

EMBARGOED UNTIL 00:01 TUESDAY 15 MARCH

WORKING PARENTS UNDER THREAT FROM SPENDING CUTS

NEW SURVEY SHOWS CUTS TO CHILDCARE TAX CREDITS MAY FORCE PARENTS TO GIVE UP WORK

A new survey of over 2,000 working mothers has revealed that over half will be forced to stop work or significantly reduce their working hours, as a result of cuts in the level of support for childcare costs, due to start this April. The survey was carried out by Netmums, in partnership with the Resolution Foundation.

The changes relate to the childcare element of the Working Tax Credit, which is claimed by around 450,000 working households across the UK, mostly on household incomes below £30,000. Under the current system, working parents can claim support for up to 80% of the costs of childcare, but from April that figure will fall to 70%.

Despite the fact that the Government assumed that no parents would change their working routine when the cuts happen, the research found that:

- more than two-thirds of parents (68 per cent) said they will have to make significant adjustments to their childcare arrangements in response to the changes
- over one in five (22 per cent) working mothers will have to give up their jobs in order to cover the increased childcare costs
- over a quarter of mothers (29 per cent) will reduce their working hours in order to cope with childcare costs
- 27 per cent will have to rely more on informal care from family and friends to cover the shortfall

In addition, nearly 80 per cent of those surveyed were not even aware that the change was about to happen.

Sally Russell, co-founder of Netmums, said “Many mums with young children struggle to find work that pays enough and removing childcare support for those on the lowest incomes will force many out of work. This is exactly the opposite of what the Government wants to see happen.”

Analysis of the cuts by the Resolution Foundation has shown that families earning under around £30,000 a year stand to lose an average of £440 per year from the upcoming reductions in the childcare tax credit, with some losing up to £1,300.

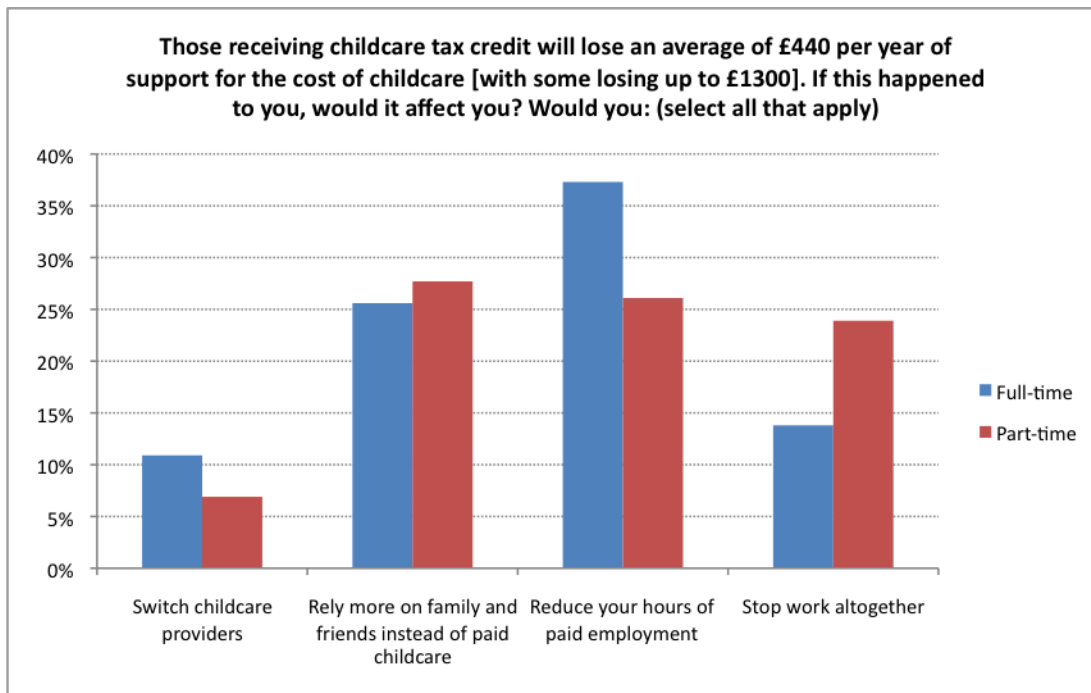
Gavin Kelly, Chief Executive of the Resolution Foundation, said “This is bad for employment, bad for those on low-to- middle incomes and bad for working mothers. The research clearly shows that it won’t give the government the savings they claim because a significant proportion of parents will be forced to reduce their working hours or even give up work altogether.”

The changes were announced in the October Spending Review, to make savings of £270 million next year, rising to £385million in 2014/15.

The independent Office of Budget Responsibility had already questioned this assumption, stating that if families take on more childcare themselves, ‘this could affect hours worked and participation in the labour market’.

Notes to editors:

Survey of 2,196 Netmums members that claim childcare tax credits carried out in February 2011. The chart below shows the reaction to the change split by part time and full time working mothers.



Full results can be viewed at www.resolutionfoundation.org

The Office of Budget Responsibility stated at the time of the October Spending Review ‘reducing the childcare costs paid through the WTC [Working Families tax credit] increases the incentive for families to take on childcare themselves, or rely on extended family members. If more time is spent on childcare, this could affect hours worked and participation in the labour market’.

http://cdn.hm-treasury.gov.uk/sr2010_policycostings.pdf

Analysis by the Resolution Foundation has shown that low-to-middle income families stand to lose an average of £440 from the upcoming reductions, with some losing up to £1,300 www.resolutionfoundation.org

Over 2 million people in Britain receive Working Tax Credits (WTC), means-tested payments provided by the government to boost the incomes of households on low incomes. 470,000 households receive the childcare element of WTC, which provides support for childcare costs. Most are on incomes below £30,000. The planned reduction in support was estimated to save the Government £270m next year, rising to £385m in 2014/15.

Analysis of losses to families are based on the latest data published by HMRC, from 2008. Since WTC payments rise year on year, real losses in 2011 are likely to be higher.

Netmums.com was set up by mums Siobhan Freegard and Sally Russell in 2002. The website has proved to be a social networking phenomenon, connecting and supporting mums across the UK. The largest parenting website in the country, Netmums.com has over 900,000 members.

The Resolution Foundation is an independent research and policy organisation working to improve the lives of low-to-middle earners.

Media contacts:

For further information, case studies and expert interviews, please contact Katreena Dare or Natalie Wheeler on 0207 405 0974 or e-mail katreena@hellounity.com/natalie@hellounity.com

For the Resolution Foundation please contact Katherine Green on 0203 372 2959, 07870 649 531 or katherine.green@resolutionfoundation.org