Coyle:** Well, just the disparity. The Department has said that you are looking at the disparity in regional costs, so when will that review of the disparity be complete? It is not a difficult question.

**David Rutley:** It is part of a wider conversation across Government.

**Donna Ward:** I think there are two separate things here. The Committee had asked how much people are exceeding the cap by and you wanted that piece of analysis done. That is under way now and should get to you shortly, and it is not tied up with anything else. There are then the wider cross-government conversations that are open-ended.

Q166 **Neil Coyle:** Will those figures tell us how many are close to it? That is where the Mumsnet figure differs from the Minister's assertion that 92% are fine and are not bothered by this. Mumsnet is saying that 40% of women, primarily, are saying they are held back and would like to work more hours. They would like to help the UK economy grow. They would like to help businesses grow, yet they cannot do that simply because of the structure of the benefit system.

**David Rutley:** Ben made his point, like you, very strongly. Donna has made the point—again, this is the information we provided—that these people are not bouncing up against the cap. That is the point. If the 92% were bouncing against the cap, that would be a different situation. They are significantly below.

Q167 **Neil Coyle:** Is the IMG group looking at the regional variations in provision? Is the group also charged with looking at the disparity for disabled children across childcare and that differential between the very youngest children and those who might be in the—

**David Rutley:** As Mims said earlier, we recognise that childcare can be a barrier for some people in getting into work. We want to get people into work and the IMG review that is taking place, as opposed to the analysis we will provide, is wide-ranging across childcare. I am afraid that I cannot say anything more than that at the moment, Neil.

Q168 **Chris Stephens:** Minister, I want to ask some questions about Universal Credit deductions. You know that we correspond on this particular matter





regularly—

**David Rutley:** Among other things.

**Chris Stephens:** Among other things. We have heard from parents that deductions from the Universal Credit award make it difficult for them to afford essential costs, including childcare. How does the Department take into account essential costs, including childcare, when setting the rate of deductions?

**David Rutley:** It is important to highlight that deductions are only made from the standard allowance. That ensures that the additional elements the claimant receives, such as childcare support, are protected and paid in full. If a person has Universal Credit, there will be deductions in that person's situation but the childcare will remain unaffected, so the childcare element remains whole and intact. As you know, Chris, we have moved significantly on deductions. It was 40%—the standard allowance—then 30% and it is now down to 25%. We understand the challenges that people are facing on deductions. That is the point I would make but, Neil Couling, is there anything you would want to add?

**Neil Couling:** No.

Q169 **Chris Stephens:** But making an 85% childcare reimbursement and then calculating a deduction does look a bit like taking tax off an income tax rebate, doesn't it? It is not naturally just, so shouldn't reimbursement of childcare costs happen after deductions are taken from Universal Credit?

**Neil Couling:** No, I don't think you could do that because, basically, the calculation about childcare goes into effectively a gross entitlement determination. Essentially you look at: is there a couple; are they single; how many children; are there any disability costs and any childcare costs? You create a gross entitlement, so a maximum amount of Universal Credit. You then apply any other income that is coming in and if there are earnings, there may be a work allowance or a taper and then deductions are taken at the end of that process. The childcare is in the gross entitlement. It is not in the bit of the process that deducts money for debt that may be owed.

Q170 **Chris Stephens:** The problem with that, Mr Couling, is that we have received evidence from parents saying that it is the deductions that are causing problems for them. They are unable to afford childcare. Is that something the Department can look at? The Minister has rightly said that the Department is always reviewing deductions and always looking at it. To be fair, what the Minister said is right: there has been movement on deductions. That is something that can be looked at to ensure that no one is in a position where they feel they cannot afford childcare because of deductions.

**David Rutley:** There could be a number of reasons why people are having deductions and there will be situations where those deductions obviously need to be made. We are trying to reduce the amount from



40% to 25%, but as for what we can control around the universal childcare offer, that will remain intact. Whatever happens to the deductions over time, if they qualify for those childcare elements, they will receive them in whole. That is something that they can calculate, and obviously if they have debt issues, they can speak to our debt management services as well. This is where the conversation needs to be had, either with debt management or their work coach to help them work through those particular issues.

