GIVE FAMILIES THE CREDIT

A new approach to child poverty and family stability

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The Centre for Social Justice

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About the Centre for Social Justice

Established in 2004, the Centre for Social Justice is an independent think-tank that studies the root causes of Britain's social problems and addresses them by recommending practical, workable policy interventions.

The CSJ's vision is to give people in the UK who are experiencing the worst multiple disadvantages and injustice every possible opportunity to reach their full potential. The majority of the CSJ's work is organised around five "pathways to poverty", first identified in our ground-breaking 2007 report Breakthrough Britain. These are: educational failure; family breakdown; economic dependency and worklessness; addiction to drugs and alcohol; and severe personal debt.

Since its inception, the CSJ has changed the landscape of our political discourse by putting social justice at the heart of British politics. This has led to a transformation in Government thinking and policy. For instance, in March 2013, the CSJ report It Happens Here shone a light on the horrific reality of human trafficking and modern slavery in the UK. As a direct result of this report, the Government passed the Modern Slavery Act 2015, one of the first pieces of legislation in the world to address slavery and trafficking in the 21st century.

Our research is informed by experts including prominent academics, practitioners, and policymakers. We also draw upon our CSJ Alliance, a unique group of charities, social enterprises, and other grassroots organisations that have a proven track-record of reversing social breakdown across the UK. The social challenges facing Britain remain serious. In 2024 and beyond, we will continue to advance the cause of social justice so that more people can continue to fulfil their potential.

Acknowledgment

We would especially like to thank our supporters who made this work possible, including Politics and Economic Research Trust (PERT).

Disclaimer: Please note that the views, findings, and recommendations presented in this report are those of the CSJ alone, and not necessarily those of any organisation or individual who has fed into our research.

Foreword

The Centre for Social Justice has long campaigned to improve outcomes for the most disadvantaged families. We refuse to accept that child poverty is inevitable. Children are our future workforce, our future carers, our future inventors and investors: it is enlightened self-interest to prioritise their security and well-being.

Our new Family Credit would improve the lives of millions of parents and children struggling to make ends meet in the first few years of parenthood and would cost the government nothing.

The Family Credit is composed of three main elements: a transferable tax allowance between partners, frontloaded child benefit, and a childcare budget paid directly to parents. It puts parents completely in charge of the money they spend in raising their children, rooted in the belief that parents know best.

In this way parents can opt to pay for formal childcare, pay a neighbour, or a family friend, or spend more time with their child themselves. Our proposed offer is generous - an annual child benefit for preschool children of just under £3,700 per annum or nearly £70 per week per child. Combined with transferable tax allowances and direct childcare payments some families would be over £10,000 a year better off.

With government coffers tight and election cycles short, some may balk at incurring any extra cost when the return on investment is not instant, so we also propose that we pay for this by reducing benefits for families with older children, when work becomes easier and poverty reduces.

Together with Public First we have tested the concept of our proposal for a "parent budget" with 1500 parents with young children, and found it is popular. Mothers and fathers with children 0-4 want to have more choice than the current childcare system allows for. Its eye-watering cost (the highest among OECD countries), inflexible structure, and confusing regulations have frustrated parents – especially those who seek to balance work and family life.

At the CSJ we know that work is the best route out of poverty, but we also recognise the importance of a nurturing home environment. A budget to spend on childcare in their child's first years gives even low-income parents more choice.

Our proposal also takes into account those parents who choose to have one in the couple stay home to raise their children. For too many, this choice risks plunging them into poverty. This is due at least in part to our individualised tax system: while benefits are based on household income, taxes treat individuals as if everyone were equally free of responsibilities -- including raising a child which, studies show, can cost a family between £160,000 -180,000 over 18 years.

Failing to acknowledge the investment parents must make in raising their children makes family formation in the UK prohibitively expensive. The result has been a drop in childbirth rates that risks denting our economy and fraying our society. So we make the case in this report for transferring 100% of a spouse/partner's personal tax allowance; this would leave single-earner families better-off, and may help more people to have the children they want.

Current political discussions around child poverty have focused on the two-child benefit cap. But whatever politicians decide on that, given the evidence that a child's first 1001 days are the most formative for their lifelong outcomes, we believe we should focus support on families with the youngest children. In this way we can help ensure that all children have equal opportunities to flourish.

Andy Cook
CEO Centre for Social Justice

Executive Summary

Too many children in this country are growing up in poverty. Too many parents feel that they have no choice in how to raise their children. And too many families find themselves at a disadvantage within the tax system because of their decision to have one parent stay home to care for their children.

The CSJ has designed a radical new policy package, The Family Credit, that dares to put parents in charge of a budget to spend in raising their children. This initiative, rooted in our belief that parents know best, seeks to give mothers and fathers more support when they most need it – in those first years of a child's life, when families are more likely to be struggling financially. Investing in children at this stage can overcome the attainment gap that affects too many young lives.

Our Family Credit is designed to meet the demands of parents with young children, captured in our landmark national poll with Public First.

Political discussions have focused on retaining or removing the present two child benefit cap policy. The CSJ takes the view that the focus should not be on the number of children per household but on their age: children under four are in their most formative years and also the most likely to be living in poverty.

This initiative is composed of three main elements: a transferable tax allowance, frontloaded child benefit, and a childcare budget paid directly to parents. These have been costed and are close to cost neutral for Treasury.

1. Transferable tax allowance
    - Make transferable up to 100% of a married/civilly partnered person's personal allowance to the other partner in the couple. Some of this will be clawed back by the benefits system (through families losing eligibility, or part of payments owing to tapers/step-changes on rates as extra income rises). This delivers around £3.7bn tax foregone and approximately £700m clawed back from the benefits system, with a **final Exchequer cost of £3bn in 2024/25 terms**.[1]
    - Exempt current Child Benefit from all other benefits calculations (so it is always outside welfare), **with a cost of £250m.**
2. Frontloaded child benefit
    - Target now exempted remaining Child Benefit at children aged 0-4 years to alleviate poverty (as poorer older children's families claim Universal credit), with a cost of **£9.9bn in 2024/25 prices**. This will give an annual award for under 5 year old children of just under **£3,700 per annum or just under £70 per week per child.**

1 IPPR tax-benefit model

3. A childcare budget paid directly to parents

   - **Increase availability and generosity of Free Childcare from 39 to 47 weeks** The cost of increasing availability to all under 5s over the new period would be **£7.1bn** in 2024 terms, with annual payment for under 5 year olds varying by local area, to reflect the wide variety of average childcare rates per area. We suggest compensation to families is capped at the 60th percentile, so most typical families are fully covered by the scheme.[2] Removing the Universal Credit childcare element (as everyone can claim a full year's worth of cover excluding holidays) yields **savings of £1.3bn to Treasury**.
   - We propose this childcare 'budget' to be paid directly to parents to spend as they see fit – whether on formal care, as now, or on informal care, provided by the extended family. The additional resource, when combined with the other elements of Family Credit, could also enable parents to forfeit paid work in favour of providing care themselves.

We recognise that by targeting the most vulnerable in our society – children whose first years are spent in poverty – our proposal risks creating losers as well as winners. The Family Credit, for example, will result in some families not on UC, with a sole earner and older children, losing £25.60 per week; while a family not on UC with two children aged 1-4 years old, and two earners (and one using only half their PA) will be £429.22 better off per week. This dramatic shift in our childcare system reflects our commitment to supporting children in their most formative early years: evidence shows that investing in children's early years repays huge dividends in terms of reduced child poverty, reduced need for services, and boosted productivity in the longer term.

2 IFS <ifs.org.uk/sites/default/files/output_url_files/R210-The-changing-cost-of-childcare.pdf>

Introducing a Family Credit

Poverty is compromising the life chances of 4.3 million children across the UK.[3] Families with younger children are the most affected. [4]

Government spends nearly £8 billion per year subsidising childcare,[5] yet parents face little choice of provision and some of the highest childcare costs in the OECD – driving the most disadvantaged parents out of the work force to take on childcare.

An opaque and inflexible childcare system is one part of a broader system that does little to recognise the value – fiscal or otherwise – of raising children. This makes it difficult for parents to invest either money or time in their children.

