

# **Childcare Affordability Pilots (CAP09) – Disabled Children’s Pilot: the importance of cost as a driver of family decisions about work and childcare – a data analysis report**

**Kevin Goodman**

**HM Revenue and Customs**

The views expressed in this report are the authors' and do not necessarily reflect those of the Department for Education.

© Crown Copyright 2011

Copyright in the typographical arrangement and design rests with the Crown. This publication may be reported free of charge in any format or medium provided that it is reproduced accurately and not used in a misleading context. The material must be acknowledged as Crown copyright with the title and source of the publication specified.

Executive Summary .....	2
Introduction .....	3
Background.....	4
Families Targeted by Pilots.....	4
Processes for customers .....	5
Management Information .....	6
Conclusion .....	7

## ***Executive Summary***

This pilot looked to assess whether increasing the maximum limits of the childcare element of tax credits for families with disabled children acted as an incentive to move into work.

In the event whilst 191 customers registered an interest in the pilot (and 59 families registered an interest from the control group) only 16 actually moved into work and childcare via the Childcare Affordability Pilot (CAP09) process, of these only 5 customers had childcare costs that were above the existing tax credits limits. As a result, it must be concluded that the low take-up of the pilot and control offers indicates that raising the childcare limits for disabled children, in itself, had a negligible effect on moving families into work and childcare. However the small numbers allow for very little analysis beyond this conclusion.

## **Introduction**

The Childcare Affordability Pilots 2009 (CAP09) were set up amongst other things to assess the impact of providing alternative forms of childcare support to families moving into work. A number of pilots were set up across government departments and local authorities and this paper examines one of the three that were run by HM Revenue & Customs (HMRC).

The Disabled Children pilot offered to pay families with children the standard 80% of childcare support but with payment up to higher limits than under the current tax credits system. The maximum limits of childcare costs that could be claimed under the disabled children pilot were:

- Up to £250 per week for one disabled child (up from £175 per week in tax credits)
- Up to £300 per week for one severely disabled child<sup>1</sup>
- Up to £350 per week for two or more children, where at least one is disabled (up from £300 per week in tax credits)

The primary aim of this pilot was to test whether the higher limits on childcare support acts as an incentive for parents of disabled children to move into work or increase their hours and take up formal childcare<sup>2</sup>.

The very low movement into work in the pilot indicates that raising the limits in this way does not, in itself, create sufficient incentive for parents of disabled children to move into work. Because of the low level of take up of the offer, the pilot has been unable to assess whether average childcare costs faced by CAP09 families with disabled children increased as families were able to access better quality childcare or increase their working hours. Although this pilot has been run over a full year the low numbers has meant no robust analysis has been possible to assess sustainability of employment or any other work or childcare factors.

This Disabled Children pilot and control group schemes targeted families with children who live in Greater London, Greater Manchester or the West Midlands and with all the following characteristics:

- Have children disabled children age under 16);
- Out of work families including single earner couples (working hours between 0 and 15 per week);
- Household income up to £16,000 in 2008-09.

---

<sup>1</sup> The distinction between a disabled and severely disabled child is made based on whether the child qualifies for the lower or higher rate of Disability Living Allowance

<sup>2</sup> Note that for Tax Credit purposes, moving into work means working 16 hours or more a week. Those working 15 hours or less may receive childcare benefits via the New Deal run by Jobcentre Plus. The Disabled Children pilot therefore was offered only to those already working 15 hours or less or not working at all and was payable when they either increased their hours to 16 or more or moved into work, also for 16 plus hours a week.

The pilot group has been made up with families living in Greater London and the control group with families in Manchester and the West Midlands.

## **Background**

Families with children who work 16 hours or more per week are entitled to receive childcare support, within the Working Tax Credit system. The proportion of eligible childcare costs covered by the childcare element was 70% when Working Tax Credit was first introduced in April 2003. It was then increased to 80% from April 2006 onwards. The government announced in the 2010 Spending Review that childcare benefits will return back to 70% from April 2011.

The maximum limits of childcare costs that can be claimed are the same for all children:

- Up to £175 per week for one child
- Up to £300 per week for two or more children

## **Families Targeted by Pilots**

This section looks at the methodologies on how families were selected for this pilot.

