

Tax-Free Childcare: Barriers to sign-up and use

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Executive Summary

Background

Tax-Free Childcare (TFC) supports working families across the UK by providing financial assistance with the costs of childcare. The scheme is administered by HMRC with their delivery partners National Savings and Investments (NS&I).

The eligibility criteria for TFC and 30 hours free childcare in England are similar. However, parents receiving Child Tax Credits (CTC), Universal Credit or Employer Supported Childcare (such as childcare vouchers) are not eligible for TFC but are still eligible for 30 hours free childcare.

HMRC estimate that around 1.3 million families have qualifying childcare costs and are eligible to be assisted by TFC. However, take-up so far has been lower than originally anticipated.

Research objectives

HMRC commissioned IFF Research to undertake primary research to explore the barriers that are preventing some eligible parents from signing-up to, and using, TFC. HMRC sought to explore this among the following groups of parents:

- **Group 1:** Parents who were eligible for TFC but had not applied for it;
- **Group 2:** Parents who had applied for 30 hours free childcare but not TFC; and
- **Group 3:** Parents who had applied for TFC but had not used their account.

Methodology

To meet these aims and objectives, IFF conducted the following two-stage research programme:

- A **telephone survey** was conducted with parents in the above groups between 23rd April and 15th June 2019. This comprised of 480 interviews in total (260 with Group 1 parents, 110 with Group 2 parents and 110 with Group 3 parents).
- To explore some parents' responses to the survey in more detail, 25 **follow-up qualitative interviews** (15 with Group 1 parents, five with Group 2 parents and five with Group 3 parents) were conducted by telephone between 8 July and 6 August 2019.

Why have some eligible parents not applied for Tax-Free Childcare?

Several barriers have prevented parents from applying for Tax-Free Childcare.

1. **A lack of awareness of TFC among some parents.** Some parents who were eligible for TFC had not heard of the scheme prior to participating in the research.
2. **Some parents' poor understanding of some key aspects of TFC.** More specifically, a lack of understanding of who TFC is aimed at, how it works and how it differs to and / or interacts with other government support has prevented some eligible parents from signing-up.

3. **Other childcare schemes are meeting some parents' needs.** Some eligible parents reported they had not signed up to TFC because they were using childcare vouchers and / or 30 hours free childcare instead.
4. **The perception that the financial benefit of applying for TFC is too low.** Some eligible parents (especially those using fewer hours childcare per week) said they had not signed up to TFC because they felt there was not enough financial incentive to do so. Others preferred to continue to use childcare vouchers as they felt this scheme provided more financial benefit. Although some parents felt they may consider applying for TFC if the level of contribution was higher, few were able to give an exact figure when asked what sort of financial incentive / level of contribution would encourage them to apply. However, it should also be noted that parents' general lack of awareness of TFC meant that the existing level of financial incentive of TFC was not clearly understood by all.

These barriers had prevented most parents who took part in this study from embarking on the TFC customer journey, by preventing them from doing further research about TFC and / or starting an application. Only a small minority of parents had encountered difficulties during the application process which meant they did not go on to sign up for TFC.

Why are some parents setting up but not using their Tax-Free Childcare accounts?

Some parents appear to have not used their TFC account because they had set it up by mistake or in advance of needing to use it. Around one in five (21%) of these parents said they decided not to use their TFC account after setting it up and the same proportion (21%) said they had set up their TFC account in advance of needing to make a payment.

Some parents explicitly mentioned they had set their TFC account up by mistake. They said they had set it up because they had intended to use it for 30 hours free childcare instead. In addition, most parents who had set up a TFC account without using it had at least one child aged one or two, which could also support the hypothesis that some had set their account up by mistake or in advance.

Other reasons parents cited for not using their TFC account included: their provider not being signed up, having issues with their log-in, not knowing how to make a payment or that they tried unsuccessfully to make a payment.

A sizeable minority (42%) of parents had not logged back into their TFC account after setting it up, which also suggests that signposting to what happens next and how it functions could be made clearer for some parents.

1 Introduction

Background

- 1.1 Tax-Free Childcare (TFC) supports working families across the UK by providing financial assistance with the costs of childcare. The scheme is administered by HMRC with their delivery partners National Savings and Investments (NS&I).
- 1.2 TFC allows eligible working parents to open an online account. For every £8 that families pay into the online account, the Government makes a top-up payment of £2, up to a maximum of £2,000 per child per year, for children under the age of 12. This is increased to £4,000 per child per year, for disabled children under the age of 17. Payments from TFC accounts are made to registered childcare providers that must be signed-up to TFC to receive payments from a parent's TFC account.
- 1.3 In addition to introducing TFC, the Government also introduced a scheme under the Childcare Bill 2015 that doubled free childcare for all working parents of 3- and 4-year olds in England to 30 hours a week. This is known as 30 hours free childcare and is administered by the Department for Education (DfE).
- 1.4 The eligibility criteria for TFC and 30 hours free childcare are similar. However, parents receiving Child Tax Credits (CTC), Universal Credit or Employer Supported Childcare (such as childcare vouchers) are not be eligible for TFC but are still eligible for 30 hours free childcare.
- 1.5 TFC was introduced as a replacement for childcare vouchers. Although childcare vouchers are closed to new applicants, parents can continue to use them if they joined the scheme on or before 4 October 2018. Parents cannot continue to use childcare vouchers if they successfully apply for TFC and they cannot re-join their voucher scheme once they are receiving TFC.
- 1.6 HMRC initially estimated that around 1.3 million families have qualifying childcare costs and are eligible to be assisted by TFC. However, take-up so far has been lower than originally anticipated.

Research aims and objectives

- 1.7 HMRC commissioned IFF Research to undertake primary research to explore the barriers that are preventing some eligible parents from signing-up to, and using, TFC. HMRC sought to explore this among the following groups of parents:
 - **Group 1:** Parents who were eligible for TFC but had not applied for it;
 - **Group 2:** Parents who had applied for 30 hours free childcare but not TFC; and
 - **Group 3:** Parents who had applied for TFC but had not used their account.

Methodology and sampling

- 1.8 To meet these aims and objectives, IFF in close collaboration with HMRC, designed the following two-stage research programme.

Quantitative survey

- 1.9 A total of 480 survey interviews were conducted with parents. The table below shows the breakdown of the interviews achieved by parent group:

Table 1.1 Number of interviews by parent group

Parent Group	No. of interviews
Group 1: Parents who were eligible for TFC but had not applied for it	260
Group 2: Parents who had applied for 30 hours free childcare but not TFC	110
Group 3: Parents who had applied for TFC but had not used their account	110
Total	480

- 1.10 HMRC provided IFF with the sample for Groups 2 and 3 for the quantitative survey, drawn from their own databases. Sample for parents in Group 1 was sourced via a commercial list broker because there was no centralised list of this type of parents. This sample was then screened using the following criteria to establish eligibility for TFC: age of children, whether paying for childcare, status of employment, annual income, and whether in receipt of CTC or Universal Credit.
- 1.11 The survey lasted an average of 10 minutes and fieldwork was conducted using Computer Assisted Telephone Interviewing (CATI) between 23rd April and 15th June 2019.

Follow-up qualitative interviews

- 1.12 To explore some of the quantitative findings in more depth, some parents were invited to participate in follow-up discussions based on their responses to the quantitative survey.
- 1.13 A total of 25 'follow-up' qualitative interviews were conducted with parents who participated in the quantitative survey (15 with parents in Group 1, 5 with parents in Group 2 and 5 with parents in Group 3). These interviews were conducted by telephone between 8 July and 6 August 2019 and each lasted approximately 45 minutes.

