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# 'A big, vast, grey area': Exploring the lived experiences of childcare for parents on Universal Credit

IPR Research Report

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# Summary

Drawing on interviews with 22 low-income parents in receipt of Universal Credit (UC), we explore how they manage childcare costs, as well as their broader experiences of childcare and work conditionality requirements. The interviews were conducted as part of a wider qualitative longitudinal research study, funded by abrdn Financial Fairness Trust, exploring the experiences of working claimants on UC.<sup>1</sup>

## Childcare and low-income families

Support for childcare in the UK is complex and partial and provision is geographically patchy. There are several streams of support available – some financial, some in-kind, some universal, some means tested – as well as differences across the devolved administrations. There have been recent increases to the free hours of childcare for working parents that have been generally well received. But there remain issues for parents and providers. For example, the increased free childcare hours often do not address working parents' needs or cover the full cost of childcare. Low-income parents can therefore find themselves having to reclaim additional childcare costs through Universal Credit, which can be complicated and insufficient. Parents may also face wider issues with childcare availability and finding suitable care that meets their children's needs. At the same time, there are stricter work conditionality rules for parents on Universal Credit. Childcare providers, too, face significant challenges in meeting the rise in demand for childcare places as a result of the expanded free hours offer.

## Policy context

### Childcare reform

In April 2024, the Conservative government increased childcare support for working parents in England by extending the free childcare hours, previously only available for working parents with three- and four-year-olds, to two-year-olds, together with an extension to children from the age of nine months old from September 2024, and plans to increase investment in wraparound care.<sup>2</sup> The Labour government elected in July 2024 has committed to supporting these pledges.

- <sup>1</sup> The research entitled: 'Coping and hoping: Navigating the ups and downs of monthly assessment in Universal Credit' tracked month-to-month changes in earnings and household income, in real time, between February 2022 and March 2023, with a sample of 61 Universal Credit claimants in 42 working households, with and without children, in England, Scotland and Wales. <https://www.bath.ac.uk/publications/coping-and-hoping-navigating-the-ups-and-downs-of-monthly-assessment-in-universal-credit/>
- <sup>2</sup> Wraparound care is before and after school care for primary school aged children during term time. Often run on a school site, around 60 per cent of primary schools in England currently offer wraparound childcare.

Although free childcare hours are welcomed by many, they were introduced at the same time as a reduction in other areas of early learning and childcare support, including cuts to funding of Sure Start centres, which decreased by two-thirds between 2010 and 2022. Sure Start centres have been found to have many positive outcomes for disadvantaged children.<sup>3,4</sup> However, the focus of recent childcare reforms has been about encouraging families to work/work more, fuelled, in part, by concerns about rising labour market inactivity. There has therefore been less focus on child development and reducing inequalities in children's life chances.<sup>5</sup>

## Childcare and Universal Credit

For low-income families, reclaiming additional childcare costs through UC involves paying the costs upfront and then reclaiming them each month through the online system, after the childcare has been provided. Childcare fees are reimbursed up to 85 per cent of costs, up to a maximum of just over £1,015 per month for one child and £1,739 per month for two or more children. However, the amount that parents are reimbursed for their childcare is included in their overall Universal Credit award, not separately identified or ring-fenced. The contribution they get is also means tested. This means that the total Universal Credit payment, including the amount for childcare, can go up or down, depending on household earnings, as the overall award is reduced by the 55 per cent taper rate for earnings above the work allowance.<sup>6</sup> Parents, therefore, do not receive the full amount of childcare costs they have paid for.

Depending on their circumstances, some parents may actually receive more support through the Tax-Free childcare system than through the UC childcare element (both cannot be claimed at the same time). A House of Commons Library report in 2018<sup>7</sup> looked at this issue and noted that:

in certain cases, families may be better off applying for TFC than claiming benefits... [This is because] as household income increases, support from tax credits and UC is gradually tapered away. There will therefore be a small number of parents who are eligible for tax credits or UC but who might be better off claiming TFC instead. The Government estimates that there will be around 50,000 such families. These will typically (but not exclusively) be two-parent families with average or slightly higher earnings, with one or two children.

- 3 Carneiro, P., Cattan, S. and Ridpath, N. (2024). The short- and medium-term impacts of Sure Start on educational outcomes. The Institute for Fiscal Studies. [https://ifs.org.uk/sites/default/files/2024-04/SS\\_NPD\\_Report.pdf](https://ifs.org.uk/sites/default/files/2024-04/SS_NPD_Report.pdf)
- 4 Carneiro, P. et al. (2024). The effect of Sure Start on youth misbehaviour, crime and contacts with children's social care. The Institute for Fiscal Studies. <https://ifs.org.uk/sites/default/files/2024-10/The-effect-of-Sure-Start-on-youth-misbehaviour-crime-and-contacts-with-children-social-care.pdf>
- 5 Farquharson, C (2024). Childcare: The newest branch of the welfare state. Institute for Fiscal Studies. [https://ifs.org.uk/sites/default/files/2024-02/Slides\\_Nursery%20World%20talk\\_2024\\_for%20upload.pdf](https://ifs.org.uk/sites/default/files/2024-02/Slides_Nursery%20World%20talk_2024_for%20upload.pdf)
- 6 Households with children and those eligible for LCW or LCWRA receive a work allowance which disregards a certain amount of earnings before the 55 per cent taper rate is applied. As of April 2024, the flat rate monthly work allowance applying to eligible household types was £404 per month if the Universal Credit payment included a housing element, and £673 if it does not.
- 7 Cromarty, H. (2018). Childcare Vouchers and Tax-Free Childcare - Frequently Asked Questions. Briefing Paper Number 08055. p.27. <https://researchbriefings.files.parliament.uk/documents/CBP-8055/CBP-8055.pdf>



## Conditionality

All claimants of Universal Credit must agree to, and sign, a 'claimant commitment', which sets out their obligations in relation to work, backed up by financial sanctions for those who are judged to have failed to comply. For parents, there have been significant changes over recent years regarding the conditionality requirements they are expected to meet. Since autumn 2023, the number of hours that lead carers with a youngest child aged three are expected to work, or look for work, has increased from 16 to 30 hours a week. Parents are therefore facing complex work-childcare decisions within this new conditionality context.

## Other issues for low-income families

Childcare costs support is one of a number of aspects in the design of Universal Credit, and the means-tested benefit system more broadly, which can be a barrier to work or increasing hours of work. For example, in couple households with children, there is no work allowance for second earners, who are most typically mothers. Furthermore, as earnings increase, households can find themselves above the earnings thresholds for entitlement to various forms of additional means-tested support such as Council Tax Reduction, prescriptions and free school meals.

## Key findings

- The parents who took part in our study generally welcomed the free childcare hours. Yet currently, many low-income families continue to face high childcare costs because:
  - Working parents can require more childcare hours than offered.
  - There are variations in support for childcare costs in the devolved regions.
  - Providers may charge parents more than the subsidised rates they receive from government, for example, for food.
  - There are earnings thresholds for eligibility for free childcare for working parents.
  - There are no free hours of support for after-school clubs.
  - Funded childcare during school holidays is limited.
- Parents on Universal Credit can reclaim some of their costs through the UC childcare element if they (and their partner if they are in a couple) are working. But most of the parents in our sample found the childcare support in UC to be onerous, complicated and inadequate.
- The most challenging issues with the Universal Credit childcare element were linked to the system of monthly assessment in UC. In particular:
  - The UC childcare element is means tested and reduced by 55 per cent in relation to any earnings over the work allowance. This, together with the 85 per cent cap on the UC maximum childcare contribution, meant

- reimbursements were not enough to cover the full cost of childcare.
- The amount of childcare contribution received could vary if childcare costs/earnings and/or household circumstances changed month to month, also making it hard to decipher the accuracy of payment, and to budget.
  - The requirement to pay childcare costs upfront, in advance, and then wait to be reimbursed for the hours used within their UC monthly assessment period meant delays in receiving reimbursements and ongoing challenges meeting childcare costs.
  - Delays are especially problematic for parents whose childcare invoices span two UC monthly assessment periods or those who have to pay more than one month's childcare in advance. Both scenarios meant claimants could wait two months to receive what they are owed.
  - The administrative burden of submitting monthly evidence of fees was additional work for working parents and providers and increased the risk of errors, which could lead to additional delays in payments.
- Some of the parents compared the monthly system of reclaiming childcare costs through UC unfavourably to the legacy tax credit system of annual reporting, which generally provided reliable monthly payments and placed a lower administrative burden on parents.
  - Other issues with the UC childcare element included:
    - A general lack of information about how the UC childcare element works, including reclaiming childcare costs.
    - Lack of information about, and difficulties in accessing, upfront childcare costs through the Flexible Support Fund (FSF), which is currently only available to those increasing their hours or starting a new job.
    - Shortfalls in the amount of childcare costs reimbursed due to the 15 per cent contribution parents must make and the monthly cap on the maximum amounts that can be reclaimed.
    - Poor communication over the Universal Credit journal about any issues with evidence provided, resulting in working parents having to attend the Jobcentre to rectify problems.
    - Limitations on the types of after-school and holiday clubs that are eligible for help within the UC childcare element, where these are not Ofsted registered (or equivalent in devolved areas).
  - Our findings also show that children are missing out on valuable early years experiences. Non-working and single-earner families who cannot afford additional charges and are ineligible for UC help with childcare costs can end up removing their children from early years childcare altogether. Single-earner couple households earning just above the eligibility threshold for free childcare for two-year-olds may also be missing out.
  - Parents who had relied on free childcare hours only when their children were pre-school age found themselves with higher childcare costs when their children started school as they had to pay for after-school clubs (and in some cases breakfast clubs where these were not free).

- Parents also faced issues finding childcare places, which created difficulties working extra hours or overtime. Some had to reduce their hours of work; use more expensive providers; or were obliged to use poor quality childcare they were not happy with.
- Children also varied in how they responded to the available childcare provision, in some cases reflecting children’s different temperaments – but some parents also felt that the quality of provision was lacking.
- Parents of children with disabilities and complex needs struggled the most as few providers could meet their children’s additional needs.
- The most positive childcare experiences reported by the low-income parents we spoke to occurred when they felt that the support expanded beyond the childcare setting; where they had good communication, were made to feel welcome and cared for as a family; and where families with complex needs were offered advice and support tailored to theirs and their child’s needs.
- Working parents facing additional conditionality requirements from the Department for Work and Pensions (DWP) to increase their working hours felt that this threatened to undo work-care arrangements which they had struggled hard to achieve.
- Many jobs available to parents in our sample were not family-friendly in that they did not offer flexible work arrangements or the option to work from home. This made the extra conditionality demands seem especially unfair and hard to achieve for low-income parents.
- Parents were facing these childcare challenges alongside other benefit-related barriers to work or increasing their hours, including the loss of entitlement to other means-tested support if their earnings rose above certain thresholds and, for couples, the lack of a second-earner work allowance in UC.

## What can be done

### Make pre-school childcare for working parents on Universal Credit fully free and pay childcare costs directly to providers

Making pre-school childcare fully free for working parents on UC and paying providers directly would remove all the challenges associated with the Universal Credit childcare element for families with pre-school children. The additional exchequer costs of this provision would be limited, given the fact that most claimants of the UC childcare element are working and

nearly half have a youngest child aged between one and three years,<sup>8</sup> so already qualify for 15 hours, rising to 30 hours of free childcare. This should be a UK-wide policy, which would remove current disparities with the free childcare support between the nations. There should be a one-year run-on of access to free childcare for working parents on UC with pre-school children so that the support would only end if claimants had a nil UC payment for 12 consecutive months. This would remove issues around temporary earnings rise or losing support when earnings rose above the eligibility threshold for UC.

## Reform of the childcare element of Universal Credit

Paying providers directly may take time to establish and therefore an incremental stage reform would be to pay 100 per cent of childcare costs through UC and to ring-fence the childcare element so that is not subjected to the earnings taper rate. In addition, upfront costs support should be more widely available to all working parents, not simply those starting work or increasing their hours. Additionally, non-working parents or single-earner households who are receiving the free hours for disadvantaged two-year-olds should be able to claim for additional costs such as top-up fees or administrative charges through the UC childcare element. The earnings thresholds should be removed so that all households on Universal Credit can receive the 15 hours childcare for two-year-olds. However, this would not remove issues around the delays in reimbursements for childcare costs or the monthly administrative burden for parents, which currently acts as a deterrent to take up. Therefore, the ultimate goal should be to pay providers directly.

## For school-age children, expand the entitlement to wraparound care costs support in UC to clubs that are not Ofsted or equivalently registered

For school-aged children, childcare costs support in UC needs to be expanded to include different types of childcare and provision for school-age children, recognising that after-school and some holiday clubs do not meet the needs of all primary age children, especially as they get older. There are also children who may benefit from other types of clubs, such as leisure centre or drama clubs, which may not be Ofsted registered (or equivalent in devolved areas). This recommendation was made in a recent DWP-funded report about childcare costs and Universal Credit.<sup>9</sup> In due course, childcare costs for school-age children could also be covered in full

8 Department for Work and Pensions (2024). Universal Credit childcare element statistics, March 2021 to May 2024. <https://www.gov.uk/government/statistics/universal-credit-statistics-29-april-2013-to-11-july-2024/universal-credit-childcare-element-statistics-march-2021-to-may-2024>

9 For school-age children “Being able to use UC Childcare costs support for extra-curricular enrichment activities which are not Ofsted registered would enable parents to afford this type of activity”. See: Department for Work and Pensions (2024). Universal Credit childcare costs support research, p.21. <https://assets.publishing.service.gov.uk/media/6711026c9cd657734653d722/universal-credit-childcare-costs-support-research.pdf>

for working parents on UC and paid directly to providers, as recommended above for pre-school children.

## Provide universal childcare for two-year-olds

Fully free hours of universal childcare for 15 hours should be provided for all two-year-olds regardless of parental working status, as is currently being rolled out through the expansion of the Flying Start scheme in Wales.<sup>10</sup> This would mean that all two-year-olds can benefit from early years childcare and reduce inequalities between children as they enter three- and four-year-old childcare and nursery education.

In the longer term, the government should move to a fully supply-side funded early years education and childcare system, in which children are entitled to at least 15 hours of free provision from nine months onwards, rising to 30 hours.

## Re-establish Sure Start to provide community-based childcare and holistic family support

The evidence that Sure Start reduced inequalities in child development, and that its benefits far outweighed its costs, is compelling.<sup>11,12</sup> Re-establishing the Sure Start programme – building out from the existing Family Hubs network – should form part of a new childcare and early years strategy. Funding should return to the levels in the previous Labour government, as recommended by former Prime Minister Gordon Brown and other senior Labour figures.<sup>13</sup> This would also support the ambition in the government’s consultation on its Child Poverty Strategy that there should be “better local support, focused especially on children’s early years”.<sup>14</sup>

## Develop a childcare workforce strategy

Improving the quality of early years childcare and learning is also critical, as the Nuffield Foundation<sup>15</sup> and others have argued. This requires a workforce strategy to address the issue of staff recruitment, retention, skills and progression opportunities for early years practitioners and the improvement

- 10 In Wales there is free childcare for two- to four-year-olds if they live in a ‘Flying Start’ (economically deprived) area for 12.5 hours per week in term time regardless of whether they are on UC or not and how much they earn. All areas in Wales are gradually becoming Flying Start areas.
- 11 Carneiro, P., Cattan, S. and Ridpath, N. (2024). The short- and medium-term impacts of Sure Start on educational outcomes. The Institute for Fiscal Studies. [https://ifs.org.uk/sites/default/files/2024-04/SS\\_NPD\\_Report.pdf](https://ifs.org.uk/sites/default/files/2024-04/SS_NPD_Report.pdf)
- 12 Carneiro, P. et al. (2024). The effect of Sure Start on youth misbehaviour, crime and contacts with children’s social care. The Institute for Fiscal Studies. <https://ifs.org.uk/sites/default/files/2024-10/The-effect-of-Sure-Start-on-youth-misbehaviour-crime-and-contacts-with-children-social-care.pdf>
- 13 Weale, S. and Crerar, P. (2024). Senior Labour figures call for ‘life-transforming’ Sure Start policy. The Guardian, 9 April. <https://www.theguardian.com/education/2024/apr/09/senior-labour-figures-call-for-life-transforming-sure-start-policy>
- 14 Cabinet Office (2024). Tackling Child Poverty: Developing Our Strategy. <https://www.gov.uk/government/publications/tackling-child-poverty-developing-our-strategy/tackling-child-poverty-developing-our-strategy-html>
- 15 Nuffield Foundation (2022). The changing face of early childhood in Britain. <https://www.nuffieldfoundation.org/series/changing-face-of-early-childhood-in-britain>

of SEND (special educational needs and disabilities) childcare provision.<sup>16</sup> The recent unpublished review conducted by Sir David Bell recommended the development of a new 0-7 qualified teacher status (QTS) and suggested other ways to improve quality in the early years sector.<sup>17</sup>

## Reform employment support and conditionality rules for parents

Instead of the current very limited support provided by Jobcentre work coaches, specialist and non-stigmatising employment support – similar to the help provided under the New Deal for Lone Parents – that recognises the complex and demanding role of being a working parent should be offered to all families on UC. The recent extension of conditionality to lone parents and lead carers in couples whose children are aged three – who are now expected to be working or looking for work for 30 hours per week – should also be reversed.

