

HM Revenue & Customs

Using and Communicating Tax-Free Childcare:

Research with parents and childcare providers

Research report 350

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Glossary

TFC	Tax-Free Childcare – the new scheme to help working families with the cost of childcare
ESC	Employer-Supported Childcare – an existing scheme whereby employees can receive a tax exemption and National Insurance disregard on childcare support provided by their employer
HMRC	Her Majesty's Revenue and Customs
Ofsted	Office for Standards in Education, Children's Services and Skills
Providers	Providers of childcare services. For this study we included: nurseries (both independent, Local Education Authority maintained and state provided); after-school clubs and play schemes; and, nannies (both those who were and were not provided through agencies). Providers who both were and were not Ofsted registered were included as part of this study.

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1. Key Findings

These findings are based on six discussion groups and 15 interviews with eligible parents, and 25 interviews with childcare providers conducted between July and September 2014. In this report we talk about “parents” and “providers” to distinguish between the views of the two groups, but not to imply that these views are representative of the entire population.

Awareness and general views of TFC

There was very low awareness of Tax-Free Childcare (TFC), but parents were broadly receptive to the policy once it was explained to them. Parents who did not currently claim support were positive about the scheme widening access for themselves and others.

Providers were receptive, but views were influenced by whether they had accepted Employer-Supported Childcare (ESC) in the past. Those who had accepted ESC were more likely to say they would sign up.

Understanding eligibility for TFC

Parents needed to understand that they were eligible for TFC in order to pursue it further. However, parents – particularly those in two-parent households – often assumed they would be ineligible. Parents thought that the scheme would only be open to lower earning or unemployed parents, basing this assumption on failed past experiences of attempting to access support, and/or experiencing reductions in government support, such as child benefit.

Eligibility, entitlement and registration tools needed to be simple and quick to use. It was important for parents to establish whether they were eligible before they spent time calculating how much they could save.

Comparing entitlements from childcare support

Those who were already claiming support wanted to compare their existing entitlement to their likely one under TFC. They also wanted to avoid the administrative burden of changing schemes unless doing so was worthwhile financially. In some cases, parents also wanted to see entitlement comparisons between schemes over the life cycle of their childcare use.

Parents spontaneously mentioned an online calculator as something they would want to use. Parents were typically prepared to spend up to twenty minutes entering personal details into an online calculator to ensure an accurate output; few were willing to spend any longer. Parents did not have much flexibility in their household budgets and therefore expected an online calculator to provide them with an accurate figure.

Views and preferences around the registration process

Parents were reluctant to register before they understood eligibility and entitlement fully. They did not want to spend time registering only to find they were not eligible for the scheme or it was not worth their while. Once they understood eligibility and entitlement, parents said that they would be willing to register early in order to receive information about TFC.

Nurseries were typically keen to register as early as possible. They wanted to know that their system for dealing with TFC was up and running in advance of parents asking to pay through it. Nannies and child-minders, however, were more likely to wait to register until parents requested to use TFC.

Attitudes towards financial management influenced receptiveness among parents to paying in early to TFC accounts. Those who preferred to plan finances in advance welcomed the

opportunity to pay in early in order to build a savings buffer prior to paying fees. These typically included those who were self-employed or in seasonal work. Others preferred to save in a bank account (where they could earn interest) or did not feel they would be able to afford to pay into the account in advance.

Views and preferences for information and advice on TFC

Working parents were busy and requested targeted information to raise awareness about TFC. Parents were very receptive to TFC being advertised in locations and through channels commonly used by parents. Parents commonly suggested that TFC should be advertised in doctor's surgeries, through employers, on Local Authority Family Information Service websites, by childcare providers and schools and in bounty packs. Parents were happy to seek information online, but also wanted an online chat facility and a helpline.

Providers were keen to see information in Local Authority newsletters and through relevant professional organisations. Nurseries were especially keen to have information as soon as possible so that they were ready for queries from parents. Providers were prepared to seek further information online, but also reported that they would appreciate support from HMRC through helplines or online chat facilities.

Nurseries and Children's Centres typically saw themselves as having a role in signposting parents to TFC. However, childminders varied more in the support they offered parents, with only some offering advice on paying for childcare. Nannies typically reported that they did not offer this kind of support to parents at all (see appendix B).

Views on TFC messages

Messages which presented details about the eligibility criteria and entitlement resonated most with parents. Parents wanted to know whether pursuing TFC would be worth their while and how much they would stand to benefit. They were less receptive to messages which included subjective terms such as "fair" and "simple".