Our income tax system falls into this category: many families find themselves at a disadvantage within the tax system because of their decision to have one parent stay home. For them, work does not always pay: 7 out of 10 children in poverty live in households with at least one earner.[6]

Government plans for childcare reform will not address these issues: expanding 'free' childcare to children as young as 9 months old will burden taxpayers with additional cost without reducing poverty, fulfilling parents' wishes, or delivering the best outcomes for children. And by failing to change the tax system as it applies to married couples, the proposed reform continues to trap more single-earner families in poverty than families headed by a lone parent.

CASE STUDY

If Kevin works at a local restaurant and earns £10,000 a year, his personal allowance – the amount of income he does not have to pay income tax on -- is £12,570. His wife Susy works for an accountancy firm and earns £35,000, with a personal allowance of £12,570 which means she pays the basic rate (20%), leaving her with £22,430. Under the current Marriage Allowance system Kevin can transfer only £1,257 (10%) of his personal allowance to Susy - so the couple would pay £4234.60 in tax. Under our proposal, Kevin may transfer £2,570 to Susy which means the couple will pay £3972 in tax.

3 Child Poverty Action Group, Tackling Child poverty: an Urgent Priority, 21 March 2024.
4 Ibid.
5 David Johnston (Minister for Early Years), Hansard, Early Years Update, 29 November 2023.
6 Child Poverty Action Group, Tackling Child poverty: an Urgent Priority, 21 March 2024.

Costly childcare and an individualised tax system that fails to take into account the cost of raising a child are contributing to the struggle facing parents, especially low-income ones. The mismatch between what parents want and what the system is delivering has serious consequences. To give every child an equal chance to flourish, and every parent the ability to balance work and childcare, Government must embrace significant policy change.

The Centre for Social Justice (CSJ) is proposing a bold initiative, The Family Credit, to give all children a better start in life. Our Family Credit is rooted in trust: we believe parents know best how to raise their children. Based on a national representative poll, our Family Credit is a policy package that will reduce child poverty and allow parents greater choice.

It seeks to give mothers and fathers more support when they most need it – in those first years of a child's life, when families are more likely to be struggling financially. Investing in children at this stage can overcome the attainment gap that affects too many young lives. To erase this gap is a matter of social justice and should be a priority for us as a country. Political discussions have focused on retaining or removing the present two child benefit cap policy. The CSJ takes the view that the focus should not be on the number of children per household but on their age: children under four are in their most formative years and also the most likely to be living in poverty.

The impact of our Credit will be felt among all families but among the most vulnerable most. It will also have an impact across society more widely: by delivering more support to families with the youngest children, the Credit will improve children's developmental outcomes, which evidence shows are linked to poverty; [7] and allow parents the freedom to choose how many children to have, thus checking the plummeting birth rates that, compounded by our ageing population, will place enormous pressure on social care, health care, and many other services.

Our Family Credit gives parents what they want: the CSJ has commissioned Public First to conduct a poll to help us understand what parents with young children want from childcare. [8] We found that 70 per cent of working parents said they would like to spend more time caring for their child and less time in paid employment. Almost half (44 per cent) of parents with pre-school children said they would like to stop working altogether if they could, while 47 per cent said they would like to reduce their hours if possible. We found strong support for policies that helped parents to spend more time with their children in the early years – a choice denied too many parents.

Childcare 'budgets', enabling parents to spend money raising their children as they feel is best, were more popular with respondents than subsidies for formal care. This was true across both political and class lines, with Labour voters slightly more likely to support policies that give parents freedom to arrange care flexibility.

Crucially, our respondents included fathers as well as mothers. 80 per cent of mothers and 76 per cent of fathers told us they wanted to spend more time with their children.

7 Sam Ray-Chaudhuri ,Tom Waters and Xiaowei Xu, Poverty. IFS. 2023.
8 CSJ-Public First Polling, March 2024.

While satisfying parents, our Family Credit is also addressing a social injustice: inequality is rooted in the foundational stage of development, which is early childhood. Although the UK Millennium Cohort Study [9] showed that positive home learning activities and warm, and supportive parenting can mediate some of the effects of poverty on children's cognitive and behavioural development, low-income parents often struggle to provide a safe but stimulating early years setting where their child can flourish. The average cost of raising a child in the UK [10] is £1,030 a month, including housing and childcare costs. This drives one in three parents with a household income of less than £20,000 to cut back on essential food or housing [11].

The current tax system focuses on individual autonomy, rather than a jointly assessed tax and benefit system. By taxing individuals not families, however, the current system ignores the cost of raising children – Treasury figures show that a family on £37,500 is in the second decile but would be paying the same tax as a taxpayer without children in the seventh decile. [12] Single earner families pay a particularly high penalty: a family earning £50,000 per annum with two dependent children, where only one parent is in paid employment, must bear 25% more of a tax burden than a two earner family on £50,000. **(SEE ANNEX 4)** Indeed, households where one parent stays home to care for children are considerably more likely to be represented in the bottom fifth of families for disposable income (35%) than lone parent families (24%).[13]

This leads to the risk of working poverty amongst couple families. Poverty can influence children's development in terms of the resources that their parents can draw on – goods, services and experiences – to encourage children's cognitive development. Struggling economically can also increase parental stress, which can affect their parenting engagement and behaviours, and ultimately their children's well-being.

A family's limited resources can hold back their children's attainment. The gap between low-income children and their more affluent peers has grown. [14] At age 5, disadvantaged pupils were 4.8 months behind their peers in 2022, a wider gap than in 2019 (4.2 months) and its highest level since 2014 (when it was 4.9 months). At the end of primary school (key stage 2), the disadvantage gap was 10.3 months and one month wider than in 2019. By the time they are in secondary school, this attainment gap is cemented, affecting the children into the future, in terms of their schooling, earnings, mental and physical health.

Addressing this social injustice should be a priority for any government.

Economic inactivity, which already affects 9 million individuals,[15] is also a priority. ONS research shows that "looking after family or home" was one of the key drivers of record levels of economic inactivity,[16] with more than one in four working-age women reporting that their caring responsibilities were keeping them from paid employment in 2023; this is in contrast to men, only 7.1% of whom were economically inactive because of looking after family or home.[17] Better support would allow working parents (particularly mothers) who wish to stay in, or return to, paid employment, the opportunity to do so.

9 M Hernández-Alava, G Popli, Children's Development and Parental Input: Evidence From the UK Millennium Cohort Study. Demography. 2017 Apr;54(2):485-511.

10 www.thetimes.co.uk/money-mentor/income-budgeting/family-finance/starting-family-baby-costs

11 www.theguardian.com/money/2021/sep/12/uk-failing-on-childcare-finds-survey-of-over-20000-working-parents

12 Don Draper, Tax and the Family calculations, 2024.

13 Luke Stanley, Will Tanner, Jenevieve Treadwell and James Blagden. The Kids Aren't Alright, Onward, 2022.

14 Education Policy Institute, Annual Report 2023.

15 ONS, Economic Inactivity, Jan-March 2024

16 www.ons.gov.uk/employmentandlabourmarket/peoplenotinwork/economicinactivity/datasets/economicinactivitybyreasonseasonallyadjustedinac01sa

17 www.ons.gov.uk/employmentandlabourmarket/peopleinwork/employmentandemployeetypes/bulletins/uklabourmarket/previousReleases

Crucially, more and better targeted support will also drive birthrates.

In England and Wales the fertility rate has declined since 1964 and has been below replacement levels since 1973.[18] But this does not reflect a desire for smaller families. Research conducted by Whitestone Strategy for the New Conservatives found that the mean number of children women aged 18-35 would ideally have is 2.35.[19] This compares to a fertility rate of 1.49 in 2022 (in England and Wales).[20] The difference between these figures is sometimes referred to as the 'fertility shortfall', and data shows that the UK's shortfall exceeds OECD and European averages.[21]

Studies have suggested that the most prominent reasons for limiting family size are economic conditions and issues of work-family compatibility.[22] Both issues are far bigger than childcare alone. House prices and stagnant wages play a significant role in delaying family formation and supressing family size.[23] But childcare is nonetheless an integral part of the jigsaw. The trend towards smaller families could have long-term economic consequences, with worker shortages and a weakened tax base threatening to destabilise the public services required to support an ageing population.

Beyond our flawed childcare system, UK family policy fails to deliver sufficient support to parents. This is highlighted when considered alongside international comparators. According to the United Nations, the proportion of countries with explicitly pro-family growth policies has risen from 10 per cent in 1976 to 28 per cent in 2015.[24] The UK is not yet among them.