Report interpretation

- 1.14 Although HMRC has estimates of the population size for each group, data from the quantitative survey is unweighted. Data has been analysed by each of the individual parental groups separately and these have not been combined because the population sizes for each group vary significantly.
- 1.15 Some statistical tests have been run on data from the survey to explore for any differences between sub-groups. However, there are a number of limitations in using statistical tests on quota sample data e.g. response bias, lack of known sampling probability, unknown population etc.
- 1.16 Not all figures in this report sum to a total of 100%. This is the case if more than one response was possible; and, where all responses have been included, figures may not sum exactly to 100% due to rounding. Charts that have low bases (i.e. under 50) show numbers of responses rather than proportions.
- 1.17 Use of words such as 'most', 'many', 'some' and 'few' are illustrative of the data collected for this study and do not represent the views of the general parent population.

2 Why have some eligible parents not applied for Tax-Free Childcare?

- 2.1 This chapter focuses on the experiences of parents in Group 1 (i.e. parents who were eligible for TFC but had not applied for it) and those in Group 2 (i.e. parents who had applied for 30 hours free childcare but not TFC) and discusses the barriers that have prevented these parents from signing-up to TFC.

Had all eligible parents heard of TFC prior to participating in the research?

- 2.2 Results from the quantitative survey showed that a lack of awareness of TFC is a barrier preventing some eligible parents from applying for the scheme. Group 1 parents who participated in the quantitative survey were asked whether they had heard of TFC prior to being contacted about the research. Awareness of Group 1 parents split as follows:

Table 2.1: Group 1 parents' awareness of TFC

Group 1 parents split by awareness of TFC	Number of interviews
Group 1: Parents who were eligible for TFC but had not applied for it	260
Group 1a: Parents who were eligible for TFC but had not applied for it <i>despite being aware of TFC</i>	153
Group 1b: Parents who were eligible for TFC but had not applied <i>because they were not aware of it</i>	107

- 2.3 Quota targets were set at the start of the fieldwork period to ensure that the research obtained the views of parents in Group 1a and Group 1b.¹ The quota target for Group 1b (i.e. those that had not signed-up to TFC because they were not aware of it) was achieved first. At the time of closing this quota a total of 105 interviews with Group 1a parents (i.e. those that had not signed-up to TFC despite being aware) had been achieved.

Which types of parents were less likely to be aware of TFC?

- 2.4 Table 2.2 shows the profiles of Group 1a (i.e. parents who were eligible for TFC but had not applied for it despite being aware of TFC) and Group 1b (i.e. parents who were eligible for TFC but had not applied because they were not aware of it); to explore whether there are any significant differences between the two groups which could help explain why some parents were aware and some were not aware of TFC prior to participating in the quantitative survey.

¹ The survey originally sought to achieve 150 interviews with parents in Group 1a and 100 with interviews with parents in Group 1b.

Table 2.2: Profiles of parents in Group 1a and parents in Group 1b

	Group 1a: Parents who were eligible for TFC but had not applied for it despite being aware	Group 1b: Parents who were eligible for TFC but had not applied because they were not aware
Base	<i>Parents = 153</i>	<i>Parents = 107</i>
Number of child(ren)		
One	49%	48%
Two	44%	48%
Three	7%	5%
Age of child(ren)		
<5	22%	13%
5+	78%	87%
Average number of hours childcare paid for weekly		
<15 hours	65%	62%
15-30 hours	25%	29%
30+ hours	10%	9%
Use of other types of childcare		
Signed-up to 30 hours free childcare	18%	15%
Using childcare vouchers	39%	35%

*Denotes significant differences between Group 1a and Group 1b

- 2.5 As illustrated in Table 2.2, there were no *significant* differences in the profiles of parents in Group 1a and parents in Group 1b in terms of: number of children, age of children, average number of hours of childcare paid for per week or other types of childcare used that help could explain why some parents were aware of TFC prior to the research and some were not.²

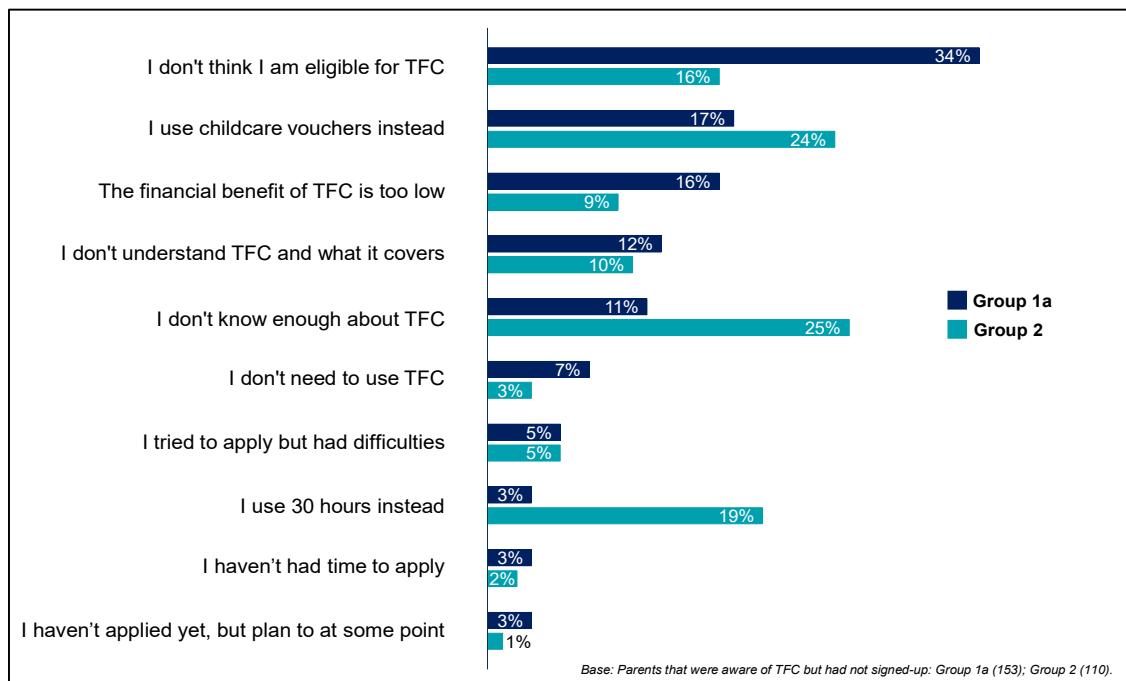
What had prevented some parents who were aware of TFC from applying for it?

- 2.6 Findings from this research (both the quantitative survey and follow-up qualitative discussions) showed the following have acted as barriers preventing parents who were aware of TFC from applying for it:
- A *lack of understanding of some key aspects of TFC*. More specifically, a lack of understanding of who TFC is aimed at, how it works and how it differs to and / or interacts with other government support has prevented some eligible parents from signing-up.

² There are a number of limitations in using statistical tests on quota sample data e.g. response bias, lack of known sampling probability, unknown population etc.

- Some parents' childcare needs are adequately met by other childcare schemes.* Some eligible parents reported they had not signed up to TFC because they were using childcare vouchers and / or 30 hours free childcare instead.
 - The perception that the financial benefit of applying for TFC is too low.* Other eligible parents (especially those using fewer hours childcare per week) said they had not signed up to TFC because they felt there was not enough financial incentive to do so.
- 2.7 These barriers had prevented most parents in Group 1a and Group 2 from embarking on the TFC customer journey, by preventing them from doing further research about TFC and / or starting an application. It was far less common for parents in these groups to have started the customer journey and encountered difficulties during it which prevented them to signing up.
- 2.8 Parents in Group 1a (i.e. parents who were eligible for TFC but had not applied for it despite being aware) and parents in Group 2 (i.e. parents who had applied for 30 hours free childcare but not TFC) were asked why they had not signed-up for TFC during the quantitative survey. Their responses are shown in Figure 2.1.