There are other situations where, because of what is going on with the energy costs at the moment, we have looked at the arrangements we have in place where energy companies can make deductions from those receiving Universal Credit. We have also changed those situations, so we are constantly reviewing deductions or anything that looks like a deduction in relation to the current circumstances out there in the marketplace. There are the two elements: we will review the deductions or anything that approaches them and keep them under review, but what is clear is that those childcare elements will remain the same.

**Q171 Debbie Abrahams:** Just a couple of quick ones from me. I think Neil's point about the regional analysis is very important. I was struck by what Selaine said about the gap between job vacancies and unemployment, but I was staggered to find out, when I was in the House of Commons Library to do an analysis, that there is no regional data on the job vacancies by region. Is that something that you are able to look at? Certainly in terms of the measures that might be introduced to help and support families, it would reflect that.

**Mims Davies:** We have various tools and insight in regard to vacancies and sector needs. That is very much where our employment advisers link into the local economies and LEPs, and obviously there is all of the work going on around local skills needs as well, linking into local colleges, British Chambers and so on, and the work that we are doing with the DfE. We are absolutely mapping that because—you are right—you don't necessarily live down the road from a job that you are skilled and ready for, so we need to make sure that those people who do live down the road from those vacancies and sectors are able to pivot and transition into them through the right training and support.

**Q172 Debbie Abrahams:** I appreciate that, but we still cannot get away from the fact that data on regional job vacancies is not routinely collected, so if you could take that away, I think that is probably the best—

**Mims Davies:** We have a couple of tools we are developing that I am happy to share with the Committee and update you on, if that would be helpful.

**Q173 Debbie Abrahams:** That is great, thank you so much. Can I get back to what we are looking at today, which is the issue of childcare costs and so on? Since we started this inquiry, families are increasingly absolutely desperate. They are struggling with the cost of living crisis, which was not



## HOUSE OF COMMONS

helped by the spring statement at all. What representations did you make to the Chancellor to include considerations around childcare costs for his spring statement? Obviously, they were not included, so what were his reasons for refusing that?

**David Rutley:** The dialogue and the paper trail between what goes on between Departments isn't something that is routinely shared. It is policy advice that is given to Ministers between Ministers. I do not think you can draw any conclusions from that, Debbie. I know you would love to, but on this one you cannot, I am afraid.

Q174 **Debbie Abrahams:** It speaks for itself, doesn't it? It was not considered important enough to support families in the struggle that they are having with childcare costs—in spite of this inquiry, by the way. Can I move on to—

**David Rutley:** Just to highlight, I understand that in the spring statement there wasn't anything on childcare, but the National Insurance threshold was increased. There were other steps that were taking place before that. I would just try to encourage you—because this Committee does do important work and it is recognised that it does do important work; I wasn't ever questioning that. The IMG on families is reviewing childcare actively, and I am sure that Ministers—certainly Mims, myself and the lead officials that we have with us—will be very keen to see the report. I am sure that it will also be something that the IMG will want to review as well.

Q175 **Debbie Abrahams:** Again, Minister, I absolutely recognise that in the spring statement, of the £6 that was taken off people in the autumn Budget, £1 was given back, but still there is a net loss and that has not been recognised within the spring statement.

My final question—thank you for being so tolerant, Chair—is in relation to the section 23 agreement that the Equality and Human Rights Commission has issued for breaches around discrimination against disabled people. The statement yesterday from the Equality and Human Rights Commission said that this was due to be published this summer. I don't know if you have had any forewarning about the scope of that and when it might be published.

**David Rutley:** To be honest, it wasn't something that we were anticipating talking about today so—

**Debbie Abrahams:** I appreciate it is not your brief.

**David Rutley:** To be honest, we have been a lot more focused on preparing to meet with you, which is something we always enjoy but we want to take seriously, so I don't have anything to add at this point.