France was one of the first countries to pioneer pro-family growth measures. It introduced financial support for families with three children or more in the 1980s before expanding eligibility to cover those with two or more children from 1994. Allowances are also paid to parents who choose to stop working, or reduce their working hours, with the duration of payment extended upon the birth of second and third children.

The UK Government, conversely, stops paying child benefit altogether after the second child. Apart from Child Benefit, no financial support is provided to parents primarily to facilitate parenting. Other than National Insurance credits for grandparents, no financial support is made available to support childcare provision by extended family. Indeed, unregistered care provided in exchange for money is illegal – irrespective of the relationship between the caregiver and the cared-for. And yet, as CSJ polling showed, for low-income parents, grandparents are their first choice for taking care of their children.

Our poll points to a fundamental mismatch between what parents want and what they are currently getting. Correcting this mismatch is by no means straightforward. The system is complicated – spanning four Government Departments – and has been built around the central objective of supporting labour market participation among parents, namely mothers. A dedicated Gov.uk website seeks to help parents navigate the labyrinthine childcare options available to them. The Office for Budget Responsibility's Fiscal Outlook 2023 predicts that by 2027-28, the expansion of the 30-hour childcare offer will lead 60,000 parents to enter employment working around 16 hours a week on average, while 1.5 million mothers of very young children already in work are expected to increase

18 ONS, Births in England and Wales: 2022, August 2023.
19 Whitestone Insight, New Conservatives, September 2023.
20 ONS, Births in England and Wales: 2022, August 2023.
21 Policy Exchange, Better Childcare, August 2022.
22 Beaujouan and Berghammer, The Gap Between Lifetime Fertility Intentions and Completed Fertility in Europe and the United States: A Cohort Approach, 2019
23 Lisa Dettling and Melissa Kearney, House Prices and Birth Rates: The Impact of the Real Estate Market on the Decision to Have a Baby, June 2016; Cevat Giray Aksoy, Short-term effects of house prices on birth rates, September 2016.
24 SMF, Baby bust and baby boom: Examining the liberal case for pronatalism, September 2021.

the hours they work by a much smaller amount. Childcare expansion is identified as having 'by far the largest impact on potential output' of all Budget policies.[25]

The impact of poverty, as noted, particularly when sustained and experienced over the first three years of life, can have an enduring impact on a child's life chances. Facilitating parents' entry or re-entry into paid employment is therefore important. But parental attachment, the foundational relationship between babies and their primary caregiver, is also important for a child's well-being and future prospects. Navigating the tension between these objectives is inherently challenging. Acknowledging this tension is a crucial first step.

The CSJ's new Family Credit would ease parents' labour market participation without rolling back social progress and reinforcing historic gender roles. There is nothing to say that women should be the primary caregivers under a new model that gives parents the freedom to choose what works for them. Indeed, consistent and compelling evidence has highlighted fathers' wish to be more involved in their children's lives, with research led by Leeds Trinity University, for example, finding a strong desire among young fathers for more flexibility and understanding from their employers when it comes to family responsibilities.[26] A study conducted by Business in the Community, meanwhile, found that 85 percent of men believe that they should be as involved as women in caring for their children.[27] While women continue to provide the majority of care in the majority of households, the proportion of care provided by fathers has been ticking up for a while. Given the right conditions, it would likely tick up further.

More flexible childcare options and a shift to household rather than Individual taxation would empower parents to negotiate work and care in creative ways that resist rigid 'caregiver'/'breadwinner' designations. A family policy that better meets their needs will allow parents to decide who works and when. In some households, one parent may elect to forego paid employment to raise their children; in others, both mothers and father may elect to cut back their hours, sharing additional caring responsibilities alongside part-time work. In some households, fathers will take a career break to look after their children. In others, it will be mothers. And some parents will decide to continue to choose formal care, with both parents preferring to work ful- time. The important point is that all parents, and not just high-income ones, will be able to choose how best to raise their children.

25 OBR, Economic and Fiscal Outlook, March 2023.
26 Leeds Trinity University, Connected Young Fatherhood: Rural and Urban Experiences During the Pandemic, 2022.
27 Business in the Community, Equal Lives: parenthood and caring in the workplace, September 2018.

Taxing families today

Since the introduction of independent taxation in 1990, our income tax system has been based on the individual rather than on families. This contrasts with the benefits system, which is based on the household. The interaction between the two systems gives rise to significant unfairness, especially in respect to single-earner families. A single-earner couple has only one personal tax allowance, while a two-earner couple has two. If the single-earner couple are married, they may be entitled to the marriage allowance, but this is only one-tenth of the personal allowance and there is a cliff edge withdrawal of the allowance if the transferee has even £1 of income liable to tax at the higher rate.

For married/civilly partnered couples, it is only possible for the first earner under the basic tax threshold [£12,570] to pass all or some unused tax allowance up to a maximum of 10% of it to their partner, where they are earning under the higher tax threshold [£50,270].

The result is that a single earner couple will have a lower disposable income and a lower standard of living than a single person without dependants. Equally, if the two couples have a similar standard of living, it will be because the single earner couple has a higher gross income, and hence is paying more tax.

This has implication for parents who would like to stay home and raise their children; it also has considerable implications for the marginal rates of tax: the combination of higher tax, other taxes, and the withdrawal of benefits can prove a considerable disincentive to work.

Childcare policy in the UK is driven primarily by labour market priorities. Crudely put, the more accessible and affordable our childcare, the faster parents will return to work and generate tax receipts for His Majesty's Treasury. To its credit, Government does not seek to conceal this. Announcing childcare reforms in the 2023 March Budget, the Chancellor pointed to the fact that matching Dutch levels of female participation in the labour market would swell the labour force by over a million while the extension of the 30-hour offer is pitched first and foremost as a means of 'transform[ing] the economy'.[28]

Few households can function on a single income without state support. Rather than provide this support, as other countries do, public policy in the UK funnels children into formal care and parents – namely mothers – back to work. Today, 29 per cent of women work full time when their youngest dependent child is three, while 39 per cent work full time.[29] But among low-income parents, over half (51%) have had to reduce their working hours to manage childcare needs, while a fifth have had to quit their job altogether. [30]

28 HMT, Spring Budget Speech 2023, March 2023.
29 ONS, Families and the labour market, UK: 2021, July 2022.
30 Working Families Index 2023: spotlight on lower income families.

Formal childcare settings

Formal childcare provision is not only costly but patchy: 56% of Local Authorities do not have enough places for fulltime workers, leading 4 in 10 parents on lower incomes to report that they use less formal childcare than they would like to because there is not enough available where they live.[31]

A huge variation in fees is reflected in the median, 75th percentile and 90th percentile cost among families using formal childcare by English regions:

- In the East Midlands, the median childcare user spends the most on childcare, at £36 per week;
- in London, formal childcare costs show the most variation, with both
  - the lowest cost at £8 per week on median basis, and
  - the highest cost at around £150 and nearly £350 per week at the 75th and 90th percentile respectively in 2019.

A recent Coram Family and Childcare survey[32] suggests that the reason for the surprising low (£8 per week) cost of childcare among some Londoners is down to parents being forced to opt out of paid employment to pay high formal childcare fees. The Government's new free entitlement will cover circa 80% of pre-school childcare hours in England.[33] Funding on mean average per hours basis at £5.68 for under twos, £5.72 for two-year-olds and £5.60 for three and four-year-olds [34] will boost providers' income. This will go some way in addressing the issues of historic under-funding coupled with rising costs which had proved a challenge for formal childcare settings, forcing many to shut down. Providers however have reported concern[35] that the new funding will drive more families to opt for formal settings, which in many cases are not equipped to take on additional children.

While the new entitlement may benefit formal settings, especially those that cater for the youngest children, the impact on children's development is unclear. The extension of Government's 30-hour childcare offer will see children as young as 9 months spending extended hours in formal childcare settings at taxpayers' expense, with the total childcare bill expected to reach around £8 billion a year by 2025.[36] Despite the price tag, His Majesty's Treasury does not appear to have considered the long-term implications of incentivising the uptake of formal care among parents of very young children. Yet a growing body of evidence suggests this strategy will have mixed outcomes at best.

31 Working Families Index 2023: spotlight on lower income families
32 Families and Childcare Survey, CORAM, 2023.
33 ifs.org.uk/articles/what-you-need-know-about-new-childcare-entitlements
34 Spring Budget 2023 Childcare expansion policy costings, April 2024.
35 www.bbc.co.uk/news/articles/czr8rkdj7yjo
36 David Johnston (Minister for Early Years), Hansard, Early Years Update, 29 November 2023.

