

## Written evidence submitted by Gingerbread

### About Gingerbread

Gingerbread is the leading national charity working with single parent families. We campaign against poverty, disadvantage and stigma to promote fair and equal treatment and opportunity for single parents and their families. We undertake research as well as providing support through our helpline, online services and our peer support groups. There are 1.8 million single parents, making up a quarter of all families with dependent children.

### Introduction

Over the past few years Gingerbread has undertaken a number of pieces of research looking at the financial pressures faced by single parents and the difficulties for those who have lost their job during the pandemic. The affordability of childcare is a constant theme throughout and a key barrier preventing single parents from finding and staying in work and in progressing their careers. We have also seen increasing numbers of queries online and through our helpline about childcare under Universal Credit since the pandemic began in March 2020.

This response brings together evidence from Gingerbread's research and feedback from single parents via our helpline. It therefore focuses on the questions in the terms of reference relating to childcare entitlements.

In summary –

- Successive research that we have undertaken pinpoints the cost of childcare as the biggest barrier for single parents in finding and staying in work as well as progressing in their careers
- The costs of childcare mean that many single parents are trying to avoid using formal childcare altogether, using family and friends or making sure they can find work when their child is at school. This is trapping single parents in the lowest paying roles and preventing many from progressing in work, including taking on more hours of work. As a result, single parents are much more likely to be underemployed relative to their skills set and experience.
- As a group single parents rely heavily on Universal Credit and in theory this should mean they are able to draw on the Childcare Element, but challenges in the way it operates – both the amount available and the fact that it is paid in arrears – means take-up is low.
- The 3 and 4 year old “30 hours of free childcare” funding for childcare does help single parents access employment. However, the full 30 hours should be available to single parents with 2 year olds and those who are job-seeking or training to help make sure single parents are being supported to meet their potential.

### Childcare and Universal Credit

Single parents as a group are heavily reliant on Universal Credit (UC). More than 1.3 million single parents claim it<sup>i</sup>. It has been estimated that 90% of single parents will be on UC once full migration has completed by the end of 2024.

Parents on UC who are in work may be eligible for support with childcare costs. There are over 90,000 single parents currently claiming the Childcare Element and single parents make up almost 80% of claimants in receipt of the UC Childcare Element<sup>ii</sup>. While this demonstrates a greater need

among single parents, we know that take up is still low. Just 14% of eligible single parents claim the Childcare Element<sup>iii</sup>. There are a number of challenges in the way it operates, which may explain the low take up.

In theory, the Childcare Element covers up to 85% of the costs of childcare, but this is capped at £646 per month for one child and £1,108 for 2 or more children. These caps were set in 2005. Meanwhile, figures from Coram Family and Childcare's annual childcare survey show the average monthly full-time childcare placement (50 hours) is currently £1,169 while part-time (25 hours) is just over £600.<sup>iv</sup> Clearly, the level of support available will only meet part-time childcare and the level of the cap needs to be looked at urgently.

The cap level has been an issue for many years but there is evidence that childcare costs have increased at a faster pace during the pandemic and the gap in how much childcare is funded is an increasing theme in calls to Gingerbread's helpline. The recent report by the Work and Pensions Select Committee on Universal Credit and Childcare also highlighted this discrepancy and has backed our calls for the cap to be updated to better reflect the true cost of childcare.<sup>v</sup>

It is also worth highlighting that the cap is standardised across the country, despite significant regional variation in childcare costs in different areas and can create distinct inequalities and perverse incentives. For example, single parents are better off working fewer hours all over the country, and those living in the South-East can be better off not being in work at all.

The challenges of the current 85% childcare cap are illustrated by these calls to our helpline:

A single parent with a 2 year old child returned to full time work and is earning £18,000 per year. She receives Universal Credit and gets the maximum amount of help with childcare (£646.35 per month) but her actual childcare costs are £1200 per month. She is finding it impossible to make up the difference, particularly now the cost of living has increased. She said if she cannot find a solution she will either have to reduce her hours or stop working altogether.

*Caller to Gingerbread's helpline November 2022*

A single parent living in Manchester has a 9 month old child who recently started nursery. The parent started working a few months ago and had to borrow money from a friend to pay the upfront costs. She is now receiving the childcare costs element, but this does not cover the amount she owes - 85% of her costs are well over the max childcare costs element. She is now paying her childcare bill but still owes her friend money and can't see how she is going to manage this because the childcare element is paid in arrears.

*Caller to Gingerbread's helpline October 2022*

The other major challenge with the way that childcare costs for those on Universal Credit works is that they are paid in arrears to the claimant. This means claimants need to pay fees to their childcare provider upfront and then wait for reimbursement. This is an impossible hurdle for many single parents – many of whom will be unable to find the money to pay the upfront fees or may go into debt in trying to do so. In addition, parents have to continue to claim back for costs in arrears, which can be a problem from a cashflow perspective. Its also an issue because your total UC payment, including the amount you get for childcare, can fluctuate month to month, depending on how much

you earn from work. This means the amount you receive through UC may not correlate with how much you need for childcare in the coming month. Parents are always playing catch up.