Figure 2.1: Reasons why Group 1a and Group 2 parents had not signed-up for TFC



- 2.9 The most commonly cited reasons for not signing up to TFC among Group 1a parents were: parents not thinking they were eligible (34%), parents using childcare vouchers instead (17%) and the financial benefit being too low (16%). The main reasons among Group 2 parents were that they did not know enough about TFC (25%), that they used childcare vouchers (24%) and / or 30 hours free childcare instead (19%).
- 2.10 A lack of understanding of TFC and what it covers was explicitly mentioned by 12% of Group 1a parents and 10% of parents in Group 2. However, feedback collected from other questions in the quantitative survey (and that collected as part of the qualitative follow-ups) showed there is a

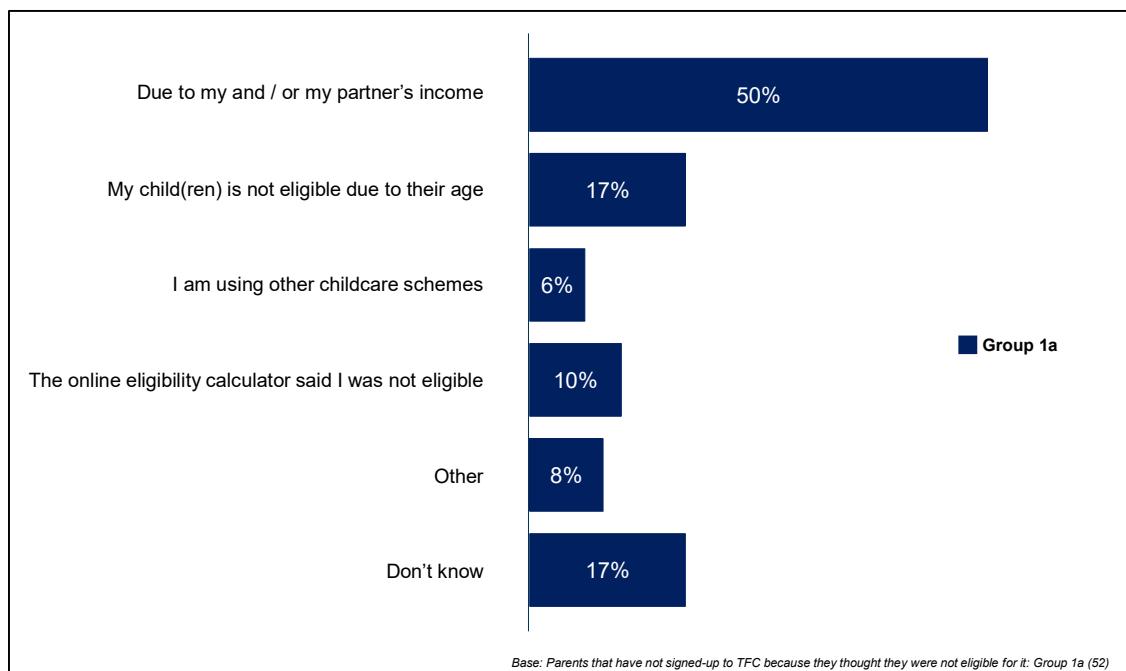
pervading lack of understanding of TFC among some other eligible parents who did not explicitly mention that a lack of understanding was a barrier.

- 2.11 As Figure 2.1 illustrates, almost all the reasons preventing eligible parents from signing up to TFC also prevented them from trying to apply for TFC at all. Only a minority of parents in Group 1a (4%) and Group 2 (4%) said they had tried to sign up to TFC but had encountered difficulties during the application process.

Why did some parents think they were ineligible for TFC?

- 2.12 Parents who had not signed-up to TFC because they thought they were ineligible were asked why they thought this during the survey – see Figure 2.2 for their responses.

Figure 2.2: Reasons why Group 1a parents thought they were ineligible for TFC³



- 2.13 Half (50%) of the Group 1a parents had not signed up to TFC because they thought they were ineligible due to their and / or their partner's income. (This is despite these parents had confirmed they (and their partners) were earning less than £100,000 per year at the time of the survey).
- 2.14 Further analysis of the verbatim responses showed that many of these parents thought they were earning too much to receive financial support via TFC, even though this was not the case. Responses also showed that some parents had not investigated whether they would be eligible for TFC because they 'assumed' they would be ineligible on grounds of income.

³ Responses from Group 2 parents have not been charted due to low base sizes.

"I thought our joint income was too much to be eligible."

Group 1a parent (whose annual income was £20-£50k and whose partner's annual income was £75-£99k)

"Probably because of what we earn combined, I always assume we are not eligible for anything."

Group 1a parent (whose annual income was £20-£50k and whose partner's annual income was £20-£50k)

- 2.15 Responses also indicated that some parents were confused about the differences between TFC, CTC and Child Benefit (CB). Feedback from some parents suggested they were conflating the eligibility criteria of two schemes (particularly in terms of income thresholds). See Case Study A on page 16 for an example of this.

"My partner's income is over the threshold for both TFC and child benefit."

Group 1a parent (whose annual income was £75-£99k and whose partner's annual income was £75-£99k)

- 2.16 Seventeen per cent of Group 1a parents who thought they were ineligible felt this was the case due to the age of their child(ren). Most of these parents thought TFC was only available to children aged four or under (i.e. that it was not available to children once they were old enough to go to school). This could suggest that some parents are not clear on how TFC differs to 30 hours free childcare and that some are conflating the two schemes.

"Both our children are now in school, so I thought we wouldn't be eligible. I thought it was only for those not in school – those under five years old."

Group 1a parent (with two children aged five and eight)

"I thought it was only available for children aged three or four."

Group 1a parent (with one child aged nine).

"My child is not three yet and I was under impression that you need to be on certain benefits to get it for a child at two. So, she wouldn't be eligible for it until her third birthday."

Group 1a parent (with two children aged two and seven)

- 2.17 Parents also felt that their use of other childcare schemes excluded them from using TFC. This was the case for 6% of Group 1a parents who had said they had not signed up to TFC because they were ineligible. Whilst some parents correctly reported that their continued use of childcare vouchers excluded them from signing up to TFC, responses from some other parents showed some were confused about if / how TFC can be used in conjunction with 30 hours free childcare.

"It's just because we have childcare vouchers - you can't have both. We were already signed up to vouchers before the scheme came in. We might sign up in the future, if our situation changes."

Group 2 parent (with two children aged two and four).

"I thought using 30 hours free childcare made us not eligible for TFC."

Group 1a parent (paying for 22 hours of childcare per week on average)

- 2.18 One in ten (10%) parents in Group 1a who thought they ineligible said this was because they had used an online calculator which had told them they could not use TFC. The personal circumstances of these parents may have changed since they used the online calculator, as our screening questionnaire indicated they were eligible for TFC at the time of the survey. However, it could also be the case that these parents had checked their eligibility using the (CTC) calculator rather than the TFC calculator. As Case Study A (page 16) illustrates, parents did not always feel it was clear what scheme they were looking at when looking at guidance on the gov.uk website.

"We looked into it and we filled out a calculator on the gov.uk website, but it said we were not eligible for it."

Group 1a parent

"When we looked to see if we were entitled to Tax Credits we always came up as not being entitled to it."

Group 1a parent

- 2.19 Even though they had confirmed that they (and their partners) were not claiming CTC or Universal Credit at the time of the survey, just under a fifth of Group 2 parents (equivalent to three parents) said they had not signed up for TFC because they were ineligible since they were claiming other benefits.