The impact of institutional care

The evidence that formal childcare confers developmental benefits for all young children compared to family care is increasingly contested in the scientific literature.[37]

Concern about the impact of extended hours in formal care is premised on attachment theory, pioneered by John Bowlby in the 20th century.[38] Bowlby argued that the emotional and social development of children is profoundly shaped by their relationship with their primary caregiver – the person who meets their most basic need for food and shelter. While strong relationships cultivate secure attachment, disruptions or inconsistencies in care can lead to a spectrum of mental health and behavioural problems in later life. Mary Ainsworth built on this theory, developing the concept of a secure base: the idea that secure attachments provide the foundation that allow infants to explore the outside world. Roy Baumeister and Mark Leary then took the theory a step further, arguing that this derives from the fundamental human need to belong.

A rich contemporary literature evidences the importance of the relationship between young children and their primary caregiver/s. A recent Cambridge University study, for example, explored the effects of parent–child interactions on mental health and pro-sociality using data from more than 10,000 people born between 2000 and 2002. Researchers found that people who experienced warm and loving relationships with their parents at age three not only tended to have fewer mental health problems during early childhood and adolescence, but also displayed heightened 'prosocial' tendencies.[39] Academic literature demonstrating the profound impact that early relationships have on children's development confirms what feels instinctively true to parents the world over.

Across the CSJ alliance committed grassroots charities seek to support healthy child-parent relationships as the ultimate upstream intervention. Getting things right in those crucial early years can set a positive trajectory for decades to come.

The potential implications of attachment theory for childcare policy are not hard to decipher. While research into long term outcomes in this area is newer and so less voluminous than on attachment theory itself, the evidence, where it does exist, points in the direction you might expect.

Analysis of the universal childcare programme in Quebec, Canada, which provides the most comprehensive evidence to date, does not make for happy reading. Introduced in 1997, via the Quebec Educational Childcare Act, the programme aimed to provide regulated childcare places to all children aged 0–4 in at a price of $5 per day at either in formal childcare settings or through networks of home-based care. Research by the economists Michael Baker, Jonathan Gruber and Kevin Milligan found a significant decline in the self-reported health and in life satisfaction among teens that had participated in the programme. Cohorts with increased childcare access reported worse health and lower life satisfaction and were more likely to commit crime later in life than comparator groups, reinforcing the central role of the early childhood environment for long-term success.[40]

These are not isolated conclusions. A study published by the Department of Education in 2020, for example, which explored outcomes among over 3,000 children in some form of Early Childhood Education and Care [ECEC], concluded that 'using more formal group ECEC between age two and

37 For an excellent compendium of the evidence, see: Criticalscience, 'Childcare : what the science says', 2021.

38 John Bowlby, Attachment Theory and Its Therapeutic Implications, 1978.

39 Ioannis Katsantonis and Ros McLellan, The role of parent–child interactions in the association between mental health and prosocial behavior: Evidence from early childhood to late adolescence, October 2023.

40 Michael Baker, Jonathan Gruber, and Kevin Milligan, The Long-Run Impacts of a Universal Child Care Program, 2019.

start of school was associated with several poorer outcomes: more externalising behaviour, more internalising behaviour, less prosocial behaviour, less behavioural self-regulation and less emotional self-regulation, during school year one.' The research identified a particular link between high use of formal group ECEC and internalising behaviours such as anxiety.[41] Meanwhile, the use of individual childcare, through childminders, friends, or relatives was found to mitigate the negative socio-emotional effects of high use of formal group care.[42]

The evidence against the adoption of universal, formal childcare is strongest in relation to the youngest children. Research published in the Journal of the Royal Society of Medicine in 2020, for example, reported signs of emotional stress among children under three spending extended periods in the care of nurseries. Researchers found cortisol levels were persistently higher among children in nurseries - particularly poor-quality ones - than children at home. In some cases this applied even where children appeared 'settled'.[43]

This is not to say that childcare has only negative impact on children's lives. Much of it is very good and entirely necessary. High quality childcare, particularly for children who are three and over, can have significant developmental benefits, while for children from disadvantaged backgrounds, nursery care can have a positive impact irrespective of age. Research commissioned by the Sutton Trust, for example, found that spending up to 20 hours per week in early years provision delivers 'clear benefits' to children from disadvantaged backgrounds, including improved cognitive development, language and communication skills, while the study found no evidence of negative impacts for longer periods spent in formal care, so long as provision is of high quality.[44]

A rich academic literature demonstrates the importance of high-quality interactions, whether between parents and children or children and childcare staff. When children are very young these are not based on words, but on gestures, sounds and facial expressions. This non-verbal communication is vital for developing the close bond between babies and caregivers, providing the foundation for what Julie Fisher, Visiting Professor of Early Childhood Education at Oxford Brookes University, describes as 'the exchange and understanding of meanings on which so much of the baby's development will depend.'[45] In a formal childcare setting, babies and young children rely on early years' practitioners to be equally responsive.

Funnelling children into formal care from a very young age is not, therefore, an unalloyed or indisputable good. There are clear upsides, but trade-offs, too. Enabling work, particularly for households on low incomes, remains a key way to reduce poverty, and many parents want to return to work quickly after the birth of a child. This should be facilitated, but formal care is not the only way to do so. Making formal childcare the default while closing off informal care options makes it harder for some families to balance work and care, particularly where there are gaps in local provision. Many parents, as CSJ research has shown, would welcome support to help them extend the time they have at home with children before returning to work. At the very least, His Majesty's Treasury should publish an assessment of the potential risks associated with such a significant expansion of institutional childcare, helping parents to make informed choices.

41 DfE, Study of Early Education and Development (SEED): Impact Study on Early Education Use and Child Outcomes up to age five years, February 2020.

42 Ibid.

43 Denis Pereira Gray et al., Childcare outside the family for the under-threes: cause for concern?, February 2020.

44 Sutton Trust, Equal hours, January 2023.

45 Julie Fisher, interview with CSJ March 2024

Alternatives to formal care

Support for informal care

Informal care is care provided outside of a registered setting. It is most commonly provided by grandparents, but other relatives and friends are also used. Families, especially low-income families, often prefer informal care and rely on this as part of a 'package' alongside nursery provision, particularly for preschool children. Research from the Nuffield Trust suggests it is more likely than formal care to be used to cover non-standard working hours.[46]

CSJ polling has found that 43 per cent of parents of young children use both formal and informal care, while 15 per cent exclusively use informal care. Parents told us that they use informal childcare because it is more cost effective (61 per cent) and convenient (45 per cent) and because they trust their friends and family more than professional childcare staff (38 per cent). Informal childcare appears to be beneficial: one major longitudinal study found a small positive impact of informal childcare between the age of two and the start of school on children's verbal ability, with no negative impacts[47].

CASE STUDY: ITALY

In Italy, working parents with children under 12 can hire grandparents as babysitters if grandparents do not share their residence; sign a regular contract; and are signed up to the Istituto Nazionale della Previdenza Sociale (INPS, Italy's Department of Social Security).[48] The maximum payment is 1,200 euros per month per family and a 'bonus' payment can be paid for children under 12.

46 Nuffield Trust, The Role of Informal Childcare, March 2012.

47 E. Melhuish, J. Gardiner, Study of Early Education and Development (SEED): Impact Study on Early Education Use and Child Outcomes up to age four years', University of Oxford, 2021.

48 Stefani Scherer, Emmanuele Pavolini and Elisa Brini, Formal childcare services and fertility: the case of Italy, Genus, 2023.

Financial support for families

Cash support for families expands the childcare options available to parents. By easing the financial pressures of parenthood more generally, cash support can reduce child poverty. This is provided by a range of mechanisms internationally, either through welfare benefits and/or tax reliefs.

In Hungary, support for families with children is part of an explicitly pro-family growth agenda. As of January 2020, all mothers with at least four children have been exempted from paying personal income tax. Families with one, two or three children, meanwhile, benefit from a family tax allowance which increases with the number of children. Loans are available to married couples which are written off if they have three children or more and financial help is available to homebuyers with children. Such policies cost the Hungarian government spends around 5 percent of its national GDP.

There are many good reasons liberal democracies would think twice before replicating the approach taken by Orban's Fidesz party, which is strongly coloured by ethno-nationalist motivations. But many countries provide support to families with children which – while modest by Hungarian standards – throws the inadequacy of the UK offer into sharp relief.