## Going forward: making work pay and the new child poverty strategy

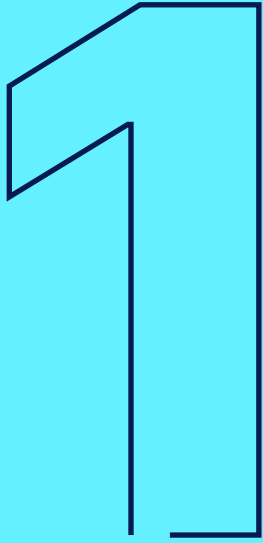
Since being elected in July 2024, the Labour government has set up a child poverty taskforce to develop a strategy for reducing child poverty, in part through increasing economic activity rates and earnings in families and improving early years learning. The Labour Party has also promised to 'make work pay' through its New Deal for Working People and increases in the National Minimum Wage<sup>18</sup> and, in November 2024, the *Get Britain Working* white paper was published.<sup>19</sup> Ensuring these goals are met for low-income families will depend on the availability of affordable, quality childcare that can meet the diverse needs of all children. We hope that this report and recommendations can contribute to meeting these objectives.

16 Hodges, L., Shorto, S. and Goddard, E. (2024). Childcare Survey 2024. Coram Family and Childcare. [https://www.familyandchildcaretrust.org/sites/default/files/Childcare%20Survey%202024\\_3.pdf](https://www.familyandchildcaretrust.org/sites/default/files/Childcare%20Survey%202024_3.pdf)

17 Turner, C. (2024). Labour's early years review findings revealed. TES Magazine, 11 September. <https://www.tes.com/magazine/news/early-years/labour-early-years-review-findings-revealed>

18 Labour Party (2024). Labour's Plan to Make Work Pay. <https://labour.org.uk/wp-content/uploads/2024/05/LABOURS-PLAN-TO-MAKE-WORK-PAY.pdf>

19 HM Government (2024). Get Britain Working. <https://assets.publishing.service.gov.uk/media/67448dd1ece939d55ce92fee/get-britain-working-white-paper.pdf>



# **Introduction**

# Introduction

In this IPR research report, we explore experiences of childcare for low-income families in receipt of Universal Credit. The report focuses on how low-income parents manage childcare costs as well as their broader experiences of childcare and work conditionality requirements. The findings are drawn from interviews with 22 low-income parents in receipt of Universal Credit who were interviewed for our wider qualitative research in 2022/23, funded by abrdn Financial Fairness Trust.<sup>1</sup> Eighteen of these parents were re-interviewed in June 2024 specifically on the topic of childcare (see Annex 1 for more information about methods and sample). When first interviewed, all participants were working and/or had a partner who was working.

## Childcare and low-income families

For many working families, but more especially those with low incomes and with limited access to informal childcare, support to cover the costs of childcare is a crucial factor in enabling the parents to work. Childcare support including help with childcare costs in the UK is, however, complex and partial and provision is geographically patchy. There are several streams of support available – some financial, some in-kind, some universal, some means tested – as well as differences across the devolved administrations.

The current ‘package’ of childcare support includes a mix of:

- Universal provision in the form of free childcare hours for all parents, regardless of whether they are working or not
- Provision targeted on working parents, including additional free hours
- Tax-free childcare for working parents
- Means-tested help for low-income working parents, mainly through Universal Credit – the main means-tested benefit for working-age people in the UK, but previously through the tax credit system
- Childcare support targeted at disadvantaged children, regardless of parental employment status.

While tax-free childcare and means-tested help through Universal Credit is the same across England, Scotland, Wales and Northern Ireland, the provision of free childcare hours varies across the devolved nations.

<sup>1</sup> Griffiths, R. and Wood, M. (2024). Coping and hoping: Navigating the ups and downs of monthly assessment in Universal Credit. IPR Report. University of Bath. <https://www.bath.ac.uk/publications/coping-and-hoping-navigating-the-ups-and-downs-of-monthly-assessment-in-universal-credit/attachments/coping-and-hoping.pdf>



In April 2024, the Conservative government increased childcare support for working parents in England by extensions to the free childcare hours, previously available for working parents with three- and four-year-olds, to two-year-olds. From September 2024, the 15 hours offer was extended to all children from the age of nine months in England with working parents, and there are plans for 30 hours of free childcare to be available for all children aged nine months or older with working parents from September 2025,<sup>2</sup> as well as plans to increase investment in wraparound care.<sup>3</sup> The Labour government elected in July 2024 has committed to supporting these pledges and has also announced plans for the rollout of free breakfast clubs in English state primary schools from April 2025.<sup>4</sup>

While this increased offer has been well received, there remain issues for parents and providers. These increased free childcare hours, for example, often do not cover the full cost of childcare. Low-income parents who work can find themselves having to reclaim additional childcare costs through Universal Credit, which can be complicated. Parents may also face wider issues with childcare availability and finding suitable care that meets their children's needs. At the same time, there are new, stricter work conditionality rules for parents on Universal Credit. Childcare providers, too, face significant challenges in meeting the rise in demand for childcare places as a result of the expanded free hours offer.

In this report we explore these challenges from the lived experiences of low-income families in receipt of Universal Credit. We make a number of recommendations for reforming childcare support that will help to address some of the issues raised, while contributing to the government's developing Child Poverty Strategy.<sup>5</sup>

## Structure of the report

The report will be presented in four further chapters.

Chapter Two lists the main forms of support for childcare in the UK in operation across England, Scotland and Wales and provides a detailed overview of the Universal Credit childcare element.

Chapter Three outlines the policy context for childcare support in the UK and for low-income parents on Universal Credit.

2 Alongside the free childcare hours, families can also receive tax-free childcare – see Chapter Two, page 8 – but not if they are in receipt of Universal Credit or Working Tax Credits.

3 Childcare Choices, HM Government. Early Years childcare. <https://www.childcarechoices.gov.uk/childcare-expansion/early-years-childcare>

4 <https://www.gov.uk/government/news/schools-urged-to-sign-up-for-free-breakfast-club-rollout>

5 Cabinet Office (2024). Tackling Child Poverty: Developing Our Strategy. <https://www.gov.uk/government/publications/tackling-child-poverty-developing-our-strategy/tackling-child-poverty-developing-our-strategy-html>

Chapter Four presents findings drawn from our research, examining claimants' experiences of the government free childcare hours, the childcare element of Universal Credit and recent changes to work conditionality rules.

Chapter Five discusses policy implications and options for reform.

Annex 1 provides more information about the research and sample.

2

# **Childcare support in the UK**

# Childcare support in the UK

Understanding the amount of childcare costs incurred by parents is difficult because of the different types of support that parents receive and because surveys do not yet include the new free childcare hours since April 2024. However, the 2024 Annual Childcare Survey<sup>6</sup> shows that if a working parent with a three- or four-year-old is eligible for the 1,140 hours of funded childcare per year (30 hours per week in term time) and they need to pay for the 20 hours extra to take this up to a full-time place (50 hours per week), the average weekly amount paid for a nursery is £120.93 in England. In 2024, the average cost of an after-school club for a week is £69.14 across Great Britain, or £2,697 a year during term time (39 weeks). Parents could end up paying much more than these amounts – for example, if they are in Wales, not in a Flying Start area and need full-time childcare for an under three-year-old, costs could be significantly higher. Although low-income families on UC can reclaim some of these costs, doing so is neither automatic nor straightforward.

The UK childcare support system, as operating in 2024, can be broadly divided into five types of help:

1. Universal free childcare hours for three- and four-year-olds regardless of parental working status
2. Targeted free childcare for two-year-olds in disadvantaged families (England and Scotland) or living in economically deprived areas (Wales)
3. Free childcare hours for children between nine months and four years specifically for parents who are working<sup>7</sup>
4. Tax-free childcare for parents who are working and not claiming Universal Credit (we do not cover this in our findings because none of our participants received this as they were receiving UC)
5. Means-tested financial support for childcare costs for eligible low-income working families – now mainly through Universal Credit

Table 1 gives details of the different types of support, how much help people get and how the help varies in England, Scotland and Wales (Northern Ireland is excluded as we did not cover this area in our study).

6 Hodges, L., Shorto, S. and Goddard, E. (2024). Childcare Survey 2024. Coram Family and Childcare. [https://www.familyandchildcaretrust.org/sites/default/files/Childcare%20Survey%202024\\_3.pdf](https://www.familyandchildcaretrust.org/sites/default/files/Childcare%20Survey%202024_3.pdf)

7 <https://www.gov.uk/check-eligible-free-childcare-if-youre-working>

**Table 1. Childcare costs support in England, Scotland and Wales**

<b>1. Universal free childcare hours for three- and four-year-olds regardless of parents' working status</b>	
<p>Universal free childcare hours for three- and four-year-olds</p> <p>England</p> <p>Scotland</p> <p>Wales</p>	<p>All parents, regardless of whether they are in work or not, are entitled to 15 free hours of childcare for 38 weeks of the year. The government pays providers directly, so there are no upfront costs to parents. Parents can receive this from the term after their child turns three and it stops when their child starts school. Some nurseries offer to provide this care as fewer hours spread over the year.</p> <p>Similar scheme to England but for 30 hours a week during term time, or 22 hours spread across the year.</p> <p>10 hours per week for all three- and four-year-olds, increased to 12.5 hours for three- and four-year-olds in 'Flying Start' (economically deprived) areas. The 12.5 hours is gradually being expanded to all areas.</p>
<b>2. Targeted free childcare hours for two-year-olds living in disadvantaged families or economically deprived areas</b>	
<p>Targeted free childcare hours for two-year-olds in disadvantaged families</p> <p>England</p> <p>Scotland</p> <p>Wales</p>	<p>15 hours per week in term time if they receive UC (or other legacy means-tested benefits) regardless of whether the parents are working or not, but if they are working, their net earned household income needs to be £15,400 a year or less. There are other circumstances where two-year-olds can receive free childcare, such as being looked after by a local authority, having an education, health and care (EHC) plan or being in receipt of a Disability Allowance, or if they have left care under an adoption order, special guardianship order or a child arrangements order. As with childcare places for three- and four-year-olds, support for two-year-olds is free at point of use with government making direct payment to providers.</p> <p>Similar scheme but for 30 hours a week in term time, or 22 hours spread across the year – although the household earnings threshold is lower than for England – £9,552 per year (£796 per month).</p> <p>In Wales there is free childcare for two-year-olds if they live in a Flying Start area for 12.5 hours per week in term time regardless of whether they are on UC or not and how much they earn. All areas in Wales are gradually becoming Flying Start areas.</p>
<b>3. Free childcare hours for children aged between nine months and four years specifically for parents who are working</b>	
<p>Additional childcare hours for three- and four-year-olds with working parents</p> <p>England</p> <p>Scotland</p> <p>Wales</p>	<p>If both parents are in work, they are entitled to 30 hours (an additional 15 hours) of free childcare for three- and four-year-olds, over 38 weeks of the year, which parents claim online through the tax system. In England the extended 15 hours for working parents is only available when both parents earn at least the National Minimum Wage (NMW) or National Living Wage (NLW) for 16 hours per week.</p> <p>In Scotland the childcare offer is the same as the universal provision for two-, three- and four-year-olds (30 hours per week in term time or 22 hours across the whole year).</p> <p>Three- and four-year-olds with working parents are entitled to 30 hours per week for 48 weeks of the year.</p> <p>From April 2024 the additional 15 hours (over 38 weeks of the year or fewer hours over 52 weeks) for working parents was extended to two-year-olds. From September 2024 this is extended to all children from aged nine months in England with working parents. There are plans for 30 hours of free childcare to be available for all children aged nine months or older with working parents from September 2025. To be eligible, the parent (and their partner if they have one) must each expect to earn at least £2,380 before tax if over 21 (amounts are lower for those aged 18-21) over the next 3 months (this is equivalent to the NMW or NLW for 16 hours per week – £9,518 per year). Claimants can use an average of how much they expect to earn over the current tax year if they work throughout the year but do not get paid regularly or are self-employed and do not expect to earn enough in the next three months.</p> <p>No additional support specifically for working parents of two-year-olds (other than that already received by those with household earnings under £796 per month)</p> <p>No additional plans for two-year-olds of working parents, but there is a plan to extend Flying Start to all areas of Wales so all two-year-olds should start receiving 12.5 hours a week in term time.</p>

#### 4. Tax-free childcare support for parents who are working and not claiming UC

England	Available for all children under 12 (or under 17 if the child has a disability). This scheme allows eligible families to receive government contributions towards their childcare costs. Parents can open a Tax-Free Childcare account and for every £8 they pay in, the government adds an extra £2, up to a maximum of £2,000 per child per year (or £4,000 for disabled children). Tax-free childcare replaces the childcare vouchers scheme, which has closed for new applications.
Scotland	Parents and their partner (if they have one) must earn at least the equivalent of 16 hours a week at the National Minimum Wage or Living Wage. Parents' earnings cannot exceed £100,000 a year. It can be received alongside the 30 hours extended entitlement, but not UC or Working Tax Credit.
Wales	Same as above.

#### 5. Means-tested provision for low-income working families

England	The childcare element of Universal Credit is available to working lone parents and to couples where both parents are in work. It does not matter how many hours claimants are working but both partners must be working if in a couple – unless the partner cannot look after the children due to a health condition or disability and are assessed as having limited capability for work (LCW) or limited capability for work and work-related activity (LCWRA), cares for a severely disabled person or has to be away from home temporarily such as being in hospital. The childcare fees are reimbursed up to 85 per cent of costs up to a maximum of just over £1,015 per month for one child and £1,739 per month for two or more children and is means tested. See full details of the UC childcare element later.
Scotland	Same as above.
Wales	Same as above.
England	Parents in receipt of working tax credit can receive up to 70 per cent of childcare costs up to a maximum weekly limit of £175 (one child) or £300 (two or more children) a week (therefore maximum amounts they can receive are £122.50 (1 child) and £210 (2 or more children) per week). The actual amount claimants receive depends on their earnings. A taper rate of 41 per cent is applied. Claimants must work at least 16 hours per week and if in a couple, both partners must usually work at least 16 hours a week, unless one is working 16 hours and the other is in receipt of disability or carers' benefits or in prison. Claimants report average childcare costs annually or more frequently if there are any changes.
Scotland	Tax credits are being replaced by Universal Credit. Most working families will be moved from working tax credit onto UC by 2025.
Wales	Same as above.

## Universal Credit childcare costs support

In May 2024, 183,000 households in the UK received the UC childcare element, of which 148,000 were lone parent households and 35,000 were couple households. The average amount of childcare element was £400 per month.<sup>8</sup> This is the amount included in their UC entitlement but not necessarily what is actually received due to the impact of the taper rate (see Means testing and monthly assessment section below). Overall, 14 per cent of households with children received the UC childcare element, rising to 30 per cent of households with pre-school children.

Next we outline in detail how the Universal Credit childcare element operates. Most of this information is on the government information website.<sup>9</sup>

### Eligibility: Who can claim the Universal Credit childcare element?

The childcare element of Universal Credit is available to working lone parents and to couples where both parents are in work or one is working and the other starts work, or both are starting work or a new job in the next month. It does not matter how many hours claimants are working; unlike working tax credit, there is no minimum. However, in couples, both partners must be working unless one partner cannot look after the children due to a health condition or disability (and is classified as having limited capability for work (LCW) or limited capability for work and work-related activity (LCWRA)), cares for a severely disabled person (and is eligible for Carer's Allowance) or has to be away from home temporarily, such as being in hospital. Claimants who are on sick leave may also be eligible if they are receiving Statutory Sick Pay. Claimants can claim childcare costs for all the children they are responsible for, until the 31 August after their 16th birthday.

### Entitlement: How much can be claimed?

For eligible parents, childcare fees are reimbursed up to 85 per cent of costs up to a maximum of £1,014.63 per month for one child and £1,739.37 per month for two or more children. Maximum amounts were previously £646 for one child or £1,108 for two children per month in 2021/22 and were increased by nearly 50 per cent in June 2023. However, reclaiming childcare costs through UC has its own set of complexities, including the impact of the monthly means test, so claimants are unlikely to be reimbursed for these amounts in practice. We explore this further in Chapter Four.

<sup>8</sup> Department for Work and Pensions (2024). Universal Credit childcare element statistics, March 2021 to May 2024. <https://www.gov.uk/government/statistics/universal-credit-statistics-29-april-2013-to-11-july-2024/universal-credit-childcare-element-statistics-march-2021-to-may-2024>

<sup>9</sup> Department for Work and Pensions (2024). Guidance: Universal Credit childcare costs. <https://www.gov.uk/guidance/universal-credit-childcare-costs>

## Upfront costs

UC childcare support is paid in arrears, so claimants must pay the costs upfront themselves and then claim them back each month through the online system, after the childcare has been provided. Some claimants may be entitled to receive help with upfront costs through the Flexible Support Fund (FSF), which provides discretionary, non-repayable grants on a one-off basis. However, this help is only available to those starting work or increasing their hours of work, such as moving from part-time to full-time work. A work coach decides if a parent is eligible for help from the FSF, verifying aspects such as whether the childcare provider is Ofsted registered, if the amount charged is reasonable for the local area and for the number of hours worked, and whether help could have been received from elsewhere. Application forms need to be completed by the work coach and a form which the claimant needs to take to their childcare provider to complete. If claimants are not able to get help from the FSF then they can request a budgeting advance, in effect a loan, repaid as a deduction from their monthly Universal Credit payment.

