

Work and Pensions Committee

Oral evidence: Universal Credit and childcare, HC 871

Wednesday 2 March 2022

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Members present: Stephen Timms (Chair); Debbie Abrahams; Siobhan Baillie; Nigel Mills; Selaine Saxby; Chris Stephens; Sir Desmond Swayne.

Questions 46 - 98

Witnesses

I: Gemma Widdowfield, Welfare campaigner; Vikki Waterman, Anti-poverty campaigner; and Nichola Salvato, Welfare campaigner.

II: Aria Babu, Senior Researcher and Head of the Female Founders Forum, The Entrepreneurs Network; Annabel Denham, Director of Communications, Institute of Economic Affairs; and Gavin Rice, Policy Director, Centre for Social Justice.

Examination of witnesses

Witnesses: Gemma Widdowfield, Vikki Waterman and Nichola Salvato.

Q46 **Chair:** Welcome everybody to this meeting of the Work and Pensions Committee, and for this evidence session in our inquiry on Universal Credit and childcare. We are particularly grateful to our three witnesses who have joined us this morning, all of whom have spoken to the Committee in the past in one capacity or another. We are delighted that you are all able to come back today.

Can each of you first say in one sentence who you are for those who are watching our proceedings, starting with Vikki?

Vikki Waterman: I am a 37-year-old single mum of two from the north-east. I live in north-west Durham, and I work full-time as a treatment coordinator for private and cosmetic dentistry. I have been a single mum for the last four years. Shortly after I became a single mum I started campaigning with Save the Children, because it felt like the system was not right. Since then I have been campaigning to try to make these changes.



Nichola Salvato: Hello, everybody. I live in West Sussex. I am a 50-year-old single mum to a 13-year-old daughter. I did not know we were saying our ages! I work part-time. I founded a community interest company that is called Parent Poverty. It is a single parent support service that offers casework for single parents who are struggling with various things. Similar to Vikki, I think I posted on Facebook, "Anybody else having problems with UC and childcare costs because this is just a nightmare?" and somebody reached out to me and said, "Yes, there is a group of us and we are campaigning with Save the Children". That was late 2018, and that is when I joined the gang.

Gemma Widdowfield: Good morning. I am 36, which makes me the youngest here, and I am a single working mother to a four-year-old daughter. I work as a senior investigations officer for a local authority. I had my daughter in 2017 and went back to work in January 2019, and that is when the childcare costs hit me as a bit of a shock. I had not expected to be a single parent and thought that I would get more help than was available when returning to work—I have worked since I was 16, so not working was never an option—and then I saw a post about this campaign and that was it. I joined Save the Children in 2018.

Q47 **Chair:** Thank you all very much. One of the big issues that has been raised with us about childcare support in Universal Credit is the need for payment up front for a month and then you can subsequently reclaim that. What has been the effect on each of you of having to make that payment up front? How has that affected your finances? We will start with Vikki.

Vikki Waterman: When I went back to work after having my second child I needed to find £1,400 up front to be able to put my children in childcare before I returned to work. I recently had become a single parent. I was not expecting to become a single parent—I do not think many of us do—so my circumstances had changed and I did not have £50 to spare, let alone £1,400. It was just completely bizarre to me that I was supposed to find this huge amount of money when I was already struggling to then just be able to go back to work. I had to borrow that money from a family member and it took me months and months to pay that back, which again is pushing me further into poverty down the line monthly. It is not just that initial month, that initial cost up front. As the school holidays come around your childcare bill is higher, so every six to eight weeks again there is this huge lump sum that you need to find for your childcare. Before you even step foot back into the workplace you are completely on the back foot anyway, and then trying to recoup that monthly.

Q48 **Chair:** One of the things that the Department points out is that it is possible in some circumstances to use the flexible support fund to help cover that payment up front. Have you tried that or ever been able to?

Vikki Waterman: Yes, and I think these ladies will touch on that as well, but I was completely unaware of the flexible support fund until I started



campaigning with Save the Children. One of the other mums from the campaign told me about the flexible support fund and she had only heard about it on a Facebook forum. I think a few of us at different points in time have requested the flexible support fund, asked for any additional help when we have been in childcare arrears and things like that, and always been told it was not available to us and not given any other explanation than that.

Nichola Salvato: I had previously been working part-time. I was working for Citizens Advice and I did not need wraparound care, but I decided I wanted to move into full-time work so I moved from Citizens Advice and took another similar role for a housing association. Previously when I had been at Citizens Advice I had received a top-up of tax credit, so if I did need any childcare I was able to claim that 70% in advance. I had presumed that the Universal Credit system would work in a similar way and was pleased to hear that it was 15% higher potentially, depending on your earnings.

I moved voluntarily on to Universal Credit, and I very quickly found out that that is not how it worked and I needed to find the costs up front. I borrowed money in the first month, for the first month's wraparound breakfast and after school club, so the impact first of all was stress. I was constantly robbing Peter to pay Paul, worried about the fact that I was behind on childcare costs, even dropping my daughter off and not going too close to the door because they might grab me and ask me where the money was. They had been sending me emails, "You need to catch up with your costs", and the thing is that I had not paid it, but then I could not claim it back because I had not paid it yet so it never resolved itself.

Eventually I was in a position where I had to decide between childcare costs or petrol to get to work, or put the electricity on, and it was just really difficult, so I dropped my hours, which was not an easy thing to do. My employer had wanted somebody full-time and I had wanted to work full-time. I started by just being a bit late for work and dropping breakfast club, because then I did not have to pay for that bit, but I was constantly late for work by about 10 minutes. Eventually I formally reduced my hours, not once but twice, just to minimise the childcare costs. I think the second hour reduction came with the summer holidays, because the childcare costs for summer holidays were £1,700. That was even after my first lot of dropping hours and secondly taking every day off that I could during the summer holidays, using up all my paid leave and taking some unpaid leave—and I still could not afford it. I ended up going back to the hours that I had originally been on before I moved jobs and just said, "I can't do this. It is just not doable."

That was the impact, so everything that that means: the stress, the fact that you are working really hard and being a single parent is a juggle anyway. Yes, it was incredibly difficult.

Q49 **Chair:** Did you attempt to make use of the flexible support fund at all?



Nichola Salvato: Yes. The Flexible Support Fund at that time—so this was back in 2018, and I think that this may have been resolved to a certain extent—was not widely known about or being shared about by Jobcentre staff. Front-line staff like the work coach did not know about it, and then I had to speak to the manager who said, “No, it can’t be used for childcare” and I said, “Yes, it can” and was digging out the guidance for them to say, “Look, here it is”.

It turned out that the rules for flexible support fund are that if you have earned more than £2,600 in the previous six months you are not entitled to it. It is not a solution, because it happens every month. It can be helpful for people who are going from unemployment into work, that first stage, but for anybody who has earned more than—I think I worked out that that was, I do not know, minimum wage for 15 hours a week or something like that. Basically, it is not going to be useful for anyone who is already in employment and wants to increase their hours, or for anybody who is already in employment and not increasing their hours but just their childcare costs increase.

That is over and above the fact that lots of Jobcentre staff, job managers, do not know about it. I literally was digging out the guidance and saying, “It can be used for childcare costs”. I do not think it was a Jobcentre manager—it was me who discovered the six-month rule. As I said, I believe there has been some work around the DWP making sure that the staff are better informed about what is available.

Q50 **Chair:** It never provided any help for you, anyway?

Nichola Salvato: No.

Gemma Widdowfield: I was not aware that there would be any costs up front when I returned to work. In fact, before having my daughter I had never considered childcare and the cost of it and how people managed to pay for it. I applied for Universal Credit in my panic when I became a single parent and knew that I was returning to work, and I saw where they pay up to 85% of your costs. I was not aware of the cap at that time, which is £646.35.

Perhaps this might be a good time for me to read out some excerpts of my journal from Universal Credit that were made at the time. I think it will probably show you the panic that I was going through. On 8 January 2019, which is when I returned to work, I sent a message to my work coach to say, “Please can you tell me if I will be getting any financial help with childcare costs? I’ve paid over £600 over and am due to pay another £600 by the end of the month, which is worrying me as I can’t afford that each month.” On that occasion I was told that it depends on any earnings, and if you do not receive earnings then any childcare costs will be included in your award for January. I was new to this. I did not know what that meant really, at the time.



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On 20 January I still had not received anything and I sent a message to say, "I've just had an invoice for childcare for £777.50 to be paid by 31 January. I've already paid that same amount before the end of December and there is absolutely no way I can afford to pay that fee again with no support from Universal Credit. I've budgeted and used money that I had put aside knowing that I wouldn't get paid this month." I had changed jobs; I had to leave my career as a police officer because there was no way that I could manage childcare and be a serving police officer. "I urgently need to know if I will get help with childcare costs and if so when will it be? I will need to resign from my new job to stay at home to look after my daughter if I won't get any support. Please can someone advise me as soon as possible so that I can make alternative arrangements."

By that time I had already spent a large chunk of the small amount of savings that I had made for any costs that were upcoming when I had my little girl. I was basically told at that point that the invoice that I had submitted would be split into two, because of the assessment dates. We will probably come on to the assessment dates later on and how they are completely not in line with how we work from the 1st to the end of the month. Basically they were going to work out 85% of my invoice based on the 1st of the month to the 23rd, so I would get that portion one month and the next portion the other month. There was no way you could work it out yourself based on how they do it. I do not know why it works like that.

On 24 January—by this time I had received some of the childcare award towards my £700-plus cost—I said, "Hello. Please can you explain why I only get £91 towards my childcare costs? I've paid over £700 for childcare, and I thought I was going to get more help with it. I've now got to pay nearer £800 for February and just can't afford to do that with this month's payment. I really need to know as I can't continue working and paying for childcare if I won't get any help. It is making me really anxious. I do appreciate the help, but I was just told I would get more help with childcare." It makes me sad to read this, because if I have gone through this there will be thousands of other parents that have also gone through this and just think that there is no help out there and the explanations are not there for people going back to work.