**Debbie Abrahams:** I appreciate it is not your brief, but you are attending the Select Committee that has the responsibility.



**Neil Couling:** One minute, Ms Abrahams, will exhaust my knowledge on this. I know that section 23 arrangements are agreements between the EHRC and ourselves. We are working with the EHRC on the terms of that and it will be published in the summer, but I do not have a more specific date than that.

**David Rutley:** Just to be clear, there will be further discussion on that point, but I am not briefed on it to be able to—

Q176 **Chair:** Understood. If there is anything further you are able to tell us when you write to us afterwards that will obviously be of interest.

Can I just pick up a point? You made the point repeatedly this morning, quite rightly, that the Universal Credit childcare support is part of a wider £6 billion programme. The Centre for Social Justice has made the point to us that, at the moment, tax-free childcare is pretty generous, including to people quite a long way up the income level—households with income up to £200,000 a year. It has suggested that that could be made less generous and the savings used to increase Universal Credit childcare support from 85% up to 100%. Is that something the interministerial group is looking at?

**David Rutley:** I don't know. It is looking at childcare in the round. I don't know on that specific point, but it is fair to say that we have a comprehensive offer to help parents to support their children and to progress in work. That includes the tax-free childcare element. It is a comprehensive package, but I think it is clear that we are more generous to those lower-income families and want to provide them with support and work incentives, because, although Debbie highlights the spring statement, that is part of a wider package of support that has been available from the pandemic and since the Budget in the autumn, when the Chancellor put in place some very significant work incentives around the work allowance and taper rates, which are not trivial. They are very important.

**Mims Davies:** That was balanced with the Household Support Fund help and so on as well.

Q177 **Chair:** Do you recognise the strength of the case that the CSJ makes for the benefits of increasing support from 85% up to 100%?

**David Rutley:** I think we talked about that in one of the previous questions. The issue there is—oh sorry, about the 85% to 100%. It comes back to the work incentives point though, Chair, and that is that we want to make sure that there is an incentive for people to want to work. Secondly—I have forgotten the second point, but I will stick with the first one because I think it was a good one.

Q178 **Siobhan Baillie:** This is partly on the CSJ point—only 27% of low-income families benefited from the £6 billion. I am interested to know whether the Department is taking a view and leading on a sort of argument that there should be—I also want to say that I think all the childcare policy



## HOUSE OF COMMONS

needs an overhaul, so I am pleased to hear that you are working with DfE on this.

**David Rutley:** With other Departments as well.

**Siobhan Baillie:** With other Departments and the Treasury. But particularly looking at low-income families, are you running an argument that the proportion of that £6 billion spend should be increased for low-income families because, at the moment, at 27%, it is just not working for those who need it the most? It has been put to us that there should be a lesser spend on tax-free childcare, for example, for people with a £200,000 household income. Is that a position the Department is taking?

**David Rutley:** That is the point that the Chair made. I think it is worth looking at the take-up of the different schemes. Again, this is no doubt what the IMG will be looking at. I am not part of the IMG, by the way, but that is for the lead—

**Mims Davies:** Our Secretary of State is involved.

**David Rutley:** Yes, it is at Secretary-of-State level.

**Mims Davies:** Just to quickly respond to Siobhan's point, we are advocating across Government—and flexing our muscles as much as we can—for ways to help people to get into and stay and progress in work. We know that childcare is a challenge, as described by Siobhan and others, but we are using all of our mitigations, and of course our Secretary of State is at the table to make sure that claimants' situations and our local situations are reflected in that. As you and Donna have described, it is different at various points, various income scales, various experiences, levels of training or confidence that you have, in respect of whether the childcare system works fully for you.