“And the other thing with that is you have to pay first and then you claim it back. ... I understand why people don't go back to work because by the time you sort out childcare... I was paying £30 a day. Then you think, I have only earned £50 today. You do get it back, but it can be up to 4-6 weeks before you get that money back.” – *Grace, research participant*

The Government has stated that the Flexible Support Fund (FSF) could be used by single parents to cover the first month of childcare. The FSF is a fund offered at the discretion of Jobcentre Plus advisors to help claimants with things they may need to get into work.

Throughout our research into single parent employment, we have not seen evidence that single parents had been told by their work coach that the Flexible Support Fund could be accessed to meet upfront childcare costs. The Government have also not been able to provide evidence of the extent of its use. Information on Government websites on accessing childcare make no reference to how to access it or indeed provide any information about it at all.

Even if a parent were to access the Flexible Support Fund, its use has a knock-on impact on subsequent Universal Credit payments. This is because parents are not able to claim support for childcare through Universal Credit in the same month as they receive support from the Flexible Support Fund. So, a parent has to pay the next month's childcare in advance. The Flexible Support Fund payment therefore has merely moved the problem to the next month's payment, without having received support through the childcare element of Universal Credit.

Whilst Gingerbread would like to see childcare costs being met upfront and not in arrears, there are also some measures that could improve the current system. The Department for Communities in Northern Ireland have introduced clearer support for parents to meet the upfront costs of childcare. Since 25 October 2021, parents claiming Universal Credit starting work or significantly increasing their hours can apply for a non-repayable childcare grant of up to £1,500 under the Adviser Discretion Fund. Alongside this, there has been an amendment to the Universal Credit (Northern Ireland) Regulations 2016 to allow the childcare grant payments made by the Department to be used to calculate a person's childcare costs element. This means that a parent in Northern Ireland can use the grant to meet the initial upfront childcare costs and once they get the Universal Credit Childcare Element, they can use that to pay their next month's childcare costs.

We have also worked with the Greater London Assembly to develop a Childcare Deposit scheme that could help single parents struggling with childcare costs, regardless of whether they are on UC. This scheme is for employers to provide a loan to parents for the deposit for their childcare and their first month's childcare payment, which can then be paid back in monthly installments. This is similar to the season ticket loan scheme available from many employers in London. This could be a very successful and popular scheme and we'd urge employers to consider it carefully.

### **Free 15- and 30-hours free childcare**

All children in England aged 3 and 4 years old are eligible for 15 hours of free childcare per week during school term time (38 weeks per year). Parents of 3- and 4-year-olds who are in work for 16 hours or more per week and earn more than the National Living Wage (but earn less than £100,000 per year) are eligible for 30 hours of free childcare per week for 38 weeks.

The 30-hour offer is particularly beneficial for single parent employment. The 2021 Childcare and Early Years Survey of Parents<sup>vi</sup> found that single parents were more likely than parents in couple families to say they would be working fewer hours, were the 30 hours not available to them (52% vs 35% respectively). However, we would like for this offer to be extended to single parents looking to enter or re-enter work, or who are undertaking training and for all two-year-olds. Gingerbread's current research project looking at single parent unemployment shows that parents would find it much easier to secure work or undertake training, had they been offered 30 hours free childcare at the outset whilst they were job-seeking.

There are also significant challenges to how the 15- and 30-hours childcare operates in practice and the degree to which the funds offered by Government to cover the hours offer full cost recovery for providers. Providers in turn often find other ways to charge top up fees to parents, meaning that there are still significant fees to pay on top of the free entitlement. As highlighted above, the entitlement only covers school term time too, which either means either additional costs or reliance on informal childcare.

### Availability of childcare

Single parents we have spoken to as part of our project on single parents and employment coming out of the pandemic have highlighted the availability of some forms of childcare as a real challenge for them. Most concerns were around after-school provision, which is often competitive, particularly with after-school clubs at schools having very limited spaces.

*“There are no spaces. They get filled. They release them at the beginning of each term, and they are gone within 30 minutes. It is literally, first come, first served”. Debbie, research participant*

This type of provision can also be unreliable with clubs cancelled at short notice, due to staff sickness. Single parents have also shared with us that there is little provision for young teenagers, who are too young to be left on their own, but for whom there doesn't seem to be much formal provision. Childcare during school holidays is also a significant challenge for single parents. Some told us they had started new roles, without being 100% clear what they would do in the holidays. There are also concerns about the significant costs of holiday childcare.

*“Holiday childcare, their school does run a play scheme but even that is ridiculous, it's about £25 to £30 a day. It's absolutely insane. So I'd be more reliant on family, seeing if there's any room to manoeuvre there”. Jessica, research participant*

Coram Family and Childcare's 17th annual Holiday Childcare Survey<sup>vii</sup> found that only 27% of English local authorities have enough holiday childcare available for parents in their area who work full time, down 6% on last year, and that holiday childcare costs have jumped by 5% since 2021.