- 2.20 Parents in Group 1a also thought they were ineligible for TFC for a range of other reasons, which included: being self-employed, being a student, and using childcare providers that they perceived to be ineligible (i.e. they reported only using after-school clubs, which they perceived to be out of scope of TFC).

"I didn't think afterschool clubs counted. I thought it was just for registered childminders and nurseries."

Group 1a parent (using childcare vouchers to cover some of their childcare costs)

- 2.21 Relatively high proportions of Group 1a parents (17%) said they did not know why they thought they were ineligible for TFC, which suggests a general lack of engagement with TFC.

Why did some parents feel the financial benefit of TFC was too low?

2.22 A minority of Group 1a (16%) and Group 2 (9%) said they had not signed up to Tax-Free Childcare because they felt the financial benefit of doing so to be too low.

2.23 While the respective base sizes are too low for quantitative analysis, these parents said this was the case because of the following:

- *They were not paying for enough childcare to make it worthwhile.* This reason was cited by several parents who also reported only paying for a few hours of childcare per week. As a result, these parents felt they would not gain enough financially to make the application process worth their time.

"My husband is a teacher so don't use any childcare during the holidays. I literally only use 4 hours a week breakfast club. I've seen other parents try to use it and the hassle just isn't worth it."

Group 1a parent (paying for four hours of childcare per week on average)

"My wife and I are both working. We'd stand to save something like £10, which wouldn't make a big difference."

Group 1a parent (paying for two hours of childcare per week on average)

- *They were financially better-off using childcare vouchers.* This was cited by parents who were generally positive about their experience of using vouchers and felt a move to TFC would make them worse-off financially and would also be disruptive. See Case Study C on page 18 and Case Study D on page 19 for examples of parents using vouchers instead of TFC.

"I had made calculations and the childcare vouchers saved me a bit more money, due to my tax status of 40%."

Group 2 parent (paying for 60 hours of childcare per week on average)

- *They perceived the TFC application process to be too complicated.* This was cited by a few parents who perceived the TFC application to be too onerous – despite not going through the application itself. Some parents said this opinion was influenced by their experience of applying for and using 30 hours (see Case Study A), whilst others suggested this was due to hearing negative things about the process from other parents via word of mouth.

2.24 Case Study B on page 17 shows an example of a parent that did not sign up to TFC because they perceived the financial benefit of doing so to be too low, due to the above factors.

Why did some parents not understand about TFC and what it covers?

- 2.25 One in eight Group 1a parents (12%) and one in ten (10%) Group 2 parents said they had not signed up to Tax-Free Childcare because they didn't understand the scheme and what it covers. Most of these parents said they knew very little about any aspect of TFC when asked to explain what they did not understand.

"I don't understand exactly how it works. Does it mean I get taxed on my income? I don't know anything about it."

Group 1a parent

"I think I have a lack of knowledge about the whole thing. You've got vouchers and 30 free hours and this. I don't understand if I need or qualify for TFC or if I can use it with the other stuff."

Group 2 parent

- 2.26 While a lack of understanding of TFC was only explicitly mentioned as a barrier to sign up by a minority of parents, it was clear through responses discussed in this chapter that there were several ways in which parents misunderstood how TFC operates.

What difficulties did some parents face when applying for TFC?

- 2.27 As shown in Figure 2.2, a small minority (5%) of parents in both Groups 1a and 2 had tried to sign up to TFC but had been unable to do so because they encountered difficulties during the application process.
- 2.28 Some of these parents found the application process to be difficult in general i.e. that they found the information / guidance given as part of the application process difficult to understand. A few parents said they found the TFC application process to be difficult in comparison to the process of using childcare vouchers, which they felt was 'easy to use'. Others mentioned finding it difficult to set up their TFC account due to their fluctuating childcare costs or due to concerns that their personal circumstances may change, which could create issues when needing to reconfirm eligibility.

"The information was difficult to understand... it was so overwhelming that it was hard to process everything. When you are looking for nurseries, there's already so much information."

Group 2 parent

"I completed the first part of the online application, but there was no link to set up the account to supply the receipts. Emails are being sent telling me to 'register the Tax-Free Childcare account', but I don't know where to go to set up the account and there's no phone numbers to confirm it with someone."

Group 2 parent

"I think you had to request something and the cost of the afterschool club we use fluctuates. It was very convoluted and terrible to use. I couldn't set it up due to the fluctuation costs of the afterschool club."

Group 1a parent

Case Study A: Kelly's story*

Kelly is a single mother. She usually works 27 hours a week but often does overtime which takes her hours to 35 per week.

She pays for around 8-10 hours of childcare per week and also gets help from her Mum in addition to this.

Kelly currently spends an average of £100 per month on childcare. She previously used Tax Credits but is no longer eligible for it now given she is now working more hours. Kelly now pays for her childcare directly via a bank transfer.

Kelly suggested she was unsure about how TFC differed to other childcare offers. She felt she knew very little about it because she could not recall seeing it advertised or promoted.

Kelly mentioned that she assumed she would not be eligible for TFC because she was not eligible for Tax Credits – she did not look into it further due to this.

*"I think it is like vouchers from your employer so you don't have to pay as much tax on it, but that's as much as I know. **I don't see it advertised or promoted** for people to know about it. I think it's aimed at working parents, but more for lower income families, but I'm not sure. **I wouldn't think I'm eligible** because I've increased my hours, which means **I can't even get child tax credit.**"*

I haven't really looked into it, but "TAX FREE" makes you think it won't apply to you because you earn quite a good wage. You think the help you get is only when you're a low income family. A lot of things to do with benefits, like free school meals, you think it won't apply to you if you work too much.



*I also thought, I know it sounds terrible, but it might be too much hassle. **Nothing like this is that simple when it comes to applying for it. Things like this usually take forever and if you got it, would it be worth it?** If it means I end up saving £10 a month, it's not life changing is it?*

* This is a pseudonym

What does this case study show?

During the quantitative survey, Kelly said she did not know why she had not signed up to TFC. However, her responses in the qualitative research suggests that she may have signed up to TFC had her knowledge of the scheme and who was eligible for it been better. Prior to participating in the research, Kelly had been claiming CTC but had ceased to do so after she was no longer eligible because she took on more hours at work. Kelly had ‘assumed’ she would not be eligible for TFC because she was no longer eligible for CTC and had not investigated whether she would qualify for TFC due to this.

Kelly acknowledged she knew very little of TFC but said she ‘assumed’ that it would be targeted at lower-income families. Even though her knowledge of TFC and how it worked did not extend much beyond her knowing the name of the scheme, Kelly also said they assumed that applying for TFC would be ‘too much hassle’ and that she would not stand to save much money by using it.

Kelly’s experience is representative of other parents who participated in this research who were also confused about how TFC differs to, and interacts with, other support offered by the government to help working families with the cost of childcare.

Case Study B: Gareth's story*

Gareth currently works full-time as a primary school teacher. He lives with his wife who has MS and works part-time. They have one son aged five.

They did use 30 hours free childcare when their son was eligible for it. Since then Gareth's wife has reduced the amount of hours she works because most of her monthly pay was being spent on childcare (£500 out of £700).

They now only pay for an average of 2.5 hours childcare a week and this costs an average of £60 a month. They use one childminder only and they have been with them since their son was 9 months old.

Gareth pays for the childcare they use straight out of his bank account. He feels the amount of effort required to use TFC outweighs the financial benefit of doing so.

This perception was largely based on his past experience of using the online account for 30 hours. He felt the account could be easier to access and use.

"We just pay it as it's just such a small amount. We used 30 hours free childcare when he was eligible for it. Since that we have just cut down on the hours, which means it's not worth it."