In Germany, for example, couples with two children do not start paying income tax until they earn €52,000 between them. In France, families benefit from a Shared Allowance, or "Prestation partagée d'éducation de l'enfant" (PreParE), which is designed to help one parent to stop or reduce their hours in paid employment in favour of care. This is worth up €428.71 per month, tapering if the care-providing parent works part time.[49] Further afield, the Singaporean Government's Baby Bonus Scheme comprises a cash gift worth $13,000 (or £7,600) for third, fourth and fifth children, and a co-savings scheme match-funded by Government up to a value of $15,000 (or £8,800).[50]

In the UK, child benefit declines in value per child, falling from £25.60 per week for first born children to £16.95 for second born children for the 2024/5 tax year and, in most cases, nil for any subsequent children. The Marriage Allowance allows for the transfer of circa £1,260 in Personal Allowance between couples who are either married or in a civil partnership, where the beneficiary is a Basic Rate taxpayer. The majority of support with childcare is provided on condition of employment.

49 CLEISS, The French Social Security System: family benefits, accessed March 2024.
50 SG (Singaporean Government website), Baby Bonus Scheme, accessed March 2024.

The mechanics of the current system

The current childcare support system is complex and difficult to navigate, leading to deficits in take-up. The IFS found that in 2019 just four in ten parents with pre-school children had even heard of Tax-free Childcare; in the first three years of the programme, the government spent £1.7 billion less than it had planned.[51] A 2020 report by the National Audit Office found 'families in deprived areas are less likely than other families to take up the entitlements' while an Education Select Committee report from July 2023 identified issues arising from the 'complexity of the childcare support system as a whole.'[52]

The current childcare support system already reflects the different regimes experienced by household subject to Universal Credit or legacy benefit conditionality and those who are not. This is set out in Table 1. Households claiming the newest childcare support scheme, Tax-Free Childcare, are not entitled to UC childcare support or the legacy equivalent in Working Tax Credit.

51

52 Education Select Committee, Help with childcare costs in England, December 2023.

Table 1. Eligibility thresholds for different childcare schemes

Childcare support scheme	Lower thresholds	Upper threshold	Can you claim at the same time?
Childcare element of UC	Households on UC either in work or with a job offer, with a child under school age	Households not on UC	**15 hours (aged 2) 30 hours (aged 3-4) / WTC / CTC**
30 hours of free childcare (aged 3-4)	Households in work earning the NMW/NLW for 16 hours a week on average across a three-month period, with a child aged 3-4	Households with either member having an income over £100,000	**Universal Credit childcare element / WTC / CTC / Tax-Free Childcare**
15 hours of free childcare (aged 2)	Households on: UC (earning under £15,400 after tax, not including benefit payments); CTC/WTC (or both) with an income of £16,190 or less before tax; Income Support; JSA; ESA; with a child aged 2	Households not on means-tested benefits	**Universal Credit childcare element / WTC / CTC / Tax-Free Childcare**
Tax-Free Childcare	Households in work earning the NMW/NLW for 16 hours a week on average across a three-month period, with a child aged 11 or under	Households with either member having an income over £100,000	**15 hours (aged 2) 30 hours (aged 3-4) / Universal Credit childcare element / WTC / CTC / Childcare Vouchers**
Childcare element of WTC	Single people or couples earning the NMW/NLW for 16 hours a week, with a child under 15		**15 hours (aged 2) 30 hours (aged 3-4) / Universal Credit childcare element / Tax-Free Childcare**
Child Benefit	Single person or couple responsible for a child under 16 (or 20 if in education or training)	A High-Income Child Benefit Charge is paid if an income is over £60,000	**ALL**
30 hours of free childcare (all under aged 5) *September 2025*	Households in work earning the NMW/NLW for 16 hours a week on average across a three-month period, with a child aged under five	Households with either member having an income over £100,000	**Universal Credit childcare element / WTC / CTC / Tax-Free Childcare**

As outlined above, the current eligibility framework is extremely complex, leaving parents unclear about what they are entitled to and thousands of pounds of support going unclaimed. A new childcare support offer would seek to consolidate the different elements of childcare support, simplifying the process for both households in receipt of UC as well as those who are outside it.

The mechanics of a Family Credit

Purpose

The CSJ believes that a new childcare support offer should be established with the twin aims of reducing the alarming rates of child poverty and meeting parents' demands. An enhanced childcare support system would raise families' income in their children's early years while realising the aspiration of parents – the majority (67%) of whom, as our latest Public First polling found, want the government to prioritise policies that enable parents to spend more time with their children.

The new childcare support offer would expand the subsidies available for parents seeking out a wider range of options for looking after their children, producing a more 'neutral' support environment to facilitate parental and informal care as well as formal childcare. Our polling found that parents seek a mixture of formal and informal care for their children – and among low-income households, almost as many parents rely on informal care as on formal care. The new offer therefore would expand the criteria for the support of 'free hours' of childcare, to recognise a wider range of 'providers' as both legitimate and eligible for it.

The CSJ's offer would cover a change to the tax system too, by reforming the Marriage Allowance to allow for the transfer of 100% of a married/civilly partnered person's personal allowance to the other partner in the couple. This would address the unfairness inherent in the present system, which penalises single-earner couples and by extension one parent caring for their children.

Eligibility

A new childcare support system providing monies for parental care can risk undermining the current welfare system, and its incentives that steer families towards independence. [53] Therefore, we propose targeting eligibility of the new childcare support offer to households who are not subject to the conditionality regime within the benefits system, alongside targeted reforms to improve childcare support for those on Universal Credit, which should benefit low-income families the most, as they are more likely to have more than two children.

53 See Annex 1

Components

The new Family Credit would comprise three core elements: a transferable tax allowance, a childcare budget paid directly to parents, and frontloaded child benefit. Collectively, this additional resource would increase support for families with young children, who are the most likely to be affected by child poverty; and expand the range of childcare choices open to parents, including the option, even for low-income parents, of limiting or forgoing paid work to prioritise care.

We propose a childcare 'budget' that targets families with the youngest (0-4-year-olds) children: this would secure more support for parents of younger children, whom we know to be the most vulnerable to child poverty; and enable parents to be present in their child's crucial early years -- with recognised developmental benefits.

The budget would be paid directly to parents to spend as they see fit – whether on formal care, as now, or on informal care, provided by the extended family. The additional resource – when combined with the other elements of Family Credit – could also enable parents to forfeit paid work in favour of providing care themselves. The budget would be paid as cash following eligibility checks. Households in receipt of Universal Credit would continue to receive childcare support as they do now, as reducing the number of children growing up in poverty must remain the primary policy objective. A household earnings cap on eligibility could be applied to minimise deadweight. Under the current system, the cap on the 30-hour offer is either parent earning over £100k; for a household rather than an individual cap, we would set this at £150k.

Child support and care provision costings

Income Tax - Marriage Allowance transfers between legally recognised partners

Currently, for married/civilly partnered couples, it is only possible for the first earner under the basic tax threshold [£12,570] to pass all or some unused allowance up to a maximum of 10% of it to the second where they are earning under the higher tax threshold [£50,270]. Our proposition is to make transferable up to 100% of a married/civilly partnered person's personal allowance to the other partner in the couple.

CSJ analysts modelled what the cost would be if the maximum allowance transfer limit for these people were raised from 10% of allowance to 100% of it, with the assumption being 100% take-up of this by households. (Note: for many the ceiling will be less than 100% of this as they are taking up a portion of that allowance themselves). Our analysts calculated this change giving money to married/civilly partnered households, and some of that being clawed back by the benefits system through families losing eligibility or part of payments owing to tapers/step-changes on rates as extra income rises. This delivers around £3.7bn tax foregone and about £700m got back by the benefits system, with a **final Exchequer cost of £3bn in 2024/25 terms**.[54]

Frontloaded child benefit: £3700 per child under 5 years

Currently, eligible households receive £24 a week for their first child and £15.90 a week for subsequent children until they turn 16, rising to 20 if they stay in approved education or training. This is despite evidence that families with younger children are more likely to be affected by poverty; and that additional resource in the early years has the greatest impact on children's life chances.