## Means testing and monthly assessment

The monthly amount that claimants are reimbursed for their childcare costs is included in their overall Universal Credit award. This means that the contribution towards childcare can go up or down, depending on household earnings. So, if the household has higher earnings one month, or has more than one pay packet included in their monthly assessment period,<sup>10</sup> the total Universal Credit payment might go down, including any amount awarded for childcare costs. The overall UC award is reduced by the 55 per cent taper rate for earnings above the ‘work allowance’ – the amount working families and people with limited capability for work are allowed to earn before the taper is applied. This work allowance is the same for a couple as it is for a lone parent (£404 in 2024/25 if claimants receive housing support from Universal Credit and £673 if not), so families with two working parents receive only one work allowance.

## Administrative requirements

Claimants have to initially provide proof of childcare provision, including: a contract, invoice or letter from the childcare provider showing their name, registration number, address and phone number; the names of the children being cared for; and the childcare setting, such as nursery or after-school care. Each month, the claimant must provide proof of payment, including: the dates of the childcare they have paid for; how much they paid; and the dates they made the payment. This can be an invoice if this includes all this information or, if not, it can be a combination of bank statements, receipts

<sup>10</sup> Claimants paid weekly, two-weekly or four-weekly will have certain months where additional to their usual amount of pay packets are included in their monthly assessment period – even though their underlying earnings have not changed, causing the following month’s UC payment to reduce, potentially to nil.



and invoices from the provider. Claimants report childcare costs in their online UC account and are advised to: 'Report them [childcare costs] as soon as you pay for them. If you leave it for longer than 2 months, you might not get the money back.'<sup>11</sup>

Another government source states that while the costs must be reported monthly, the evidence does not necessarily need to be provided each month, although verification could be requested:<sup>12</sup>

After the initial costs have been verified, the claimant must continue to report the childcare costs they pay but may not be asked to provide evidence. This is because the childcare costs have automatically been accepted. If verification of childcare costs is required, the claimant has 1 month to provide this evidence from the date it is requested. Claimants are to be advised that they must keep evidence of the actual childcare costs they have paid out and for which a claim has been made, for 2 years because evidence may be needed at a later date.

## When is the reimbursement received?

Claimants can claim for up to three months of childcare costs at a time, but they will only be reimbursed for the days used in each UC monthly assessment period<sup>13</sup> so will be paid any remaining amount month by month. For example, if parents pay for a term in advance – which some providers require – the reimbursement will only cover any childcare that has been used during that month. The rest is paid in later months as the childcare has been used.

It is the standard operating model of providers to require payment for childcare provision in advance and they often operate on small margins that make alternative payment options too difficult.<sup>14</sup> In the unlikely event that parents are able to pay for their childcare after they have received it, they would usually receive their reimbursement in the same assessment period that they report them.

<sup>11</sup> Department for Work and Pensions (2024). Guidance: Universal Credit childcare costs. <https://www.gov.uk/guidance/universal-credit-childcare-costs>

<sup>12</sup> [https://data.parliament.uk/DepositedPapers/Files/DEP2023-0791/030.\\_Childcare\\_costs\\_V27.0.pdf](https://data.parliament.uk/DepositedPapers/Files/DEP2023-0791/030._Childcare_costs_V27.0.pdf)

<sup>13</sup> UC monthly assessment periods are determined by the day a claimant first makes their claim for UC. For example, if they first made their claim on the 10th of the month, their assessment periods would run from the 10th of one month to the 9th of the following month. Universal Credit is then calculated based on the household's circumstances in each assessment period. Claimants have to report any changes of circumstances over the UC journal and any changes can affect how much UC they are paid. Employers usually report any earnings to HMRC through the Real Time Information (RTI) system so claimants do not have to do this themselves, unless they are self-employed, in which case claimants self-report their earnings. The UC payment is made seven days after each assessment period ends (unless it falls on a weekend or bank holiday, then they are paid on the day before).

<sup>14</sup> House of Commons Work and Pensions Committee (2022). Universal Credit and childcare costs: Fourth Report of Session 2022-23. <https://committees.parliament.uk/publications/33299/documents/180253/default/>

## What can be claimed?

The childcare must be with an Ofsted-registered (Care Inspectorate in Scotland, or Care Inspectorate Wales) provider and can include nurseries, preschools, after-school clubs, breakfast clubs, childminders, nannies and holiday clubs. The Universal Credit childcare element can be claimed for 'reasonable' childcare costs that help claimants into work such as a 'settling in period' before they start work, childcare while they travel to work or childcare in the month after they lose their job. Childcare for changing work patterns or zero-hours contracts can also be considered 'reasonable'. For example, if claimants have to pay childcare costs so that they are available to work their usual hours, and then they actually get less work hours than they expected, this should be considered 'reasonable'. Childcare costs may be deemed unreasonable where, for example, full-time provision is being claimed for a part-time job.

Often nurseries charge top-up fees to parents who are receiving the government free hours because the amount providers are paid by the government is generally not enough to cover costs. These can appear on invoices as extras such as meal charges. The official UC information below states that these cannot be claimed back if they are included as extras on the invoice:<sup>15</sup>

Additional extras on childcare invoices must be considered on an individual basis. When reporting childcare costs, the claimant may include the cost of meals provided to the child by the childcare provider. If the cost of the meal is included in the contract with the provider (but not itemised on the invoice), these can be reimbursed to the claimant. If the cost of the meal is an optional extra and the claimant is choosing to pay for meals, these costs will not be reimbursed as they are responsible for those costs.

<sup>15</sup> [https://data.parliament.uk/DepositedPapers/Files/DEP2023-0791/030...Childcare\\_costs\\_V27.0.pdf](https://data.parliament.uk/DepositedPapers/Files/DEP2023-0791/030...Childcare_costs_V27.0.pdf)



## **Policy context**

# Policy context

## Childcare reform

Since 2010 there have been various reforms to the childcare system, most prominently in the offer of ‘free’ childcare hours. In 2010, the Department for Education introduced an entitlement to 15 hours of free childcare per week during school term time for all three- and four-year-olds. In 2013 this was extended to include two-year-olds from disadvantaged families. In 2017 the ‘free’ hours were extended to 30 per week in term time for children with working parents. In England, from April 2024 the additional 15 hours (over 38 weeks of the year or fewer hours over 52 weeks) for working parents that had previously been available for three- and four-year-olds was extended to two-year-olds. From September 2024, the 15 hours offer was extended to all children from aged nine months in England with working parents and there are plans for 30 hours of free childcare to be available for all children aged nine months or older with working parents from September 2025.<sup>16</sup> The extended 15 hours for working parents is only available when the parent (or each individual parent if in a couple) earn at least the National Minimum Wage/National Living Wage for 16 hours per week (see Chapter Two, Table 1 for more detail).

There have been questions over the deliverability of the recent of proposed expansion of childcare hours. A report by the National Audit Office in April 2024<sup>17</sup> stated that there are ‘significant uncertainties around whether the sector can implement the changes and be financially sustainable’. The most recent annual Childcare Survey found significant decreases in the availability of childcare since the previous year.<sup>18</sup> The Labour government has pledged that over 3,000 new nursery classes across England will open and that spare school classrooms will be converted into high quality spaces for nurseries.<sup>19</sup> However, the success of the full implementation of the expanded childcare offer remains to be seen.

Although free childcare hours are welcomed by many, they were introduced at the same time as a reduction in other areas of early learning and childcare support, including cuts to the funding of Sure Start centres,<sup>20</sup>

<sup>16</sup> Alongside the free childcare hours, families can also receive tax-free childcare – see Chapter Two, page 8 – but not if they are in receipt of Universal Credit or Working Tax Credits.

<sup>17</sup> National Audit Office (2024). Preparations to extend early years entitlements for working parents in England. <https://www.nao.org.uk/reports/preparations-to-extend-early-years-entitlement-for-working-parents-in-england/>

<sup>18</sup> Hodges, L., Shorto, S. and Goddard, E. (2024). Childcare Survey 2024. Coram Family and Childcare. [https://www.familyandchildcaretrust.org/sites/default/files/Childcare%20Survey%202024\\_3.pdf](https://www.familyandchildcaretrust.org/sites/default/files/Childcare%20Survey%202024_3.pdf)

<sup>19</sup> Labour (2024). Labour’s plan for childcare and early education. 9 June 2024. <https://labour.org.uk/updates/stories/labours-plan-for-childcare-and-early-education/>

<sup>20</sup> Sure Start centres were first introduced in under Labour 1999 to offer holistic support to families with children under the age of five with health, parenting, employment and early learning and childcare began to lose funding after the Coalition government came into power in 2010. At their peak there were around 3,500 centres around the country.

which decreased by two-thirds between 2010 and 2022. Recent Institute for Fiscal Studies (IFS) reports have found Sure Start centres to be highly successful with significant improvements in disadvantaged children's education<sup>21</sup> and reductions in youth crime<sup>22</sup> in the areas in which they operated. There has been renewed policy interest with the introduction of Family Hubs<sup>23</sup> since 2022 but there are currently only 75 of these in the country and they have only received funding at five per cent of the level that Sure Start did at its peak.<sup>24</sup> Senior Labour Party figures such as Gordon Brown have called for increased funding to rejuvenate the Sure Start programme.<sup>25</sup> The recently announced Labour Party Child Poverty Strategy<sup>26</sup> includes as part of its targeted focus a commitment to 'better local support, focused especially on children's early years', which may indicate a move towards more investment in Sure Start or similar types of provision.

The focus of recent childcare reforms has been about encouraging families to work/work more. This is, in part, being fuelled by concerns about rising labour market inactivity, with childcare support being seen as a way of boosting, in particular, female participation in the labour market, to 'help mums in particular to stay in work and keep the economy growing'.<sup>27</sup> But while the childcare reforms are generally welcomed by working families, they typically do not eradicate childcare costs entirely. The new offer is not yet fully rolled out and the subsidies for free hours do not always cover the cost of hourly care, meaning that nurseries often charge additional amounts to parents.<sup>28</sup> There is also a lack of availability, meaning that in some areas, parents have no choice but to use more expensive providers. Furthermore, the 'free' hours are not for the full year or full hours required to allow parents to work full-time. The lower earning thresholds for eligibility mean that some part-time low-income parents will not qualify for support. These

- 21 Carneiro, P., Cattan, S. and Ridpath, N. (2024). The short- and medium-term impacts of Sure Start on educational outcomes. The Institute for Fiscal Studies. [https://ifs.org.uk/sites/default/files/2024-04/SS\\_NPD\\_Report.pdf](https://ifs.org.uk/sites/default/files/2024-04/SS_NPD_Report.pdf)
- 22 Carneiro, P. et al. (2024). The effect of Sure Start on youth misbehaviour, crime and contacts with children's social care. The Institute for Fiscal Studies. <https://ifs.org.uk/sites/default/files/2024-10/The-effect-of-Sure-Start-on-youth-misbehaviour-crime-and-contacts-with-children-social-care.pdf>
- 23 Department of Health and Social Care and Department for Education (2023). Family Hubs and Start for Life programme. <https://www.gov.uk/government/collections/family-hubs-and-start-for-life-programme>
- 24 White, T. (2024). Sure Start could have changed everything for my family. Labour must be brave – and revitalise it. The Guardian, 18 April. <https://www.theguardian.com/commentisfree/2024/apr/18/sure-start-tony-blair-labour-keir-starmer-early-years>
- 25 Weale, S. and Crerar, P. (2024). Senior Labour figures call for 'life-transforming' Sure Start policy. The Guardian, 9 April. <https://www.theguardian.com/education/2024/apr/09/senior-labour-figures-call-for-life-transforming-sure-start-policy>
- 26 Cabinet Office (2024). Tackling Child Poverty: Developing Our Strategy. <https://www.gov.uk/government/publications/tackling-child-poverty-developing-our-strategy/tackling-child-poverty-developing-our-strategy-html>
- 27 The Education Hub (2023). Budget 2023: Everything you need to know about childcare support. 16 March. <https://educationhub.blog.gov.uk/2023/03/16/budget-2023-everything-you-need-to-know-about-childcare-support/>
- 28 The 2024 Coram Family and Childcare survey found that many local authorities were not clear how many providers required parents to pay additional charges but of those that could answer this question 91 per cent said that half or more providers make additional charges for childcare for three- and four-year-olds and 22 per cent required parents to buy additional hours when taking up funded 30 hours for working parents, which is disallowed in statutory guidance. See: <https://www.coram.org.uk/wp-content/uploads/2024/03/Childcare-Survey-2024.pdf>

new offers are also not available in the devolved nations.

Working parents may also have to pay for after-school and holiday clubs (although the cost of Ofsted-registered provision can be reclaimed by eligible parents on UC). There is no free provision for after-school clubs and free holiday childcare is restricted to families in receipt of free school meals for whom the earnings threshold is very low.<sup>29</sup> Parents also sometimes have to pay for breakfast clubs,<sup>30</sup> although there is free provision in some areas. The Labour Party has promised to introduce free breakfast clubs to pupils in all state primary schools in England.<sup>31</sup>

Thus childcare costs still remain for many families, even though they may qualify for help. While higher earning families may be better able to manage these costs, low-income families have less resource to do so. An Education Select Committee report in 2019 raised concerns as to whether the extended childcare entitlement widened the gap between disadvantaged children and those from more advantaged backgrounds because the funding streams available from the Department for Education (DfE) had tilted childcare spending towards better off families.<sup>32</sup> There is limited research which focuses specifically on childcare support and experiences of low-income families. Our research begins to address this knowledge gap.

## Means-tested help with childcare costs

Low-income families who are in receipt of working-age, means-tested benefits may be able to reclaim *some* childcare costs. For those still in receipt of legacy benefits, childcare costs are reclaimed through the tax credit system and for those on Universal Credit, costs can be reclaimed through the childcare element of Universal Credit. Most benefit claimants are now in receipt of Universal Credit with the tax credit system being phased out. All legacy benefit claimants are expected to be migrated onto UC by 2025.

<sup>29</sup> Not all schools provide wraparound care (after-school or breakfast clubs). If a school does not provide wraparound care a parent has the right to request that the school their child attends or is due to attend consider setting up wraparound care or holiday provision. If the child's school decides not to do so, they should let the parent know other local childcare options. This might include putting parents in contact with the wraparound lead in their local authority or the local family information service, who will have up-to-date information about other available local childcare. In 2023, the Conservative government announced funding worth up to £289 million to enable schools to test different ways to increase their wraparound options, which is being rolled out from September 2024. The expectation is that by September 2026, all parents will be able to access wraparound care, either from their school or other provider. See: <https://www.childcarechoices.gov.uk/childcare-expansion/wraparound-childcare>

<sup>30</sup> In England at present, schools with at least 40 per cent of pupils from income-deprived areas can receive a subsidy covering three-quarters of food and delivery costs under the National School Breakfast Club programme (NSBP). Around 12 per cent of state schools in England currently take part in the scheme, funding for which ends in July 2025.

<sup>31</sup> Labour (2024). Labour's plan for childcare and early education. 9 June 2024. <https://labour.org.uk/updates/stories/labours-plan-for-childcare-and-early-education/>

<sup>32</sup> <https://publications.parliament.uk/pa/cm201719/cmselect/cmeduc/1006/100604.htm>

As outlined in Chapter Two, claimants on Universal Credit can reclaim up to 85 per cent of childcare costs (subject to a monthly cap for one or two children) and those on working tax credits can reclaim up to 70 per cent. However, it is not always clear if claimants benefit more financially from tax credits compared to UC with regards to childcare costs because of the different structures, and there are both winners and losers (for example, recipients of working tax credit may also have qualified for housing benefit). The amount that claimants are reimbursed for their childcare amount is included in the overall award in both systems. So in both systems, parents could receive less than the calculated childcare element because of the way other income is taken into account in reducing the total.

The most significant difference lies in the annual system of assessment for tax credits versus the monthly system in Universal Credit. For tax credits, childcare costs are usually reported annually and the payments made monthly on that basis. The monthly system in Universal Credit means that only actual costs are eligible to be reimbursed, but this creates a new set of challenges, in particular around reimbursement shortfall, variability, delay and administrative burden. These aspects have received limited policy attention. There is often a focus on the issue of the initial upfront costs that parents are required to pay for their childcare which they then have to reclaim in arrears through Universal Credit. While upfront costs are problematic, they are not the only problem with the childcare element of Universal Credit. A report by the House of Commons Work and Pensions Committee in 2022,<sup>33</sup> to which our own earlier research contributed, showed some awareness of these wider issues, but this report also states that the monthly assessment and paying in arrears system is necessarily designed this way to reduce the fraud and error that occurred in the legacy tax credit system.<sup>34</sup> There is no evidence that the systemic problems with the UC childcare element are being addressed.

In this report we therefore consider the issue of upfront costs but also these wider issues around the childcare element of Universal Credit, which remain unaddressed for low-income families and, in some cases, lead to a reduction in work or working hours for families.

<sup>33</sup> House of Commons Work and Pensions Committee (2022). Universal Credit and childcare costs: Fourth Report of Session 2022-23. <https://committees.parliament.uk/publications/33299/documents/180253/default/>

<sup>34</sup> See p.20, House of Commons Work and Pensions Committee (2022). Universal Credit and childcare costs: Fourth Report of Session 2022-23. <https://committees.parliament.uk/publications/33299/documents/180253/default/>

## Conditionality rules for parents on Universal Credit

Childcare affordability and availability are especially important to low-income parents because of the increased levels of conditionality that they face. All claimants of Universal Credit must agree to, and sign, a 'claimant commitment', which sets out their obligations in relation to work, backed up by financial sanctions for those who are judged to have failed to comply. Less stringent conditions apply to people with limited capacity for work, or for work-related activities, due to ill-health or disability.