"On TFC I would get credits that would basically come out of my wages before it had been taxed. We investigated it online and we couldn't get it because my wife doesn't work full-time. My understanding was that we couldn't get TFC because of how much we were earning at the time – even though I'm a teacher." [Are you confident that you know the difference between TFC and Tax Credits?] "To be honest, no. Even with the information online you're not really sure if what you are looking at is the right thing."

"I looked into it and it didn't seem I would be eligible, so I didn't apply. I think the amount of effort it took to do 30 free hours kind of put me off as well. The hoops I would have had to jump through, for the limited amount that I would have needed, it meant I didn't bother to apply. When I used 30 free hours the initial filling in of the data took quite a while, then my biggest problem when using it was that I could never remember what my password or the log-in details or the long number code was when I had to log in every three months."



"My wife is disabled and I'm a primary school teacher probably doing 60 hours a week anyway. It's the time and effort required to use it and sitting down to fill out reams and reams of information – when HMRC have already got my information, they know how much they tax me and whether I'm entitled. Another thing is it's a 16-digit passcode that you can never remember to get into your account."

* This is a pseudonym

What does this case study show?

When he participated in the quantitative survey, Gareth said he had not signed up to TFC because he perceived the financial benefit of using TFC to be too low. As he was only paying for an average of 2.5 hours of childcare per week, Gareth perceived that the cost of using TFC (i.e. the time and effort of applying for and using the scheme) outweighed the amount of money he would recuperate.

This perception of using TFC was based on Gareth's previous experience of using 30 hours free childcare, which he had found onerous. More specifically, he felt the account could have been made easier to access by being able to customise his password. Gareth also spontaneously mentioned that his mobile bank app was far easier to use than the account he used for 30 hours free childcare, however, he felt this need not be the case.

Although Gareth worked in a primary school, he confessed to not knowing much about TFC and he stated he could not clearly differentiate that from CTC when looking for further information about what he could apply for on the gov.uk website.

Gareth felt that more parents would sign up to TFC if they were aware of it, but he felt that awareness of TFC was low among parents who could use the scheme. He also felt that clear information about who is eligible and how to apply is integral to getting more parents to consider using TFC.

Case Study C: Rebecca's story*

Rebecca is married with two children aged thirteen and seven. Both Rebecca and her husband work full-time.

Rebecca reported that they were very reliant on childcare for her seven year old child. They spend around £150 per month on afterschool clubs and they use childcare vouchers to pay for this.

Although she knew about TFC, Rebecca felt that many parents may confuse it with other government offers.

When she was doing research online about TFC she came across numerous articles that were encouraging parents to stay on vouchers, she also mentioned that she knew that some providers were very negative about TFC.

This, and the fact that she had a positive experience of them, encouraged Rebecca to stay using childcare vouchers. She did not really look into applying for TFC as a result.

"It's difficult to know which route to go down now. TFC wasn't better for us when it first came out. **The voucher scheme is really easy to use – I currently buy as many of them as I can get!**"

I went online to do some research into TFC and most of the **articles were saying to sign up for the voucher scheme system now or you'll have to join up to the other scheme!** A lot of **providers were also bad-mouthing TFC**, which I found interesting.

"You pay an amount of your salary into an account and then the government tops it up too, erm, is it, an extra two thousand? If you put £2,000 in, they'll also put £2,000 in? Is that right?"

"I think that it's too similar to the child voucher scheme, and I think that people think it's the same thing. Anything involving tax scares the hell out of people - its just the most complicated thing and as soon as you put tax in anything, it sounds horrendous."

"I think getting employers to sell it to their employees could help and saying this is a good thing and this is what benefits you are going to get."



* This is a pseudonym

What does this case study show?

Rebecca said she had not applied for TFC because she was using childcare vouchers instead, which she felt were 'really easy to use'. Rebecca perceived TFC to be difficult to apply for and administer based on research she did on the internet and via word of mouth from other parents and providers. This meant she decided not to sign up to TFC.

Like Kelly and Gareth, Rebecca also felt it was difficult to discern how TFC differed from other government support. She also mentioned that tax is generally a confusing subject for parents who have limited knowledge of the subject area.

Her responses also show that she did not quite understand how TFC payments would work, despite having done some research about the scheme. Interestingly, the way in which she thought the scheme would work was much more lucrative than how it works in reality – but she decided to still use childcare vouchers in spite of this.

Rebecca's experience is like many other parents who participated in the research who decided not to sign up to TFC as they were happy continuing to use childcare vouchers.

Case Study D: Ali's story*

Ali and his wife have a 3 year old child, they both work full-time.

Ali was not exactly sure how much they spent per month on childcare. He estimated that it was around £1000. He said that he used a combination of 30 hours, childcare vouchers and his own money to pay.

Although he was aware of TFC and knew that it was an alternative to childcare vouchers, Ali said that he has not done much research into TFC because he is happy with how he is currently paying for the childcare he uses.

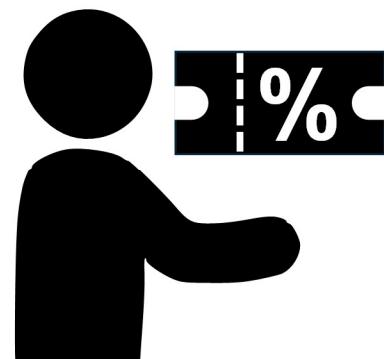
He felt that he would only look into moving from vouchers if he was unhappy with that system, or if he became aware of a better alternative.

"TFC is an alternative to childcare vouchers. I don't know much more about what it is. I think I heard something about it once and you had to give up childcare vouchers in order to get TFC and there was a calculation you could do to see if you were better off or worse and I didn't bother doing that because I'm quite happy with the childcare vouchers."

*"To be honest I'm happy with the current way; **if I was unhappy with vouchers I'd probably do some research into an alternative method but the vouchers work well and I haven't had a need to explore any other options."***

"It's not that it's not clear, it's just that I don't know – I haven't done enough research to know what it was for...and I'm not going to actively go and try and investigate what this is all about if I've already got a system that works."

"If people see the advantages being advertised they'll investigate more, and if they are actually going to benefit then they will probably sign up.'



* This is a pseudonym

What does this case study show?

As with Rebecca, Ali was very positive about his experience of using childcare vouchers. However, he mentioned that this experience had prevented him from even exploring any alternative types of support that may be available to him.

Ali suggested that more parents would be likely to sign up to TFC if they were aware of the financial benefits of using the scheme.