Following changes announced at the Spring Budget, eligibility for Child Benefit tapers away once either parent's income exceeds £60,000. Households now lose 1 per cent of the Child Benefit amount for each £200 of income over the new £60,000 threshold, instead of 1 per cent for each £100 of income over the previous £50,000 threshold. Someone earning £70,000 will therefore lose 50 per cent of their Child Benefit payment, while someone on £75,000 will lose 75 per cent. This reflects the individualised basis on which Government makes decisions about household needs. Given it is household means that shape the resources available to children as they grow up, we believe eligibility for Child Benefit should be calculated on a household basis. A household income cap on eligibility would be a fairer way of controlling costs than currently.

54 IPPR tax-benefit model

The Government's latest Budget recognised this and proposed to charge the High-Income Child Benefit on the basis of household income by 2026. This would be a positive and long overdue change. We believe that parents should receive more of their child's lifetime Child Benefit allowance early. This will help counter the need for parents to spend some time out of paid employment when a baby arrives; and the increased needs and expenditures for a family with dependent children at home. Front loading expenditure over the first few years of a child's life is not a unique approach. Nordic countries support families with the youngest children, too: children in Sweden, for example, receive the equivalent of $15,600 USD in the first two years of their lives, then half that amount from the ages of 3 to 5.

Exempt Child Benefit from the benefits system and better target it to families with children under 5

We seek to target existing Child Benefit money and exempt it from other benefits calculations. CSJ analysts modelled that the cost for this exemption would amount to circa £250m in 2024/25 of additional payments made in other benefits that would not have been made without the exemption.[55] Our analysts calculated the current expenditure on the Child Benefit (£13 billion) offset by the extra cost of our proposal (with the exemption) and worked out entitlements on a per child under 5 basis (based on current eligibility and take-up rules). By our calculation the **final Exchequer cost would be £9.9bn in 2024/25 prices**, with annual child award per an under 5 year old being just under **£3,700 per annum or just under £70 per week per child.**

The above changes are calculated to be broadly cost neutral to the Exchequer with the sum of changes [£3bn + £250m + £9.9bn] equal current untargeted Child Benefit expenditure forecasted by the Office for Budget responsibility for 2024/25 [£13.2bn].

Increase availability and generosity of Free Childcare and remove Childcare Element in Universal Credit

This proposition is to make per child state funding for at least 15 hours of childcare available to families of children under 5 as direct payments for formal or informal provision within England only (as Education and Family policy is devolved). This excludes HMRC's Tax Free Childcare Relief entirely but does extend DfE's existing childcare scheme and increases the value of it for 1-4-year-olds through raising the cover from 39 weeks to 47 weeks to account for all non-statutory holiday periods; and 13 weeks for children under 1 (this includes 9 months covered by maternity/parental leave and pay provision). The populations and average rates used are similar and the same uprated as those in recent DfE publications.[56] Under the current DfE offer with 39 weeks available to all families of 3 and 4 year olds and partially for 2 year olds within means related eligibility criteria, costs £4.3bn in 2022 -- extrapolated to a little under £5.9bn in 2024. CSJ analysts modelled what the cost of **increasing availability to all under 5s over the new period is £7.1bn in 2024 terms**, with annual payment for under 5 year olds varying by local area, to reflect the wide variety of average childcare rates per area. We suggest compensation to families is capped at the 60th percentile, so most typical families are fully covered by the scheme.[57] Our analysts calculated that **removing the Childcare element in Universal Credit, as families are now all able to access this new more generous DfE offer, would amount to under £1.3bn of savings in 2024/25 prices**.

55 IPPR tax-benefit model
56 DfE <assets.publishing.service.gov.uk/media/66221ba8252f0d71cf757d2b/Spring_budget_2023_childcare_expansion_costing_note_information.pdf>
57 IFS <ifs.org.uk/sites/default/files/output_url_files/R210-The-changing-cost-of-childcare.pdf>

The above options are calculated to be cost neutral to the Exchequer, with the net of changes (£7.1 bn - £1.3 bn) equal to the Budget 2023 expansion of childcare (£5.8bn) which are very close to official costings at around the fiscal events (circa £4bn for existing entitlement + £1.7 bn for new entitlement) in 2024/5 basis.

We recognise that our Family Credit calls for trade-offs to be made: our proposal would benefit families with children under four, with parents who work and need more weeks of free childcare cover under the cap (poor to typical families); and those parents who choose to work less and stay at home to care for their own children, as they can now can transfer more marriage allowance.

Our Family Credit does not aim to support those with older children who are not fully re-imbursed by UC; and those who have childcare costs above the cap (and are therefore very likely to be rich(er) families).

Conclusion

The current childcare system has trapped large numbers of low-income parents in poverty and robbed parents from all socio-economic backgrounds of choice in how to raise their children. Our individualised tax system has compounded these flaws.

Patchy and costly formal provision and inflexible regulations that limit informal childcare have meant that few parents enjoy a work-life balance. Some, whose earnings will barely cover the cost of formal childcare, have been driven from the workplace to look after their children themselves, forfeiting the income that could support their child's development and well-being. This has been a driver of child poverty. Others feel forced into paid employment to afford formal childcare, even when they would have preferred to raise their children themselves or have a relative or neighbour do this. Parental options to invest time and money in their children are limited under the current system, while taxes treat families unfairly, hitting those with a single earner hardest. The consequences are increasing poverty, especially among families with the youngest children, plunging birthrates and parents who feel frustrated in their desire to support their children's development, attainment, health and happiness.

The CSJ has made the case for more generous support to enable mothers and fathers to determine how their children are raised, and by whom. Parental choice, our landmark Public First polling found, is sought by parents of all incomes and political allegiances. Government should enable this choice – not just for those parents who seek to be in paid employment but also for those who wish to stay at home with their children in their first 1,001 days of life.

Reform of the childcare system usually focuses on more subsidies to reduce costs, or changing ratios so care providers can take more children at a time. But we believe that parents know best – and so do they, as our poll in partnership with Public First has shown: by a margin of 61 per cent to 33 per cent, parents would support a flexible childcare 'budget' which would allow them to choose how to spend for childcare.

The Family Credit pivots our childcare system to support families with youngest children most because we believe that a child's first years are crucial for their lifelong outcomes. Our proposed model will result in some families not on UC, with a sole earner and older children, losing £25.60 per week; while a family not on UC with two children aged 1-4 years old, and two earners (and one using only half their PA) will be £429.22 better off per week. We believe this shift in emphasis allows us to address the attainment gap between children raised in low income families and those from better-off households.

Recognition of the family unit by His Majesty's Revenue and Customs would also ensure families can keep more of their income – and enable one parent to stay home to raise their own children.

Government policy should enable families to thrive. Our new Family Credit gives them the means to do so.

Annex 1:
Eligibility

The social and economic benefits of a reformed childcare support system are laid out above. But this begs the question: who would be entitled to the new offer?

The balance of childcare policy has, to date, tilted strongly in favour of formal provision and labour force participation over parental care, family stability and attachment. Juggling the competing priorities of work and family life are just as important for a state as they are a household. Rebalancing Government support towards family will produce a new set of trade-offs and it is key that any public expenditure generates maximal policy impact. We do not, therefore, seek to undermine the fundamental importance of employment to our society and economy even as we propose to re-tilt childcare policy to create a more neutral support environment for parents.

Nowhere is this point more important than for households on very low incomes, supported by the state through welfare benefits. Work remains the best route out of poverty.[58] The welfare system is therefore designed to ensure that those able to work are incentivised to do so. Universal Credit's Work Allowance and taper rate ensure it is financially advantageous for families to be in work. The childcare element in Universal Credit, too, which covers 85 per cent of childcare costs for working UC households, is designed to support low-income households into work and ultimately out of welfare dependency.

58 A child growing up in a home where all adults are working is around five times less likely to be in poverty than a child in a household where nobody works.

Annex 2:

Topline table of recommended fiscal changes

Costs =	Baseline, 2024/25		Reforms, 2024/25	
Why Option A is broadly cost neutral, subject to modelling assumptions	Office for Budget Responsibility's last forecast for Child Benefit Expenditure	£13.2bn	Marriage Allowance transfer at 100% (so single earner families or where one partner works less can pass on that remaining allowance – net of tax forgone and benefit clawed back)	£3bn
			Exempt current Child Benefit from all other benefits calculations (so it is always outside welfare)	£250m
			Target now exempted remaining Child Benefit at children aged 0-4 years to alleviate poverty (as poorer older children's families claim Universal credit)	£9.9bn
Why Option B is broadly cost neutral, subject to modelling assumptions	Free Childcare as proposed at Budget 2023 [assumed £4bn existing cost plus £1.7bn new entitlement]	~£6bn	Increase coverage of Free Childcare to 47 weeks (but for new-borns where it remains 13 weeks, so not to overlap with maternity/paternity cover)	£7.1bn
			Remove Universal Credit childcare element (as everyone can claim full years' worth of cover excluding holidays)	-£1.3bn

Note: modelling assumptions are always on the cautious side when determining: (i) populations, eligibility rules and take-up fractions; and (ii) hours and hourly rates including cap on large Free Childcare claims. These should allow for some degree of frictions in the tax and benefits systems.