As a working mum, there are always points where it is very challenging and you are making decisions: is the pay versus the precious time that you are losing with your little ones worth it? But in the round we want to make sure, across DWP, that it is worth getting and staying in work and progressing in work in the way that we have heard and we know that we feel strongly about. Our Secretary of State is at the table. It is early in the conversations on this IMG and at the moment there is not much more we can usefully add, but we are keen to be in a position that we can do so—let's be honest about that.

**Donna Ward:** We are advocating for low-income families, of course, at the IMG. We have done quite a lot of analysis about where low-income families face some of the biggest problems and gaps. A lot of it is in the school-age market, where it is very hard to find holiday provision, and it is also hard to find holiday provision that has been Ofsted-registered so then you can pay for your childcare through UC. We have done quite a lot of analysis looking through a low-income parents' lens at the whole system and, of course, we bring those arguments to the IMG.



## HOUSE OF COMMONS

**David Rutley:** We will also be able to provide some of this data to the Committee, as you said earlier.

**Mims Davies:** If we unpick that, as Selaine said earlier and as we heard from Neil, more people can go positively into the labour market.

Q179 **Siobhan Baillie:** I will try to be brief, just because I am not planning to talk again. I genuinely believe that the model and the complications, as evidenced by the poor take-up and everything that we have been discussing today on the childcare element of UC claimants, is damaging Universal Credit on a brand basis and on an experience basis. I am not convinced that we are grasping the nettle. People talking to me and childcare providers genuinely believe that it has been made overtly complicated to save the taxpayer and the Treasury money. I just don't think we can get past that unless we tackle some of the fixes. I know how much the Ministers care about families and getting families into work. How do you respond when people say that this is just such a nightmare system and you are doing it on purpose?

**David Rutley:** Just to be absolutely clear: we are not.

**Siobhan Baillie:** I think people need to hear that because it is not their experience.

**David Rutley:** I will say it, and I am sure Mims will say it a second time in just a minute, but that is absolutely not the case. Clearly, there is a comprehensive approach here and there are different elements. Of course, as others have said in this Committee, we need to go the extra mile to communicate. We have just been through a pandemic and we are learning to live with coronavirus now, but we have to make sure that we make people aware, because Mims is taking so much time to make sure that we get more people to fill those vacancies that you have heard about. To do that, we are going to have to make sure that people know the range of childcare that is available.

I am working flat out with Neil Couling on other issues about how we can help people to migrate from legacy benefits on to Universal Credit. As part of that journey, we are going to be highlighting even more than before how much more generous the Universal Credit childcare element is to Working Tax Credits. As I said, it is already part of a major campaign. I was driving along the road the other day listening to Capital Gold or whatever it was, the Gold station.

**Mims Davies:** I knew it would be.

**David Rutley:** You can't get better than a bit of 1970s disco. Interrupting that was one of the DWP ads about, "You could be better off moving to Universal Credit" and talking about childcare. Maybe the childcare element wasn't on Gold, to be honest, but it will be on other radio stations, so there we go.





**Mims Davies:** If I can build on that, I think Neil Couling knows all about brand management when it comes to Universal Credit. Since I have been a Member of Parliament, it has been a battle for people to understand and appreciate it and really know how transformative it is for many families. As Donna described, there will always be, to a degree, some level of sticking points, but what has happened during covid is that we have been able to so quickly support and help families of all different shapes, sizes and needs. We have discussed this regularly, Neil—just the health impact of people queueing around the block with their rent agreements, for example, in the scenario that we would potentially have been in without Universal Credit. We as a Department and as a ministerial team will fight very hard around the perception of Universal Credit and what is right there. I know you are not taking that broader point—

Q180 **Siobhan Baillie:** I am a Universal Credit fan, but if mums and dads are getting into debt four or five times a year to manage this childcare payment, you are never going to win on the brand. It is always going to be a disaster of an experience and that is why I really hope that you will look at some of the tweaks and changes that we propose very openly. I know you have answers to all the questions, because you are smart and you have looked at this, but it is genuinely not working on the ground.

