

Universal credit childcare is hurting the poorest, MPs warn ^[1]

Requirement for parents to pay costs upfront, and then claim them back, is a burden on the poor, says report

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EXCERPTS

The requirement that childcare costs must be paid in advance by those on universal credit directly conflicts with the aim of the new benefit system, which is to get more people into work, a new all-party report by MPs says.

The work and pensions select committee argues that the way some of the poorest in society are having to pay childcare costs upfront – then face weeks before they are reimbursed – is a significant disincentive to moving into work.

The committee says that ministers should instead introduce direct payments of universal credit childcare costs to childcare providers, which they say would lift the burden from parents while giving providers greater certainty over their incomes.

The committee says that the childcare payment arrangements are part of an inherently unfair system, which benefits those on far higher incomes who receive help with their childcare through the tax system.

“It is unacceptable that households claiming universal credit – among them the poorest in society – are struggling with childcare costs while the government is funding support for households earning up to £200,000 a year via the tax-free childcare and 30-free-hours schemes,” the MPs say. “The government should divert funding from those schemes towards improving universal credit childcare support.”

The report is the latest to call into question a system that ministers say will help move 200,000 back into work, while also benefiting the economy and government finances.

Earlier this year the National Audit Office said the £1.9bn universal credit system could end up costing more to administer than the system it replaces.

The NAO said the system has been introduced too slowly, was causing hardship, and was not delivering value for money.

The committee chair, Frank Field, said: “If the government had set out to design a system to make it harder for parents to get into work, it could hardly have done better.

“It’s not just driving parents into despair and debt and creating problems for childcare providers – it’s also actively working to prevent the government achieving its aim of getting more people into work.

“And it is simply irresponsible of government to suggest that the way around this policy’s inherent problems is for struggling, striving parents to take on more debt.”

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