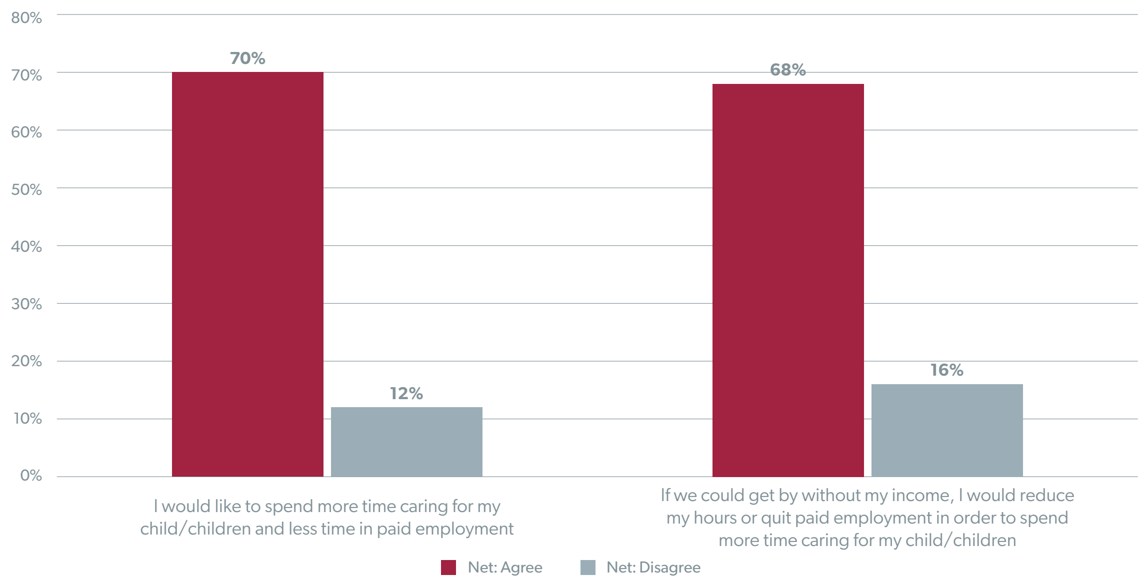
Annex 3:
Polling questions

In autumn 2022 the CSJ commissioned Public First to undertake polling exploring parental attitudes towards childcare. Published in October 2022, the findings were striking, revealing that:

- 78 per cent of parents with young children would like to spend more time with their child than they currently do, citing finances as the main obstacle to doing so.
- 44 per cent of parents with pre-school children would like to stop working altogether if they could.
- 47 per cent said they would like to reduce their hours if possible.[59]

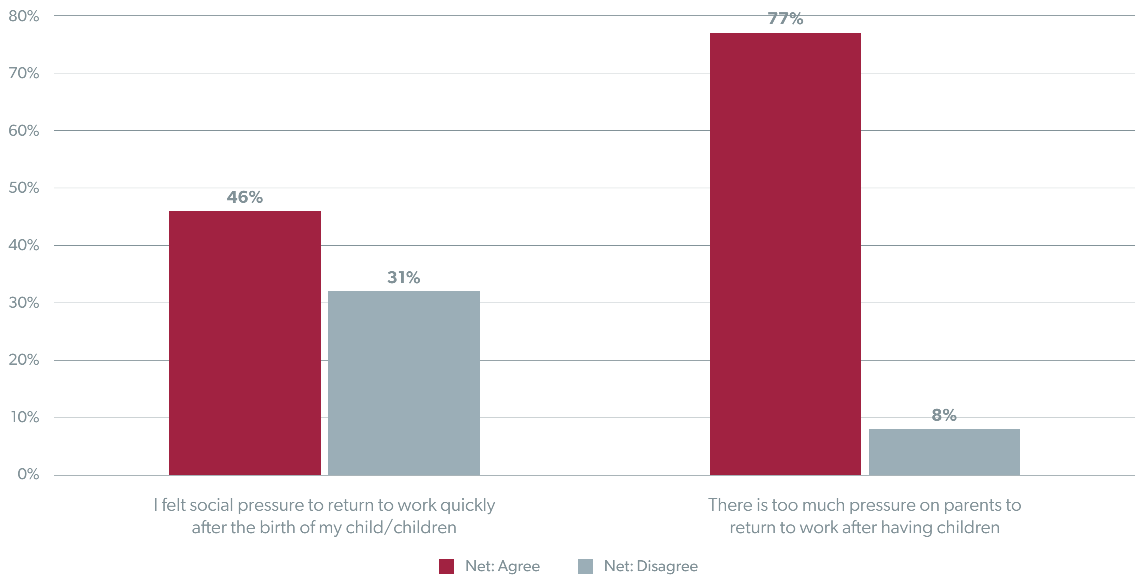
In the context of Government's decision to extend the 30-hour offer to children as young as 9 months, we conducted a new Public First polling [60]to explore attitudes among those with the greatest stake in the debate about childcare policy – parents of pre-school age children. Our findings reiterate the fact that the range of options available to parents is falling short and highlight a striking distance between the way that Government conceives of childcare, and what matters to parents.

70 per cent of working parents said they would like to spend more time caring for their child and less time in paid employment. A similar proportion (68 per cent) said they would reduce their hours or quit paid employment in order to spend more time caring for their children if they could get by without their income.



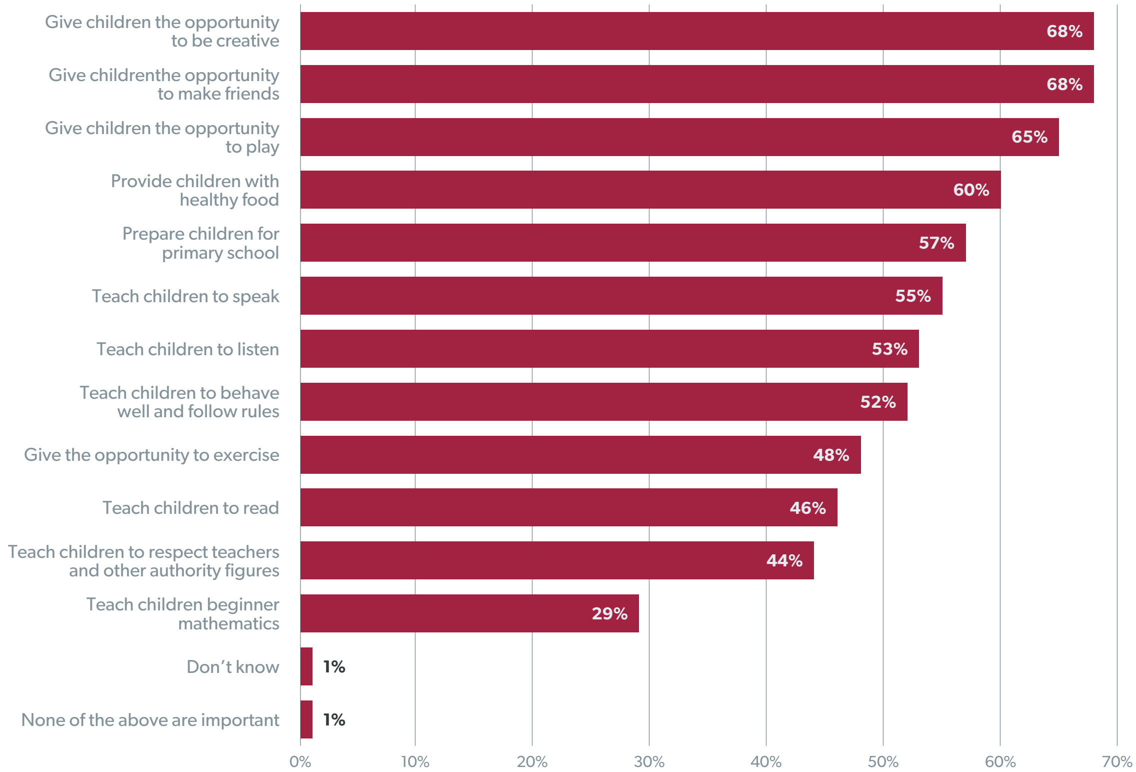
59 CSJ, Parents Know Best, October 2022.
60 CSJ-Public First, March 2024.