Anyway, my work coach reported back to me and said, "I think your date reporting went a bit wrong." I beg to differ. My invoices for childcare are from the first of the month to the last of the month, but obviously they work it out differently. That work coach had a look at it and gave me an explanation.

My next comment is, I think because I was so humiliated at having to beg for help I have gone in to explain the situation and how I ended up being a single parent, which also makes me sad—that I feel I had to explain that over a computer to someone who probably was not interested in hearing that. Then I say, "I have got a new invoice for £787.50 to cover February's childcare so need to find that money to pay



that up front but I think I'll have to look into working one day less to reduce childcare costs. I never expected them to be that high." On 25 June, so this was a few months down the line when I had been in the childcare system for a little while—

Q51 Chair: Sorry, Gemma. Somehow you managed to pay that, clearly, so you did stay in your job?

Gemma Widdowfield: Yes. I had a life before I had my daughter so I had credit cards, and I have talked about this before. I live on credit cards, so fuel costs that I can put on a credit card, that is how I paid it. All the money that I had in my savings, which was not a lot—I became a single parent when I was pregnant unexpectedly, so all my savings had gone on that and I was living on credit cards, and that is just how I came to survive, really.

In June, you can see here that it was still an issue and I have emailed the work coach to say, "Please could you give me some advice. I've been successful in getting a new job which has a higher wage" because the job that I had joined after the police was minimum wage. I do not even know how I coped on that, it was just minimal wage and paying childcare. I do not know how anyone does it. "I'll hopefully be needing less childcare hours. My childcare bill for July is £902.50 and my Universal Credit award will just cover that"—because at that time I was getting a child element of Universal Credit as well. There are different elements to it. "But I am so concerned that my wage won't cover my house and bills for that month. There will be a couple of weeks that I'm not working before starting my new job. Please can you advise me if I'm eligible for an advance or any help with money". I have put that there basically, and I was told, "Hello Gemma. Sorry, there are no advance payments available for you at the moment and we'll keep your claim open." That is all. It is very impersonal, but I think you can see how panicked I was and just completely did not understand at all.

While I am here, if I look at that bill of £902.50—85% of £902.50 is £767.13, but obviously we know there is a cap. The cap is £120 less than the 85%, so in fact that month I had to find an extra £256.15 to pay on top of the cap, which in my case is just under a quarter of my earnings. Even with that 85% cost for a low-income family or a single parent, it is still not enough to help them work. It is a constant struggle.

Q52 Chair: Did anyone mention the flexible support fund to you?

Gemma Widdowfield: Not at that point, no. I had never heard of it. Later on down the line I did hear about it, but it was not something that they could help me with.

Q53 Siobhan Baillie: Thanks for coming in. It is lovely to see you again. I think a couple of you have touched on this already but, Vikki, you were saying that you had to borrow when the costs up front became a reality and you had to beg borrow and steal from friends and family, and then it



took you months and months to pay that back so you were in debt at that point. Given the nature of it—it is up front and we understand that Universal Credit will pay you back—if you are willing to do so can you give us a little bit of understanding about how you managed the administration of reclaiming the childcare costs, how it comes in and how you were not able to pay family back in a lump sum so that was dealt with and then you could move on with your payments? I think that would be helpful to understand.

Vikki Waterman: Yes. The childcare element is added to your overall Universal Credit award anyway, and then deductions based on your earnings are made from that. No matter whether it is 85%, cap or not, regardless of what the amount is that they put into that, they make huge deductions based on your earnings anyway so it is never the full amount. It is never really anywhere near the full amount.

Q54 **Siobhan Baillie:** Would it be itemised as, “This is the childcare payment”?

Vikki Waterman: The childcare element is itemised on the Universal Credit award. However, everything is then added up in one figure at the bottom and it says, “Your Universal Credit award is this much, however we are then going to make these deductions based on your earnings” and that could be anywhere between £500 and £1,500 depending on how much somebody earns in the month prior, or the assessment period prior, which is the issue that Gemma has just touched on.

It is based on the date that you initially apply for Universal Credit and then that is your set assessment period. For example, mine would run from the 22nd of one month to the 21st of the next. Now, I do not get paid from the 22nd of one month to the 21st of the next. I get paid from the 1st to the end. Childcare runs from the 1st to the end. When they are taking the amount of childcare and they are saying, “This is based on the amount of days in your assessment period and then we are going to divide it by the amount of days and then times it by the amount of days that you are claiming for”, it is just overly complicated and very difficult to understand.

We have been campaigning on this issue, me personally, since mid-2018 and it is getting on for four years now. I still do not fully understand the system and, believe me, I have tried. It is very complicated and very difficult, so when I am getting that award back as well as my wages I am still paying bills, rent and then my next month’s childcare and then I still have nothing left, especially if it is the six-week holidays, half-term or anything like that. When my oldest child was entitled to free hours, and then when she went to school and my youngest child was then entitled to free hours, it does not really make any difference, because you still have to put away money. You know that the following week is half-term, so your childcare bill for that month is going to be higher than it would have been if they had the free hours available, because they are only available in term time.



There is that constant fluctuation. It is trying to budget with that huge fluctuation and it is up to £1,000-plus in fluctuation in costs from one month to the next, depending on term time or not term time.

Q55 **Siobhan Baillie:** Your maths skills are better than mine. Nichola, is that your experience as well? Have you had any experience of inaccurate payments coming in and having to challenge, and having successfully challenged?

Nichola Salvato: As Gemma and Vikki explained—exactly the same reason. My assessment period is from the 7th to the 6th. Obviously my salary and everything else is beginning to end of the month. They calculate by how many days of childcare fell within this assessment period, so even though you are paying for that full month, anything that does not fit within the Universal Credit dates does not get included in this assessment period. They are pushed on to the next period, so you are potentially waiting three months. You might have paid £1,000, which you could ill afford, and it is three months before you get the final piece of that back, so you are in a position where you are getting things like £90 when you have paid £600.

That £90, according to the DWP, is what you are supposed to pay your next month with. The DWP seems to think that you get on an even keel really quickly, but even without holidays and breaks in the school year, where prices increase, you get situations like that, where you pay £600 but because of where your assessment period falls only a certain amount of that is included in this assessment period. You get £90 back and that is supposed to pay then for the next £600 for the following month, and you are always on a back foot. Before there is even half a chance of catching up in any way you are then hit with a half-term or a summer holiday or something like that, so exactly the same as Gemma.

I think all of that is really difficult to understand, so your immediate reaction when you see £83 for childcare costs listed on your payment is, "What has gone wrong there, because I thought it was up to 85%?" The way that they calculate it is so complicated and it is impossible to see at a glance whether you have been paid correctly, so then you have to go back to them and no doubt take up a lot of their time in administration. They are trying to explain to you and I do not believe that they fully understand it either. It is not the work coach; it is a case manager that will be making these calculations or looking into your thing, so the frontline person is limited in what they can say to you and what they can explain to you because they do not really understand. That is passed on to the case manager.

If you can understand the calculation and which days they include, you can eventually work it out, but you really have to be—I am a welfare rights adviser, so I can do a calculation, but it is still challenging to work out, "Well, what have they done there and what have they done there?"



There is no right of appeal for the childcare costs, but what I have done is complained that this is not right, and I think it was to do with the way that the system worked, so there are various processes you need to go through to claim your childcare costs. You need to declare your costs. You need to declare when your costs arose—which days of childcare they are for. Then you need to prove that you have paid them. There are various elements in the process and for some reason the system did not trigger one of the elements for me to go through, so I did not ever provide whatever it was and I did not realise that something was outstanding, but nobody said, “Such and such is outstanding.” I think it was even two months down the line because I thought, “Oh, well, they must have shoved that on to the next period” before I said, “What is going on?” by which point they say, “Oh, well, it is too late now because, first of all, you did not do it properly and then even if you do it properly now it is too late because you have to have paid within a certain amount of days of your declaration of the costs.” Every step of the way there are barriers.

Q56 Siobhan Baillie: Gemma, you have already touched on quite a lot of that, but you wanted to say something about the assessment period. How do they decide on assessment dates and is that explained to you?

Gemma Widdowfield: Yes. I applied for Universal Credit too early, because I applied when I was still working for the police. I was on maternity leave and I was still earning a good wage then, so my case was opened and then closed, but little did I know that my future assessment dates would be based on the day that I applied for it. I cannot remember what day it is, but my assessment period is from the 24th of the month to the 23rd of the month. In the summer holidays my childminder, who is fabulous, rightly has a couple of weeks’ holiday. My childcare fee for the summer holidays, that month, is lower. I put in all the evidence they asked for, but because the invoice is split into two I will receive a lower childcare element for the next month and the next month also.

Does that make sense? My childcare bills will be more because it will be for the whole month. It is hard to explain it and we have only just got our heads around it really, but you might get a lower payment for Christmas, for example, because your child carer might have a break, but you will be feeling that for the next couple of months—you will be receiving less.

Q57 Siobhan Baillie: It is almost a shame for the Department and for the job coaches because if across a whole year they are making the correct payments and it all works out with the weird and wonderful calculations, whatever, the perception and your feeling and the panic that you have to go through every month is, “This is a complete disaster” and that you are not getting the right money and, “They are miscalculating”.

I think we have already talked quite a lot about how easy it is to find information and the lack of information about flexible support that you all received, and then it was not helpful in the end. Is there anything you want to say generally and briefly about how easy it is to find information



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about what support is available? I think you were all coaxed in by the 85% strapline basically. Was the information out there when you started to look?

