

Pre-School Learning Alliance warns of debt danger in childcare loan plan ^[1]

Author: Gaunt, Catherine

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EXCERPTS:

The Social Market Foundation's idea for a new scheme that would operate in a similar way to student loans is reported to be being taken seriously by Downing Street.

The Alliance has warned that the scheme - called the National Childcare Contribution Scheme - risks pushing more families into long-term debt.

They argue that ministers instead should make childcare more affordable for all parents and start by reversing the decision to cut tax credits for parents on low-incomes and raise the level parents can claim for their childcare costs from 70 per cent back to 80 per cent. Chief executive of the Alliance Neil Leitch, (pictured), said, 'We are absolutely astonished that at a time when personal debt in the UK stands at £1.45 trillion, a scheme to fund childcare has been proposed that would have more families "borrow now and pay later".'

'Anyone in the banking sector with an ounce of integrity will tell you deferred payment loans are a recipe for disaster.'

Referring to David Cameron's recent comments that the debt crisis was down to too much borrowing and that the only way out of the crisis was to "deal with your debts", he said, 'Yet here we have a proposal to place more families in debt, in particular, some of the most disadvantaged in our society.'

It was no surprise, he said, that 57 per cent of parents questioned indicated they would use the scheme, because in reality many families run up credit card bills to fund childcare.

With some of the highest childcare costs in Europe, he said that it showed that parents were 'under intolerable financial pressure' to balance their finances and would 'grasp at any offer'.

'At a time when the early years and childcare sector is facing increasingly tough times, from a provider's perspective the offer is of course attractive. But many we have spoken to recognise that the real solution is in addressing inequitable funding levels for the free entitlement and a radical rethink on national finances.'

He added, 'Childcare and education must be a right for every child and the argument for social capital investment is beyond question. 'We consider it a sad indictment of the value we place on children when parents are being asked to state the purpose of a loan as "to raise my child" and when children have become the collateral of a finance agreement.

'If the Government is looking for a real solution to truly develop comprehensive and inclusive early years provision, it should do so through other mechanisms and avoid putting families further into debt.'

The Daycare Trust said that the scheme could offer benefits to parents on middle-incomes but said that it would not increase access to childcare for the poorest families.

Chief executive Anand Shukla said, 'The Government's decision to cut the childcare element of working tax credit is costing low-income working families up to £1,560 this year, while in many of the lowest-income households one parent does not work so they will not be eligible for this scheme. Many families already have debt problems and will not be willing to take on more.

'We believe the best way of supporting parents is to increase the number of hours of free childcare for pre-school children, as well as offering financial help through the tax credit system, so that all families can benefit from high quality childcare. This is essential for economic recovery, as well as for alleviating child poverty.'

-reprinted from Nursery World

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