Providers were primarily concerned with widening access to childcare and ensuring that parents (their customers) were able to afford childcare. For this reason, they reported that messages which would most encourage them to engage would emphasise the advantage of the policy to the child and the family. Additionally, they wanted messages to communicate that the system will be simple for them to use and topped up in a timely fashion.

2. Background

The new Tax-Free Childcare (TFC) scheme was announced by the Government at Budget 2013 and will be implemented from early 2017.

The Government is aware that one of the biggest challenges faced by families is the cost of childcare and so this scheme will support working families with these costs. The scheme will help those who work, those choosing to return to the workplace, and those who want to work more.

The scheme will offer eligible working families 20 per cent support towards qualifying childcare costs, or the equivalent of basic rate tax relief. This would be up to an annual limit of £2,000 contribution per child. The scheme will be operated through online childcare accounts. Parents will open an online childcare account and pay money towards qualifying childcare costs into the online account. The Government will then automatically make 'top up' payments into this account at a rate of 20p for every 80p that families pay in up to the annual limit¹. Parents will make payments for childcare costs directly to their nominated childcare provider(s) through this account.

HMRC commissioned Ipsos MORI, an independent research organisation, to conduct qualitative research to help them understand the views and preferences of eligible parents and a range of providers regarding the delivery of TFC and how the policy would be communicated. The aim of the research was to inform HMRC decisions around the delivery of TFC. The research questions were therefore as follows:

- What did parents want to know about eligibility for the scheme and how would they prefer this to be communicated?
- How would parents prefer to find out about their entitlements under TFC and specifically with regard to using an online calculator?
- What were parents' preferences with regard to the registration process and what would encourage them to register early for TFC?
- What were parents' views of a range of messages informing them about TFC?
- What was the perspective of childcare providers on all of these issues?
- What would encourage providers to engage early with TFC?

This report presents research findings from the study.

¹ Further information on the policy can be found here:
<https://www.gov.uk/government/consultations/tax-free-childcare>

3. Methodology

This research aimed to explore preferences around paying for childcare in detail, and test messages using stimulus. To enable this, the research team adopted a qualitative approach including research with eligible parents and a range of providers. For the research with parents, a combination of face-to-face depth interviewing and discussion groups were used in order to ensure full exploration of more sensitive issues which might be challenging in a group setting (such as financial planning and decisions around childcare). Face-to-face depth interviews and a small number of telephone depth interviews were conducted with providers.

In total, Ipsos MORI conducted six discussion groups and 15 interviews with eligible parents, and 25 interviews with providers across London, Manchester and Bristol. Fieldwork was conducted between 30th July 2014 and 12th September 2014.

Qualitative sampling aims to reflect diversity rather than aspiring to be a representative sample². It is designed to be exploratory and provides in-depth insight into the experiences of participants in the research. Parents were selected to include diverse characteristics with regard to household composition, work status (including shift patterns/irregular hours), childcare usage (including a range of types of providers and use of informal childcare) and tax credit claim status. Further, we aimed to include a balance of gender, a quota on Black Minority Ethnic (BME) participants, and some parents who were not confident using the internet and did not use online banking. Providers interviewed were sampled to include a range of types of provision, including nurseries, childminders after-school and summer clubs and nannies. A full outline of the achieved quotas is included in the appendix to this study.

Qualitative research is designed to be illustrative, detailed and exploratory and provides insight into the perceptions, feelings and behaviours of people. It is important therefore to note that findings in this report are not statistically representative of the views of the general public. Although words such as “most”, “many” and “few” are used to describe patterns in the data, the use of these words is illustrative: the report does not give a measure of the prevalence of views among the general population.

² Barbour, R (2001) *Checklists for improving rigour in qualitative research*, British Medical Journal 322: 2115, p58

4. Why childcare is used

In this section we present findings on why childcare was typically used by parents, and why they chose to use certain types of childcare.

4.1. Why parents used childcare

Participants in the study used both formal childcare (nurseries, nannies, afterschool clubs and childminders), and informal childcare, (often grandparents, friends and neighbours). Parents typically combined the two using, for example, formal childcare for few days a week with grandparents filling the gaps and friends/neighbours helping managing nursery pick-ups/drop-offs.

Parents used childcare for a range of reasons, all of which were typically important to them and were often intertwined.