For parents, there have been significant changes over recent years regarding the level of conditionality they are expected to meet. Parents claiming Universal Credit must nominate a 'lead carer' – the person with the main responsibility for looking after the children in the family – and their work requirements then relate to the age of the youngest child. Lone parents are automatically the lead carer, but couples must choose one of them.

A lead carer with a child aged under one is not required to be available for, or look for, work. At age one, there is a requirement to discuss work preparation with a work coach. At age two an active programme of work preparation activities is required and at age three there is an expectation of work, or work search. Up until autumn 2023, lead carers with a youngest child aged three were expected to work or look for work for 16 hours a week, rising to 25 hours at ages five to 12, and 35 hours for those with children aged 13 and above. Since autumn 2023, however, this has changed and there is an expectation that lead carers with a youngest child aged three will work or look for work for 30 hours a week. Those with children under three have also been required to meet with work coaches more frequently. For parents of children aged one, this is every three months as opposed to six previously. For parents of children aged two, the meetings are monthly, rather than quarterly. This is a significant policy shift and we explore parents' experiences and views on conditionality in Chapter Four.



**Table 2. Change in conditionality requirements for parents between 2017 and 2023**

<b>Age of your youngest child</b>	<b>Conditionality requirements 2017</b>	<b>Conditionality requirements 2023</b>
Under one	You do not need to look for work in order to receive Universal Credit	You will not be expected to look for work.
One	You will be asked to attend work focused interviews with your Work Coach.	You will not be expected to look for work. The only work-related activity you will be expected to do is to have regular appointments to discuss a future move into work.
Two	You will be expected to take active steps to prepare for work.	You will not be expected to look for work. The work-related activities you will be expected to do are having regular appointments with Universal Credit and work preparation activities, such as writing your CV.
Three or four	You will be expected to or spend 16 hours a week looking for work.	You will be expected to work up to 30 hours a week, or spend up to 30 hours a week on work-related activities such as applying for jobs.
Between five and 12	You will be expected to spend 25 hours a week looking for work.	
13 and above	You will be expected to spend 35 hours a week looking for work.	You will be expected to work up to 35 hours a week, or spend up to 35 hours a week on work-related activities such as applying for jobs.

Also of note is that in January 2023, the Administrative Earnings Threshold (AET) changed. This is the amount you can earn that affects whether you are treated in a light touch way by the Jobcentre or not, and it was increased to £617 for individual claimants and to £988 for couples (in 2022 it had been £355 for individuals and £567 for couples). It increased again on 13 May 2024 to £892 for individuals and £1,437 for couples.

In Chapter Five we also explore the issues parents face around childcare availability and finding childcare to meet children's needs. These wider pressures, in addition to childcare costs, can make it especially difficult for parents to meet conditionality requirements.

## Other issues for low-income families

Childcare costs support is one of a number of aspects in the design of Universal Credit, and the means-tested benefit system more broadly, which can affect work incentives. For example, for couple households with children, there is no work allowance<sup>35</sup> for second earners – who are most typically mothers – which can be a deterrent to work or increasing hours of work, as reported in our own previous research.<sup>36,37,38</sup>

Furthermore, our September 2024<sup>39</sup> report shows how as earnings increase, claimants can find themselves above the earnings thresholds for entitlement to various forms of additional means-tested support such as Council Tax Reduction, free school meals or free prescriptions. This can act as a disincentive to work or increasing hours of work, especially as many of the earnings thresholds have not been increased for many years.

These factors further complicate work-related decision making for low-income families beyond simply issues about childcare costs and arrangements.

**35** Households with children and those eligible for LCW or LCWRA receive a work allowance which disregards a certain amount of earnings before the 55 per cent taper rate is applied. As of April 2024, the flat rate monthly work allowance applying to eligible household types was £404 per month if the Universal Credit payment included a housing element, and £673 if it does not.

**36** Griffiths, R., Wood, M., Bennett, F. and Millar, J. (2020). Uncharted Territory: Universal Credit, Couples and Money. IPR Report. University of Bath. <https://www.bath.ac.uk/publications/uncharted-territory-universal-credit-couples-and-money/attachments/Uncharted-Territory-Universal-Credit.pdf>

**37** Griffiths, R., Wood, M., Bennett, F. and Millar, J. (2022). Couples Navigating Work, Care and Universal Credit. IPR Report. University of Bath. [https://www.bath.ac.uk/publications/couples-navigating-work-care-and-universal-credit/attachments/Couples\\_Navigating\\_Work\\_Care\\_and\\_Universal\\_Credit.pdf](https://www.bath.ac.uk/publications/couples-navigating-work-care-and-universal-credit/attachments/Couples_Navigating_Work_Care_and_Universal_Credit.pdf)

**38** Griffiths, R. and Wood, M. (2024). Coping and hoping; Navigating the ups and downs of monthly assessment in Universal Credit. IPR Report. University of Bath. <https://www.bath.ac.uk/publications/coping-and-hoping-navigating-the-ups-and-downs-of-monthly-assessment-in-universal-credit/attachments/coping-and-hoping.pdf>

**39** Griffiths, R. and Wood, M. (2024). Cliff edges and precipitous inclines: The interaction between Universal Credit and additional means-tested help for working claimants. IPR Report. University of Bath. <https://www.bath.ac.uk/publications/cliff-edges-and-precipitous-inclines-the-interaction-between-uc-and-additional-means-tested-help/attachments/cliff-edges-and-precipitous-inclines-research-report.pdf>



# **Research findings**

# Research findings

In this chapter we present study participants' experiences of the free government-funded childcare hours and the Universal Credit childcare element, and how parents coped with the costs of childcare. We also explore issues around the availability of childcare places and children's experiences of childcare, especially where children have more complex needs. At the end of the chapter, we explore parents' experiences of conditionality in Universal Credit.

## The 'free' childcare hours

### 'Free' government-funded childcare hours for all (regardless of working status)

While most of our findings relate to issues for working families with low incomes, we begin here by exploring experiences of universal childcare provision (i.e. not dependent on working status).

Parents were generally very welcoming of the universal free childcare hours which are available to all regardless of whether they are working or not. However, parents who faced additional charges were less positive. Where amounts were very low, such as a £2 weekly snack contribution, they were less concerned, but amounts were often considerably higher and parents could struggle to meet these costs. This was especially challenging for parents with no earnings or single-earner couple households, as they were ineligible to reclaim these costs through Universal Credit.

Emma, for example, was using a private childcare provider for her three-year-old because there was no availability at the local school-based nursery. Neither Emma nor her partner were working due to his poor health and her responsibilities caring for their two young children. They were not yet receiving any health or care related benefits. Emma described having to pay £100 a month in top-up costs, in addition to an annual administration fee and initial deposit, none of which were recoverable:

"So we have to pay an admin fee now...which I think the starting price is about £50, some are higher. Some you have to pay a deposit as well ... on top of that I have to pay...just over £2 an hour, so it works out as £24 a week ... because the funding doesn't cover it. So actually, I'm going to have to pay nearly £100 a month, which I don't have."

**Emma, couple with two children**

Concerningly, Emma said she may need to take her child out of nursery because she could not afford these costs.

Parents found the top ups for 'free' childcare in direct opposition to the intent of the support:

“If it’s a funded place, it’s a funded place, in my mind ... it’s quite black and white in the way I would want it to work.”

**Zoe, lone parent with one child**

## Free hours for two-year-olds in disadvantaged households or areas (regardless of working status)

Free hours for disadvantaged two-year-olds in England and Scotland were available to households in receipt of Universal Credit for those who were not working or earning below certain thresholds (see Table 1, page 7). Those who received this childcare, and where it was fully free, generally appreciated it – especially in Scotland where they received 30 hours in term time.

“My son’s just in funded childcare that you get in Scotland, because in Scotland, children ... get 30 hours’ free childcare ... It pays to live in Scotland at times!”

**Megan, couple with two children**

Others, however, felt that it was unfair that they just missed out on the free childcare hours because their earnings were above a certain threshold. Emma, reflecting back to when her partner was working, said it was difficult to get information about how much her partner could earn each month for them to be eligible for the free childcare for two-year-olds. Once she was eventually informed by the Jobcentre, she felt that it was unfair that they just missed out.<sup>40</sup> She had hoped that her child would have the opportunity to socialise in nursery:

“I can’t get the two-year funding because like Andrew earns a couple of hundred pounds too much a month ... the threshold’s very low, so you have to earn less than £1,200 a month ... It just seems like I’m kind of left out.”

**Emma, couple with two children**

## Free childcare for working parents only and the new childcare hours

Working parents were most satisfied with their childcare if they could rely on free childcare hours only, where they did not need to claim for additional costs through Universal Credit, or pay additional provider charges. Naomi reflected how her financial situation worsened when her child started school because there were no government-funded hours for after-school clubs:

“She has all that childcare provided, I go to work, I didn’t go to the overdraft, I didn’t feel like I’m pouring money into the childcare ... it’s worse now that she’s at school actually”

**Naomi, lone parent with one child**

<sup>40</sup> This couple were a single-earner couple so they would not be eligible for the 15 hours of childcare for two-year-olds with working parents where both parents in a couple would need to be working to be eligible.

Parents were generally very positive about the new 'free' childcare hours offered for working parents with two-year-olds (15 hours per week in term time from aged two from April 2024, extended to nine-month-olds from September 2024) although none in this sample were actually in receipt of these additional hours. The two participants who had children of eligible age lived in areas where the new childcare offer was not available. Ellen, for example, lived in Wales, where the 15 hours for two-year-olds with working parents was not in operation, and they were also not in a Flying Start area:

"We don't get any in Wales ... until the term after they're three, so we don't get anything ... And we're not in a Flying Start area or anything."

**Ellen, couple with two children**

Jennifer, who was pregnant, was hoping that the free childcare for nine-month-olds would be introduced in Scotland by the time her baby reached that age:

"I mean obviously I know that in September this thing is coming in in England, 15 hours from nine months... Maybe by the time this baby's nine months and I'm due to go back to work, it's come into Scotland, I don't know."

**Jennifer, lone parent with two children**

Parents did, however, voice a number of concerns about the new childcare hours for working parents. In particular, many felt that the policy was attached to a drive to push more parents with young children into work regardless of wider factors such as the availability of local childcare places, children's needs and parents' choice around the care of very young children:

As Leah said:

"It's just not right for everybody, it really isn't ... yes, offer them ... if you can and you want to go to work and have some free childcare, we'll help you, but you don't have to! ... if you're better off for your family staying at home, do that too..."

**Leah, couple with two children**

Jake expressed a similar view:

"I think it does have to be ... personal choice I think, not everyone wants to leave their children until ... whenever they're comfortable... choice is an important factor."

**Jake, couple with two children**

Jake was also concerned that the new free hours were an unrealistic offer because the wider infrastructure was not in place:

"It doesn't matter how many more free spaces we allocate, if we don't have ... the right staff, the right training and the right spaces and state schools for them and everything. ...the funding ... needs to be given to the sector as a whole."

**Jake, couple with two children**

Jake's views may have been influenced by his local observations of an expansion of Flying Start nursery provision, but no investment in the infrastructure:

"All this area is now Flying Start, which it wasn't before, it was just a couple of postcodes ... But the nursery's still the same, and there's still the same amount of staff in there ... they haven't got a bigger nursery ... I don't think they've got more staff..."

**Jake, couple with two children**

Angela was similarly concerned about the capacity for local childcare providers to manage the new hours:

"A lot more people who like are entitled to the free hours, and the government's paying ... but the childcare system, it's not big enough to support it ... Nurseries now, ... they haven't got the staff, they haven't got the capacity, they haven't got the space... And when people are getting ... a lot of free hours, and people want to go back to work, and that's fine, but you need to have the facilities there to support it."

**Angela, couple with three children**

## The Universal Credit childcare element

There were some aspects of the childcare element of Universal Credit that parents appreciated, such as being able to claim for more childcare hours than the exact hours they worked:

"I was still able to claim the four days when I went to part-time... because I was only doing 16 hours and ... there's no set amount for childcare, it's just whatever's reasonable..."

**Leah, couple with two children**

Leah was able to claim the childcare element as a single-earner couple because she was a carer for their disabled child and in receipt of Carer's Allowance:

"They still will pay ... or they will put the 85 per cent entitlement on, if you have a working partner and you are a carer, so I could still claim 85 per cent of that back."

**Leah, couple with two children**

However, most of the experiences of the childcare element of UC were less positive. We explore these next.

## Information and awareness about the childcare element of UC

A few participants had been told about the help with childcare costs by their work coach, but the information they received was often partial. Emma, for example, was not told that the help was means tested against earnings:

“I wasn’t made aware of that [childcare element being means tested], but they’re not going to tell you anything that’s going to make you think, well you know ... yeah, that sounds awful.”

**Emma, couple with two children**

Most received more detailed information about the childcare element from social media, in particular Facebook groups, where the complexities of the system were discussed more openly:

“I’ve never used it in the past, but I know like certain little groups on Facebook, I’ve read about some people’s you know queries with it ... I think you get 85 per cent back from the government I believe ... Sometimes it’s a bit hard, you know... like forms and everything, it’s hard to retrieve your money back at first...I don’t know a lot about it... But I know it’s ... not straightforward.”

**Ruby, couple with two children**

Some also found out detail from friends or family. Jennifer was already aware that there was a childcare element, but she only found out how it worked in practice from her friends:

“So when I was claiming UC at the time, it asked ... was there childcare?... I don’t think they told me all the information but I’ve got friends who are on UC, so they had filled me in.”

**Jennifer, lone parent with two children**

Rachel described a similar experience of finding out the details from friends:

[Interviewer: “... with the UC childcare element, did you get much information ... from the Jobcentre, work coaches...?”]

“... not really, I think it was more like other people that was telling me, like oh you can claim your childcare, like do this and upload your receipt ...nobody really told me ... what I had to do!”

**Rachel, lone parent with two children**

As mentioned earlier, claimants also seemed to lack detailed information about the support for upfront costs that might be available:

“I think there’s something now if you’re going back into work that you can get the first one contributed towards, but I don’t know whether that’s a loan or a grant or what to be honest, but ... there is something about it being done upfront”

**Leah, couple with two children**



There could also be poor information about the evidence they were required to submit and how to rectify problems when issues arose.

## Upfront costs

As described on page 10, UC claimants are required to pay their childcare provider costs upfront, reclaiming up to 85 per cent of these costs in arrears. The issue of finding the money for the first payment to the provider was a problem for several of the participants in our sample, none of whom had received any help with upfront childcare costs. Some did not meet the eligibility criteria for the Flexible Support Fund (FSF) because they were not starting a new job or extending their working hours:

[Interviewer: “Did you get any help with the upfront cost?”]

“No, because I was already working”

**Rachel, lone parent with two children**

Ellen was also not entitled because she was returning to her job after being on maternity leave:

“We’re not entitled to ... the ... [FSF] help. So the childcare, a big one now, this month I’ve got to pay for both of them to go ... so suddenly I’ve got to find £300 odd to pay for her as well. But I’m not entitled to [the FSF] because nothing’s changed because I’m working.”

**Ellen, couple with two children**

Ellen explained how it was impossible to recover from the initial upfront costs that they had needed to borrow, because any reimbursement they later received through UC would be needed to help pay the following month’s childcare, leaving them in a cycle of debt from the start:

“So we’ve had to borrow money to pay for nursery basically. And then we’ll be paying it back bit by bit I guess, because obviously this month’s UC will give us ... part of the money for nursery, it won’t give us the money that we paid out and this month ... we’ve got to pay ... [next month’s nursery].”

**Ellen, couple with two children**

Ellen and Naomi were both told that they could apply for a repayable budgeting advance to help with upfront childcare costs. Ellen was reluctant to do this as it would then be taken as a deduction from their Universal Credit, reducing their monthly payments. Instead, they used a credit card to pay for the first month:

“They offered us a loan, but I don’t really fancy getting more in debt ... the first month we paid, we had to pay on credit card.”

**Ellen, couple with two children**

Naomi said she preferred not to use the budgeting loan for childcare costs because she might need this for other things later in the year. She also worried that the application process might be onerous:

“I decided to go to overdraft and not to ask for that loan ... because I think there was also restrictions about it, how many times you can do it in a year or... So I just thought... I can maybe save that opportunity for ... the time that I might really, really need it.... It's a very specific requirement you have to meet, and I thought it's just so much to go through.”

**Naomi, lone parent with one child**

Others who may have been eligible for help from the FSF were not offered the support and may not have known to ask for it. For example, Fiona was not already working at the point of needing help with childcare costs, and therefore should have been eligible for support, but none was offered leaving her to incur the £400 initial upfront payment:

[Interviewer: “OK, so did you get any help with the upfront payment...?”]

“We just had to find it ourselves... I think it was about £400 [upfront childcare cost] ... it's very tough at the beginning because we have to outlay the first lot of money before claiming it back.”