Gemma Widdowfield: It was too late. By the time I had gone back to work I had already decided my working hours, and by the time I realised that I was not going to get what I thought I would get by way of support, it was too late. At the moment you must work in a job for 26 weeks before you can apply for flexible working, which also needs to be changed, so it is really hard. It is not very professional either, when you start a job and then you have to look at changing your hours or resigning because of childcare. We are all professional people and we want to work. This childcare element of Universal Credit is sometimes a matter of us working or not working. There is a fine line that we have to get the balance between—if it is working that many hours or not. It should not be like that. Work should pay and we all do want to work.

Q58 **Siobhan Baillie:** My final question—sorry you have had me for quite a while—is about how childcare costs have affected your opportunities for getting a job or progressing in your career. I will come to Nichola first, because you have already said that you had to take a step back. When you got your head around the model of the system were you able to step up again?

Nichola Salvato: No, because it was never going to resolve. I was always going to be in that position. Payments were always going to be split. It just was not going to be worth it for me. I was never going to get help in advance. I was always going to have to come up with that money myself. For example, I remember very shortly after starting my job a more senior role came up. I had literally been there for two weeks and my boss said to me, “I can really see you in that job” and then she said, “Oh, well, maybe do not apply now because you have only been here for two weeks” but it was obvious that they were pleased with what I was bringing to the role and that they could see me being successful in the organisation. Very quickly—exactly what you have just said, Gemma—because of my struggle with childcare, I came across as not very professional and a bit all over the place, because no sooner have I started then I am asking to reduce my hours.

They were not very happy with that and in fact they extended my probation period because during the probation period I had reduced my hours twice, which they were not happy about. They had wanted somebody full-time, so it felt like I was clinging on by the skin of my teeth, clinging on to being able to afford things or reducing my hours to make it easier for myself. Therefore, I had the general feeling that I am only just clinging on to my job because they are unhappy with me and they have made it clear that they are not going to be any more flexible. They have already reduced my hours twice and they are not going to do it again, and so I was just overwhelmed by the whole thing. By the time I had been there for a little while and settled in to reduce my childcare costs to something a little bit more manageable—still not easy but just



something a bit more doable—my self-esteem and my feeling about how my employer feels about me put me in a position where I am not going to apply for that promotion because I was not getting that vibe at the moment, so, yes, definitely.

Q59 **Siobhan Baillie:** Vikki, progression in jobs, promotions?

Vikki Waterman: I have progressed within my career in the last four years. Both of my children are in school now as well, so childcare is less of an issue for me. However, I did move my youngest child into a nursery. The way that I managed it was I moved her into a nursery that was not as good, the reviews and the Ofsted report were not as good, it was not in as good a location, there was much less outdoor space, but they allowed me to spread the cost of my childcare over the year, so that my childcare costs were the same monthly, which was a huge help. Unfortunately I had to take my youngest daughter out of an environment that she absolutely loved and put her in one that she did not love for quite a while, just to allow me to have that consistency with what was coming into the household.

Like I said, I have progressed in my career since that point, thankfully. The issue that I had was I am entitled to a three-monthly bonus within my role and I was unable to take that bonus because it would have affected my Universal Credit award for the following month, and therefore would not have allowed me to have paid my childcare costs. I would not have had enough money for childcare if I had received a bonus, so everybody else got theirs and mine was paid to my pension instead, so that was a bit of a kick in the teeth.

Gemma Widdowfield: I was thinking about an example similar to Vikki's when last year my work had not paid me the increment that I was owed, so they gave it to me in a lump sum of a few hundred pounds, which usually people would be ecstatic about. I, on the other hand, emailed the payroll department to say, "Please don't pay me this because it is going to mess up my childcare", but obviously people do not get it if they do not use the system. I got paid for that in a lump sum and then you end up getting less help with childcare, so that money goes all on the childcare. It is a really stressful thing.

I am motivated by money, so when I was not earning enough to afford the things that I was having to pay out for, like childcare, I got a job that was better paid. That is not always something that people can do. People work really hard and earn the minimum wage. Just because you are on the minimum wage does not mean that you do not work hard. For me, I was able to get a better paid job, which has helped me with the financial elements but it is not appropriate for everyone to do that.

Q60 **Siobhan Baillie:** Do you feel that you could not go back into the police with this situation and the childcare arrangements?



Gemma Widdowfield: No. I have thought about it and your job as well is one that you cannot just leave during the middle of something and say, "It is 6 pm, I have to go now". The same with the police—if you arrest someone you cannot just go home, and childcare does not really work outside of office hours. My parents are young and they still work, so I do not have the childcare support that some people are lucky enough to have. I could not go back there, not for the foreseeable future anyway.

Q61 **Selaine Saxby:** Thank you all for coming. Have you been affected by the childcare cap, and if so, how?

Gemma Widdowfield: I spoke a little bit about that, and showed you an example of just how much you have to pay on top. The thing that gets me, because we speak to a lot of different parents, is that the cap is £646.35 and that is across the country. Childcare costs do fluctuate across the country. I know that we speak to people who have paid childcare costs in London, which are sometimes double what we have paid, but the cap is still the same. The cap has not moved up for several years either. My experience, I have already explained to you about how much you are expected to pay on top of the cap, but I do not know if Vikki has had experience with it.

Vikki Waterman: I live in the north-east, so childcare is much less than it would be for Nichola, for example, so it has not affected me as much. I recognise it has affected them in a huge way and, like I said, it is not regional. For example, the housing element of Universal Credit is based on the local authority and things like that, so that has changed regionally, whereas the childcare element is not at all. In some places the childcare is double what I would be paying, for example, and yet the cap remains the same.

Nichola Salvato: It does not reflect the cost in the area. I only have one daughter and I have been totally impacted by the cap. The payment from what I remember was £1,700 over the summer holidays and I think in two separate payments I got a total of £400 for that. To be perfectly honest, by that point I was so over the whole thing it was just like, "Yes, I know this is not going to work".

Q62 **Selaine Saxby:** Can I ask a slightly different question? Sitting listening and with your experience of campaigning and speaking to other mums in this area, what do you think the solutions are?

Gemma Widdowfield: Childcare costs need to be paid up front. I know that that is not just an administration change that needs to be made, although it might seem like it to us, but I know that the people who run the service might say differently. Yes, certainly it would help with costs up front. Also we think that the childcare element should be a standalone element, because like Vikki has already said, you get told what you could get for the childcare but then the deductions are made based on what you earn. It never is the whole £646, if that is what you are entitled to, so that needs to be a standalone element as well.



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Vikki Waterman: I do think as well there needs to be a dedicated childcare team within the Universal Credit department, instead of calling them up and it being passed around here and there. There is nobody that is really dedicated to the childcare element of it, and I feel like that is very important. They should have more of an inside knowledge of childcare overall, so when you are calling them you can get put through to that specific team and they will be more aware of the issues.

Q63 **Selaine Saxby:** Are absent parents playing their part in any of this?

Gemma Widdowfield: Universal Credit does not take into consideration any payments that are made by the other parent. The Child Maintenance Service deals with that, so some parents might receive payments from the other parent and other parents not receive anything. Universal Credit does not take any of that into consideration.

Nichola Salvato: I think that there is no reason why childcare support from the state needs to be provided through Universal Credit. There are other systems that already exist, that are free at the point of use or free, because it seems that they are not free. Depending on the age of your child you can have so many free hours, and then there is the tax-free system and there used to be the voucher system. There are various other systems and I understand that they are not all perfect, but I do not think there is any particular reason that childcare needs to be provided through Universal Credit and I do not think it is useful that it is. I think it is a matter of infrastructure. It is not a benefit; it is a matter of infrastructure to enable women or people with caring responsibilities to be in the workplace.

Gemma Widdowfield: Also I saw that the Secretary of State spoke to you a few weeks ago now. I watched that and was very interested in that. It was sad to see that she said it was not their intention to change the policy of payment up front at the moment. Also she made a comment about childcare suppliers wanting you to pay before you receive the service, but a lot of businesses you tend to pay when you get the service. We must remember that childcare are businesses as well, and they are looking after our children and raising the future politicians. The costs that we pay are not passed on to early years at all. It is really underfunded, and I would love to speak to the Secretary of State and explain to her that as parents now who are going through childcare, we need to look after our childcare providers. My childminder is excellent and I am not complaining about the cost at all from what she invoices me. Childcare is a business as well. I found it a bit ironic that the Secretary of State seemed to think that you should get invoiced in arrears when that is not how a childcare business works.

Another thing that needs to be changed is how they do the dates of an invoice, because to ask a childcare business to invoice you on the random dates that we have, the assessment dates, is not something that they are going to do. A normal invoice is from the first of the month to the last of the month and that is how they should look at childcare.



One more thing before I forget: I do not know if it is going to come up in any of your questions, but when it comes to childcare the DWP puts a lot of attention on fraud, which personally I find quite offensive. We are working parents and this childcare is so that we can work. When you provide evidence for your housing costs you provide a copy of a tenancy agreement that could easily be doctored. When you supply evidence for childcare you provide an Ofsted number. Ofsted is a government body. If there were any issues about fraud, surely the DWP could make an easy inquiry with the Government body, Ofsted—you have that number—just to make sure that payments are being paid the correct way. I think they are using fraud as an excuse to not pay these costs up front.

Nichola Salvato: I would add to that there is a system existing within Universal Credit where there is such a thing as a trusted landlord. It would seem, especially since these organisations are Ofsted inspected and registered with a Government body, that it would be quite easy to establish a similar trusted childcare provider that could work in a way similar to the trusted landlord system, where payments are either made direct or there is a confirmation so it is all digital and it would prevent any discrepancies or fraud entirely.

I think one of the previous Select Committee inquiries had a recommendation in the end that they thought childcare provision should be outside of the Universal Credit system. I think that would be the way forward.