### Information and confusing processes

Current entitlements and how to access them can be confusing. As set out above, the process by which to access help with upfront costs through the Flexible Support Fund is particularly unclear.

The current Government webpages on childcare do provide an overview of childcare, but this information is complex, as is the childcare payment system. However, there is a lack of clarity in

what is presented on the Childcare Choices website that need addressing. We were asked to give feedback on the website, following a workshop with DWP in February 2020. We provided detailed feedback and were told that it was being looked at, but to date, none of the changes have been made.

It is also worth highlighting that through our helpline calls, we have seen that having one application process for both the 30 hours free childcare and tax free childcare has led to some making an accidental claim for tax free childcare, which has resulted in a loss of Tax Credits. The Government needs to separate out the processes for claiming tax free childcare and the 30 hours childcare or make it very clear as part of the application that Tax Credits will stop and cannot be reinstated if someone makes a claim for tax free childcare.

Whilst written guidance about childcare is important for parents, the one-to-one support and information provided by a claimant's work coach is vital. Although there has been a doubling of work coach capacity since the pandemic, there is still a lack of specialist support for single parents. The DWP should utilise the expanded work coach capacity to introduce specialist single parent work coaches.

### **Childcare costs, costs of living and impact on employment**

The high cost of childcare has been highlighted throughout this response, but it is worth underlining that childcare in the UK is one of the most expensive in the world. In our report, Single Parent Debt Trap<sup>viii</sup> we found that single parents were finding it more costly to work full time hours, rather than part-time because of the costs of childcare and the structure of the funded schemes.

The likelihood our survey respondents would have to use credit to pay for childcare increased the more hours they worked. 25% among those working 35 or more hours, 19% for those working 25-35 and 17% for those working 16-24 hours.

With the cost of living crisis, we know more and more single parents are struggling with all of their costs, but they are also stuck, as because of the costs and structures of funded schemes, increasing work hours won't necessarily help them to cover these costs.

### **Gingerbread's recommendations**

1. The DWP and DfE need to urgently review and update the calculation applied to the cap applied to the Childcare Element so that it more accurately reflects the costs of childcare in 2023
2. The Government should reform the Childcare Element of Universal Credit so that single parents do not have to risk debt to pay for childcare. One option could be to introduce a national childcare non repayable grant, similar to the scheme in Northern Ireland, to support low-income parents entering work, to meet the upfront costs and first months' childcare fees.
3. In the meantime, they should make it clear in their online information how to access the Flexible Support Fund for the upfront costs of childcare, make amends to their Childcare Choices website to make sure the information is as clear as possible and introduce specialist single parent work coaches to make sure that single parents are getting tailored advice on childcare options.

4. Employers should consider establishing childcare deposit loan schemes, to support employees with childcare costs
5. The Government should extend the eligibility for the free 30-hour childcare provision (children aged three and four) to single parents seeking work or undertaking training and extend the entitlement to 2 year olds, at least for single parents.
6. Longer-term, Gingerbread would like to see more radical overhaul of childcare, which has become deeply unaffordable and complex to navigate for parents and providers alike.

---

<sup>i</sup> <https://stat-xplore.dwp.gov.uk/webapi/jsf/dataCatalogueExplorer.xhtml>

<sup>ii</sup> <https://www.gov.uk/government/statistics/universal-credit-claimants-eligible-for-and-receiving-the-childcare-element-march-2021-to-february-2022/universal-credit-claimants-eligible-for-and-receiving-the-childcare-element-between-march-2021-to-february-2022>

<sup>iii</sup> <https://www.gov.uk/government/statistics/universal-credit-claimants-eligible-for-and-receiving-the-childcare-element-march-2021-to-february-2022/universal-credit-claimants-eligible-for-and-receiving-the-childcare-element-between-march-2021-to-february-2022>

<sup>iv</sup> [https://www.coram.org.uk/sites/default/files/resource\\_files/Coram%20Childcare%20Survey%20-%202022.pdf](https://www.coram.org.uk/sites/default/files/resource_files/Coram%20Childcare%20Survey%20-%202022.pdf)

<sup>v</sup> <https://committees.parliament.uk/publications/33299/documents/180253/default/>

<sup>vi</sup> <https://explore-education-statistics.service.gov.uk/find-statistics/childcare-and-early-years-survey-of-parents/2021>

<sup>vii</sup> <https://www.familyandchildcaretrust.org/holiday-childcare-survey-2022>

<sup>viii</sup> [https://gingerbread.b-cdn.net/wp-content/uploads/2021/02/The-single-parent-debt-trap\\_web.pdf](https://gingerbread.b-cdn.net/wp-content/uploads/2021/02/The-single-parent-debt-trap_web.pdf)

January 2023