**Mims Davies:** It was part of the in-work progression response—the impact that we have around childcare. Our Secretary of State knows this is an issue that specifically affects our claimants and that is why we are at the table for this. In some ways, probably the IMG is beavering away as you are beavering away, and let's hope we all meet in the middle.

Q181 **Dr Ben Spencer:** I am going to come back to the modern gains of work when you are paying for childcare, which I think has been one of the broad themes—perhaps the main theme—of the session. Just to start off, I think the 15 to 30 hours free childcare scheme is fantastic, and I think the tax-free childcare scheme is fantastic. They are a bit cumbersome to get through, and I say this as someone who has used both of those schemes, but I think they are good and they help a lot of people. However, this is something that comes up all the time with me on the doorstep and from correspondence with my constituents.

The example that the Sutton Trust used—I realise this has been flagged—is a particular situation with high housing costs and high childcare costs. Well, that is my constituents—that is my constituency. That is the experience of several members on this Committee, in terms of the people who are facing this, so this is not a small number of people. I am a bit concerned about some of the arguments that have been made about the situations where it doesn't work for people. I wholeheartedly agree about the benefits of work, including the health benefits. As a mental health doctor, I would press on my patients the importance of getting into work for their health and wellbeing and how that keeps most people well. I will say it again: being in work keeps most people well.





## HOUSE OF COMMONS

However, I also say to the patients I look after—I have looked after a wide range of people in my career, but some had quite substantial disabilities—“You should not work for free. Your time is worth money, too”. I am concerned that there are groups of people where, effectively, it is not beneficial to them, on the face of it, to take on extra hours. I wonder what you anticipate would happen in this situation—let’s say I was a single parent with a child aged one living in a two-bedroom flat. This is the Sutton Trust advice that is being used. I am not 26, I am 40, but let’s say I was on the living wage, earning £11 an hour and paying £6.50 childcare costs. What would the advice to me be if I said, “I am looking at increasing work by an extra five hours a week, but with my overheads, I think it is not going to work.”? What conversation would be had?

**David Rutley:** First of all, they can look at the Childcare Choices website, which we talked about—there is advice and guidance available there—and talk to their work coaches. They can also look at the range of childcare that is available. Again, this is a specific scenario in a specific part of London with a family with a one year-old, which we talked about before—I think Neil Coyle raised it previously. I tried to explain that we need to look at the wider picture about the benefits of working across the piece, which Donna highlighted earlier, and they also need to look at the other forms of childcare that could be available.

What the data that we will provide to the Committee will show is that lower-income families often look at solutions other than just formal childcare. I am not advocating for that, by the way, but that is what they do as a practical course. Again, that family in that very specific situation would need to look at what other options they have as well, which we can help with in terms of the formal Childcare Choices website and advice from work coaches as well. But as working parents, they will want to look at choices that are available to them as a family as well.

**Donna Ward:** I think it is also a question of how long that situation would go on for. As the Minister said earlier, once a child is aged two, then the 15 free hours for children on a benefit kicks in. It does depend on whether you are working for low marginal gain for a short time for a longer-term gain in your career, or what the situation is. I think those are the sorts of conversations work coaches would be having.

**Mims Davies:** Just building on this, one is a very young age for parents to be back at work, and all power to those people who are in that position and juggling everything. As a lone parent again, as David said, very often you are tenacious, and you are using family and friends because you are often more comfortable with that. Sometimes it is about who you want them to spend time with if they are not with you. That is a difficulty as a mum, as a parent and so on, but our work coaches will be helping people to do what is right for them. If it is not right for them to be back in work at that point, if they are not better off, if it is not good for their wellbeing



## HOUSE OF COMMONS

and their child's wellbeing, we will be supporting them to use that time to train, build their confidence and do whatever they need to do.

We quite often use the Flexible Support Fund for those times, to provide childcare support for training, learning and upskilling, so that people are ready when that additional childcare kicks in and can earn more at that two or three-year-old point. Of course, work coaches will always consider the individual claimant's needs. It is right for the taxpayer, in terms of enhancing employment prospects, to use that time through the Flexible Support Fund for training and learning, which means that people can earn more when they go back into work.