Q64 **Selaine Saxby:** Vikki, did you have anything you want to add before I hand back?

Vikki Waterman: Yes. I think there needs to be more ownership from everybody about the childcare element of Universal Credit. There was a statistic recently that 22% of working mums—single working mums in particular—do not go back into work at all after they have had children because of the childcare costs. Lone parent families are more susceptible to poverty anyway, and we know that this pushes parents into poverty. We have been there ourselves, over the last four or five years for me, so yes, we need to look at this now. This is the third time I have been here and discussed the same thing; this is the third time I have taken time off work to come down and it is time away from my children. It is about time we sorted this out. We were talking about this yesterday. It breaks my heart that there are people going to the Jobcentre applying for jobs and then looking at childcare. They have become single parents and have young children and they are thinking, “The cost of living is rising, I am really struggling, I am going to get back to work” and then they realise that they are going to get hit with this childcare bill and they have no idea that this is coming. We had no idea and it breaks my heart that they are still in the position that we were four years ago. It needs a resolution.

Nichola Salvato: Definitely, as a caseworker and welfare rights adviser, I have had clients say to me directly, “There is no way I can go back to work because I cannot afford that. Childcare will be £500.” They have



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looked into it and have said flatly, “No, I am not going back. I cannot do that.”

Selaine Saxby: Thank you. Sorry to cut you off.

Q65 **Debbie Abrahams:** Thank you. Good morning, everyone, and thanks. It is lovely to see some of you again. I have not seen Nichola before, but it is nice to see Vikki and Gemma again.

Vikki, I know you touched earlier on the complexity around reductions and how that impacts on childcare costs. Could you go into a bit of detail on exactly how it adds to the difficulty and how it impacts on childcare?

Vikki Waterman: Yes. I can go into it generally, but it is quite difficult to go into detail because I am still not 100% sure that I understand every element of it anyway, to be honest.

When we see the Universal Credit award, it will be broken down into a housing element, and, if you have two children, this is your award for two children—this is your childcare award. Then it will be all added up and they will say, “You have earned this much in your assessment period and so we will now deduct”—it used to be 63 pence in every pound—“from your actual award anyway and then this is how much you are left with.” As I said, that goes on monthly. If you have already submitted your childcare invoice anyway and have uploaded everything you need to upload, sometimes you have to ring them and make sure they have the right figures.

I have had to do that monthly because it was all over the place. You are confident that everything is there and then this all comes through. You will get this childcare element, which will be less than 85% of that anyway, and then they make further deductions based on what you have earned. Then your next childcare invoice comes in and you have to pay much higher than what you have actually been awarded in the childcare element to cover the next month’s costs. If, for example, it was 85%, which it is actually not—it is less once they have made deductions—you constantly find that extra percentage to put towards that. Then you send the next invoice in and you give them that.

There are parents who we work with who can work for only so many hours depending on how much childcare they can afford in that month. If she is working 15% fewer hours to make up that 85% the following month and then she gets only 85% of that to claim back, she is working 30% fewer hours than she was two months ago. This is how it is pushing people out of work. Factor into that as well, like I said, the term time childcare hours.

There are also the free childcare hours. Children do not get that until they are three or four years old. In the period of time prior to that, yes, you will not have as much fluctuation because the childcare hours are not affecting it. The Universal Credit childcare element is not covering all of



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the hours because you have those childcare hours free. But what will happen is, prior to that, you have these huge bills monthly and you can never fully catch up. You really can't.

It is so difficult. I have only just been able to catch up in September because that was when my youngest child started school. It has been three and a half years of such a long slog with childcare.

Q66 Debbie Abrahams: Has that put you into debt?

Vikki Waterman: Yes, that has put me into debt a lot. There were weeks back when my youngest was smaller because her childcare was higher than I would pay all of my bills and have barely anything left. I would get food in and stuff for the children. I have said this before here. Somebody had said in one of the Committee hearings a while ago, "There was always cereal". That struck a chord with me because that is the way that we have to think. You have a bowl of cereal for your tea, you have a bowl of cereal the next morning, you go to work all day, and then you come back and do the same again because there is nothing left. There is no money left for anything else. Anything that you have is going on the children and even then it is the bare minimum. Luckily, I am in a better place now, but there are people who are at the very beginning of this journey and that is heart-breaking.

Q67 Debbie Abrahams: Thanks, Vikki. Nichola, is there anything you want to add to that?

Nichola Salvato: Yes. I have been in that position and it is heart-breaking when you are working hard and you are a single parent—sorry.

Q68 Debbie Abrahams: Take your time. Gemma, what about you?

Gemma Widdowfield: Yes, this really motivates me because it does need to change. Like Vikki said, we have been talking about this for a long time now but the people who have the power to change this do not seem to want to engage with us. It would be helpful. You today are listening to us and taking on board what we say, and we do appreciate being heard, but ultimately the people who can make the changes need to listen to us. You will be aware that there are judicial proceedings going on at the moment, but we know that this childcare element to Universal Credit disproportionately affects women because ultimately—and this is something that we cannot change—childcare generally falls to the woman to arrange in a two-parent family and in a single-parent family. This does motivate me. It needs to change. We want to work and our children should be receiving the best childcare that we can get. As I say, the early years are massively underfunded as well. Perhaps the Government need to look into that also.

Debbie Abrahams: Thank you for that. You have been absolutely wonderful. Thank you for sharing. I feel for you, I really do. Thank you.



Nichola Salvato: I had a bit of an insight into the DWP and Universal Credit because I was involved for Citizens Advice at the roll-out of Universal Credit. I was taking part in some of the workshops at Caxton House as a representative of Universal Credit. I found it interesting that I do know that the DWP has had a low take-up of the childcare costs element of Universal Credit. The DWP recognises that there must be some difficulties with it. I know that because they asked, when I worked for Citizens Advice, "As a frontline worker, what is your insight into why that might be?" It is frustrating to then be saying, "Okay, it is because of this, this and this", and there is just a point-blank refusal to address it at all. That is frustrating.

Debbie Abrahams: We have all heard.

Q69 **Sir Desmond Swayne:** Vikki, you intimated earlier that you had changed your childcare provider to find something a bit cheaper. I want to know if that is a general experience, that you have to accept childcare that you know to be substandard? Can you share that experience with us?

Vikki Waterman: Yes. It was not necessarily cheaper but they allowed me to pay my invoices in a different way. Instead of having the fluctuation of costs, as I have explained, they took my yearly childcare bills, effectively, and they divided them by 12, so my childcare award was exactly the same monthly. That meant that everything coming into my household was about the same monthly. It allowed me to budget much more easily.

Yes, it is a huge issue and a lot of parents do put their children into childcare providers that they know are not as good as other providers. Childcare providers are amazing. They all do such a good job and this is nothing about them at all, but some of them are better than others. Some of them have better resources than others. If this one either is cheaper or allows you to have that consistency in your finances to pay your bills in a different way, yes, that is the one that you will be forced to go with, unfortunately.

Nichola Salvato: I had a similar situation in that my daughter was not particularly happy with her childcare provider, probably because she was there so much of the time and she was bored. I wanted to mix it up for her and give her the opportunity to do some other things like an art club. But because of the nature of the rules of what is acceptable as a registered provider, I was not able to do that. I was only able to give her what she was already getting, which she was not particularly happy with. I do not know that that is necessarily about Universal Credit per se, but it is about the rules around what is considered registered. They were registered as some kind of provider but not what was needed, so she was not able to do that.

Gemma Widdowfield: We have talked about these funded hours but not all childcare providers take the funded hours, and rightly so because, say



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they charge a rate of £5 an hour, the Government give £4.05. That might be an old figure but the Government pay them less. A lot of childcare providers do not take the funded hours.

I made a decision to put my little girl into a preschool that did take funded hours a lot earlier than I would have liked to just to save a little bit of money on childcare. She was two and she hated it. In hindsight maybe that was not the best decision, but that was the decision I made to try to save a little bit of money on childcare. Ultimately, my little girl goes to a childminder and that is where my childcare costs come from.

Yes, with the funded hours, people think, "Great", when they hit three or four—or two in some cases—then they get the funded hours, but that is not actually the case.

Q70 Sir Desmond Swayne: With the cost of living increasing, what do you anticipate with respect to your childcare costs and how you will manage them both? Other things will be costing more but equally because the childcare costs are likely to increase, I would have thought, simply as a consequence of inflation elsewhere?

Gemma Widdowfield: Yes, mine certainly are and, again, rightly so. We are all in the midst of a cost-of-living crisis. We all feel the pinch. My childcare is going up slightly but the Universal Credit cap is not going up. I have not seen anything to suggest that it will go up either. Childcare has increased costs for heating, food and so on, so it is only right that they do put the costs up and, again, that will be passed on to us and, ultimately, to Universal Credit. That needs to be looked at as well. Universal Credit has not risen in many years even though the cost of living rises every single year. It is outdated with all the figures that they have.

Nichola Salvato: I have taken myself outside of needing childcare. I have reduced my hours so that I do not have to engage with it.

Vikki Waterman: My two girls are both at school now, apart from the school breakfast club, which I do not count towards anything to do with childcare. There was a huge sigh of relief in September when my youngest started school that I did not have to engage with the childcare element any more. That is awful because I kind of wished her life away to that point because I knew that it would be so much easier, which it is, yes.

Q71 Nigel Mills: Can I ask a semi-philosophical question? When you had very young children, would your preference have been for Universal Credit to be a bit higher so that you did not have to work, or were you so keen to go back to work that you wanted the childcare?

Gemma Widdowfield: That was never a question for me. I have worked since I was 16. I would always go back to work. I want to pass on good ethics to my little girl. For my own sanity and mental health as well, I need to work. There is absolutely no question. I would always work.