**Fiona, couple with two children**

Emma said that she was informed about the FSF, but that there was no definite offer, leaving her concerned whether she would actually receive the support if she did return to work:

“They did say if there are any ... if you get offered a full-time job today for instance, and there are upfront costs ... that we might be able to help. I don't think it's ever sort of we definitely will ... if there's upfront costs and it lands on the day you get UC, they probably wouldn't help.”

**Emma, couple with two children**

Sarah said that she enquired about receiving support for upfront costs over the journal but was paradoxically told she needed proof of payment before she could be reimbursed:

“Yeah, that's a bit of a pain. I ... when I first did the claim, I didn't have enough money myself to pay what the playgroup were asking for. So I did put in my journal on UC ... because I got told that ... in some circumstances they can pay it upfront for you, but they said ... that I'd have to enter all the correct details before they could help me, but to enter the correct details they needed proof of payment...”

**Sarah, couple with two children**

The issue of paying upfront and reclaiming in arrears was not confined to the first month but an ongoing challenge due to reimbursement shortfalls and delays and the issues with submitting childcare evidence. We explore these issues next.

## Reimbursement shortfall

The childcare element is for up to 85 per cent of childcare costs. One claimant felt that it that the 85 per cent limit was fair:

“So 85 per cent is ... I think that’s fair...you’ve got to pay something towards it.”

**Leah, couple with two children**

However, most felt that 100 per cent of costs should be reimbursed for low-income households. Zoe described how 15 per cent was a significant amount to find for someone with low earnings because childcare costs were so high:

“Childcare is so expensive around here, on a minimum wage job, even paying that 15 per cent, if I was working a chunk of hours, would still be quite a lot of my money... Like it’s marketed as being quite a big deal, oh it’s 85 per cent, and that’s amazing, but you’re still working like ... potentially lots of hours just to make the shortfall.”

**Zoe, lone parent with one child**

Fiona felt similar:

“I feel like the whole system is unfair...They should give us 100 per cent back...for a family that are poor anyway.”

**Fiona, couple with one child**

When we first interviewed parents in 2022, a few described how the maximum limits that you could claim were too low, and for Ellen this had influenced her decision to reduce her working hours at that point:

“They only pay up to a certain amount, I think it’s like £600 and something per child. So, when you work full-time, that’s... partly why I went part-time, it doesn’t cover the childcare for the whole time.”

**Ellen, couple with two children**

However, when we interviewed parents in June 2024, this was not mentioned as an issue because the maximum limits had been increased significantly.

## Reimbursement shortfall – means testing and monthly assessment

The maximum 85 per cent contribution was only one part of the reimbursement shortfall. As explained on page viii, the amount that claimants are reimbursed for their childcare amount is included in their overall Universal Credit award, not separately identified or ring-fenced. This means that the total Universal Credit payment including the amount for childcare can go up or down, depending on household earnings from work, as the overall award is reduced by the 55 per cent taper rate for earnings above the work allowance.

Several claimants described how the amount they actually received back for their childcare from Universal Credit was inadequate. With competing demands on the UC payment to cover other priority bills, they felt that they were left with little if anything for childcare from their benefit award and needed to cover these costs from their, often very low, wages. Naomi, who had been paying for the after-school club, described how the amount she was being reimbursed was only around £20, which made little difference:

“... there’s £20 extra, but when you think I pay you know about £200 for the six weeks or eight weeks’ childcare in total, it doesn’t feel like it gets back to you in ... you just don’t really feel the difference.”

**Naomi, lone parent with one child**

Fiona and Megan described similar issues:

“There wasn’t that much ... when it came back from UC.”

**Fiona, couple with one child**

“To be honest, paid childcare for what you earn, sometimes it just wipes it out.”

**Megan, couple with two children**

Laila said they were left with only £50 towards their £250 monthly after-school club costs, after their rent was paid – they found it hard find the money to keep paying the bill.

Even where households viewed their entire Universal Credit amount as a contribution to their nursery payment, they could still be left with a shortfall. Ellen had never received a housing element from Universal Credit because they had a mortgage, so they were used to paying this from their wages and they used their entire Universal Credit towards their nursery payment. However, they still found that their UC only covered around half of their nursery payment:

“We don’t get the full whack, we probably get about...about 50 per cent of our childcare costs back through UC ... that’s all we get out of UC if that makes sense.”

**Ellen, couple with two children**

Both Ellen and her partner had health problems and were both in receipt of the carer’s element of Universal Credit. If this element was not included, the amount they received back would have left even more of a shortfall towards their £1,050 monthly childcare costs. They both worked over 30 hours per week, but felt penalised for being a dual-earner couple with young children:

“The more childcare we need, the bigger the hit it is for us so we struggle mostly.”

**Ellen, couple with two children**

As they lived in Wales and were not in a Flying Start area, they would not be entitled to any free hours until the term after their youngest child turned three.

Those working part-time could also struggle to meet childcare costs because their wages were lower. Shift work could also compound the problem as parents might end up paying for additional hours of childcare beyond those that they actually worked. For example, if the shifts they were offered by employers straddled morning and afternoon nursery sessions, this could result in them paying for double the amount of nursery hours than they were actually working. Although Universal Credit usually allows claimants to reclaim these costs, the reimbursement shortfall and delays can still leave claimants struggling to meet high childcare costs from low wages:

“Childcare tends to be sessions and you don’t book a child in for... say seven till eleven shift, the session would be eight till twelve or eight till one or nine till twelve or nine till one, something like that. So potentially what would be like a four-hour shift could be straddling two whole sessions ... like most jobs don’t work for school or childcare hours, no matter how good the nursery, like a childcare setting tends to be pretty much office hours, Monday to Friday, and a lot of jobs don’t work like that!”

**Zoe, lone parent with one child**

Another issue was that parents found it hard to know if they were being reimbursed for the correct amount due to complexities of invoice dates, the taper and variability in monthly UC payments:

“We just put the invoice in ... as soon as we’ve paid it, and then let Universal Credit work it out. I can’t figure out if it’s right because it doesn’t fall in line!”

**Ellen, couple with two children**

“In terms of how much money ... for the recent month you will get I’m not sure still what is the logic behind it. I’m guessing maybe it’s the income, the hours you work, it’s complicated.”

**Naomi, lone parent with one child**

This was something claimants found disconcerting and it left them with little confidence in the system. Naomi described how she enquired with DWP as to why the reimbursements she received varied each month but the answer she received left her confused:

“The guy responded to me ... saying this is all done correctly, it’s just this month it looks this way, this month it’s going to look different ... it’s still ... confusing for me but I’m just going to leave it up to them really because there was nothing else really I can do about it.”

**Naomi, lone parent with one child**

Not being able to see clearly how much they were being reimbursed for childcare made it hard to identify errors. Feeling something was amiss, Naomi raised a query with DWP to find they had made a mistake and she had been underpaid:

“They actually sent me an e-mail admitting they actually

done the wrong calculations, and they owe me about another £120... But I wasn't given a particular explanation why this is happening... I was lucky I chased it again."

**Naomi, lone parent with one child**

Anita pondered that the only way to decipher how much of her childcare costs were being reimbursed would be to compare Universal Credit amounts before and after using the childcare element:

"I guess what I can do is compare it to what I got the month before and then that will be the amount that I got for the childcare."

**Anita, lone parent with two children**

This method would, however, rely on all other Universal Credit elements and earnings remaining stable from month to month, which was rarely the case.

## Reimbursement delay

Paying the childcare provider in advance and waiting to be reimbursed for the childcare used in arrears each month felt like an ongoing monthly challenge:

"They were just too slow making the payments ... I did get it back in the end, but to begin with I was just like basically paying it out of like my budget, and obviously my budget's not massive to begin with!"

**Rachel, lone parent with two children**

Claimants can only be reimbursed for the childcare that they have used in their monthly assessment period – even if they have been required by their childcare provider to pay for more than one month's childcare during that time. Ellen described:

"If it's a shorter month, she may have been in less days, but I'll still pay the same amount. So one month I had like £156 and then the next month I had ... £200 or something. So it depends how many days they do, they don't just pay it as you pay it ... they don't pay that day until the next one!"

**Ellen, couple with two children**

Naomi explained how she had to pay for a complete six-week term of after-school club costs, but would only be reimbursed for the amount of childcare used in each Universal Credit assessment period. This meant that she had to wait two months until she received any reimbursement towards the last two weeks of the payment:

"They only pay for the childcare that was already given to my daughter, while where I read the report [invoice], it's usually like six weeks ahead."

**Naomi, lone parent with one child**

She disliked how this meant that her Universal Credit amount would fluctuate month to month and made it hard to predict how much she would receive:

“Sometimes ... two payments you have to wait for that ... that cost to go through. Or it will be a month of very low you know my financial support and the month after a bit more, and ... that’s what’s confusing, you still don’t know how much you really will get!”

**Naomi, lone parent with one child**

For Ellen, the nursery sent invoices out every four weeks, which meant that sometimes the family had to pay two invoices within one monthly assessment period, but they could only claim these costs back for one month at time, causing a delay in reimbursement:

“Our childcare provider bills every four weeks, so ...next month we’ve got to pay two months of childcare, but we’ll only obviously get the one month ... it falls earlier and earlier in the month.”

**Ellen, couple with two children**

The issue was exacerbated because the nursery had changed their rules and she was not allowed to pay the additional month by credit card:

“And so with the period now where we’re going to have to pay two months, I looked to see if we could pay by credit card, but they’ve changed it so you can’t”

**Ellen, couple with two children**

The extent of delay of the Universal Credit childcare reimbursement could depend on the claimants’ UC assessment period – something determined by the day they happened to submit their initial claim to UC and that they could not change. Naomi described how she would have to wait until October to receive all the reimbursement she was entitled to for school holiday childcare she had paid for in August. This was because her UC assessment period ended in the middle of August, meaning some reimbursement would be received in her September UC and some in her October UC:

“And then of course I submit the timing and payment I’ve done ... in September and October I will get that little money back to cover those costs that I spent for the August.”

**Naomi, lone parent with one child**

Rachel described similar reimbursement delays:

“So I actually paid that in June, but because it was for like June and July ... They didn’t pay it until August or September, so it was a long time.”

**Rachel, lone parent with two children**

Leah, on the other hand, said the delay in receiving their childcare payment felt more manageable because her UC assessment period followed the calendar month and came just after the nursery invoice period. This meant

that she could submit evidence of her nursery bill and payment to UC for a calendar month and she would receive any reimbursement she was owed from UC the week after submitting the evidence. She contrasted her experience to a friend whose assessment period was mid-month to mid-month:

“To be fair, I’m very lucky that my assessment period runs from the 2nd to the 1st. So this month, June, will be my invoice is from the 1st to the 30th of June, and it gets paid in June and I claim it back at the end of this assessment period... I pretty much get it back a week and a bit after, I get paid on the 8th. So I’ll get this month and I’ll get it back on the 8th of July. ... I’m very lucky in the fact that my assessment period runs that way, because it would be a nightmare.”

**Leah, couple with two children**

Leah also said that her nursery was quite flexible about payments – meaning that she could pay them at the end of the month rather than at the start, so there was less of a gap between her paying and being reimbursed. However, these arrangements were not typical:

“So it doesn’t matter if I pay on the 1st or the 28th ... well the 26th it’s got to be paid by. But I don’t have to pay upfront. Whereas a lot of places you’ve got to pay upfront”

**Leah, couple with two children**

Reimbursement delays could also occur if there were issues with the evidence that claimants supplied to Universal Credit. This is explored in the next section.

## Submitting childcare evidence

The parents we spoke to did all seem to be required to submit monthly evidence of childcare fees, despite the policy suggesting some flexibility around this (see page 11).

Some found submitting monthly invoices and payments straightforward. For example, Naomi described how she found the process manageable and she appreciated that she was shown how to do this (it was not clear from the interview who showed her). However, she still found that it could be difficult to remember to submit the evidence on time:

“It’s very easy, because I’ve got it set up as almost an automatic way of doing things, so it’s just two clicks, uploading the statement and just ... I think the worst ... the most challenging thing about it is just to remember to do it in the right time ... I was lucky you know that someone showed me actually how to do it for in my specific situation, and from then, it was just a case of few clicks.”

**Naomi, lone parent with one child**



When she was late to submit her childcare costs one month, she was pleased that they still gave her the reimbursement in her following UC payment:

“I did not have a problem unless I was late to report it, which happened once last year, due to the special personal circumstances. But I did write in my journal what’s the reason of my delayed report and they accepted it, so I was very pleased that I got that ... money allocated for my next UC payment.”

**Naomi, lone parent with one child**

Laila also described how she was reimbursed quite quickly after forgetting to submit evidence on time:

“But I forgot to upload the receipts, and when I saw my statement, from UC, I saw that [there was] no money from after-school club, which I already paid ... I texted them to ask is there any problems, and they answer me that they didn’t receive any proof for my payment. And when I upload it... after that they send me the money... it wasn’t so bad...”

**Laila, couple with two children**

However, several parents told us that the administrative burden was onerous and, in some cases, unmanageable and a deterrent to using the childcare element of UC. For Lydia the monthly administrative requirements led her to stop using an after-school club and instead to rely on her teenage children to pick up her younger child from school:

“I pulled my son out of his after-school club that he was going to because I used to just find that such a fiddle, putting in the invoice and things like that... So my elder children are picking him up from school now ... they’re looking after him until I come home.”

**Lydia, lone parent with three children**

Rachel also found the amount of evidence they needed to supply every month was unreasonable:

“You should be able to like upload the receipt and that be it, you shouldn’t have to upload this, upload that, upload your bank statement, showing it had gone out, like it’s too much every month!”

**Rachel, lone parent with two children**

Grace said it was not worth the monthly administrative burden to claim back breakfast club costs, especially because she used it as needed rather than having a regular arrangement:

“I think at that point, if I put him into breakfast club, it wasn’t as regular, so I just didn’t bother... I’d just pay for it if I needed it ... you have to tell them every month ... and because it wasn’t always a regular thing, it was just easier not to bother.”

**Grace, lone parent with one child**

Those who had to submit extra evidence due to their UC assessment periods spanning two childcare provider invoice periods were especially burdened by the amount of paperwork they needed to submit. Leah compared her experience to her friend's:

"She's got to upload so much evidence every month just to prove that she's actually paid for and used what she's used within the assessment period ... whereas mine is just the month ... starting your claim in the middle of the month... It is a bit of a faff ... because you've then got to give them two lots of invoices that cover the period of your assessment period, rather than the period that you've just paid ... my friend has a nightmare with hers."

**Leah, couple with two children**

Melissa's administrative burden was increased because she paid her nursery weekly as she was unable to afford to pay the nursery for a whole month at a time – but this meant she had to provide many receipts, which increased the risks of error both from her and the DWP:

"It wasn't easy to find the initial £800. So I started paying the nursery...weekly and then I'd provide my receipts weekly to UC and they would pay me back then, but if they didn't get the receipt in time or they said they didn't get it or you just forgot to report it, they wouldn't pay it and then you'd be down... You'd have to ring them and chase them and be like where's my childcare payment. It could be just really awkward ... and it put me off wanting to use that because it just ... it wasn't worth it!"

**Melissa, lone parent with two children**

Others described similar issues with evidence they submitted not being accepted causing additional delays in reimbursement. Rachel, for example, described her recent experience trying to reclaim after-school club costs:

"So I put in all the forms and stuff on time, but it was just a nightmare to be honest. They kept asking me to resubmit it, even though I'd submitted all the stuff... So at one point, I paid like two... I think it was like £148 and then like £98, so I paid like both of them and I still haven't had any money back for them, despite uploading the stuff like three times ... I uploaded absolutely everything that they'd asked three times."

**Rachel, lone parent with two children**

Eventually it became apparent that the childcare provider code number was slightly wrong:

"So I'd put ... like I've missed a number. Do you know when I've put 0679350 instead of ... 7 [for example]. So they're like, if you wish for these childcare costs to be considered, you need to re-declare them again like."

**Rachel, lone parent with two children**

Eventually she did receive the money back but had struggled financially in the interim:

“I was ... out of pocket, like that had to come out of my budget.”

Rachel, lone parent with two children

Overall, she found the experience of trying to reclaim childcare costs very stressful:

“With the childcare, like I would be totally stressed out, it just seemed to be a problem from the minute ... it started”

**Rachel, lone parent with two children**

Gina explained how frustrating it was to deal with childcare evidence issues on a monthly basis, alongside working full-time:

“There were problems with [childcare payments] ... there was always some kind of problem. It’s like always. It’s like ... it’s like a month never went by. And I mean I’m sure you can understand the frustration when I’m working full-time.”

**Gina, lone parent with one child**

Leah experienced multiple issues with childcare, highlighting a lack of information and poor communication alongside onerous demands for evidence. When she separated from her partner for two months, her childcare information was not carried forward to her single claim, nor then later back to a joint claim when her partner moved back in. She was not made aware that she needed to resubmit all their childcare information and partner’s details again and she faced many hurdles trying to get support from DWP to rectify the issue:

“I went to a single claim, the kids were still on my account ... didn’t even enter my head that I would need to re-do my childcare costs, but I got my statement in and there was no childcare on there ... it doesn’t mention anywhere when you do it that ... that’s it’s a new claim, so that you need to re-input everything from scratch... I was putting notes on the journal, I was getting ignored, I was making phone calls which they weren’t logging ... and luckily I got hold of someone who actually seemed to know what they were doing.”