The pilot offered childcare support up to higher limits than the current system for families with disabled children across London<sup>3</sup>. A decision was taken to build a (comparable) control group from elsewhere in the UK, which is problematic for a number of reasons, particularly given that childcare costs are higher in London.

To create a suitable control group a number of factors were assessed in possible target areas:

- Number of eligible families;
- Cost, availability and current use of formal childcare;
- Deprivation;
- Ethnicity;
- Interaction with other Cap09 pilots.

The results suggested that whichever area was chosen for a control group appeared to have significantly lower childcare costs reported under the current system than in London. However, Greater Manchester and the West Midlands were a better match in other respects such as deprivation and ethnicity, and also avoided any potential interaction with the other CAP09 pilots.

---

<sup>3</sup> London was chosen because it has particular child poverty issues and because the other CAP09 pilot relating to affordability of childcare and employment also looked at families in London

## **Processes for customers**

The pilot started on the 28<sup>th</sup> September 2009 and the deadline for the registered families to move into work and childcare was on the 5<sup>th</sup> April 2010. Families received the new system of support for one year after moving into work. The process was as follows:

- Letters were sent to the pilot families, outlining the higher limits on childcare support in the case of the pilot group, or support under the current tax credits system in the case of the control group;
- Families were invited to call a helpline run by an external DfE contractor if they wished to register an interest in the offer;
- A random sample of families who did not call in received an outbound call from the DfE contractor asking if they wish to register their interest;
- Those families with whom the helpline did not make contact, received a reminder letter;
- Those who registered an interest received Keep-In-Touch (KIT) calls after 2, 10 and 18 weeks to ask how their job or childcare search was progressing;
- When families secured work and childcare, they were transferred to a dedicated team in the HMRC Tax Credit Office, who managed their claim thereafter.

Most of the initial calls were handled by the DfE contractor helpline rather than the normal HMRC tax credits helpline. After families secured work and childcare or if families had queries on tax credits, calls were transferred to a dedicated team in the HMRC Tax Credits Office (TCO). This was to help reduce the impact on HMRC resource and operational components necessary to deliver the pilots.

## Management Information

This section looks at the data held by HMRC in the TCO Pilot Office, on HMRC's main Tax Credit systems, on the DfE contractor's call centre database and at other data research undertaken by HMRC in this area. This management information is analysed for pilot and control groups.

A number of key questions were set out for analysis at the start of the pilot but because of the small 'in work and childcare' sample size in this pilot no further analysis has been possible.

Figure 1 below shows that a large number of letters were sent to pilot and control group families. These were followed up as planned by telephone contact and a number "Registered an Interest"<sup>4</sup>. Only a very small number of families then moved into work and childcare. This indicates that, in fact, neither the letter to control group families, nor the offer of higher childcare limits in the letter to pilot group families, acted as sufficient incentive for families to move into work and childcare.

Figure 1: Pilot set up information – Disabled Children pilot

	Pilot Group	Control Group
Mailed	9713	9713
Inbound Calls	617	293
Proportion	6.4%	3.0%
Outbound Calls	2902	2738
Proportion	29.9%	28.2%
Registered an Interest	191	59
Proportion	2.0%	0.6%
<b>Moved into work &amp; childcare<sup>5</sup></b>	<b>16</b>	<b>6</b>
Proportion <sup>6</sup>	0.16%	0.06%

Of the 16 families in the pilot group only 5 families' reported childcare costs that would create a childcare element award higher than the current tax credits system.

<sup>4</sup> 'Registered an Interest' are those families who when contacted by the DfE contractor both registered and interest in the pilot and declared that they were looking for work.

<sup>5</sup> Figures are based on families who have moved into work and childcare through the CAP09 process.

<sup>6</sup> The proportion of families who registered an interest and moved into work & childcare were 8% (pilot) and 10% (control)

## **Conclusion**

Due to the small numbers involved with the pilot, it has not been possible to draw any firm conclusions about whether increasing the childcare limits effects families' decisions about moving and remaining in work. Please refer to the CAP09 research report<sup>7</sup> that looks at families with a disabled child for a discussion on the factors driving family decisions about work and childcare

---

<sup>7</sup> CAP09 research report: Qualitative Research into Families' Experiences and Behaviours in the Childcare Affordability Pilots (CAP09): Disabled Children's Pilot

**Ref: DFE-RR102**

**ISBN: 978-1-84775-891-0**

**© HMRC**

**April 2011**