- Both men and women said they wanted to spend more time with their children: 73 per cent of women agreed vs 67 per cent of men.
- Almost half (46 per cent) of parents said they felt social pressure to return to work after having their children. Those in social grades C1/C2 were most likely to say that they felt pressure to return to work after having children.
- 77 per cent of parents think there is too much pressure on parents to return to work after having children.



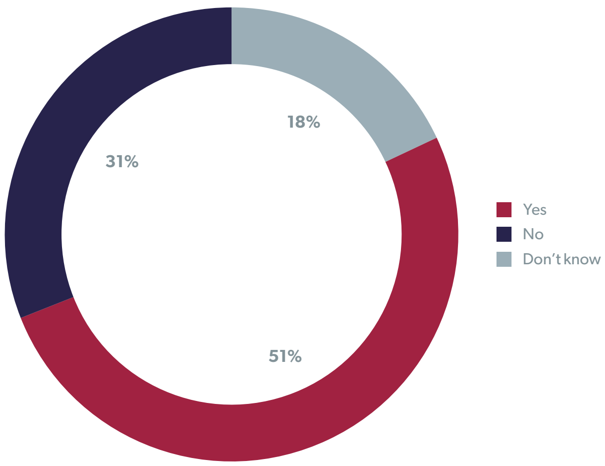
- 67 per cent of parents say that the government should prioritise policies that enables parents to spend more time with their children, compared to 25 per cent who feel that policies should enable a return to work after having children. There is little difference here between single/co-parents and parents who share parental responsibilities with a partner, or between different social grades.
- The vast majority of parents think that childcare should prioritise creative thinking and socialisation ahead of skill development. 68 per cent of parents think that it is important for childcare to give children the opportunity to be creative and to make friends and socialize, while just 29 per cent said that it was important for childcare to teach children beginner mathematics.

Which of the following, if any, are important things for childcare for children under 5 to do? Select which apply



- A majority of those using formal childcare would prefer this was located in a primary school (59 per cent) - with a majority of this group saying this is because it would get children used to going to school (52 per cent).
- 51 per cent of parents would prefer to 'frontload' child benefit, with just 32 per cent opposed. However, this view is not held across all groups - support for this proposal drops among parents in lower social grades, and among single and/or co-parents.

Given the option, would you frontload your child benefit?



Annex 4:
Summary

2024/25 prices rounded to the nearest penny

		2024/25 prices rounded to the nearest penny		
		Reform	**Counterfactual**	**Difference**
		Across three major policy changes	*Across three major policy changes*	*Across three major policy changes*
ANNUALISED				
family with 2 children 1-4 years old	1 earner, not on UC	£ 16,111.28	£ 9,525.02	£ 6,586.26
	2 earners, one only using half their Income Tax Personal Allowance not on UC	£ 22,396.28	£ 10,782.02	£ 11,614.26
family with 1 child 1-4 years old	1 earner, not on UC	£ 8,055.64	£ 5,015.71	£ 3,039.93
	2 earners, one only using half their Income Tax Personal Allowance not on UC	£ 14,340.64	£ 6,272.71	£ 8,067.93
family with 1 child at 12 years	1 earner, not on UC	£ 0.00	£ 1,335.77	-£ 1,335.77
	2 earners, one only using half their Income Tax Personal Allowance on not UC	£ 6,285.00	£ 2,592.77	£ 3,692.23
WEEKLY				
family with 2 children 1-4 years old	1 earner, not on UC	£ 308.77	£ 182.55	£ 126.23
	2 earners, one only using half their Income Tax Personal Allowance not on UC	£ 429.22	£ 206.64	£ 222.59
family with 1 child 1-4 years old	1 earner, not on UC	£ 154.39	£ 96.13	£ 58.26
	2 earners, one only using half their Income Tax Personal Allowance not on UC	£ 274.84	£ 120.22	£ 154.62
family with 1 child at 12 years	1 earner, not on UC	£ 0.00	£ 25.60	-£ 25.60
	2 earners, one only using half their Income Tax Personal Allowance on not UC	£ 120.45	£ 49.69	£ 70.76

Annex

2024/25 prices rounded to the nearest penny

		Reform				
		100% Marriage Allowance transfer from one partner who is only using half their Income Tax Personal Allowance	*Child Benefit for under 5s only*	*Free Childcare based on average location rate and mid-point hours over 47 weeks*	*Across three major policy changes*	*10% Marriage Allowance transfer from one partner who is only using half their Income Tax Personal Allowance*
ANNUALISED						
family with 2 children 1-4 years old	1 earner, not on UC	£ 0.00	£ 7,241.69	£ 8,869.59	£ 16,111.28	£ 0.00
	2 earners not on UC	£ 6,285.00	£ 7,241.69	£ 8,869.59	£ 22,396.28	£ 1,257.00
family with 1 child 1-4 years old	1 earner, not on UC	£ 0.00	£ 3,620.85	£ 4,434.79	£ 8,055.64	£ 0.00
	2 earners not on UC	£ 6,285.00	£ 3,620.85	£ 4,434.79	£ 14,340.64	£ 1,257.00
family with 1 child at 12 years	1 earner, not on UC	£ 0.00	£ 0.00	£ 0.00	£ 0.00	£ 0.00
	2 earners not on UC	£ 6,285.00	£ 0.00	£ 0.00	£ 6,285.00	£ 1,257.00
WEEKLY						
family with 2 children 1-4 years old	1 earner, not on UC	£ 0.00	£ 138.79	£ 169.99	£ 308.77	£ 0.00
	2 earners not on UC	£ 120.45	£ 138.79	£ 169.99	£ 429.22	£ 24.09
family with 1 child 1-4 years old	1 earner, not on UC	£ 0.00	£ 69.39	£ 84.99	£ 154.39	£ 0.00
	2 earners not on UC	£ 120.45	£ 69.39	£ 84.99	£ 274.84	£ 24.09
family with 1 child at 12 years	1 earner, not on UC	£ 0.00	£ 0.00	£ 0.00	£ 0.00	£ 0.00
	2 earners not on UC	£ 120.45	£ 0.00	£ 0.00	£ 120.45	£ 24.09

Counterfactual			Difference/Effect			
Child Benefit for dependent children	*Free Childcare based on average location rate and mid-point hours over 39 weeks*	*Across three major policy changes*	*Marriage Allowance transfer change (Reform less Counterfactual)*	*Child Benefit for under 5s only versus for all dependent children*	*Free Childcare based on average location rate and mid-point hours with 8 extra weeks*	*Across three major policy changes*
£ 2,165.15	£ 7,359.87	£ 9,525.02	£ 0.00	£ 5,076.54	£ 1,509.72	£ 6,586.26
£ 2,165.15	£ 7,359.87	£ 10,782.02	£ 5,028.00	£ 5,076.54	£ 1,509.72	£ 11,614.26
£ 1,335.77	£ 3,679.94	£ 5,015.71	£ 0.00	£ 2,285.08	£ 754.85	£ 3,039.93
£ 1,335.77	£ 3,679.94	£ 6,272.71	£ 5,028.00	£ 2,285.08	£ 754.85	£ 8,067.93
£ 1,335.77	£ 0.00	£ 1,335.77	£ 0.00	-£ 1,335.77	£ 0.00	-£ 1,335.77
£ 1,335.77	£ 0.00	£ 2,592.77	£ 5,028.00	-£ 1,335.77	£ 0.00	£ 3,692.23
£ 41.50	£ 141.05	£ 182.55	£ 0.00	£ 97.29	£ 28.93	£ 126.23
£ 41.50	£ 141.05	£ 206.64	£ 96.36	£ 97.29	£ 28.93	£ 222.59
£ 25.60	£ 70.53	£ 96.13	£ 0.00	£ 43.79	£ 14.47	£ 58.26
£ 25.60	£ 70.53	£ 120.22	£ 96.36	£ 43.79	£ 14.47	£ 154.62
£ 25.60	£ 0.00	£ 25.60	£ 0.00	-£ 25.60	£ 0.00	-£ 25.60
£ 25.60	£ 0.00	£ 49.69	£ 96.36	-£ 25.60	£ 0.00	£ 70.76

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