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Under Universal Credit, you are not expected to go back to work until your child hits five. I am pretty sure that was explained to me at the time. But, no, I would always have worked.

Nichola Salvato: I was married at the time, so Universal Credit was not even on the radar. When my employer would not accept my flexible working request, I did not go back to work because I was not ready to leave my daughter. I definitely wanted to be around. I wanted to work but I wanted to work less than I was. But that was not a reliance on Universal Credit because I was married then and we had enough money coming into the family to make that a viable option for us at the time—it was only later on separating, by which point I had already gone back to work. Yes, definitely, for me, it was nice to be at home in those early years. I do feel for people who are single at the time that they are having their children and are not in a position to make that choice to be around for their one-year-old if they want. Obviously not everybody feels that way.

Vikki Waterman: My youngest daughter was one when I went back to work and she was ready to go into some type of childcare provider and have that interaction. My oldest daughter was three at the time and she loved nursery. It contributed massively to her education and all of that kind of stuff. Not only that—it is so difficult to be 24/7 with two young children. I adore my job. I absolutely love it. There was never a question for me not to go back to work.

In the beginning, I would have been better off not working, and that is an absolute fact. I would have been better off financially if I hadn't worked, but I chose to stick with it even though I was financially worse off. I think it was about £50 to £80 a month—something like that at the time—to be able to get my foot in the door back in the workplace and then since progress in that workplace, which is what I have done, but it has been a long slog.

Q72 **Nigel Mills:** I think one of your suggestions as a panel was to take the childcare element out of UC so that it doesn't taper. The consequence of that, of course, is there would be a real cliff edge at a level of earnings that got a bonus and it tipped you over a line and all of a sudden you went from getting childcare completely to zero. UC has been designed to try to stop putting those cliff edges in the system. Do you think that is just a cliff edge where it is worth having the risk, as it would be presumably somewhere in the £30,000 or £40,000s so it wouldn't be a problem for many people?

Gemma Widdowfield: I don't know exactly how they would do it. That would be something for the DWP to look at, what process it could put in place to stop that from happening, but I just know that something does need to be changed. It would have to pinpoint in the actual process because obviously we don't want to make it worse for people, but the way it is now just doesn't work for working parents, low-income families and single parents as well.



Nichola Salvato: I would like to say that free hours that people are entitled to are not means-tested. There is a belief at some point that at a certain age it is beneficial for the economy and for families to have access to childcare that is not means-tested or dependent on whether you are high or low income. Therefore, is it an enormous stretch to come to a belief that is that something that could be brought beyond that fixed age group, where it is deemed as being a benefit and childcare is just a fixed provision? I know that that does exist in some countries. I know what we currently pay out of our economic spending on the provision of childcare compares really badly to other parts of northern Europe. Even places like Spain, we compare really badly to.

Yes, I know that the idea of, “Well, does there have to be a cliff edge?”—there is a sort of belief at some point that it is a good idea for children and families to have access to that. Is it that much of a stretch to think for children, full stop, that is a good idea, and not just for children, but for the economy and for families with children outside of that age bracket? That is my comment to that.

Q73 **Nigel Mills:** I think one suggestion at a previous session was whether the tax-free childcare account—which is not the world’s most simple system to have to engage with either—is a better model, and that somehow the UC childcare should end up in an account like that and then you can just pay the invoices and your money gets topped up and whatever else. Is that something you would find remotely attractive or is that just replacing one cumbersome clunky system with a slightly different one?

Nichola Salvato: It would to me—purely because it is paid in advance, so you make your contribution and the state makes its contribution. It is kind of an account and the state is making its contribution before. You don’t have to front it and any system that works in that way would, to me, be better.

Gemma Widdowfield: I have not had any involvement in that system and don’t know how it works, but if that is what you are saying it is like, I would be interested in having a look at that because any way we can get help with up-front costs would be beneficial.

Vikki Waterman: Yes, absolutely. Anything that is going to be up front and then allow you to pay on the dates that you need to pay it and it is already there is going to be hugely beneficial for anybody that is struggling with childcare costs.

Q74 **Chair:** Thank you very much. Vikki, a minute ago you said that you were sure that you were worse off for going back to work than if you had stayed out of work. Of course the whole point of Universal Credit was to try to make sure you were always better off if you were in work than out of work. How do you know? How are you so certain that you would have been better off if you were out of work? Is it because of the childcare issue that you reached that conclusion?



Vikki Waterman: Yes. It is based on calculations that I have done frequently, from campaigning, and going over all of my finances and stuff, way back when I first started campaigning. As soon as you get all of these invoices and things and you go through it and then you are part of the system, you are thinking, "There is something not quite right here. This can't be right. How is this the case?" and then getting involved with the campaign and going, "This is how it works and this is why we are campaigning to change it". Yes, it is something that I have looked at previously, looking at my payslips and offsetting between everything else.

But yes, it was the childcare that pushed it over the edge because at the time when I first went back to work, I was working as a part-time receptionist in a dental surgery, but my childcare was £1,400 for two children and I was not getting anywhere near that amount back to then be able to pay the childcare. That is how I was sure that I was worse off.

Chair: Thank you all very much indeed. You have answered all our questions very fully and helpfully and given us lots to think about. As you say, the points you have been making are not new points, so we will want to weigh the points very carefully in making our recommendations to the Government in a few months' time. Thank you all very much for being willing to join us. Thanks again, we are very grateful.

Examination of witnesses

Witnesses: Aria Babu, Annabel Denham and Gavin Rice.

Q75 **Chair:** Thank you, everybody, for joining us for our second panel. I am going to ask each of you to tell us in one sentence who you are and then we have some questions for you, as you will anticipate. I will start with Aria.

Aria Babu: Hello. I am Head of the Female Founders Forum and a Senior Researcher at The Entrepreneurs Network. I am particularly interested in how we can make it easier for women to work via the childcare system.

Annabel Denham: Hi. I am Director of Communications at the Institute of Economic Affairs.

Gavin Rice: Hello. I am Policy Director at the Centre for Social Justice think-tank.

Q76 **Chair:** I will put the first question to each of you. Do you think the current approach to funding childcare for working parents through Universal Credit represents good value for taxpayers as things stand?

Aria Babu: I think it probably is quite cheap, so in that sense it is good value because it doesn't cost the Government very much money. However, as discussed in the most recent session, I think it means that lots of women don't work as much as they otherwise would. I think in 2019 the DFE did a survey about how many women were reporting that



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they would prefer to work and that childcare costs were the thing that was prohibiting them. It then means that the Government are losing out on lots of revenue because people are paying less income tax. I think on balance it probably does not represent good value for money for the taxpayer currently.

Annabel Denham: No, I don't think it does represent good value, the cost to the taxpayer. I believe it is around £6 billion a year, but that is not factoring in the very high out-of-pocket cost to parents. There was a report from 2016, which is getting a little old now, that provided estimates for hypothetical families, suggesting that the annual cost of a part-time nursery place for a child under two was £117 a week or over £6,000 a year. There is a problem with there being a lot of dead-weight costs. The Government are providing subsidies to parents who would pay anyway, who could afford to pay anyway, but there is nothing for groups who are less likely to take up that offer.

On the point that Aria made, I think we need to be a little wary of confusing GDP with general economic welfare. As far as possible, the Government should surely be trying to facilitate free action in the economic sphere so that people can achieve their own objectives, unless there is clear damage to others from their choices. Free decisions may include not working as much as full-time or not working as productively as they might otherwise. I will respond to that point, but broadly say that I don't think that childcare currently is providing good value to the taxpayer and certainly not to parents either.

Gavin Rice: I certainly concur with some of the things that Annabel was saying. We spend between £5 billion and £6 billion a year on childcare subsidies, with parents paying as much as a third of their income privately as well to cover childcare costs. That is significantly higher than in comparable countries. Sweden and Spain are good examples, where families tend to pay a much lower percentage, perhaps just 4% or 5% privately towards childcare costs.

There is a real question here of whether we are getting value for money in the distribution of funding and who it goes to. The UK spends a significant amount of public money funding childcare costs for middle and higher-income households and does not focus its funding on lower-income households. The percentage to which we focus that spending on lower-income households—working ones—has declined from 45% in 2007 to around 17% now. We spend only about 27% of total funding on lower-income households, whether you categorise them as working or not.

In the meantime, the maximum household income that you can have and still qualify for tax-free childcare and for the 30-hour extended entitlement outside of the Universal Credit system is as high as £200,000 a year, while at the same time within the Universal Credit system we are seeing parents on low incomes who are working, who are struggling, who



would like to work or progress within work or take on more hours and are facing significant financial hurdles in their ability to do so.

I agree with what Annabel said about choice, but I think what we are seeing is that there are plenty of parents who would like to take on more hours than they currently can who are in receipt of UC, but because of the structure of the system, the fact that the taper remains and the fact that they don't have their childcare costs fully covered, they are facing extremely high effective marginal tax rates and huge disincentives to take on more hours.

Q77 Chair: Thank you. Annabel, you wrote an article a few months ago on this subject. You made the point that more state interference makes childcare more expensive. What changes would you like to make childcare more affordable for families on Universal Credit?

Annabel Denham: The problem that we have had over the last three decades or so is increasing interference in the childcare sector, and this formalisation and increase in regulation has had a significant and foreseeable impact on childcare costs. To give some examples of this, which I am sure you are already very familiar with, we have teacher-child ratios here in the UK that are stricter than other western European nations, some of which have no teacher-child ratios in place at all. That obviously forces nurseries to take on more staff than they might otherwise need. Childminders in the UK face regulations on the number of children that they can cater for, with a maximum of six under the age of eight years, three of whom can be young children and only one can be under 12 months old.