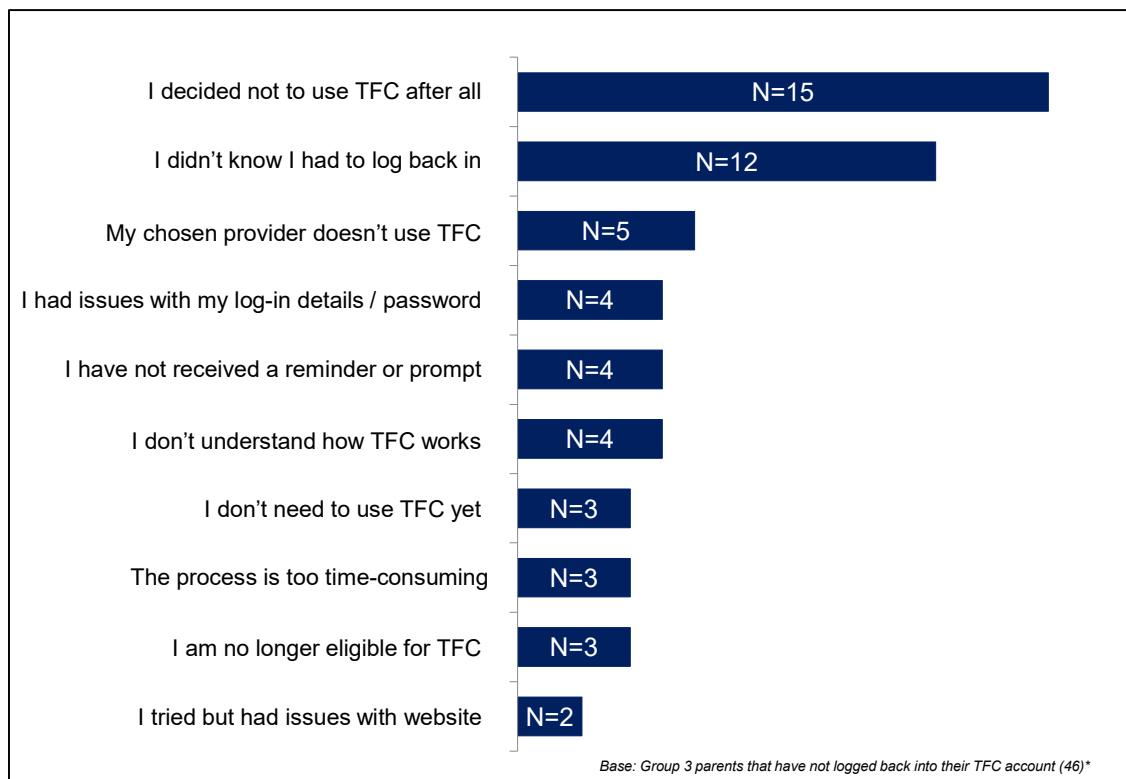
3 Why are some parents not using their Tax-Free Childcare accounts?

- 3.1 This chapter focuses on the experiences of parents in Group 3 (i.e. parents who had applied for TFC but had not used their account) and summarises the barriers that have prevented these parents from using their TFC account since setting it up.

Had parents logged-back into their TFC account after setting it up?

- 3.2 Some parents have not logged back into their TFC account since setting it up, which suggests a lack of understanding of how the scheme works. A sizeable minority (42%) of Group 3 parents had not logged into their TFC account since setting it up. Their reasons for not logging back in are illustrated in Figure 3.1.

Figure 3.1: Reasons why some parents had not logged into their TFC account since setting it up



**Caution low base sizes – chart shows number of times a reason was mentioned as a result*

- 3.3 Further analysis of parents' responses to this question showed that some parents set up their TFC account but did not go on to use it because they decided the financial benefit of doing so was too low, that they decided to continue using childcare vouchers or that they were using 30 hours free childcare, and this met their needs.
- 3.4 Some parents did not know they had to log back into their TFC account after setting it up. This could reflect an incorrect view expressed by several parents that TFC would work in the same manner as childcare vouchers (i.e. that it is a salary sacrifice scheme) – see Case Study E on page 21 for an example of this.

Case Study E: Emma's story*

Emma works full-time for the NHS. Her husband is a self-employed and works as a project manager on a full-time basis.

Emma has one child aged eight and another that is 20 months old. She pays for four hours of childcare a day for her eight year old (one hour in a breakfast club and three hours a day in an afterschool club). This costs around £40 a day and is paid using childcare vouchers.

Her other child is in full-time nursery from 8:00am to 6:00pm five days a week, which costs around £1100 per month and comes straight from her husband's account.

Emma looked into using TFC and made an application for an account. She found the application itself to be fairly easy but did not go onto use TFC because she had concerns about switching from vouchers.

She heard from other parents that switching from vouchers to TFC had been problematic.

"I use vouchers and it's fairly straightforward. I don't think I've had any problems finding who I need to pay them to and I've always done it like a standing order-type payment...they come in and then they go out – it's easy."

"I know that it's some kind of way of paying for your childcare without having to pay as much tax on it; that you put money into an account and that money is topped-up and then from that account you can then pay your childcare provider."

"The application was OK but I hadn't realised it was going to work. So that's when I kind of stopped because I thought it was just going to be like childcare vouchers where you just put in all the right information and then it starts getting automatically sorted; then I got these emails back going "oh, you've got an account for your children" and I'm like "why have I got accounts for my children?" I don't understand what these are and I don't think they the emails clearly said who they were from so I was a bit confused by those to start with."

'I know people who tried to change over last year had trouble, so I am slightly anxious of swapping it all over. But my impression is probably financially, it will be slightly better for me to swap it over, but I'm worried about the hassle.'



* This is a pseudonym

What does this case study show?

Like many other parents, Emma was positive about her experience of using childcare vouchers. She started her TFC application but subsequently stopped the process once she became aware of what using the TFC account would entail. Prior to starting the application process, Emma had believed that TFC was a salary sacrifice scheme that would work in the same manner as childcare vouchers. However, it became clear that this was not the case during the application process. Emma said this put her off switching to TFC as she had assumed it would work 'automatically' like childcare vouchers. She decided not to proceed with TFC due to this.

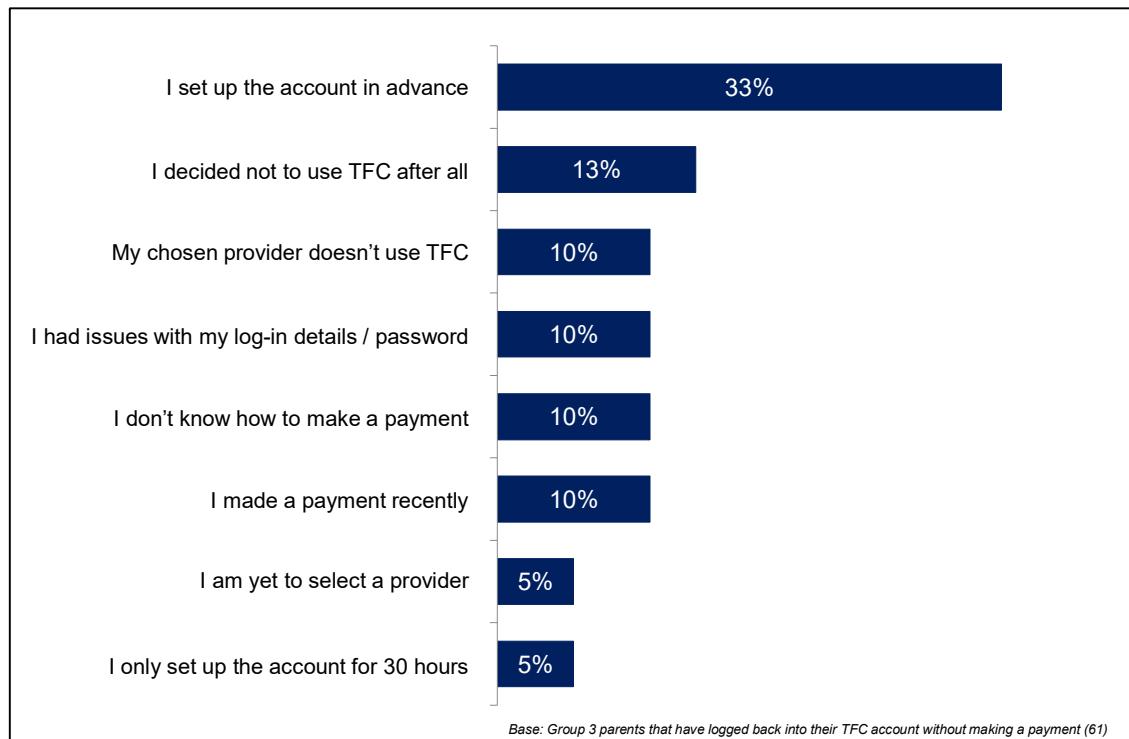
Her responses suggest she felt TFC was going to work in a similar manner to childcare vouchers and that she was shocked when this emerged not to be the case.