- Childcare allowed parents to return to or take up paid work, which was important for a number of reasons:
 - Financially, returning to work would mean a change in take-home income, although once childcare costs were taken into account not all were better off;
 - Parents wanted to maintain long-term employment benefits such as pensions;
 - Returning to work had personal and emotional benefits such as contributing to an identity for the parent outside the home;
 - Parents reported that they felt it was important for them to set a positive example around working to their children.
- Childcare was also valued by participants as important preparation for school for young children.
 - Nurseries were viewed as good settings to encourage children to socialise and develop skills.
- Parents also used formal childcare to alleviate the burden on informal carers, like grandparents.

5. Finding information

In this section we explore how parents chose childcare and how they found information to support those decisions.

5.1. Finding information on childcare provision

Participants used a number of sources of information when finding childcare. Word-of-mouth and informal advice was very important to participants, but so were a range of more formal sources. Websites like Gov.uk and local authority Family Information Service sites were used by parents to obtain a list of local providers to help start their search.

Once parents had an idea of the range of provision available, they tended to speak to providers directly, particularly about opening times and fees. Where parents were unaware of formal sources of information, some providers (most commonly nurseries and play schemes) signposted them to relevant sources.

"If parents come to us and we can't help them, I'll signpost them to the local borough for information ... The family information service is a central point in the borough that has information on all childcare and children's activities." (Play scheme)

5.2. Choosing a provider

The process of weighing up the advantages and disadvantages of different providers was often iterative, and did not follow a single pattern for all parents. Parents needed childcare which was affordable, in the right location (near the home, workplace or an older child's school) and that fitted around their working hours. Once they had a shortlist of providers which met these requirements, then parents typically made their final choice on factors like quality of care.

Participants trusted information they received from their peers because they felt it was up-to-date and could be relied upon to be accurate and helpful. Internet forums for parents, like NetMums and Mumsnet were used alongside discussions with friends and family. Information from parents in a similar situation to them was deemed to be credible, even if participants did not know the parents personally.

Official sources of information were also used to judge the quality of provision. In particular, many parents spoke about using Ofsted ratings. These were generally thought to give a reliable indicator as to the quality and trustworthiness of the care and education offered, in an 'at-a-glance' format.

Parents typically said that it was impossible to make a final decision without making a personal visit. Parents spoke of having a 'gut feeling' from these visits about which provider would be right for their child and, if they did not get this, they would begin their search again.

5.3. Planning paying for childcare

Paying for childcare was widely felt to be very challenging, particularly for households where informal childcare support was not available to pick up the 'slack'. Nursery fees were felt to be particularly demanding to meet.

"I struggled big time at the beginning. I was paying my rent, but nursery fees were adding up, and was paying more each month to make up for what I owed" (Parent)

Finding affordable childcare was therefore a key concern for parents. For parents on lower incomes who had calculated that they would not be better-off – or only marginally better-off – in work, the cost was the key barrier which prevented them from returning to employment³. Further, parents with one child currently using nurseries reported that they would consider reducing their use of childcare and paid work were they to have a second child because they had calculated that childcare costs would mean that they would not be better off working.

Parents varied in how early they started considering and planning for covering the cost of childcare. First time parents typically started to embark on this process when they decided to return to work or when they were approaching the latter stages of maternity leave.

Parents who had more than one child tended to be more informed about the childcare options open to them, and began to plan for it in early pregnancy. This was because they were able to draw on personal experience of using and paying for childcare. However, both new and experienced parents reported that unexpected costs (such as late fees) were an issue, and that childcare was expensive.

5.4. Finding information on support for paying for childcare

There was low awareness of the support available for paying for childcare, particularly among parents on middle-higher incomes who tended to assume that they were not eligible for such benefits. Indeed, some parents reported having investigated claiming tax credits only to find they were unable to claim them and, consequently, assumed that they would not be eligible for other types of support. Compounding this, parents typically felt that information on support from government was difficult to find.

“They don’t broadcast the support for childcare ... I didn’t know about [WTC] ... in the end my friend told me” (Parent)

Some providers reported helping parents compare the cost of childcare. Parents using Children’s Centres used in-house advice services and support workers to access help in covering costs. Nannies and childminders wanted to help parents as best they could, with childminders signposting parents to sources of information, including Children’s Centres and the HMRC website.

Employers were a source of information about ESC, but the information provided varied in quality. While some employers were proactive, directing parents to relevant information either in maternity packs or directly from human resources advisors, others only gave out such details on request.