We know from quite robust evidence in the US that staff-child ratios and qualification requirements, which of course vary enormously between states and regions, have a big impact on prices. One study found that increasing the staff-child ratio by one child across all age groups could reduce prices by between 9% and 20%, or between 2% and 5% when examining four-year-olds only. Here in the UK there are also some qualification requirements. Again, evidence from the US suggested that requiring lead teachers to have a high school diploma is associated with an increase in the cost of childcare of between 22% and 46%. Here in the UK we also have the early years foundation stage, which is an overly prescriptive, costly piece of bureaucracy that nurseries are required to adhere to. That, as I say, also drives up costs to providers.

Your first question was about whether childcare offers value for money, and I said no. I think that a big problem we have in the UK is that we are spending a lot of money every year on childcare subsidies, which are pumping up demand, but we are also enforcing a lot of regulations that are driving up costs.

Q78 Chair: Gavin, are you able to shed any light on comparisons with other countries? On the one hand, you are making the point that childcare is expensive in the UK. Other witnesses have said to us that, to quote one



witness, "The UK spends less than 0.1% of GDP on childcare, the second lowest investment in the OECD". Are we spending a lot on childcare or are we not spending very much? What is your take on that?

Gavin Rice: The question is: what percentage of the amount that we spend goes to the households that absolutely need it most? In comparison with comparator OECD nations, we spend a disproportionate amount on subsidy for middle and higher-income families. Meanwhile, the picture for families claiming Universal Credit or on low incomes is significantly bleaker.

It is also true that other countries operate very different regulations when it comes to ratios and the childcare market. Sweden, for example, has no national minimum staff-to-pupil ratio and yet by most accounts has an extremely good quality of childcare. One thing that they do, though, is that regionally they link that to high quality provision. You can be exempt from any regulations for ratios provided that you have suppliers of high enough quality. I certainly think that is something that we could investigate in this country.

Q79 **Siobhan Baillie:** Very briefly to Annabel, thank you so much for your work at the IEA on this. Historically, I think the now Foreign Secretary looked at ratios in a previous role and it was quite unpopular with the public. Parents were worried about safety. Did you do any polling or did you look at any update on that? Is there a change of attitudes towards a reduction of ratios because of the acute pressure on cost of living and the ridiculous situation that we find ourselves in with childcare?

Annabel Denham: The cost of living crisis has yet to bite for many households. That is not to downplay the struggles that many are already experiencing and have been experiencing for many years when it comes to childcare costs. The IEA has not done any polling into attitudes toward teacher-to-child ratios. I appreciate that it is politically extremely difficult to loosen them because there are fears over child health and safety, but that is not to suggest that we should not do it.

As Gavin and I have both said, we do have evidence from overseas. We have the strictest teacher-to-child ratios in western Europe. As we have said, some countries do not have national requirements in place. There are many examples where commentators in the media—and, I expect, politicians as well—have pointed to Scandinavian nations and suggested that we ought to be trying to replicate the childcare that they have here in the UK. I do not see why we cannot apply that to loosening teacher-child ratios, though I appreciate that it is politically quite a difficult thing to row back on. You are absolutely right that the Foreign Secretary attempted to do this, or at least explored potentially doing it, a few years ago.

Q80 **Sir Desmond Swayne:** Surely, if it is an issue in the public mind, would that not be for the free market to determine? If you want higher provision, pay for it.



Annabel Denham: Absolutely. A problem that we have in the UK when it comes to childcare policy are these oft-conflicting aims. If you are interested in affordability in all likelihood you will have lower restrictions when it comes to the number of staff per child, class size, and indeed qualification requirements. There will be plenty of parents who value affordability over educational attainment for their children. That may be contingent on their specific needs and the fact that their children are perhaps going to nursery for fewer hours per week. If it is educational attainment that you are interested in, you would have a range of providers that are implementing some kind of curriculum of their own, where they have many more staff per child, smaller class sizes and perhaps a more nurturing environment. We do not seem to have any recognition of that at the moment, at least at the policy level. It is impossible for policy makers to try to guess what thousands of families need from childcare because there is enormous variation.

Q81 **Nigel Mills:** Gavin, can I ask you about an issue we have heard a lot about, including from the previous panel, which is the need for the Universal Credit childcare cost to be paid up front? Do you have any recommendations or solutions for how to fix that particular problem?

Gavin Rice: Absolutely. This is an issue that the Centre for Social Justice addressed in our 2018 report, “A Bright Start”, alongside other issues, including the percentage of childcare costs that can be recovered. We offered a couple of options within that paper, one of which was that the child element of UC should be paid automatically upon submission of an invoice taken from a provider to the DWP by the claimant, rather than them having to pay it up front and then have the money reimbursed in arrears.

Alternatively, you could envisage a system in which they simply submit an invoice to the DWP that is then paid directly. There are some precedents for that. If you look at the way the 15-hour universal entitlement is paid, which I think was mentioned in the first session, it is done in that manner by the DFE. I appreciate there are some architectural hurdles to that because of the dynamic nature of Universal Credit—people’s entitlements fluctuate monthly—but one of the solutions that we suggest in that paper to the slight risk that there may be an overpayment because of changing assessment eligibilities is that claimants could have a clause written into their claimant commitment contracts in which they agree to the repayment of any overpayments that take place as a result of changing eligibility month to month.

Broadly speaking, yes, we would like to see an up-front system to avoid the situation in which people have to lay out for huge cash liabilities and then reclaim in arrears.

Q82 **Nigel Mills:** Did you get much support from childcare providers for the idea of them invoicing the parent, the parent passing the invoice on to DWP and then, at some point, DWP getting around to paying it, which I suspect would not be quite as quickly as the way they aggressively chase



me to pay the bills owing? Almost instantly that they get around to sending them, they want them paid. It is almost unbelievable that the DWP would pay that invoice quickly, is it not?

Gavin Rice: How quickly it would be paid would be an administration of Government question rather than a policy question. I accept that resistance from the sector would probably be the chief hurdle for such a policy proposal, but you could easily envisage a system of formally registered provision of partnership with the DWP so that there would be guarantee of bill payment built into the system. As I say, there are precedents for this with the DFE in the 15-hour universal entitlement.

Another recommendation we make in that report is that the maximum percentage of childcare recovery for which claimants in UC would be eligible should be increased from 85% to 100%. That would give some extra security to childcare providers because there would be a certainty in knowing that 100% of those costs—subject to the cap, of course—would be recoverable within the Universal Credit system.

Q83 **Nigel Mills:** Coming on to the issue of direct payment to the childcare providers, the Department have been very resistant to that on housing and on childcare. I suppose there is a fair logic. How would the parent know that this month their award is enough to cover all of their childcare but next month it is only going to cover 90% of it and they will need to pay a top-up, and then the next month it will be fine again? It would be quite cumbersome. Do you have any solutions as to how we could get around that situation to enable a direct transfer of money, rather than the claimant having to get in the middle?

Gavin Rice: The situation is cumbersome as it is. Parents are already fronting childcare costs out of their own pockets and, of course, because of the monthly rhythm of UC—which is a good thing because it allows it to react to people’s changing circumstances—they may not know, particularly if they front childcare costs months in advance, which some parents do, whether their award will cover their liabilities. I totally accept that there is significant pushback from the Department on the direct payment model, though I think there is a precedent for it, as I said, with the DFE.

The compromise solution that we have suggested in our paper is that the parents get the invoice from the provider, they submit it to the DWP and that triggers the automatic payment of the childcare cost element in a manner that is separate, timing-wise and administratively, from the landing of their regular Universal Credit awards. There might be some immediate technical hitches in the implementation of such a system but I think that would be much better than the situation that we have at the moment.

Q84 **Nigel Mills:** It is interesting that you are leaping for the DFE system rather than the HMRC one. Obviously childcare providers do get paid through that model, in which parents put the money in, it is topped up



and then the money is released to the childcare provider. It seems to work and we seem to have childcare providers using that system. Would that be a different way of achieving the same thing? I suppose it would all depend on the exact timing of when DWP put in whatever the UC-calculated childcare element is, so that the parent knew how much they had to top up. It would be almost a reverse system, with the top-up from the parent rather than HMRC. That would seem to be a way of having a direct payment with some sort of check, would it not?

Gavin Rice: Yes. The HMRC model is not one that we have looked explicitly into. I know there have been some comments in the first session about whether the primary delivery model should be Universal Credit. Universal Credit, as a delivery mechanism, will be the best one that is available, precisely because the entitlement of the award is calculated monthly. As I said, in the model that we suggest, were there to be any overpayment that could be recoverable via the system, because there are already overpayment recovery mechanisms that exist within the UC architecture, that would seem to me the most straightforward way of doing this.

Q85 **Selaine Saxby:** Good morning, everyone. The maximum cap on childcare costs has not been updated since 2005 and DWP's own statistics show that 8% of all the claims for childcare exceed that cap. Do you think that cap should be updated? Additionally, given that in London the proportion of people over the cost is 23%, should we be looking for some sort of regional variation to reflect the variation in costs?

Aria Babu: I think that if we can't do the other reforms, the kinds of things that Gavin and Annabel were talking about for getting costs down, the cap should be updated. In London and the south-east where childcare is the most expensive, it seems very sensible that it should be higher. I think in 9% of local authorities it does not even stretch to cover the cost of a part-time place for a two-year-old. In those local authorities it is clear that the cap should be higher at the very least.

Gavin Rice: Yes, I certainly think, given how long ago there was an updating to the cap, it is definitely worthy of a revisit, particularly at a time when other benefits are being relinked to inflation and given the current cost of living pressures that people are experiencing. Remaining at that cap is hard to justify, although I appreciate the cost implications for the DWP. Also the percentage going up to 100% would be a very good use of money in flattening effective marginal tax rates and incentivising parents into work and to take on more work.