Emma is an example of a parent that may have signed up to TFC by mistake. Her experience also shows that communication about what parents are signing up to and how the account works could be improved to help ensure more people have a more informed view of TFC before signing up.

Why had some parents logged back into their TFC account without making a TFC payment to a childcare provider?

- 3.5 Over half (55%) of Group 3 parents had logged back into their TFC account after setting it up without using it to make a payment to a provider. Figure 3.2 shows their reasons for this.

Figure 3.2: Reasons why some parents had not made a TFC payment

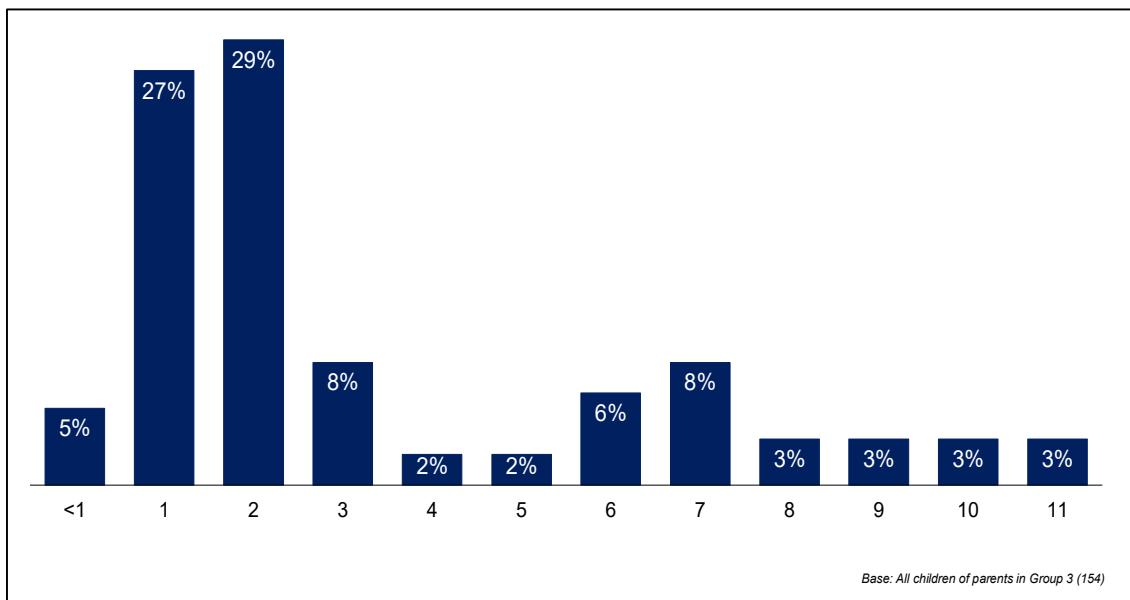


- 3.6 One in three (33%) Group 3 parents who had logged back into their account but had not made a payment to a childcare provider said they set-up their account in advance of needing it / that the date of payment had not come around by the time of the survey.
- 3.7 One in eight (13%) said they decided not to use TFC after all. As with those that had not logged back into their TFC account, those who said they decided not to use TFC after all despite logging back in perceived the financial benefit of using TFC to be too low or reported using childcare vouchers and / or 30 hours instead.
- 3.8 A few parents also mentioned they had only intended to set up their account to use 30 hours free childcare but that they set up a TFC account at the same time by mistake.

"I applied for TFC by mistake – I thought I was applying for 30 hours."

Group 3 parent

- 3.9 One in ten parents said they had not made a payment because their chosen provider was not signed up to TFC and the same proportion had issues logging into their account and / or did not know how to make a payment (all 10%).

Figure 3.3: Ages of children of parents in Group 3

- 3.10 As shown above, the children of parents in Group 3 were most commonly aged one or two at the time of the survey. In addition, Group 3 parents commonly said they had not used their TFC account because they set it up in advance. Feedback from some parents also shows that some may have meant to set their account up to use 30 hours instead and that they may have been confused about what they had applied for. This is also implied by the responses that some parents gave when they asked why they had not used their account.

“I’m waiting for my daughter to turn three.”

Group 3 parent

- 3.11 The ages of the children of parents who said they set their TFC account up in advance reinforces this hypothesis. All 20 parents who gave this response had a child aged one or two at the time of the survey (including seven that had a single child aged two).
- 3.12 As Figures 3.1 and 3.2 show, a total of 12 parents in Group 3 mentioned they had not made a TFC payment because their chosen provider(s) had not signed up to offer it. Case Study F on page 24 provides an example of this

Case Study F: Fiona's story*

Fiona is a part-time teacher who lives with her partner who also works in a school as a full-time sports coach.

They have an 18 month old child who goes to a private nursery for two days a week (10 hours in total).

Fiona and her partner spend a total of £400 a month on childcare. Fiona and her partner pay for this directly from their accounts and do not use any government offers to help with the cost.

She applied for TFC online and found the process to be straightforward. However, she faced some difficulties during her application when asked to link it to a specific provider – given the provider she was using had not registered to offer TFC.

Fiona has tried to get in touch with her provider to discuss this, but has so far been unable to establish contact with the nursery manager. She is reluctant to push too hard on the matter.

Fiona is cautious about changing provider because it is conveniently located and because her child is happy there.

"Well, I know that you can put money into an account and the government will give you a percentage towards childcare. And obviously I know that 3 and 4 year olds can get 15 hours free childcare and some can get 30 hours free childcare. "

"I have tried to get in touch with the nursery manager to discuss it with her, but my work days clash with hers. I have also emailed a few times but have got no reply. I don't know if I should be trying to push it with my nursery manager".

I have tried to apply for it but his nursery aren't registered for it. I did apply for it but then you have to link the account to a particular provider.

"I'm keen to save money, but I don't want to move my child out of the nursery we use because it is convenient and he is happy there.



* This is a pseudonym

What does this case study show?

Fiona had set up a TFC account but was yet to make a TFC payment because her chosen childcare provider had not registered to the scheme. She mentioned trying to talk to the manager of nursery where her child attended but that she was unable to arrange a meeting.

Fiona also said that she was reluctant to ‘push it’ with the nursery manager. She felt the amount of money saved via TFC was not worth disrupting her child’s routine / risking her child’s place at the nursery.

Her reluctance to press the matter too hard could also be symptomatic of the fact that she was only paying for what she perceived to be a low amount of childcare per week.

