

Childcare plans may cut income to poorest families – thinktank ^[1]

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EXCERPTS:

The poorest working families will not benefit from the government's proposed childcare support - and could lose money under the scheme - while those higher up the income scale will get substantial payments, according to a leading thinktank.

The Resolution Foundation says 900,000 lower-income working families with children will miss out on the planned additional childcare support because all the adults in the family will not earn above the 2016 income tax threshold of £10,000 - a prerequisite before the state assistance kicks in.

Parents who do qualify will be able to claim back 85% of their childcare costs, up from 70%. But families where both parents work and receive universal credit but only one adult earns enough to pay income tax will in effect be denied the increased support that the government is offering.

Ministers argue that the additional support is intended to ensure work pays for part-time second earners, usually mothers, who want to increase their hours towards full-time. Since those on lowest incomes face the highest barriers to work from childcare costs, the foundation says that minimum wage earners could see cash losses if they try to work their way out of poverty.

The paper released on Saturday shows low-paid teachers will get help with childcare whereas those in lower paid occupations such as cleaners will lose out. It calculates that a teacher on £11.50 an hour with two young children in childcare would be £58 a week better off if she worked 25 hours a week than if she did not work at all. In contrast, a cleaner with two young children in childcare earning the minimum wage would be £6 a week worse off if she worked 25 hours a week than if she did not work at all.

"The system is so complex that it becomes extremely difficult for a second earner to predict when [the cleaner] will become better or worse off as her hours increase," says the Resolution Foundation.

The thinktank says much of the reporting about the scheme has focused on government claims that stay-at-home mothers made a "lifestyle choice" and would not be eligible for childcare vouchers worth £1,200 a year a child. But this is largely about those wealthier families and neglects the argument about the poor.

The paper says ministers should extend the 85% rate of childcare support to all families rather than just those in which all adults pay income tax. This would cost £200m, which, the study says, could be found from the £1bn new investment in childcare by limiting tax-free childcare vouchers for the very rich. Under the current proposals a couple with a joint income of up to £300,000 can get £1,200 in state subsidy.

Giselle Cory, senior analyst at the Resolution Foundation, said: "It's neither fair nor logical if someone on a low wage, such as a cleaner, who wants to boost the family income by taking on more work gets less help with that than a higher earner, such as a teacher.

"It's vital that the government acts to correct this anomaly by paying the higher rate of childcare support under universal credit to all working families, no matter how low-paid, even if this means reducing the generous support to relatively high earners who qualify for the tax-free voucher scheme."

The government said it was consulting on a new tax-free childcare scheme to help up to 2.5m working families by up to £6,000 per year per child. A department for work and pensions spokesperson did not dispute the analysis but said ministers are "investing £200m in childcare support under Universal Credit, along with the £2bn existing support, to help 100,000 families with their childcare costs for the first time. "People on low incomes will face much more generous support covering childcare costs - with those working fewer than 16 hours eligible for support for the first time - as well as clear incentives to increase their hours and their incomes."

-reprinted from the Guardian

Region: Europe ^[2]

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