Very briefly on the regionalisation, as has been mentioned already to this Committee, there is a precedent for that in the form of the local housing allowance. I can see that it could get quite complex quite quickly. The question is how you index link it, whether you would do it to prices or to average incomes, but you have to remember that outgoing-to-income ratios fluctuate across the country in quite complex ways. You would have to think carefully about the way that you do that and just on



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straightforward prices may not necessarily be the best way of doing it. I will tentatively say that it could be looked into but you can imagine significant political hurdles for such a thing.

Annabel Denham: Obviously I would rather see supply side reforms than an increase to the cap. I am in two minds when it comes to the childcare element of Universal Credit. On the one hand I am in favour of it because it is supply blind, work contingent and it is a co-payment, which incentivises parents to seek value for money. On the other hand our childcare funding system as a whole is very complicated and yet still does not suit everybody's needs. I am wondering whether we ought to have something comparable to the proposed lifelong learning entitlement—something like a childcare entitlement fund where parents get a lump sum per child that could be spent on approved childcare in any way they wish. That could mean having a couple of years of full-time childcare to suit their plans or spread it out over more years. There might be an argument for tapering that. You can make the fund larger for poorer families, perhaps. To talk briefly about the free hours, I think that were you to introduce something like a childcare entitlement fund you would scrap the free hours entitlement and have a system that gives much more choice to households and allows nurseries to set prices.

Q86 **Debbie Abrahams:** Good morning, everyone. I want to look at international comparisons. We have already mentioned a little about how we compare on Government provision for example in Sweden and Spain I think you mentioned, Gavin. But could we take a step back and look at the model of early years provision? How do we compare with our model? Is this about a business opportunity for for-profit providers or is it something that we see as a societal benefit? Then if you could look at and mention the actual adequacy of state provision and also about the quality.

Gavin Rice: To go to your philosophical question about the nature of childcare in this country and how it is delivered, we have quite a high degree of reliance on formal childcare arrangements. I am talking about the childcare system as a whole here rather than just the specific case of Universal Credit. In other European countries in particular, there is a much higher degree of reliance on informal childcare provision through relatives and grandparents and so on.

Q87 **Debbie Abrahams:** Sorry to interrupt you. Do you have a figures on that? Are you saying that across Europe 50% of extended family are likely to be involved in provision and it is 10% here? When you say it is more, what do you mean?

Gavin Rice: I don't have a percentage figure I can give you right now. I am very happy to look into it and send that to the Committee after this evidence session, but I certainly think that there is a strong evidence base to suggest that those sorts of informal, familial mechanisms of childcare delivery are more prevalent, particularly in certain southern European economies.



Another point I will make briefly—perhaps this goes beyond the scope of the discussion but I think it is relevant—is that often in many European economies households are taxed rather than individuals in such a way that allows two-parent households to make freer decisions about how they juggle childcare and working responsibilities between the two of them. Annabel mentioned choice. There is a sense in which alternative tax systems place more money back into the pockets of families so that they have more choice about how they want to deliver that childcare. That is a comparison that I think is worth thinking about.

Q88 Debbie Abrahams: You have not really got to the point about businesses that predominate in the provision across the UK. Is it 84% of early years provision is through for-profit providers? I do not know if you want to comment. My point is does the UK, certainly in Government policy, see early years provision as something that is about a business opportunity rather than something that may differ from what European countries see, for example?

Gavin Rice: It is not for me to comment on whether it is Government policy to see this as a business opportunity to be fostered. Perhaps we need to think of the early years much more as an investment in opportunity and also in closing the attainment gap. There is very strong evidence to suggest that the attainment gap opens up very early—indeed, within the first five years of a child’s life. We only rank 34th out of 50 for quality within the OECD despite the amount of public subsidy that is put into the system. I think that it is important to think about the investment in that sense, whether that is in the form of providing formal childcare environments for those who need it, which I think is an absolute priority, or whether that is to do with facilitating and empowering families to deliver more of their own childcare if that is their preference. There are two different ways of doing that but I think we need to see those early years very much as an investment.

Aria Babu: I think that this gets to the heart of the issue. One of the most natural things in the world is for entire villages to raise children and to help out with the childcare. One of the very strange things that we have done in the UK, and I think one of the things that sets us apart from other countries, is we have made that very difficult for people. In a story I read in 2009 there were two policewomen who were looking after each other’s daughters when the other was on a night shift, and this came to about 10 hours a week and they were doing a reciprocal arrangement. This was illegal and they were reported to Ofsted because they were counted as running an illegal childminding business without the necessary regulations because the reciprocal arrangement counted as payment in kind. This is a very strange situation.

My own parents needed this kind of informal community-based childcare when I was growing up because they were both junior doctors who worked night shifts. My next-door neighbour, one of my mother’s best friends, did a lot of childcare and my mother compensated her because I



was taking up food and petrol. This is a pseudo-family arrangement but currently, as of 2006, it is now considered illegal because these people are not regulated.

It is very strange and it is something that sets us apart from lots of other countries and I think it is fundamentally unnatural when we are talking about how children are raised. If we made it easier for people to take care of children in their communities—their friends' children, children from their church and all kinds of things like that—we would make childcare much cheaper, and there would be a much higher supply of people who were there working and helping with children. Children would end up with much better care because one of the best things for children in their early years is to be around adults who are emotionally invested in them when they are taking care of them. It would ease the burden on the formal sector and probably bring costs down as well. I think this gets to the heart of why childcare is so expensive in the UK.

Annabel Denham: The international comparisons question is ultimately very difficult. I think that there is a belief here in the UK that everywhere else spends more and does better than us that I would dispute.

Q89 **Debbie Abrahams:** On what basis would you dispute it, Annabel?

Annabel Denham: It is extremely difficult to measure. To give an example of why it is difficult to measure, children start reception at age four and a half on average in the UK. In some Scandinavian nations, it is a couple of years older. It is quite obvious that the objective of childcare is very different in those countries to what we have here in Britain. Whether we ought to be raising the age at which children start school is a different question for a different day, but I think that the perception that other nations are spending more and doing better allows some pressure groups to demand that our Government spends more to do better when, as I have mentioned, I would much rather see the Government deregulate childcare and drive down costs to parents that way.

On what childcare is for, there is the basic argument that parents at some point after the birth of their first child will want to return to work, mothers in particular who will take up to 12 months in maternity leave, and there are entrepreneurs setting up businesses that are able to meet that need. I think that we ought to be facilitating that as much as possible but I would like us to scrap the idea that all childcare is preschool and I would like us to allow parents to have a much wider range of choice. Like I said earlier, if you wanted to make childcare more affordable you would target a lightly regulated sector and allow parents to make the decisions over what kind of care they wanted. If child development improvements are the aim, you would heavily control staffing but acknowledge that this will drive up prices.

Having multiple objectives and presuming that we can meet them all is creating a large part of the problem that we have currently in our childcare sector. I would like to see parents being free to make choices



about the non-parental care of their children with limited Government intervention to support those with low levels of labour market attachment to be able to work.

On Gavin's point on the attainment gap, it is extremely important that we support disadvantaged children in the years before they begin reception but I would be very cautious about taking the needs of the most disadvantaged in our society and designing policy for all children according to those needs.

Q90 Debbie Abrahams: Thank you. That was a very good point in distinguishing between early years provision, as I intentionally referred to, and childcare. Thinking about childcare policy and Government childcare policy over the last 10 years, how has that changed?

Annabel Denham: There has been increasing regulation. We saw the introduction of the early years foundation stage. To give some data on Government spending on childcare, in 2009-10 spending through the free entitlement equalled spending through the benefit system but since then the two programmes have dramatically diverged. The former—the free entitlement—has increased 250% whereas spending on subsidies fell by more than a third. I think that is a very important distinction to make. It signals the change in attitude by successive Governments towards childcare, because we are no longer targeting the most disadvantaged children.

We are trying to perhaps create the right incentives for parents to return to work regardless of their means. We now have a situation where all parents, once their child turns three, are entitled to 15 free hours of childcare and that is regardless of means and there is an enormous amount of dead-weight cost. That seems to be the direction of travel towards placing increasing pressure on parents, intentionally or otherwise, to put their children in formal childcare settings, combined with the formalisation of the sector itself. By doing that, we are limiting free choice and allowing a society to develop where parents feel under pressure and I think women feel judged for the decisions that they make when it comes to childcare, which I imagine is the opposite of what those who brought in some of these measures were trying to achieve, although obviously they were brought in with the best of intentions.

Aria Babu: There seem to have been three big policy things happening over the past few years. The first is, as Annabel addressed, the increased regulation that seems to be driving up costs. There was the Childcare Act I think in 2006, or within the last 10 years, which is part of the reason why a lot of it is very strict. There is that effect. There is a second effect, which is because of these things childcare costs have been rising and even outstripping inflation and a lot of the change in the system seems to be a result of the increasing costs. In 2005 you could afford twice as much childcare as you can now, which then massively changes how people use it.



The third thing is that we have changed and frozen the benefits. We seem to be bringing in lots of different systems, which people are finding difficult to navigate. I think in the last session people were talking about lots of them do not know about the flexible fund that is available to them. Universal Credit has been a big reform that people are finding difficult to navigate because of how quickly it gets reassessed and how often their entitlements change. Then there is the tax-free system. People seem to be struggling to jump between these different systems, and there has been increasing complexity in childcare subsidy as well.

Gavin Rice: I agree with what has just been said. I think a significant shift was the extension of the free childcare entitlement to 30 hours for families where both parents are working. As a consequence there has been a significant upwards and regressive shift within the allocation of overall UK childcare subsidy funding towards middle and higher-income households at some significant cost. It seems strange to me—and I know I have made this point already—that we should be subsidising childcare of households that can have incomes of up to £200,000 a year while at the same time we are quibbling over concerns of slight potential overpayments within the Universal Credit system for families that are on the very lowest incomes. Also the amount that we spend on incomes in the bottom five income deciles has fallen over the last five or six years or so. We are seeing an upward skew in how we are allocating our resources.