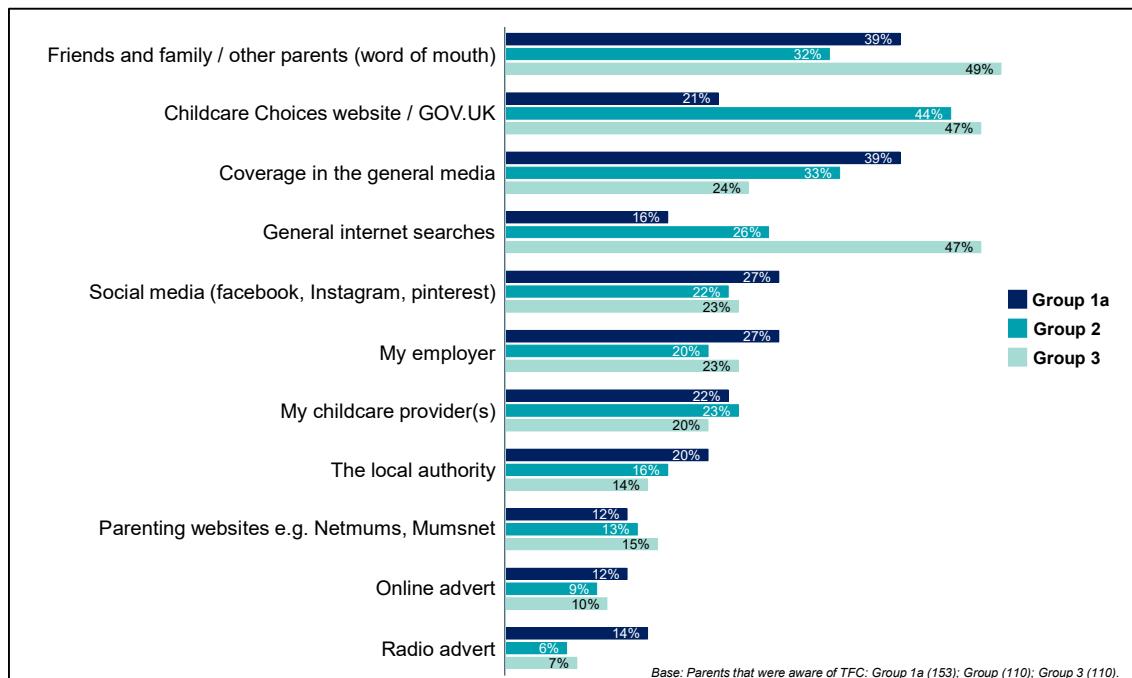
4 What is the best way to communicate to parents about TFC to encourage more to sign-up?

- 4.1 This chapter explores the best ways to communicate to parents about TFC, by outlining what publicity they recalled seeing about the scheme and summarising their views on how to encourage greater sign up among parents going forward.

Parents who were aware of TFC recalled seeing publicity about it via a range of channels prior to participating in the research

- 4.2 Parents recalled seeing publicity about TFC via the channels shown in Figure 4.1.

Figure 4.1: Channels through which parents recalled seeing / hearing publicity about TFC



- 4.3 Across all three groups, parents most commonly recalled seeing or hearing something about TFC via: word of mouth of friends / family / other parents, the Childcare Choices website / gov.uk and general coverage in the media. It was less common for parents across all three groups to have recalled seeing or hearing something from their employer and their childcare provider(s).
- 4.4 Around half (47%) of parents in Group 3 and a slightly lower proportion (44%) of parents in Group 2 recalled seeing information about TFC on the childcare choices website / gov.uk. This was the case for one in five (21%) of those in Group 1a. This could help explain why some parents in Group 1a demonstrated a lack of knowledge / understanding of some of the key aspects of the scheme.
- 4.5 Results from the survey did not show a clear relationship between the channels through which parents recalled seeing or hearing something about TFC and the reasons they gave for not signing up, or using, TFC.

Parents said communicating via a wide range of different channels would be the best way to raise awareness of TFC

- 4.6 During the qualitative interviews, parents were asked what they thought would be the best way to receive further information about TFC, and their preferred channels through which to receive this communication. The channels most commonly mentioned included: television, social media, email, leaflets, billboards, antenatal classes and via childcare providers (especially via schools).

"The best way to receive information about TFC would be via adverts highlighting the difference between the new and old systems and the benefits to switching to TFC. They just need to advertise it more - social media and TV would be the best way to do this."

Group 2 parent

"I would have thought the best way to provide information would be to have some kind of standardised leaflet that sets out the information that childcare providers would hand out to anyone looking to get childcare."

Group 3 parent

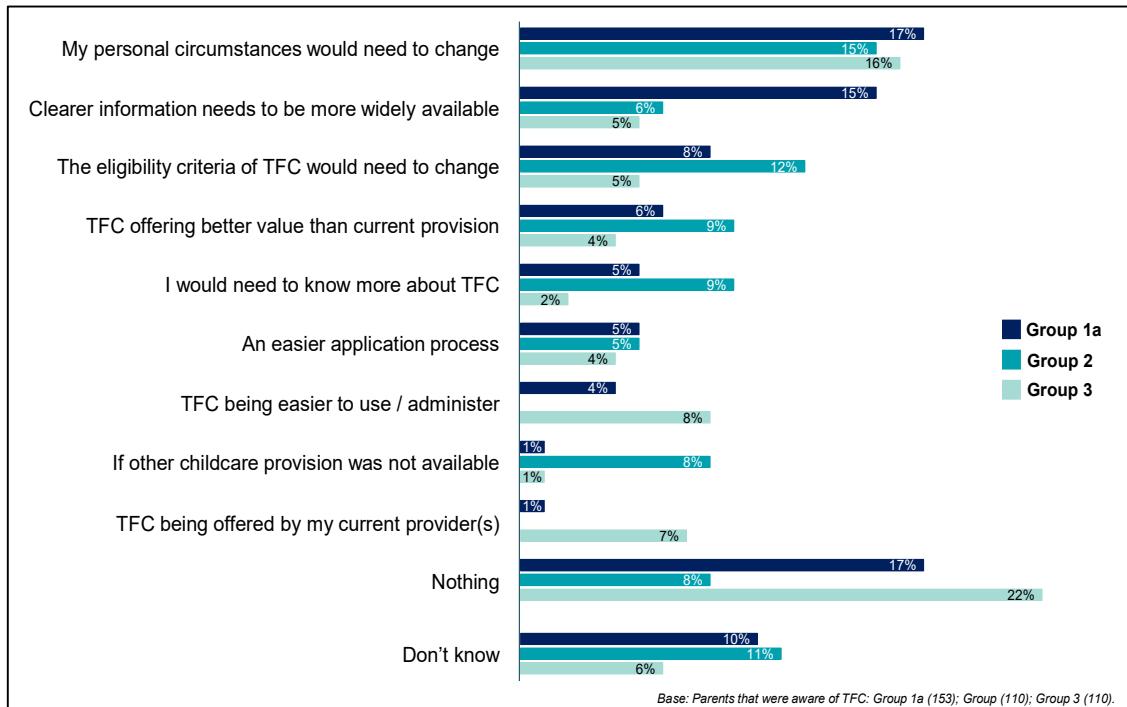
"Most people looking at TFC will be parents who have children in school, so giving schools more information about it is surely a good way to get information out there to parents."

Group 1a parent

Parents suggested clear information about who is eligible for TFC, how it works and the potential benefits of using it could make them more likely to use TFC in the future

- 4.7 Parents who participated in the quantitative survey were asked what, if anything, would make them more likely to use TFC in the future – see Figure 4.2.

Figure 4.2: What parents think would make them more likely to use TFC in the future



- 4.8 Parents most commonly said their personal circumstances would need to change for them to use TFC. Examples of such changes in personal circumstances included: a parent deciding to work more hours or a change in circumstances leading to parents using more hours childcare that they perceive would make using TFC worth their while financially.

"I am about to go into full-time employment, so there is a high chance I'll start using it if I need to."

Group 2 parent

"I might use it if I increase my hours at work and if my son is in childcare more often."

Group 3 parent (paying for 4 hours of childcare per week on average)

- 4.9 Although explicitly cited by 15% in Group 1a, 6% in Group 2 and 5% in Group 3, some of the other responses suggests that having clearer information about the scheme more readily available could encourage many parents across all three groups to use TFC in the future.

- 4.10 Almost all parents who said they would be more likely to use TFC if there was a change in its eligibility criteria (8% in Group 1a, 12% in Group 2 and 5% in Group 3) said they would use TFC if they were eligible for it. It should be noted that this is based on their own (often flawed) understanding of the eligibility criteria, which suggests that communicating eligibility criteria more clearly to parents could encourage more to sign-up to TFC.
- 4.11 High proportions of parents across all three groups said ‘nothing’ or ‘don’t know’ when asked what would make them more likely to use TFC. This also suggests that better communication about who is eligible and how they would benefit could encourage greater sign-up.

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