“Employer supported is too complicated – my company didn’t explain [it] well enough” (Parent)

³ For a broader evidence base around this issue, please see Hall et al ‘Qualitative research into families experiences and behaviours in the Childcare Affordability Pilots(CAP09): 100% costs Pilot’ (DfE/ HMRC), downloadable at https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/182446/DFE-RR101.pdf

6. Awareness and general views of TFC

In this section we present findings on what parents and providers already know about TFC and their initial views on the proposal.

6.1. Parents' awareness and views of TFC

Overall, awareness of the policy was very low. Only a few parents had come across TFC, typically in the broadcast media, for example; remembering that it had been mentioned in the budget.

Experiences of claiming support for childcare to date shaped perceptions of TFC. Those who were not claiming support tended to assume that they would not be eligible, and those currently using ESC found it difficult to see the advantages of an alternative system.

However, broadly, once the principles of the policy were clearly understood, there was considerable support for TFC. Parents supported the idea of making childcare more affordable for all. They therefore also tended to support the idea of widening access to parents working for smaller employers and self-employed parents.

"The fact you pay tax on childcare anyway is ludicrous ... This 20% makes a difference" (Parent)

Participants were also very positive about the online delivery of TFC, which they felt would make the system quick and easy to use. This was very important to participants given they stated that they were often short of time.

"Online benefits me as well – I can do it on 10 mins, in lunch break or whatever" (Parent)

Several parents reported concerns about digital exclusion stating that online delivery could mean that vulnerable groups might be unable to access the service. Parents who did not use the internet themselves endorsed this.

There was also concern about what would happen if the online system crashed, or was infected by a virus. For instance, some participants worried that either of these occurrences could result in them having to repay contributions that they had already made as there would be no record of them in the system.

Some parents were also worried about whether HMRC would use information about individual's TFC accounts to inform intelligence on non-compliance in other areas.

"If I'm being chased for a tax repayment, they'd take it out of the [TFC] account" (Parent)

Typically, these views were driven by difficult past experiences of dealing with HMRC over tax credits or personal tax overpayments or by broader cynicism about government's ability to deliver on large-scale projects.

6.2. Providers' awareness and views of TFC

Overall, very few providers had heard of TFC with those who said they had often confusing it with ESC. In terms of receptiveness to using TFC, experiences of using ESC tended to influence their views, with those who had never used such schemes for payment expressing more concern about how TFC would work.

Providers' views on TFC for parents

Providers were positive about TFC primarily because it would make childcare more affordable for working parents.

"We're not into the dark ages, working mums need support...in single parent families there's needs to be this kind of support so that women can return to work" (Nanny)

Some providers also liked that the scheme was flexible; they reflected positively on the scheme enabling parents to pay in when they had money available and that they could manage the account online in their spare time.

"They can do it at home in the evening if they have five minutes spare" (Nanny)

Providers also recognised that many of their customers were very busy and so, on the whole, were supportive of online access. There were, however, some concerns about access for parents who might not be as confident online.

Another key concern for providers was fraud. Providers believed that some parents over-claimed on other government-supported schemes, including ESC, and worried the same might be possible with TFC. They were therefore in favour of identity validation because they did not want parents to be able to open accounts and claim TFC support and not use it for childcare.

Views on how TFC impacts providers

Nurseries, and similar large establishments, like clubs and playgroups, were much more likely to have experience with schemes like ESC vouchers and were, therefore, more receptive to TFC, in contrast to childminders and nannies. The table over the page outlines the typical responses of childcare provider types which we spoke to.

Provider type	Typical engagement with support from government	Typical views of TFC
Nurseries, Clubs and Play Schemes	<p>Large numbers of customers</p> <p>Already use a range of payment types including ESC</p> <p>Help their customers understand support options</p> <p>Typically have a sophisticated set-up for handling payments</p>	<p>Receptive to TFC</p> <p>See necessity and commercial advantage</p> <p>Feel comfortable managing payments through TFC</p>
Childminders	<p>Small numbers of customers</p> <p>Self-employed</p> <p>May have experience of government schemes like ESC</p> <p>May help customers understand support options</p> <p>Handle business finances themselves, hence those who are less financially capable are less receptive to TFC</p>	<p>Open-minded about TFC</p> <p>Receptive to TFC if confident with finance, or have used similar schemes</p> <p>Concerned about TFC if less financially capable</p> <p>May see commercial advantage</p>
Nannies	<p>Work for a single employer</p> <p>Tend to receive a wage direct to bank account</p> <p>Tend not to help employer understand payment</p>	<p>Not receptive to TFC</p> <p>Prefer a weekly or monthly wage to their bank account</p> <p>Prefer to avoid paperwork and additional administration</p> <p>Would consider signing up, but only if parents asked them to</p>

Across all providers ensuring timely payment and that customers did not default was the driving concern. Providers wanted reassurance that TFC accounts would be topped-up regularly and that payments would be made on time. Those who used ESC – typically nurseries and some childminders – were more confident that this would be the case.