There are lots of different elements, but I don't personally feel that we are going to be having people up and down the land hastening people back to work when it is not just right for them financially, and so on, because people feel they don't want to miss out in terms of the labour market. It has to be right for the family as a whole and, absolutely, you have to make sure that that childcare offer works for people and that those work coaches are having those tailored conversations, that this is not adding to a stressful situation and that we are using some of that positive engagement with work coaches to have people in the right place when they are ready to go back to the right opportunity for them.

**Q182 Dr Ben Spencer:** The point I am trying to make is about the parent who wants to go back into work for a variety of different reasons, but feels that there is a financial barrier to doing so and wants to have that autonomy and freedom of choice, which I am sure you would wholeheartedly agree with. For a certain number of people—I think predominantly of single parents in high-cost areas, such as my constituency—it is not the case that the Universal Credit system, as it is, ensures that work always pays, but that it ensures that it mostly always pays.

**Neil Couling:** I think it is a question of, when you are trying to make policy here, what does the state require of people and what does the state then do by way of support? We do not require lone parents with children aged one to work for other social policy reasons. However, conditionality starts to apply as children get older and then other forms of childcare support cut in, such as the three and four-year-old offer and so forth—exactly when we say to parents, "You ought to be considering work".

If we look, as the Minister said at the start of the hearing, at the cry of, "It is all a disaster and it is all not working", you have had significant rises in the employment rates of lone parents over the last 10 years. In fact, that goes all the way back to 1995. It is one of the great social policy successes of the last 25 years or so, where all Governments have seen the employment rate of lone parents rise from one of the lowest in Europe at 44% to nearer the top end of performance, now at 67%. You have seen parallel rises for women in couples as well across the period.



## HOUSE OF COMMONS

The argument that the policy mix here is stopping people is hard to run against the backdrop of that, but that is not to say—

**Q183 Neil Coyle:** But you also have this 8% of working parents who are already at the existing cap and something like 43% of working parents telling Mumsnet that they have considered leaving work because of the cost of childcare now. We have been told today that this is not going to be addressed because it is too difficult and complex to deal with regional variations, and that some of those parents should work fewer hours because they will be better off on the benefit system.

**David Rutley:** We have rehearsed this argument previously, so you have heard the answers we had there.

**Neil Coyle:** There aren't any answers.

**David Rutley:** It needs to be seen in the broader context of the childcare offers that are available and the employment opportunities that are available to individuals.

**Q184 Neil Coyle:** But what we have also seen is the Government loading additional cost on workers through National Insurance contributions and on nurseries and childcare providers because of the employer contributions, which makes childcare more expensive. We have heard again today that there might be something in the ministerial review group, which might announce its findings somewhere down the line, but we don't know when and we don't even know properly who is involved or what they are looking at.

**Donna Ward:** Can I just set the record straight on this point that people should work part time? It is always the case that people are better off working than not working in Universal Credit. I would be very surprised if somebody could find an example where that is not the case, if they take up the childcare offer. What I was trying to say is that, in limited circumstances, for time-limited periods, it is sometimes not worth working the extra few hours because people have exceeded the childcare cap or whatever. I think that would happen in any benefit system, wherever you put those thresholds. That is why I was saying you have to look at this in the round: how long is that situation going to go on for and is it worth working those hours for longer-term gains if other childcare kicks in later? We are certainly not saying that, as a general rule, work doesn't pay and everyone is better off settling for part time. That is just not the case.

**Q185 Neil Coyle:** It is the same thing. Mims, you said that there were some who should be prepared to accept that it is a confidence boost, it is about getting out there and it is a mental health boost, and it is not about being financially better off.

**Mims Davies:** But if you move into full-time work with the changes to the work allowance and the taper rate, you are, on average, around



## HOUSE OF COMMONS

£6,000 a year better off. That is why we need to have those individual conversations.