**Leah, couple with two children**

She describes similar issues when moving back to the joint claim:

“There was a nightmare with childcare and ... because on a single claim, I had my childcare on there, and when I went back to a joint claim, all my information was still there, because the kids were still on there, so I assumed that the childcare information would remain. But it didn’t, so I had to resubmit all of my childcare information again. The letter stating the Ofsted number and registration number... Same with [partner] with his ... because he’s in Uni, we have to provide all of his documents again, which was a nightmare.”

**Leah, couple with two children**

In Spring 2024, Leah faced further challenges. To aid her monthly budgeting, Leah paid off an initial amount of her nursery payment as soon as she received her UC (planning to pay the rest later when she received her earnings), but because her nursery invoice came one day after she paid the initial amount, this then showed as a credit in the invoice she submitted to UC, resulting in them only including the later (and lesser) amount that she paid in her UC entitlement and an ongoing battle over the UC journal as she explains:

“I paid £400 off when UC came in [8th], and then when I was paid from my job on the 22nd, I paid the £212, but the invoice from the nursery came in on the 9th, so the invoice showed a credit of £400, because I’d paid it the day before and I gave them the receipt, even though the invoice does say £612 for the month...So they would only take my childcare for that month was £212 ....it was like War and Peace, my journal notes are ... because I know what I can claim and I know what I’m entitled to.”

**Leah, couple with two children**

She went on to explain that despite her efforts to describe the situation over the UC journal, her claim just kept being rejected. Eventually she had to physically go to the Jobcentre to speak face-to-face with a member of staff, where she was eventually given the information she needed to rectify the situation:

“she just kept rejecting it ... I ended up going through the Jobcentre in the end, so I could speak to her in person because ... no one was ringing me, and the notes were just saying, we can’t accept it because it’s not right ... so I went down to the Jobcentre and she was like, oh no, it’s just because the system won’t let us do it, we just need something different. Like why could you not have just asked me for that?”

**Leah, couple with two children**

This resulted in her payment being delayed by two weeks:

“So I ended up getting like the £400, didn’t get that back for about two weeks after.”

**Leah, couple with two children**

## Limitations on childcare that can be reclaimed

Parents were only able to claim for registered<sup>41</sup> childcare which meant that they could not reclaim the costs of using activity-specific after-school or holiday clubs for school-age children that were not registered, such as clubs at the leisure centre or drama clubs, etc.:

“Easter holidays I put her in ... a drama and dance club. Unfortunately, the woman running the club wasn’t Ofsted

<sup>41</sup> In England this is registration body is Ofsted, in Scotland it is the Care Inspectorate Scotland and in Wales it is the Care Inspectorate Wales

registered! So I couldn't claim any money back for that, and that was really expensive... And [daughter] actually really enjoyed that ... £135 for the week."

**Anita, lone parent with two children**

## Tax Credit compared to UC support for childcare costs

The few participants with experience of both the legacy system of support for childcare costs through the tax credit system and the Universal Credit childcare element preferred the tax credit system because they received a regular monthly payment that they could depend on, whereas in Universal Credit, payments could vary month to month and there were delays in reimbursements:

"it would just come in when all normal monthly payments, and then I would just have to make sure I had enough to ... you know for when I actually needed to use it."

**Grace, lone parent with one child**

In the tax credit system, a means test and taper still applied, but the way that Universal Credit payments were subject to monthly assessment and therefore monthly fluctuations may have made the means-tested aspect more problematic and therefore more apparent. Participants may have found the tapered aspect less problematic when they were receiving a steady and more dependable amount of tax credits each month:

"because then they ... take money off [for the UC childcare element] ... which obviously was never on the tax credits either ... that felt different."

**Rachel, lone parent with two children**

Rachel described the constant worry with the month-to-month payment fluctuations present in the Universal Credit system and concerns over whether their childcare evidence would be accepted and whether the money would be available to pay the following months fees, something they had not needed to worry about with tax credits:

"[The tax credit system was] so much better ... 100 per cent. It was so much easier... With the UC, it's the administration each month,...worrying you're going to get the money ... not knowing if it's going to turn up in your statement or if it's not, or you're going to ... work because ... your kids are just club will not let your kid go in because the bill's not been paid."

**Rachel, lone parent with two children**

## Coping with the costs of childcare

For the parents in our sample who were using paid childcare, the cost ranged from £200 per month for those using after-school clubs to much higher. In one case, their costs were around £1,050 per month for their youngest child in nursery four days a week. Although some of these costs could be reclaimed through UC, having to pay upfront and the delays and shortfalls in reimbursement meant that these costs still often felt overwhelming. Several described recent increases in nursery costs – as much as £8 per day for one parent – and some mentioned having to pay unrecoverable annual administration or registration charges of around £50 and deposits to secure places. Provider costs could vary, creating challenges for parents in choosing places based on lower costs, but left them with concerns about provider quality:

“So probably the most stressful thing is you know how much a nursery [costs]... I know there is cheaper nurseries than others, but you know aren't as good. So I really need to do my research!”

**Jennifer, lone parent with two children**

Claimants described the constant challenge of keeping up with nursery payments:

“So I got paid Friday, and out of that I paid £128 ... that was just three days, and he'd already been in those three days. So like now, I've got to wait till next week till I get my wages, but he's still got to go in this Thursday, Friday ... and I don't get paid till next Friday. So by then I would have owed... over £150, so that's half my wage gone.”

**Sarah, couple with two children**

The burden of arranging and paying for childcare mostly fell to women who were more likely to be lone parents and in couples to take the responsibility:

“It's just the way it is!... It can be a sore subject sometimes, but it's just how it's been for nearly five years I suppose!... I think you just sort of get into it when you're on maternity leave and then it never changes!”

**Ellen, couple with two children**

Several parents told us that they reduced their working hours or gave up work due to the challenge of meeting childcare costs. Naomi, for example, had been going into debt each month to meet upfront after-school club costs. When the hourly rate increased, despite her own wages staying the same, she decided to reduce her working hours so she could pick up her daughter from school and no longer needed to use the after-school club:

“Quite often I was going to the overdraft in order to cover those costs upfront, and I just didn't want to be in that place, in that struggle every month ... so ... I dropped the hours at work mainly because the childcare at school and then additional school club that she was going ... up £1 or £1.50 [per hour] last year, so that was ... a very big increase towards the childcare

where... My salary was still the same, it wasn't really worth paying, you know, the £8 for an hour of the childcare after work... While I was earning £10 something."

**Naomi, lone parent with one child**

Sarah and Tom, a couple with two dependent children, also decided they were better off if she stopped working due to high childcare costs, alongside other disincentives to increasing household earnings. As a couple, they were only allowed one work allowance, which discouraged Sarah from working:

"You only get one sort of work allowance ... don't you?... So if there's two of you then ... that can get eaten up by the first earner and then ... for you ... [it] feels like everything's getting deducted. So it isn't much of an incentive."

**Sarah, couple with two children**

In addition, when Sarah's earnings increased one month, she simultaneously lost entitlement to free school meals, council tax support, a school uniform grant and Healthy Start vouchers. These factors, combined with the cost of childcare, meant that the family was actually worse off when Sarah was working than when she was not. She therefore decided to stop work until her youngest started school.

"I've just decided ... I'm going to wait until my little one's in full-time [school] ... so we don't have to rely on childcare ... it sounds ridiculous but I just can't afford to go to work."

**Sarah, couple with two children**

Laila decided that it was better to stop her second job as a delivery driver and just work in her catering job for 20 hours a week so that she could pick up the children from school and avoid the need for the after-school club. This was a hard decision because the children enjoyed the club, although she also reflected that it would allow more time for homework.

"Sometimes I'm struggling, that's why I decided [to stop after-school club] ... I know kids they love to be there but it's a struggle for us... I stopped for now to be delivery driver, because I need to stay at home looking for them."

**Laila, couple with two children**

Jennifer, who was pregnant, was also weighing up the amount of hours she would be able to work when her baby was born and how they would manage childcare:

"I have thought I'd maybe drop a day, so that I'm only four days a week as opposed to five, but again I need to look at finances."

**Jennifer, lone parent with two children**

Ellen and her partner Will took several measures to try to reduce their nursery costs because they were finding it hard to meet £300-500 shortfall. They did not receive any free hours of childcare because they lived in Wales where the 15 free hours for working parents of two-year-

olds was not in operation and they were not living in a Flying Start area. Their youngest child would not receive the free hours until January 2025 (the term after they turn three). Their current nursery would not allow them to pay by credit card which made things harder. Will reduced his working hours from 40 to 30 per week and started at 4am in the morning so that he could be available for the school pick up. Ellen had also recently changed her job to one where she could work from home so she could be nearer to drop the children at school and nursery in the morning and be back in time to start work.

Due to a lack of funds, they had to ask their childcare provider if they could delay paying the full invoice. However, as Ellen found, this led to further debt and uncertainty as they could only claim for the amount they had paid for, causing reimbursement delay and leaving them short paying the following month and further in debt with the nursery. Still struggling, they decided to move their child to a cheaper nursery and to take a break of three weeks over the summer between nursery places to clear the debt they owed to the nursery and to give them a break from paying nursery costs. Ellen was planning to use her annual leave to do this. Ellen and Will found the whole experience extremely stressful. On top of managing their own health conditions, caring for their children and keeping their jobs, having to find ways to try and reduce their nursery costs was a continual strain on their family and exacerbated their existing health conditions.

Some tried self-employment as a route to try and avoid the need for childcare. For example, two participants reflected that part of the reason they became childminders when their children were younger was to be able to look after their own children at home, alongside other people's children, to reduce or eliminate their need for paid childcare. Some saw self-employment as offering the potential for more flexible working arrangements, although in reality this did not always work out as it might involve working in the evenings after children had gone to bed, but when parents were often exhausted.

Only two in our sample had the option to work from home as part of their employment, which both found invaluable, alongside supportive employers, for childcare and work-life balance. For the majority, for the types of jobs they did or had previously done, such as caring, cleaning, shop work or security, working from home was not feasible.

While the main focus of this report is on support for low-income families on UC to manage the costs of childcare, we also explore here wider childcare related issues such as availability, childcare experiences, and UC conditionality in order to add wider context to low-income parents' work-childcare decision making.



## Availability of childcare places

Availability of childcare places varied across the participants we interviewed. A few did not anticipate problems finding places, and those using breakfast clubs found these to offer flexibility:

“You’d have to book it the night before, but yeah, it was quite flexible. They were never full, so I was always able to use it when I needed.”

**Grace, lone parent with one child**

But several talked about waiting lists for both nursery places and after-school clubs:

“I’d say the majority of the childcare’s full, waiting lists... I’ve got him into that after-school club one of the days, but I was actually needing him in three and I only got him in one!”

**Rachel, lone parent with two children**

Grace found that she could not get her preferred option of nursery for the hours she needed and had to settle for provision they felt was less suited to the needs of their child:

“It was OK for me to get them at that one, but other ones that I would have preferred, you know it was difficult, yeah, I couldn’t ... which is why I went there ... it wasn’t the right fit for him I don’t think.”

**Grace, lone parent with one child**

One parent said that it was hard to work overtime because there were no last-minute spaces available at her child’s nursery:

“The childcare ... I wouldn’t even know where to start really because you can’t book them on an ad hoc basis... I would have to be able to guarantee that I was working all those days in order to make it beneficial for any of us, because I couldn’t suddenly just pick up one overtime shift or even a week’s overtime shift, like occasionally ... without ... with a childcare setting, because obviously that place is needed because they’ve got staff to pay.”

**Zoe, lone parent with one child**

Ellen described how, to keep their older child’s nursery place available for when she returned to work, they had to keep paying for her to attend while she was on maternity leave:

“Technically I suppose I don’t need childcare right now (talk over) but I feel like... I need to save the space for them, otherwise I may not be able to find it when I go back to work.”

**Ellen, couple with two children**

She was also having to start paying for nursery for her baby before she actually needed it in order to guarantee the place would be available for when her daughter did start:

“They said the space is available for May, we can hold it till June but you’re going to have to send them. So ... she’s not going to be ready, but I’m still going to have to pay!”

**Ellen, couple with two children**

Sometimes a lack of availability in preferred childcare options resulted in children moving childcare providers. In Emma’s case, this was despite her being flexible on hours:

“He’s just started a new nursery now ... they didn’t have availability initially you see, so he would have gone there straight away ... [older child] was fairly happy there and the locations good ... they were all booked up, but I put on the form I’m quite flexible.”

**Emma, couple with two children**

One participant with four children, and recently now a single parent, spoke about how the lack of available childcare, as well as school places, impacted on her work-life balance. This had resulted in her four children attending school or childcare in different locations over the city, making working and arranging to get the children to and from school a challenge:

“But they were all put in different schools all over the place, so I’d be able to take [child] into school in the morning, and only just now this week now, [child’s] finished his exams, so he can move to a closer school for A-Levels. But it’s the other side of town.”

**Freya, lone parent with three children**

She described her work-life-childcare juggle as:

“Like a giant jigsaw, trying to make everything fit.”

**Freya, lone parent with three children**

One parent said the availability of childcare where she lived hinged on a single nursery:

“The nursery that we used to use... it was like a family run business, they decided to close, that’s one nursery down... And there’s nowhere else picking up the slack that’s opening up.”

**Angela, couple with three children**

Leah was fortunate that she managed to negotiate a shorter week with her employer until she was able to get full-time childcare, although she still felt unsure if she would continue to receive her full salary under this arrangement:

“Initially because I’m actually on a four-day week to start because I don’t have childcare starting full-time until August because ... they’ve got no space for him, so they’ve agreed to let me do a four-day week... And I haven’t been paid yet, so...I’m just hoping for the best, to be honest!”

**Leah, couple with two children**

## Childcare experiences

We did not interview children themselves so are only able to report on parents' interpretation of their children's experiences of childcare.<sup>42</sup>

### Experiences of nursery

Many reported very positive childcare experiences, especially where the nurseries went above and beyond in supporting the family as a whole. Angela, for example, described how their nursery supported their family around the children's additional needs:

"Oh we ... absolutely loved the nursery ... it was actually them who helped me with like who to speak to regards to diagnosis... I ran into his nursery teacher and I was like, I don't know what to do, and she was like, right ... I'll help you, it's no problem."

**Angela, couple with three children**

Some commented on the gains for their children. Zoe was a single parent and described how her daughter benefitted from attending nursery in a Flying Start area since she was aged two, which gave her social opportunities she may have lacked at home and which helped her developmentally:

"She loves to socialise and play ... as a single parent, and she's got no siblings, I think she's really ... benefitted from like the socialisation and things like that ... her speech and language came on massively because ... whereas she'd only ever been around me and my mum ... she had to find her voice in nursery."

**Zoe, lone parent with one child**

The childcare support for two-year-olds childcare also gave her child a gentler introduction to being in formal childcare, compared to children who first experience nursery aged three where the class sizes are greater and the expectations on children are higher. She said there were 40 children in her child's pre-school classes:

"I think some kids would then struggle going from being with their mum and dad or nanny, whoever, on their own, to then being with 40 other kids fighting for attention."

**Zoe, lone parent with one child**

However, not all parents expressed such positive experiences. Emma felt that the standard of care was poor, resulting in her removing her child from the nursery:

"He wasn't eating or drinking there, he wasn't happy ... they

<sup>42</sup> Very few of our participants used childminders so we are unable to report on children's experiences of childminders.

were just really inadequate basically, so I took him out, I found the whole experience very stressful... I mean one day they asked me to go in and help change his nappy... And the ratios were really bad ... you see like 25 kids crying and wanting attention and there'd be like one staff member. And often they were crying as well, because the management was so crap."

**Emma, couple with two children**

The new nursery she found was more expensive, resulting in additional charges.

Parents pointed out that children could be very different in the way they responded to childcare provision. Jake said his older child had not had any issues with the nursery, but their younger child, now attending the same nursery, had really struggled to settle. Jake felt that the nursery did not have the capacity to support children with more complex needs in nursery:

"My youngest was ... time consuming and they didn't necessarily have the time to help her ... as much as the help that she needed... If someone's playing up too much, then they can't spend all morning sat in the corner giving her a cuddle, you know, there's just too many kids and not enough staff."

**Jake, couple with two children**

Jake also felt that some children had been impacted by Covid, affecting how they adapted to nursery and school:

"I think that might be a side effect of being brought up in Covid a little bit and ... not seeing as many people, like your life just revolving around Mum and Dad, more than it had before."

**Jake, couple with two children**

Jake was fortunate that he worked from home, with an understanding employer offering him some flexibility to care for their child and to take a very gradual approach to introducing his child to nursery. He was one of only two in our sample who had a job where they could mainly work from home.

Some parents were unsure if the nursery was problematic or if it was just that their child did not cope well in nursery, or a combination of both factors.

"My son ... hated nursery... It was horrible! I used to cry going to work! ... you just feel so guilty... I think some of it was to do with the nursery ... it might have just been the case that he was unhappy wherever he was... But ... I wasn't 100 per cent sure about the nursery."

**Grace, lone parent with one child**

At the same time, parents faced difficulties finding wraparound childcare for pre-school aged children who were usually not eligible to use the after-school club:

“There’s no childcare provision for [child] after 3pm, because there’s none available like wraparound, so ... week to week I find myself juggling work and her ... they do once they’re a little bit older but not at her age.”