Q91 **Chris Stephens:** Good morning, panel. Gavin, I will start with you. We have heard that childcare costs can be a barrier to work and that they can certainly be a barrier to increasing hours of work. We have seen an example where a parent increasing working hours from 27 hours to 30 hours a week results in a net loss of income. What changes do you believe are required to rectify this work more, earn less system? I am thinking specifically about Universal Credit.

Gavin Rice: You are absolutely right, first of all, about those very high barriers to work and also to in-work progression. The DFE's earlier survey demonstrated that particularly for women childcare issues are the number one obstacle to moving into work but there is also a problem of moving from part-time work to full-time, or increasing hours within part-time. In those situations you see a situation in which an individual could encounter an effective marginal tax rate, as we call it. Prior to the Universal Credit taper cuts it could be as high as 74% once you factor in the taper and any childcare costs, which you have to foot yourself.

The Chancellor's reduction of the taper down to 55p in a pound will certainly have gone some way towards mitigating those high effective marginal rates. We have been calling for that for a number of years and we very much endorse that move and congratulate the Chancellor for that because it will reward in-work progression and those wanting to move into work and allow them to keep more of their money. Increasing eligibility for childcare costs from 85% to 100% would go still further to



soften that effective marginal rate. Even after the Chancellor's change at the comprehensive spending review, a parent, whether a second earner or a lone parent who is encountering the taper and is having to pay some of their childcare costs themselves, will still be encountering one of the highest effective marginal tax rates in our economy—higher than those experienced by even the highest earners through the income tax system. Therefore, what we can do to mitigate that and to soften the move into employment and reward work would be for the best.

Q92 Chris Stephens: Thanks, Gavin. A great comprehensive answer there. Aria, how well does the Universal Credit system and the childcare system work for parents who are self-employed or who have fluctuating income?

Aria Babu: It is particularly bad for them. I understand why Universal Credit reassesses people very frequently, but because their childcare is often very flexible and their childcare needs to fluctuate, it means that the parents find it very difficult to predict how much subsidy they will get the next month and, therefore, how much they can afford to get now. If you are on a fluctuating income it becomes even harder. Currently the Universal Credit system especially is not very suited to people who are self-employed.

Q93 Chris Stephens: Thanks. Gavin, back to you. People with fluctuating incomes—I am thinking in particular of people who are on zero-hour contracts or sectors of the economy where their hours of work vary day to day never mind week to week—end up having to get retrospective payments, which leaves them short of money. Is there a simple fix for that particular problem?

Gavin Rice: For those who are experiencing a fluctuating income or those who are self-employed and experiencing a fluctuating income as a result, Universal Credit, precisely because of its rapid reassessment mechanism, is a much better system than we had under the legacy benefit system and is able to react flexibly to the needs of individuals and households. It also is a very data-rich system and, therefore, reflects what is going on within a whole household, not just an individual's income. That is a good thing, but if the individuals in such a household are also having up-front childcare costs, there is evidence to suggest that leads to them taking on loans, turning to relatives or getting into debt as a consequence.

The solution I suggest is the same as for those in employment that I have already suggested, which is that they are able to submit an invoice to the DWP, which would trigger the payment of the childcare element immediately. That will reduce the lag involved in the system and prevent them from having to front those costs and get into debt.

Q94 Chris Stephens: Aria, how do childcare costs affect women's participation in the labour market, particularly for women claiming Universal Credit?



Aria Babu: It is particularly bad. In the UK childcare costs are 50% of the median women's earnings and the overseas average is 17%. As Gavin said, it represents a very high marginal tax rate, especially after you count the national insurance contributions and income tax and, for some women now, student loans. The 2019 survey by the Department for Education says that childcare costs are the biggest barrier to women working, and 29% of non-working mothers say that childcare is the reason they are not working. Even of the mothers who are working, 26% say they would increase their hours if childcare was more available. Childcare costs and the lack of provision for them and the fact that it is so expensive is basically the biggest barrier to women working.

Q95 **Chris Stephens:** Thanks. Annabel, we have heard from women who have left their jobs or they have had to reduce their working hours because of the problems we have been discussing. The policy of making work pay is failing such people, isn't it?

Annabel Denham: Yes, it is and as surveys have shown, childcare costs are a barrier to women returning to work. We know that they are partly responsible for the number of women who unexpectedly off ramp when they go back to work after the birth of their first child. But I draw your attention to one survey that examined the effect of the roll-out of universal preschool education for three-year-olds in England and it found an increase in access of around 50 percentage points increased the employment rate of those whose youngest child was three years by just 3 percentage points, which meant around 12,000 extra mothers in work. This is extremely costly. Many only moved into part-time jobs and yet the average cost of that policy was around £65,000 per job, so that is obviously a very large hammer for a quite small nail.

Ultimately I think it brings us back to the question of what childcare is designed to do. Were those women who were polled saying that they would work more hours were childcare costs lower or provision more widely available aware of the challenges that they would face after having those children? Would that have affected their decision to have children? I very much doubt it. I think priorities change enormously in unexpected ways after women have their first child and we need to bear that in mind when it comes to setting the objectives for childcare policy, but clearly there are ways in which the existing system is failing.

There are been calls for immediate payments to mitigate the five-week waiting period but, as has been discussed, there are issues associated with that even though it was a more humane approach. I urge the Government to carry out proper risk assessments when it comes to making these sorts of changes to policies that might help mitigate some of those risks. It all brings us back to what the purpose of childcare policy is, and should one of its purposes even be to increase the female labour market participation, or is it about ensuring that there is more choice to enable them to go back to work if that is what they choose?

Q96 **Chris Stephens:** Thanks, Annabel. That probably brings me nicely to ask



your two colleagues. There is a debate here, isn't there, about whether the Government should focus on improving the childcare element of Universal Credit or whether there is a more fundamental rethink. Aria, in evidence to us the National Day Nurseries Association proposed a childcare passport ensuring that the funding follows a child. Save the Children proposed removing the childcare element from Universal Credit entirely. Which of these or any other proposals do you consider worthwhile that you would want the Committee to look at?

Aria Babu: I think that anything that simplifies the system is probably a benefit. I think that Gavin is correct that anything that means that parents don't have to take out loans or don't have to front large costs at the beginning is a massive improvement. Anything that means that parents don't have to switch rapidly between different forms of provision and they don't have to spend a lot of mental effort and energy on working out what their entitlements are is probably the biggest benefit. I would be in favour of anything that does either of those two things and I am agnostic about the way of doing that.

I think that a good of rule of thumb when designing a policy is to make sure that no one is made worse off by deciding to work and that seems to be one of the biggest gaps currently. Some mothers end up losing money by choosing to work and that seems to be a massive policy failure.

Q97 **Chris Stephens:** Thank you. Gavin, you may be aware that the Scottish Government give free early learning and childcare of around 30 hours a week in term time. Should a similar system be adopted for the rest of these islands?

Gavin Rice: I hesitate to comment on Scottish Government domestic policy but I think that if we are increasing the amount of funding that we want to put towards childcare/early years—I think it is very important to continue to differentiate those things—I would want to see it targeted at the households that are on the lowest incomes and are most in need of it. That seems like the most efficient and effective way to spend the money but also to ensure that we are going some way towards mitigating the attainment gap. I think that the issues are slightly different for the UC system and the wider childcare system.

More widely, I absolutely agree with Annabel that we should be seeking to facilitate choice for everybody but particularly for women. I counsel against the Treasury's inclination to try to engineer the push-pull tax and benefit system to force parents, and particularly women, into the labour market whether they want to or not. We have seen a lot of working mothers choose to reduce the amount that they worked during the pandemic, and that is due to building up the savings and reorientation of priorities and so on.

Universal Credit is a little bit different because working parents or parents who are not yet working may be encountering conditionality already and, therefore, the state is already placing work search obligations on them. If



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we increase the amount we are spending, we should make sure that we invest it in those families so that they don't end up almost no better off or indeed worse off as a consequence of obligations that we are already putting on them to be searching for work.

Q98 Chris Stephens: Thanks, Gavin. I have been struck a couple of times that you have mentioned about Government funding childcare for low income families as opposed to middle-income families. Is there anything particular you want the Committee to look at or do you have a view about the balance that the Government should strike between funding childcare support for low-income families as against middle-income families?

Gavin Rice: Yes, we do. In our "Bright Start" report we lay out a number of options for revisions to the maximum income threshold for eligibility for tax-free childcare and for the 30-hour entitlement. We model what those forecast savings would be if rolled out. If you set the threshold at £40,000 per person within a two-parent household, so that would be an £80,000 maximum rather than a £200,000 maximum, we estimated—it is slightly out of date now—that would make nearly £400 million worth of savings. Those are from households that have well over the average household income—double or more the average household income in the UK. Those savings could be put back into the Universal Credit system to increase childcare provision from 85% to 100% and spent on the low-income households in that way.

I think that there are questions to be asked around the middle and higher-income households and what we should do for them. I would like to see a situation in which couples are granted greater freedom to transfer more of their tax allowances to one another to increase their fiscal freedom in that sense by way of mitigation. I certainly think that that would be a more redistributive and more progressive way of spending those funds.

Chair: Thank you very much indeed. That concludes our questions to you. Thank you all very much for the information and perspectives you have given us this morning. This clearly is quite a complicated area and I think Annabel made the point at the beginning that maybe it is not entirely clear what we are trying to do with this policy or set of policies that is perhaps causing some confusion and may be something that we need a bit more clarity on. Thank you. It has been very helpful. Thank you all for being willing to take part. That concludes our meeting.