Q186 **Neil Coyle:** You have to be able to afford childcare in order to be able to do that and we haven't come to a solution for that today.

**Mims Davies:** That is why you need to have those conversations with that individual, because everybody's circumstance, timescales, needs and challenges ebb and flow, as Donna described. That is why I am very proud of the work that we do with our claimants through our work coaches to make sure that we are understanding that challenge, that need and those opportunities at those points.

Q187 **Dr Ben Spencer:** One of the things that worries me most about this policy—I have been careful with my words when I am talking about single parents—is that when you look at single women who are parents, we know that the process of having children does limit career prospects, and that is an inequality in our society that we need to get rid of. I am sure everyone at this table would agree that having children should not have adverse prospects for people's—particularly women's—careers. It strikes me that this policy does create a situation where, for that particular group, it is more of a barrier for getting back into work early, should they wish to do so when their children are younger. The answer that I should give to my constituents, if this comes up on the doorstep, would be, "Look around for some family members to look after your kids for free for you". It just strikes me as bizarre that this isn't—

**David Rutley:** Let me try again. We are saying that we recognise that there can be challenges. We are spending £6 billion on childcare. We have an IMG that is reviewing our approach to childcare. We can't carry out this conversation here and can't provide a running commentary, but it is up and running and they are meeting. That is being run by the Education Secretary. That is what I would be saying on the doorstep: "We are having an active review". We recognise there are barriers. We have a comprehensive approach in our provision that is helping to massively boost the employment rate for lone parents and for women, which we should be proud of.

Should we go further in helping to communicate and simplify the system? Yes, we are going to do that, particularly through what we can control at jobcentres. We thoroughly recommend that the constituent you are speaking to on the doorstep comes along to a jobcentre and speaks to their work coach because there is a range of support that is available through the state. What myself, Mims and others are saying as well is that a family will also look at the range of support that is available within their family. We should never overlook that. It is part of the tapestry that we need to look at, the broad picture.

**Mims Davies:** The same happens whether it is family caring and, for example, wider caring than young children. I will quickly add to that point. One of the best things about where we are in the labour market is



the flexibility that employers are giving and having around parenting, that understanding and the fact that they are being more open-minded. That is where our work coaches can lean into the opportunities that are down the road, which are doable for those parents, worth their while and absolutely give them the chance to springboard going forward. You rightly raise this and I think we are all sitting here with our own individual experiences of knowing that this is a challenging time for parents, but I wholeheartedly agree with David's comments.

One of the transformative things at the moment is the way that employers and sectors are acting to be much more inclusive, to be able to give people the chance to take more hours and do more. Of course, we have to make sure the system works for them. It does work a lot better, but as Donna described, it is never going to be wholeheartedly perfect at every moment in time. We will do our best to try to make sure that there aren't those cliff edges and stark choices.

**David Rutley:** Hybrid working will help in some of these situations, too, and there is more work that Government are doing on flexible working. I don't have those details with me, but I will gladly share them with you later, Ben. There is work ongoing on improving flexible working that will help in these situations. It is not just about the childcare, but I understand the point you are making.

**Q188 Dr Ben Spencer:** Thank you for that. I am going to change tack a bit, but before I do, I absolutely agree with you. The Weybridge Jobcentre in my constituency is phenomenal and I cannot thank the people who work there enough for the support they give to my constituents and what they are doing to help people. That is very good advice about having those discussions.

Moving on to the childcare sector as a whole, the childcare survey found that a third of childcare providers are operating at a loss and three quarters expect to use their financial reserves. Childcare providers in my constituency tell me how much they are struggling financially. Parents are reporting that they spend as much on childcare as they do on rent. Do you think the current childcare system is working for anybody?