**Ellen, couple with two children**

Some noticed a change over time in the way their nursery communicated with them. For example, Amy said when her older children were in nursery she received a face-to-face handover from staff and she was able to ask questions about her children’s day at nursery, what they had eaten etc. Now that her younger children were in nursery, this was no longer an option and she was told that all the information about her children’s day was put on an app which she was struggling to use and meant that she could not ask any questions. This left her with the sense that they did not care for her children or family in the same way as before:

“It’s not the same ... they don’t know you ... your children, it’s different ... it just felt like I picked up the boys and sort of they didn’t tell me how their day was.”

**Amy, couple with four children**

## Experiences of wraparound care

Parents’ experiences of after-school clubs were mixed. While a few reported that their children enjoyed after-school club, several spoke of challenges:

“The people running it, they can’t really be bothered ... they just get them excited, playing, and they just stood around chatting ... we have had a few issues with quality of provision really, of making sure that they’re doing things.”

**Freya, lone parent with three children**

Several reported that their children started to dislike after-school clubs as they reached older primary school age because they were more tailored towards younger children, which left parents in a difficult position as they did not feel that their children were old enough to stay home alone:

“Yeah, my son started to refuse to go to ... I think it’s hard when they get to this age because they’re not quite ready to be left alone, but they also don’t want to go to things that are ... very like young-focused.”

**Rachel, lone parent with two children**

Some parents who had children with more complex needs reported that using after-school clubs and breakfast clubs would be too overwhelming for their children after a busy school day:

“He needed me to take him to school, to pick him up, he needed to know what was going on everywhere. He needed that structure... And if I was going back to work, then I would

have to drop him off dead early at breakfast club, I would have to have him in after-school club, and it wasn't worth the stress on him."

**Angela, couple with three children**

One parent described how after-school clubs did not necessarily allow her much more time at work because of traffic problems where she lived:

"It doesn't really gain much ... because the problem then is if you finish later, you've got more traffic to hit ... the time you've kind of gained working a bit longer, you've got to leave earlier anyway to just get there on time."

**Freya, lone parent with three children**

Similarly, children's experiences of breakfast clubs could be mixed. While some enjoyed it, others did not. Where children were happy to attend breakfast club it was a big help to working parents:

"It's a free breakfast club ... my daughter loves that, quite a lot of her friends go along to that as well ... it means I can start work that bit earlier too, I could work half eight until three... So that's almost three hours a week then I can do more."

**Freya, lone parent with three children**

Jake, on the other hand, described how his children found the experience too chaotic and overwhelming, especially as children of all school years could attend. They had to stop using it, which impacted on his work arrangements:

"We tried it, because that would be much easier for me if I could start my work a little bit earlier ... but they were not happy with breakfast club! ... it's a bit ... boisterous, is probably a nice way to put it ... it's all the children in the school ... it's just rammed ... it's not really for them, which is unfortunate for me!"

**Jake, couple with two children**

## Managing childcare during the holidays

Those who worked full-time found it harder to manage during the holidays because they needed to find childcare to cover more hours:

"I now work 34 hours ... it was easier when I was working 27, because I could easily almost do 20 hours in my two days, so I'd only have a small bit of leave to take each time, but now I'm working 34, I'm finding it a lot harder to spread my leave thinly over the time."

**Freya, lone parent with three children**

Freya reflected how it was easier in the past when there were free play schemes available:<sup>43</sup>

“It’s a shame that there’s no ... provision ... like years ago ... there was a ... City Council free play scheme that people could come along to.”

**Freya, lone parent with three children**

Again, the problem of managing older children around the age of 10-13 in the school holidays was mentioned by parents, as they felt the children were too young to be left at home, but were no longer suited to, or eligible for, large group provision aimed at younger primary school aged children. Alternative activity-specific clubs could be very expensive:

“They can’t go to the primary age childcare ... there’s kind of this weird age where there’s not much provision anywhere in general out there... Apart from the really expensive sports clubs that you can send them off to for like £50 a day, or tennis or whatever.”

**Freya, lone parent with three children**

As mentioned on page 38, many of these types of clubs are not Ofsted registered and therefore claimants cannot claim for reimbursements through UC.

School holiday provision tended to be more suited to younger children, but the options and costs of what was available could vary hugely depending on where people lived and what was provided by schools. For example, Naomi was able to access a discounted holiday club run by parents and teachers at her daughter’s school, although she was worried about the future and how she would manage as her daughter was starting to tire of the club:

“So I’m lucky ... the school ... they give an option for the parents ... to run the sports school club ... within the school grounds ... it costs £17 a day from 8.30 till four ... my daughter since reception has spent pretty much every summer in that sport school club when I work... I’m very grateful for that club... She’s moaning she’s bored now... This is the only way I can manage not paying millions for the summer... Next year, it’s going to probably have to be that more expensive club.”

**Naomi, lone parent with one child**

## Use of informal childcare

Some were able to use informal childcare, and it was very welcome, but this was lacking for most. Even where family did live nearby, they were often

<sup>43</sup> There is currently a Holiday and Food (HAF) programme which provides some free holiday care for children in low-income families but the provision is means tested and only available to those in receipt of Free School Meals, eligibility for which depends on families having an income of below £7,400 per year. None of the families in our research were eligible for this provision.

busy themselves juggling work and care so could not offer support:

“I do have a sister but ... she's a nurse that works crazy hours, crazy shifts, as well as her partner. They've got a little child as well right now, so I absolutely cannot count on them... there is no such a person that could do that for me on a regular basis that I can count on.”

**Naomi, lone parent with one child**

Others described how arrangements could come unstuck at the last minute, or they felt that it was too much to expect elderly grandparents to manage the care of small, energetic children. Their own parents and grandparents also often had health needs themselves which meant they were unable to help. Zoe described more complex, informal co-dependent care arrangements with her mother sometimes providing childcare, but also needing support herself:

“My mum can pick her up, but my mum also needs my support, so it's quite mutual there. And then for [child], she's still little that she needs a lot of care.”

**Zoe, lone parent with one child**

Working single parents without informal care options felt especially disadvantaged:

“The school hours are just set up for almost like non-working parent or parents who've got loads of support.”

**Naomi, lone parent with one child**

“I'd leave him crying, you know, and it's ... you just feel so guilty... I didn't have anyone else who could look after him, his dad didn't want to know, I haven't got any family here, it was just horrible.”

**Grace, lone parent with one child**

## Conditionality

Two parents in our sample who were already working had current or recent experiences of work-related conditionality where they were expected to increase their working hours. Several other parents were also concerned that they might soon be required to increase their hours due to the recent changes in conditionality requirements for parents (see Table 2, page 19).

Rachel, a working lone parent, described how, before her son received a disability diagnosis and she became his carer, she had been expected to attend the Jobcentre and to increase her working hours because she was earning £20 below the earnings conditionality threshold. She felt that there was little consideration of how difficult it would be for her to fit in another job, especially as she was a single parent, and spoke about the challenges she faced trying to attend the Jobcentre appointments every two weeks when she was already working:



"I don't think they ... realise how time consuming everything is... I was having to go to the Jobcentre like every ... two weeks, as well as working... I haven't got any time... I can't get a job at night... I'm a single parent... I was working ten till two as a dinner lady... I'm sure it was about £20 or something under the amount that you had to earn... So I was having to like take time off my work to go in the appointment at the Jobcentre ... even though I was working, and I couldn't work anymore hours because there's no childcare!"

**Rachel, lone parent with two children**

She felt a relief to no longer be under this pressure after her son's diagnosis and they began to receive disability and carer-related benefits.

Laila had also received a letter saying she had to attend the Jobcentre because she was working three hours per month below her conditionality requirements. Laila had recently given up her second job as a delivery driver because they were struggling to meet the after-school club costs and to allow more time to support her children with homework – but she was still working 20 hours a week as a catering assistant in a school. Her partner remained a self-employed delivery driver working typically 40-50 hours a week. Laila and her partner, Reuben, were upset and angry that she was called into the Jobcentre:

"They sent a letter to [Laila] ... because she's working as catering assistant ... they want ... her to make three more hours ... that's it...per month ... which is...absolutely ridiculous because the kids are at the school, they finish three o'clock, Laila finishes half past two ... I am ... working, absolutely ridiculous ... I don't understand ... you know we don't have any choice."

**Reuben, couple with two children**

Other parents were worried that the changed conditionality rules for parents would start to impact them and that they might be expected to find additional hours of work. A few described having deliberately secured jobs which were term-time only and that fitted within pre-school or school hours, and worrying they would need to look for more hours which would upset their work-life balance:

"I think it's great at the moment. Because [child] is still quite little, so I think it's nice ... what I would do [if told she had to increase hours] is ask [work] first if I could have the extra hours and if they said no, then what would I do for an extra ... six and a half hours?"

**Anita, lone parent with two children**

Those with school-age children also expressed how challenging it would be if they needed to work additional hours as it would mean more before and after school costs. Naomi was currently just over the AET but, had her hourly rate been slightly lower, she recognised she may have been expected to increase her working hours:

"I'm glad I earn enough for the threshold to not have to do 30 hours a week, because then she would have to go to club every day and that is like £8.50 ... it's just so incredibly unfair on the working parents who earn the minimum wage or little bit over it... I would be doing more if the childcare would be free of course... I don't think that is going to happen for the school children."

**Naomi, lone parent with one child**

A few parents reflected that they would struggle to increase their hours because the family, or the children, had more complex needs but no formal diagnosis that would result in health or caring exemptions:

"He takes probably a bit more attention than like a normal like eleven-year-old."

**Rachel, lone parent with two children**

"My daughter needed an extra time with me because her father is terminally ill and ... she's got a very rough time."

**Naomi, lone parent with one child**

Grace expressed how the expectation to work more hours could result in some parents needing to put their school-age children at risk:

"I can't be completely full-time at [current job] because if I'm full-time, I'd have to start at seven in the morning, and I can't trust [child], at the age of 12, to get up and get himself ready to go to school and catch the bus... So I can't start work till eight o'clock, which is why ... my contract is 27 and a half hours."

**Grace, lone parent with one child**

One parent in the sample, with two children aged three and five, was subjected to Intensive Work Search conditionality with the expectation of finding work for 30 hours per week. She found the experience distressing and demoralising with a lack of consideration of her unpaid caring responsibilities. Her partner was seriously unwell but was not yet receiving any benefits, nor was Emma receiving any carers' benefits. Emma was having appointments with both the Jobcentre and an employment agency. After an initial positive meeting, she felt that her caring responsibilities and challenges finding childcare were not taken into consideration:

"Initially they promised me the world... They would lend me a computer so I could do job search and the counselling course alongside, so short-term looking at care, retail sales, long-term looking at being a counsellor... The second time I went there, they were just really unfriendly to me ... just really sharp and unpleasant when I was explaining I'm finding it difficult to get a nursery for my son, and she was really dismissive of the fact that I'd got a partner [who was ill] at home."

**Emma, couple with two children**

Emma went on to recount further unpleasant experiences, such as making arrangements for the children so she could attend a mandatory resilience course, only to arrive and find the course had been cancelled. No one had informed her. Furthermore, she was given little warning of other mandatory

appointments with no consideration of her need to arrange for the children to be looked after. She described bringing her three-year-old child to a mock interview because her partner was too unwell to care for him at home. Despite being initially told this was permitted, she was informed when she arrived that her child could not be there. She also described attending a careers fair which she said sounded “great on paper, but when you turn up there’s often not much there.”

Emma described trying to put on a “brave face and continue” but was finding the whole experience very upsetting. She spoke about how she wanted to focus on caring for her partner and children at the moment and she felt her unpaid care role was being ignored or passed between the Jobcentre and agency with no one taking her challenging life circumstances into consideration:

“When I talk to [employment agency], and the Jobcentre about my partner’s ill-health, which they know about, everyone pushes it on to someone else ... it’s almost like you’re talking to a brick wall.”

**Emma, couple with two children**

Emma also mentioned her constant fear of being sanctioned if she was ever late for any appointments.

## Participant suggestions for childcare improvements

Several participants said that it would be better if childcare costs were paid in full and directly to the provider so that parents did not need to worry about finding money upfront to pay for childcare:

“If it was paid directly I think, which would have been the swing factor for me. If I apply and be like, right, I want my kid to go to X nursery down the road, here’s the Ofsted number, here’s the date that she’s starting, there’s my contract for work and my rota on what I’m going to be working, that’s the monthly invoice that they told me that she’s going to need ... pay it. I think that would be the way it would work for me. Because the idea that I would be paying, I don’t know, £600 on the ... shall we say 22nd of the month, and not getting that reimbursed until the 15th of the following month or something, that’s still taking such a massive chunk of money.”

**Zoe, lone parent with one child**

“I think it should be a complete separate payment or even paid to the place that your child’s in”

**Sarah, couple with two children**

One suggested that childcare costs should be paid directly to providers with claimants only required to top up the amount, so that the administrative burden on parents was less:

“Just like have somebody who deals with like the childcare people, so that it doesn’t even go through you and it just gets

paid to them and then you top it up or something.”

**Rachel, lone parent with two children**

More widely, parents had various suggestions about childcare. Many felt there needed to be more investment into the system as a whole, including staffing:

“Paying childcare providers more money, so that people actually want to do it, and so there are more places. That’s the main issue I think. I think you know they’re doing, they’re trying by providing more free hours, but ... they need to have more staff, so that they can give those hours.”

**Grace, lone parent with one child**

“I’m happy for people to have the spaces, that’s a great thing, but the infrastructure needs to support that, you know staff and schools, nurseries ... because otherwise you’re just lumping more children into ... it can’t just be opening up the spaces, it’s got to be ... it’s got to be investment in the area as a whole and the infrastructure as a whole.”

**Jake, couple with two children**

Freya reflected that a slightly longer school day would help her because she had to leave work at 2.30pm to get to the school for 3.15pm due to traffic congestion:

“For me, it would be easier if the schools finished at four, just to give me that bit more time to do my work.”

**Freya, lone parent with three children**

Ellen was concerned that in the effort to reduce provider costs, staff to child ratios might change further than they have already done, but she felt that this would not be a good idea:

“I wouldn’t recommend they reduce the ratios, which is what they’re saying. They do need it.”

**Ellen, couple with two children**

# 5

**Conclusions, policy implications and options for change**

# Conclusions, policy implications and options for change

Since being elected in July 2024 the Labour government has set up a Child Poverty Taskforce to develop a strategy for reducing child poverty, in part through increasing economic activity and improving early years learning. The Labour Party has also promised to ‘make work pay’ through its New Deal for Working People and increases in the National Minimum Wage<sup>44</sup> and, in November 2024, the *Get Britain Working* white paper was published.<sup>45</sup> Ensuring these goals are met for low-income families will depend on affordable and available childcare that can meet the diverse needs of children and their parents.

Our research shows that for some low-income working families, childcare works well. This tends to be where it is fully free, where work can fit within the government’s funded hours, where families have additional informal support and/or flexible work arrangements, and where the local childcare places are readily available. However, it is quite rare that we see all these elements fall into place, leaving many feeling that childcare is like “a big, vast, grey area”, as described by Zoe, one of our research participants. A recently published DWP report found that 61 per cent of the 12,910 parents on Universal Credit surveyed found that childcare problems made it difficult to find work or increase their earnings.<sup>46</sup>

The parents who took part in our study generally welcomed the free childcare hours. Yet currently many low-income families continue to face high childcare costs because most working parents require more hours than those offered free and providers may charge parents top-up fees to supplement the payments they receive from government. There are also earnings thresholds for eligibility for free childcare for working parents and there are no free hours of support for after-school clubs. Support for school holiday childcare is limited.

Parents on Universal Credit can reclaim some of their costs through the UC childcare element if they (and their partner if they are in a couple) are working. But most of the parents in our sample found the childcare support in UC to be onerous, complicated and inadequate. Some issues could be addressed through improving information about and widening access to the upfront costs support available through the Flexible Support Fund (FSF) and by improving communication over the UC journal when problems arise. Increasing the amount that can be reclaimed from 85 per cent to 100 per cent of childcare costs would also help. Expanding the types of after-school

44 Labour Party (2024). Labour’s Plan to Make Work Pay. <https://labour.org.uk/wp-content/uploads/2024/05/LABOURS-PLAN-TO-MAKE-WORK-PAY.pdf>

45 HM Government (2024). Get Britain Working. <https://assets.publishing.service.gov.uk/media/67448dd1ece939d55ce92fee/get-britain-working-white-paper.pdf>

46 Department for Work and Pensions (2024). Universal Credit childcare costs support research, p.35. <https://assets.publishing.service.gov.uk/media/6711026c9cd657734653d722/universal-credit-childcare-costs-support-research.pdf>

clubs that are eligible for support within UC would help to ensure that older children, in particular, can access provision more suited to their needs.

However, there are deeper issues linked to the monthly assessment of Universal Credit which require more fundamental changes to the way that low-income families on UC are supported. The process of monthly assessment means that the childcare element is included in claimants' monthly UC entitlement, the whole of which is means tested and reduced by 55 per cent in relation to any earnings over the work allowance. Parents are also required to pay for their childcare in advance and then wait to be reimbursed for the hours used within their UC monthly assessment period. The submission of monthly evidence of their childcare costs also necessitates additional work for parents, while increasing the risk of errors. All these factors mean that UC childcare payments can be insufficient, delayed, variable and unpredictable, especially where parents' earnings, personal circumstances or childcare costs changed, or where their childcare payments spanned more than one monthly assessment period or where they had to pay for more than one month in advance. This all made it especially challenging for parents to decipher the accuracy of reimbursed payments, causing them to lose confidence in the system and creating budgeting difficulties.

