



Resolution Foundation

Childcare Tax Credit Survey

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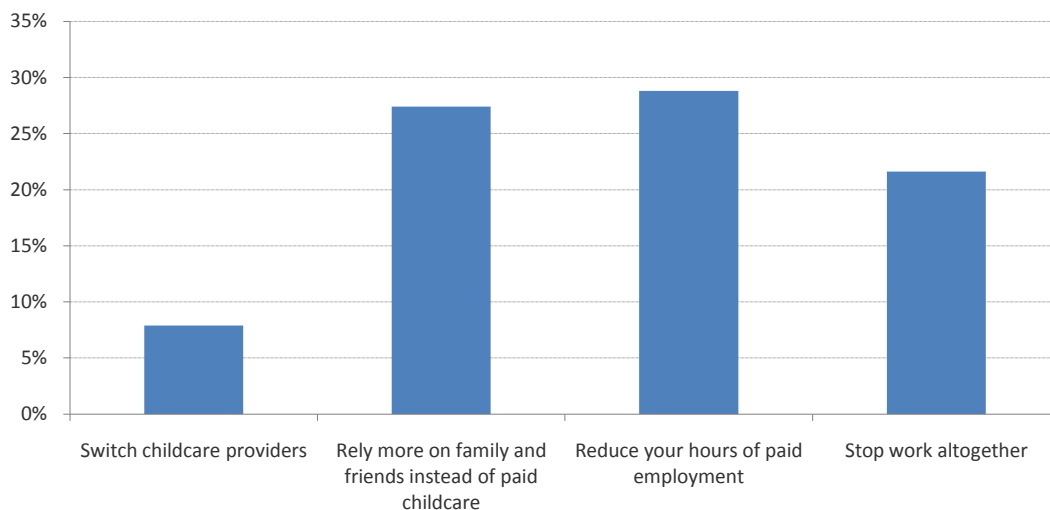
In the 2010 comprehensive spending review, the Government announced that it would reduce the amount of support available to families for childcare through the childcare element of the working tax credit from April 2011. Rather than covering 80 percent of childcare costs up to £175 for one child and £300 for two or more children, the government will cover only 70 percent of costs. This means that from April, parents will be able to claim up to £122.50 a week for one child or £210 a week for two or more children compared to £140 a week and £240 a week currently.

The Government estimates that this change will save £270m in the next financial year, rising to £385m by 2014/15. This projection is based on the assumption that no parents will change their working patterns as a result of the tax credit change. This assumption was challenged by the Office for Budget Responsibility (OBR) at the time of the Spending Review. The OBR argued that parents would have to provide more childcare themselves if the costs of paid childcare increased, potentially reducing working hours.

Analysis by the Resolution Foundation has shown that families stand to lose an average of £440 from the change to the childcare credit, with some losing up to £1,300. To find out whether parents were aware of the proposed change and how they would adjust their working hours in response, the Resolution Foundation and Netmums conducted a survey in February 2011 of parents' views. A total of 2,196 parents who currently receive the childcare element of working tax credit responded to the survey.

Overall, the results of this survey show that more than two-thirds of people (68 percent) will have to make significant adjustments to their childcare or working arrangements in response to the change in the childcare tax credit¹. More than one in five (22 percent) of all respondents said that they would stop working altogether as a response to the changes to childcare tax credit and a further 29 percent said that they would reduce their working hours to cover the extra costs. A further 27 percent said that they would rely more on informal care from family and friends.

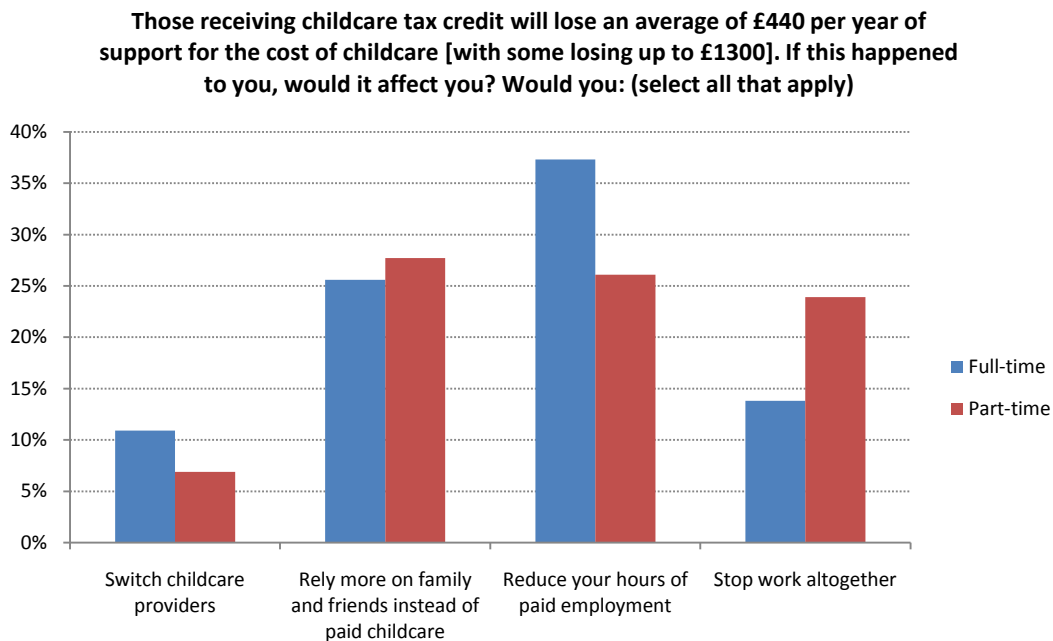
Those receiving childcare tax credit will lose an average of £440 per year of support for the cost of childcare [with some losing up to £1300]. If this happened to you, would it affect you? Would you: (select all that apply)