“It’s similar to childcare vouchers isn’t it? You just need to sign up. As long as it works and they money goes through then it sounds fine.” (Nursery)

However, some providers, particularly childminders, were concerned that they might not be paid as quickly under this scheme in comparison to being paid directly by parents. These concerns were not limited to those who had only ever been paid directly; some childminders who had had poor experiences with ESC also cited this.

There was a widespread feeling that the way the scheme would be delivered would be accessible and usable for providers. Most providers were comfortable with the idea of an online account, and a number mentioned that this would give them greater control over managing and monitoring customer payments.

7. Understanding eligibility for TFC

In the following section we present findings on what parents would like to know about their potential eligibility for TFC and how they would like to find the relevant information.

7.1. Parents' eligibility

As awareness of the policy was very low, the first and most prominent messages parents needed were those which would alert them to their potential eligibility. This was particularly the case for two-parent families who tended to believe that they were ineligible for government support. These parents reported that they would be unlikely to investigate the offer if they assumed they were not eligible so for them understanding eligibility was a gateway. It was therefore vital for them to understand that TFC was available to households where both parents worked and that the eligibility threshold was up to £150k.

“We assume we don't get any more financial support because we never get anything – always seem to miss out” (Parent)

Parents in households where one parent only worked a few hours part-time reported that TFC would potentially incentivise them to investigate whether it would be worthwhile the second earner working more. Further, they suggested that, in those households where only one parent worked, it could prompt the other to take-up employment.

Lone parents in the study typically received tax credits and were unconvinced that TFC would offer them more support. They tended to assume that they would be eligible for TFC, but it was important to them to understand that it was not possible to claim both TFC and tax credits at the same time. They wanted to know that they needed to choose between the two before they investigated their entitlements any further.

Given these concerns, an eligibility checker which was simple and quick to use, and available online was extremely important to parents.

“It's not worth going through to find out you're not eligible anyway” (Parent)

Specifically, parents described a preference for an online tool in which they would be able to complete basic personal details (such as age of childcare, type of childcare provision, working status and income) and which would then tell them automatically if they were eligible for TFC.

There was widespread agreement that this eligibility tool should be linked to an online tool for comparing the cost of using childcare support. This was because it was extremely important for parents to understand if they would be better off using TFC before registering for the service.

7.2. Provider eligibility

For providers to be eligible for TFC, they have to be registered with Ofsted or approved by an equivalent regulatory authority. All nurseries we spoke to were already registered with Ofsted, and some nurseries expressed surprise at the idea that some providers might not be.

In contrast, nannies and childminders were more likely to know other providers that were not currently Ofsted registered and, for some of them, this condition was thought to be a potential barrier. Indeed, one unregistered nanny we spoke to reported that she assumed Ofsted registration would be time-consuming and hence preferred to avoid it.

"As a childminder [who is Ofsted registered] you have a file on every single child in your care... [there is] so much paperwork for a childminder. I don't want to get in to that" (Nanny)

8. Comparing entitlements from childcare support

In this section we present findings on parents' preferences around calculating their entitlement to TFC and around making comparisons with other forms of support. This section draws mainly on findings from research with parents but does include some findings from provider research where relevant.

8.1. Comparing entitlements

For parents, it was essential for them to understand what they were entitled to before they started to register for TFC. Parents who were not claiming support were keen to know if – and by how much – they would be better off by accessing TFC. Those who were already claiming support wanted to make comparisons with alternative schemes before signing up. Further, many parents felt that changing payment schemes needed to be worth the administrative burden and potential disruption; a few parents were able to put a figure on this, which ranged from £10 to £100 per month. Higher figures tended to be mentioned by those parents who felt that childcare costs represented a significant proportion of their monthly outgoings – for instance, those with more than one child in childcare or those who used childcare so they (and their partner if applicable) could work full time hours.