With the exception of a House of Commons Work and Pensions Committee report in 2022, which drew attention to some of these issues,<sup>47</sup> there has been limited policy reform to date and problems with childcare element in Universal Credit remain unaddressed. The recently published *Get Britain Working* white paper, whilst recognising the importance of childcare for working parents, makes no reference to the challenges present with the UC childcare element. The struggle to meet childcare costs meant that some parents in our sample reduced their hours of work or had to make other difficult work-life balance decisions. Some parents compared the monthly system of reclaiming childcare costs through UC unfavourably to the legacy tax credit system of annual reporting which generally provided steady monthly payments and made fewer administrative demands of parents.

It was also concerning that some children were missing out on valuable early years experiences. Some non-working or single-earner families who could not afford additional provider charges, and were unable to reclaim these through Universal Credit, ended up removing their children from early years childcare altogether. Single-earner couple households who are earning just above the threshold to be eligible for childcare for two-year-olds also missed out, while parents in Wales currently only receive free childcare for two-year-olds if they are in a Flying Start area (although the policy intention is for this gradually to be expanded to all areas).

On top of the challenge of meeting childcare costs, parents could face

<sup>47</sup> House of Commons Work and Pensions Committee (2022). Universal Credit and childcare costs: Fourth Report of Session 2022-23. <https://committees.parliament.uk/publications/33299/documents/180253/default/>

issues finding childcare places. This meant that some had difficulties working extra hours or overtime; had to reduce their hours of work; had to use more expensive providers; or use poorer quality childcare. Sometimes the childcare was far away from work or home, obliging them to move house so children were nearer to nurseries when places became available.

Children also vary in how they respond to the available childcare provision, in some cases reflecting children's different temperaments, but some parents also felt that the quality of provision was lacking. Parents of children with complex needs struggled the most as they felt that providers could not meet their children's additional needs, something noted in other DWP research reports.<sup>48</sup> The most positive childcare experiences from the low-income parents we spoke to occurred when they felt that the support expanded beyond the childcare setting; where they had good communication and felt welcome and cared for as a family; and where families with complex needs were offered advice and support about accessing services.

It should also be noted that childcare costs support is one of a number of aspects in the design of Universal Credit, and the means-tested benefit system more broadly, which can be a barrier to work or increasing hours of work. For example, in couple households with children, there is no work allowance for second earners, who are most typically mothers. Furthermore, as earnings increase, households can find themselves above the earnings thresholds for entitlement to various forms of additional means-tested support such as Council Tax Reduction, prescriptions and free school meals.

Within these challenging contexts, parents on UC, and in particular mothers with pre-school aged children, are facing increased pressure from DWP to start work or increase their hours due to increased conditionality for lead carers. The working parents we spoke to who are required to increase their working hours felt that this could threaten family stability and the work-care arrangements which they had worked hard to achieve. Many jobs available to parents in our sample were not family-friendly in that they could not offer flexible work arrangements or the option to work from home. Commonly the work was in caring, service, or security roles which depended on working outside the home and made the extra conditionality demands seem especially unfair and difficult to achieve for low-income parents. The *Get Britain Working* white paper states that 'there is a one-size-fits-all approach to conditionality which places too much emphasis on compliance' (p.47) and that there is a need for more personalised approaches. However, there is no mention of a reversal or easing of conditionality requirements for lead carers. The paper simply states that 'for those who are unemployed and claiming benefits, we will maintain conditionality requirements to support the goals and outcomes of our new service, with the system based on mutual obligations.' (p.51).<sup>49</sup>

<sup>48</sup> Department for Work and Pensions (2024). Universal Credit childcare costs support research, p.30.

<https://assets.publishing.service.gov.uk/media/6711026c9cd657734653d722/universal-credit-childcare-costs-support-research.pdf>

<sup>49</sup> HM Government (2024). Get Britain Working. <https://assets.publishing.service.gov.uk/media/67448dd1ece939d55ce92fee/get-britain-working-white-paper.pdf>



## What can be done?

Sir David Bell, in a recent unpublished review of early years commissioned by the Labour Party while in opposition, stated that the new plan for early years expansion “risks widening the gap between the most disadvantaged children and their peers”.<sup>50</sup> Considering that the recent reforms are likely to be of most benefit to higher-income earners,<sup>51</sup> we focus our recommendations on childcare reforms which would benefit low-income families.

There are a number of different policy objectives that childcare, early years education and parental leave policies seek to meet: increasing parental employment; reducing inequalities in children’s attainment and school readiness; tackling child poverty; and promoting gender equality between parents. These different policy objectives need to be weighed carefully in any reforms to childcare and early years education. In the recent past, increasing parental employment has taken priority over child development and reducing inequalities in children’s life chances, for example.

In what follows, we recommend reforms to childcare support for low-income families that will promote reducing inequalities in child development as well as improving parental employment and household incomes. Our recommendations also go with the grain of increasing the proportion of government support for childcare costs that flows through the supply side – that is, paid directly to providers – rather than in demand subsidy for parents. This is consistent with the development of a comprehensive and universal childcare and early learning system of the kind provided in other Northern European countries and, increasingly, elsewhere in the OECD.

### Make pre-school childcare for working parents on Universal Credit fully free and pay childcare costs directly to providers

Making pre-school childcare fully free for working parents on UC and paying providers directly would remove all the challenges associated with the Universal Credit childcare element for families with pre-school children. The additional exchequer costs of this provision would be limited, given the fact that most claimants of the UC childcare element are working and nearly half have a youngest child aged between one and three years,<sup>52</sup> so already qualify for 15 hours, rising to 30 hours of free childcare. This should be a UK-wide policy, which would remove current disparities with the free childcare support between the nations. There should be a one-

50 Turner, C. (2024). Labour’s early years review findings revealed. TES Magazine, 11 September. <https://www.tes.com/magazine/news/early-years/labour-early-years-review-findings-revealed>

51 Farquharson, C (2024). Childcare: The newest branch of the welfare state. Institute for Fiscal Studies. [https://ifs.org.uk/sites/default/files/2024-02/Slides\\_Nursery%20World%20talk\\_2024\\_for%20upload.pdf](https://ifs.org.uk/sites/default/files/2024-02/Slides_Nursery%20World%20talk_2024_for%20upload.pdf)

52 Department for Work and Pensions (2024). Universal Credit childcare element statistics, March 2021 to May 2024. <https://www.gov.uk/government/statistics/universal-credit-statistics-29-april-2013-to-11-july-2024/universal-credit-childcare-element-statistics-march-2021-to-may-2024>

year run-on of access to free childcare for working parents on UC with pre-school children so that the support would only end if claimants had a nil UC payment for 12 consecutive months. This would remove issues around temporary earnings rise or losing support when earnings rose above the eligibility threshold for UC. Paying providers directly was also recommended in a previous review by the House of Commons Work and Pensions Committee in 2022.<sup>53</sup>

## Reform of the childcare element of Universal Credit

Paying providers directly may take time to establish and therefore an incremental stage reform would be to pay 100 per cent of childcare costs through UC and to ring fence the childcare element so that is not subjected to the earnings taper rate. In addition, upfront costs support should be more widely available to all working parents, not simply those starting work or increasing their hours. Additionally, non-working parents or single-earner households who are receiving the free hours for disadvantaged two-year-olds should be able to claim for additional costs such as top-up fees or administrative charges through the UC childcare element. The earnings thresholds should be removed so that all households on Universal Credit can receive the 15 hours childcare for two-year-olds. However, this would not remove issues around the delays in reimbursements for childcare costs or the monthly administrative burden for parents, which currently acts as a deterrent to take up. Therefore, the ultimate goal should be to pay providers directly.

## For school-age children, expand the entitlement to wrap-around care costs support in UC to clubs that are not Ofsted or equivalently registered

For school-aged children, childcare costs support in UC needs to be expanded to include different types of childcare and provision for school-age children, recognising that after-school and some holiday clubs do not meet the needs of all primary age children, especially as they get older. There are also children who may benefit from other types of clubs such as leisure centre or drama clubs which may not be Ofsted registered (or equivalent in devolved areas). This recommendation was made in a recent DWP-funded report about childcare costs and Universal Credit.<sup>54</sup> In due course, childcare costs for school-age children could also be covered in full for working parents on UC and paid directly to providers, as recommended above for pre-school children.

<sup>53</sup> House of Commons Work and Pensions Committee (2022). Universal Credit and childcare costs: Fourth Report of Session 2022-23, p.24. <https://committees.parliament.uk/publications/33299/documents/180253/default/>

<sup>54</sup> For school-age children “Being able to use UC Childcare costs support for extra-curricular enrichment activities which are not Ofsted registered would enable parents to afford this type of activity” See: House of Commons Work and Pensions Committee (2022). Universal Credit and childcare costs: Fourth Report of Session 2022-23, p.21. <https://committees.parliament.uk/publications/33299/documents/180253/default/>

## Provide universal childcare for two-year-olds

Fully free hours of universal childcare for 15 hours should be provided for all two-year-olds regardless of parental working status, as is currently being rolled out through the expansion of the Flying Start scheme in Wales.<sup>55</sup> This would mean that all two-year-olds can benefit from early years childcare and reduce inequalities between children as they enter three- and four-year-old childcare and nursery education. Coram Family and Childcare (2024) argue similarly that there should be a right to early education – with a guarantee of a funded childcare place for all children regardless of their parent or carer’s background, bringing early years in line with schools.<sup>56</sup>

In the longer term, the government should move to a fully supply-side funded early years education and childcare system, in which children are entitled to at least 15 hours of free provision from nine months onwards, rising to 30 hours.

## Re-establish Sure Start to provide community-based childcare and holistic family support

The evidence that Sure Start reduced inequalities in child development and that its benefits far outweighed its costs, is compelling.<sup>57,58</sup> Re-establishing the Sure Start programme – building out from the existing Family Hubs network – should form part of a new childcare and early years strategy. Funding should return to the levels in the previous Labour government, as recommended by former Prime Minister, Gordon Brown and other senior Labour figures.<sup>59</sup> This would also support the ambition in the government’s consultation on its Child Poverty Strategy that there should be “better local support, focused especially on children’s early years.”<sup>60</sup> Holistic early intervention is particularly important considering that the disadvantage gap has widened post-pandemic in almost all regions, from the early years to Key Stage 4, according to findings from the Education Policy Institute.<sup>61</sup>

**55** In Wales there is free childcare for two–four –year-olds if they live in a ‘Flying Start’ (economically deprived) area for 12.5 hours per week in term time regardless of whether they are on UC or not and how much they earn. All areas in Wales are gradually becoming Flying Start areas.

**56** Hodges, L., Shorto, S. and Goddard, E. (2024). Childcare Survey 2024. Coram Family and Childcare. [https://www.familyandchildcaretrust.org/sites/default/files/Childcare%20Survey%202024\\_3.pdf](https://www.familyandchildcaretrust.org/sites/default/files/Childcare%20Survey%202024_3.pdf)

**57** Carneiro, P., Cattan, S. and Ridpath, N. (2024). The short- and medium-term impacts of Sure Start on educational outcomes. The Institute for Fiscal Studies. [https://ifs.org.uk/sites/default/files/2024-04/SS\\_NPD\\_Report.pdf](https://ifs.org.uk/sites/default/files/2024-04/SS_NPD_Report.pdf)

**58** Carneiro, P. et al. (2024). The effect of Sure Start on youth misbehaviour, crime and contacts with children’s social care. The Institute for Fiscal Studies. <https://ifs.org.uk/sites/default/files/2024-10/The-effect-of-Sure-Start-on-youth-misbehaviour-crime-and-contacts-with-children-social-care.pdf>

**59** Weale, S. and Crerar, P. (2024). Senior Labour figures call for ‘life-transforming’ Sure Start policy. The Guardian, 9 April. <https://www.theguardian.com/education/2024/apr/09/senior-labour-figures-call-for-life-transforming-sure-start-policy>

**60** Cabinet Office (2024). Tackling Child Poverty: Developing Our Strategy. <https://www.gov.uk/government/publications/tackling-child-poverty-developing-our-strategy/tackling-child-poverty-developing-our-strategy-html>

**61** Educational Policy Institute (2023). Annual Report: Executive Summary. <https://epi.org.uk/annual-report-2023-executive-summary/>

## Develop a childcare workforce strategy

Improving the quality of early years childcare and learning is also critical, as the Nuffield Foundation<sup>62</sup> and others have argued. This requires a workforce strategy to address the issue of staff recruitment, retention, skills and progression opportunities for early years practitioners and the improvement of SEND (special educational needs and disabilities) childcare provision.<sup>63</sup> The recent unpublished review conducted by Sir David Bell recommended the development of a new 0-7 qualified teacher status (QTS) and suggested other ways to improve quality in the early years sector.<sup>64</sup>

## Reform employment support and conditionality rules for parents

Instead of the current very limited support provided by Jobcentre work coaches, specialist and non-stigmatising employment support – similar to the help provided under the New Deal for Lone Parents – that recognises the complex and demanding role of being a working parent should be offered to all families on UC. The recent extension of conditionality to lone parents and lead carers in couples whose children are aged three – who are now expected to be working or looking for work for 30 hours per week – should also be reversed. Our findings reiterate those of other researchers that show that the current conditionality regime does not support benefit claimants to enter sustainable and quality employment.<sup>65</sup>

<sup>62</sup> Nuffield Foundation (2022). The changing face of early childhood in Britain. <https://www.nuffieldfoundation.org/series/changing-face-of-early-childhood-in-britain>

<sup>63</sup> Hodges, L., Shorto, S. and Goddard, E. (2024). Childcare Survey 2024. Coram Family and Childcare. [https://www.familyandchildcaretrust.org/sites/default/files/Childcare%20Survey%202024\\_3.pdf](https://www.familyandchildcaretrust.org/sites/default/files/Childcare%20Survey%202024_3.pdf)

<sup>64</sup> Turner, C. (2024). Labour's early years review findings revealed. TES Magazine, 11 September. <https://www.tes.com/magazine/news/early-years/labour-early-years-review-findings-revealed>

<sup>65</sup> Wright, S. (2024). Women and Welfare Conditionality: Lived Experiences of Benefit Sanctions, Work and Welfare. Policy Press; Andersen, K. (2023). Welfare That Works for Women?: Mothers' Experiences of the Conditionality within Universal Credit. Policy Press.

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# **Annex 1: Research methods**

## Annex 1: Research methods

This report draws on interviews with 22 parents who took part in our wider study in 2022/23 about Universal Credit and Monthly Assessment,<sup>66</sup> 18 of whom were re-interviewed in June 2024 specifically about childcare issues. Three of the 18 households were no longer in receipt of UC when we interviewed them in June 2024.

The initial interviews were undertaken as part of our wider study which tracked month-to-month changes in earnings and household income, in real time, between February 2022 and March 2023. The research involved face-to-face and telephone interviews with a sample of 61 Universal Credit claimants in 42 households, with and without children, in England, Scotland and Wales. The focus of the wider study was on the system of monthly assessment for working claimants of Universal Credit. Twenty-two parents in this sample had recent or current childcare experience and had children of primary school age or under. We contacted this group to take part in the childcare specific interviews in 2024 and 18 were available to be interviewed.

The focus of the June 2024 interviews was on current and previous experiences of the childcare element of Universal Credit and government-funded childcare hours, as well as parents' overall experiences of childcare. We also asked parents about experiences of Universal Credit conditionality and general issues around work-life balance. These interviews were all telephone interviews.

Of the 22 parents, 12 were in couples and ten were lone parents. Eight had a pre-school aged child, with the rest having a youngest child aged between five and 11. Eighteen had one or two children and four had three or four children. Twelve of the 22 households had family member with a serious health condition or disability including six with a disabled child.<sup>67</sup>

Nine parents had experience of using the childcare element of UC and four were using the childcare element of UC at the time of interview in June 2024. Eleven had experience of free childcare for disadvantaged two-year-olds, including two in Welsh Flying Start areas. All had received the free childcare hours for all three- and four-year-olds (one of these households was in Scotland where all children aged 3-4 receive the 30 hours free childcare) and seven had received the additional 15 hours for working parents.

<sup>66</sup> <https://www.bath.ac.uk/projects/monthly-assessment-in-universal-credit-for-working-claimants/>

<sup>67</sup> A survey of 12,910 parent UC claimants with children under 16 conducted by the DWP in 2021 for a study on Universal Credit childcare costs support found similarly, that 22 per cent of their respondents had a child with Special Educational Needs, a health condition or disability. Department for Work and Pensions (2024). Universal Credit childcare costs support research. <https://assets.publishing.service.gov.uk/media/6711026c9cd657734653d722/universal-credit-childcare-costs-support-research.pdf>

None had experience of the new offer of 15 hours free childcare for working parents. None of the households were expecting to receive the free 15 hours of childcare for working parents of nine-month-olds when it came into effect in September. One mother was pregnant and would return to work after a period of maternity leave, but she lived in Scotland where the 15 hours for nine-month-olds was not available.

When the research started, all participants were either in paid work or self-employment themselves and/or had a partner who was working. Of the 18 who were re-interviewed in June 2024, 14 were in work and/or had a partner who was working. Four were dual-earner couples, three were single-earner couples, seven were working lone parents, three were no-earner couples and one was a non-working lone parent.



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