¹ This finding is based on the percentage of respondents who reported having to make any kind of change to either childcare or working arrangements. More than one response option was possible.

Part-time and full-time employment

There are more noticeable differences between those in part- and full-time employment. 37 percent of those in full-time work said that they would reduce their working hours compared to 26 percent of respondents in part-time work. On the other hand, almost one in four (24 percent) people working part-time said that they would stop work altogether compared to one in seven (14 percent) of those in full-time work.



Lack of information

One of the interesting results from this survey is how few people had previously heard about the changes to childcare tax credit even though all of the respondents actually claimed the credit. 78 percent of respondents had not heard about the changes before reading about them on the Netmums website. Those that had heard about the changes beforehand were less likely to say that they will make changes to their childcare arrangements or working hours. 23 percent of those who had not heard about the changes previously said that they would stop work altogether compared to 18 percent of those that had heard about it.

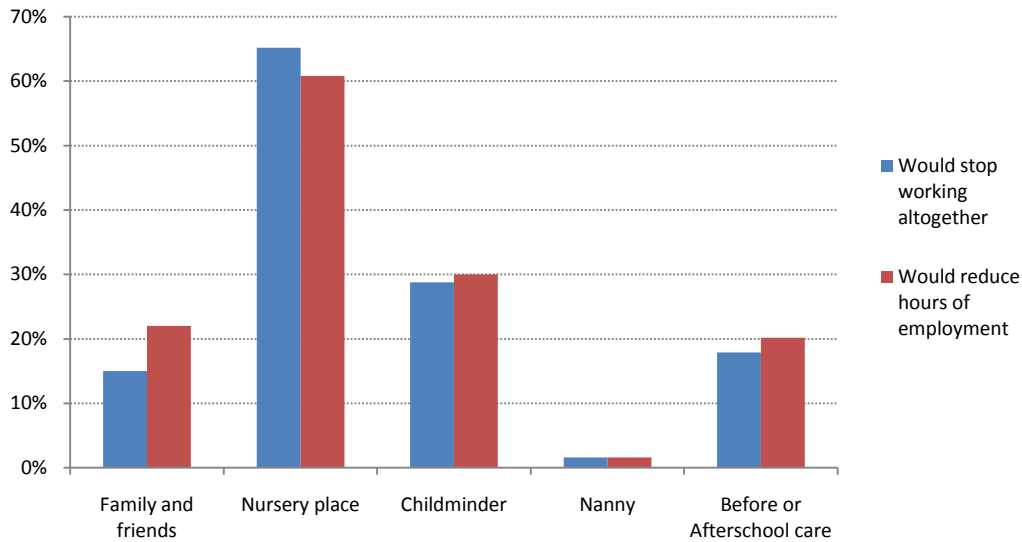
This suggests that if more parents had been made aware of the change earlier, they could have prepared by developing alternative childcare arrangements and, therefore, may not need to make significant changes to their working pattern once the tax credit change takes effect.

Types of childcare used

There are some important differences in the types of childcare used by some groups of respondents. People who said that they would stop working altogether are less likely to use informal childcare and more likely to rely on nursery provision than those who said that they would just reduce their working hours.

Of those that said they would reduce their working hours in response to the childcare tax credit change, 22 percent said that they regularly use family and friends for childcare and 61 percent used nursery places. Only 15 percent of those that said they would stop working altogether use family and friends for childcare but 65 percent use nursery places.

What types of childcare do you regularly use? (select all that apply)



Lone parents

There is little difference in the responses of those who are divorced or separated and those who are either married or live with a partner. Around 4 percent more divorced or separated respondents had heard of the tax credit changes previously (80 percent compared to 76 percent of those in a relationship).

In terms of childcare or employment changes in response to the proposals, 25 percent of those who were divorced or separated said that they would reduce their hours of paid employment, but 30 percent of those in a relationship said the same.

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