**David Rutley:** Yes, it is. We have already highlighted that, over time, it has improved employment opportunities for people who really matter in these situations—for women and for lone parents. That is a huge step. On the element that we can control, I know that people in some constituencies and some members of the Committee have highlighted some of the issues that they perceive around the proximity to the cap. But as Donna has been saying, with the element that we can control—the universal childcare element—the cap is not being reached by a significant number of people, by the vast majority. Yes, it is providing employment opportunities for people and there is a comprehensive package that is available for people to choose from.

**Q189 Dr Ben Spencer:** The OECD found that the UK has the third highest



childcare costs in the world. Why do you think that is? It is astonishing.

**David Rutley:** It is interesting. If I was on the IMG, I would be looking at that. Obviously, 75% of the cost in the UK is around staff, so this isn't our Department's area—it is a DfE matter. It is obviously something that the IMG may choose to consider, but we have a high cost base and there are regulations and ratios that can be looked at. If you look at the ratio in Scotland, for example, and you look at the ratios that are in place in some other countries—France and the like—they are very different, but that is not our policy area. I think you make some interesting points.

Q190 **Dr Ben Spencer:** I am glad you brought up ratios because I think that is definitely an area that we should look at, because it strikes me as a cost to the taxpayers' purse—I think that is cost neutral in terms of reform to the childcare sector. There are lots of things that we talk about that will cost money to the state, and childcare is one of those few areas of policy where I think it is very much worth putting more in from state funding, because of all the benefits that we have discussed about supporting people into work and so on.

**David Rutley:** We understand the point you make. It is not our policy area, but we do understand the point.

**Mims Davies:** We have a fantastic advocate in the DfE. I think that is very helpful when specifically understanding the impact on UC claimants, because what we are discussing here is those particular people who might find this area the most difficult to manage. That is why we use the Flexible Support Fund. Where childcare is the clear barrier to employment, we have that ability, which is very helpful to get people started.

Q191 **Dr Ben Spencer:** As part of those discussions, are you talking about the benefits of expanding the school day as well?

**David Rutley:** You have already asked a question that is way beyond our Department's remit. That one is way, way beyond.

**Dr Ben Spencer:** Fine. I will spare your blushes in terms of trying to—

**David Rutley:** I can't lean into that one.

**Dr Ben Spencer:** Fair enough. Thank you.

Q192 **Chair:** The interministerial group, when did it start work? When was it set up?

**David Rutley:** I don't know the exact date.

**Donna Ward:** Sorry, I don't know the exact date either, but there were some meetings hosted by No. 10 before Christmas on childcare and then the interministerial group has met twice this year. Both of those meetings have been on childcare so far, but it will turn to other things, like family hubs and so on in the future. The childcare discussions across





## HOUSE OF COMMONS

Government have been going on since before Christmas, but the IMG has met twice—I think in January and then just before Easter.

Q193 **Chair:** Should we expect that every couple of months, that kind of frequency of meeting?

**Donna Ward:** It is pretty regular, yes.

**Mims Davies:** I was going to dive in on the school day in a completely different way—if I may say this to the good doctor, which he may want to pursue. When I was sports Minister, after school and holidays sits with DCMS and is linked to Sport England and the wider wellbeing side of it. It is not purely sitting on DfE's shoulder, so cross-government work goes on year round and wider wellbeing sits in DCMS. He might want to pursue that area. I was very keen to see more around local sports clubs and other interventions that don't sit squarely with education or childcare.

Q194 **Chair:** Thank you, that is a helpful hint. Just on the research point, you very helpfully told us that you are going to let the Committee see the research shortly, I think. Are you able to be a little bit more specific about when that might get to us?

**Donna Ward:** We are talking about the research with claimants and ops people, yes. I think that is partway through, so field work is still happening. We are working with Ipsos MORI on that to do proper structured interviews with claimants and ops staff. They are trying to reach a critical mass of claimants. We are more than halfway through, but fieldwork is still happening.

Q195 **Chair:** Not before the summer probably?

**Donna Ward:** No, not for it to be complete.

**Chair:** No, okay. Thank you very much indeed. We have had a very full and interesting discussion of this subject. We are grateful to all of you for your evidence this morning.