“Since he’s got his 15hrs I’m happy with my childcare costs, I think I’ll stick to what I know, unless I’m saving over £100 a month ... [it’s] not worth it.” (Parent)

Those already claiming ESC and tax credits also felt it was important to be able to make comparisons before switching to TFC. Some of these parents were aware that the ESC offer was different with regard to the upper age-limits of children, and required information on their entitlement over the life-course of paying for childcare.

8.2. Views on using an online calculator

Across all the parents involved in the research, there was very strong support for an online calculator which would help parents to work out their entitlement under TFC. This view was often expressed unprompted, and was also suggested by some providers, who told us that they would direct parents to it.

Participants were typically very familiar with online tools to help them compare financial products and trusted the information provided by them. Parents commonly cited comparisons with mortgage and utility price calculators, which they found very helpful to their decision-making.

Households varied in their requirements for the calculator according to their income and current childcare support usage. For example, parents reported that they may want to investigate whether:

- the second earner should take on more hours; or
- continuing work was viable for the second earner if they had more children.

They also suggested that for those households where one parent stays at home to care for their children then the calculator should help them determine whether it was worth their while considering moving into employment and taking up formal childcare.

As discussed above, it was also important that the online calculator included a comparison tool for other forms of support. Participants were typically content to see details of their

weekly or monthly entitlements as this related to the way they tended to budget in their households.

Parents typically wanted an exact entitlement figure to inform their decision-making. This was because small amounts were often very important in domestic budgets.

“You need to be really precise ... in households the smallest amounts matter, so if it’s out you can throw your whole budget out” (Parent)

Some parents with good financial management skills reported they would be able to budget for the “worst case scenario” if the entitlement figure fell within a range.

Parents were constrained by the amount of time they felt they were able to spend comparing the cost of childcare, but were willing to spend a little more time to get an accurate figure. Parents typically reported being comfortable spending up to 20 minutes entering information if it would generate an accurate result.

9. Views and preferences around the registration process

In this section we draw on research with both parents and providers to present findings on the preferred registration processes and mechanisms, and what would encourage them to register early. We presented parents with three options for registration: to have their identity verified early so they could register later; to have their identity verified and register early at the same time; or to have their identity verified, register, and open their account early.

9.1. Parents' views of early registration

When presented with a choice between undergoing identity verification before registering, or at the same time as registering, parents preferred to do both at the same time.

Parents were receptive to registering early as they thought it would help them save time later on, and would also enable them to receive advance information about TFC. They also wanted the registration process to be quick and simple. Indeed, some assumed that the registration forms would be pre-populated with their personal data which they believed was held, and freely shared, between government departments.

“They’ve got all the information, the child is registered, they just need to know you are the parent of the child, they don’t need to know how many people in the house” (Parent)

With regard to paying into accounts early, there was a greater range of views. For many of those who were reluctant to pay in early, financial concerns were foremost. Some parents simply felt they could not afford to do this. Others were concerned about having spare funds saved in a TFC account in case they needed them for an unexpected expense.

“I won’t pay up front. I don’t have spare money, and if I do I’d rather put it in a bank” (Parent)

Parents were also worried that there might be technical problems while the scheme was in the early stages of roll-out; by not paying in early, parents hoped that they would be less likely to be affected by these.

“What if there are teething problems? I’m always wary of getting the newest system, the newest gadget and wait till all the bugs are fixed” (Parent)

Attitudes to HMRC were also relevant. Some parents did not want to pay in early because their trust had been eroded through experiences of tax credits/ personal tax overpayments. Some parents wondered whether they would earn interest on the money, as they would in a bank account, or whether HMRC would claim this.

Those parents who were keen to pay in early tended to prioritise planning ahead with household budgets. They reported that this would be very useful in helping them budget and pay for childcare, reporting that they would be happy to build up a surplus to offset potential difficulties later on.

“Could avoid that issue of incurring fees at end of month or being behind. If you put a bit in for the beginning – you’ve got a buffer” (Parent)

However, paying in early was only felt to be worthwhile if parents were able to see the list of providers who had signed up to the system and the choices they had around childcare.

With regard to roll-out of the scheme, parents were typically opposed to the idea of a staged roll-out in which children of different ages would be registered at different times. They understood that it might be necessary for HMRC to stage the national roll-out, but did not

want to have to register their own children separately. Parents were concerned about the additional administrative burden of separate registrations, and about how the system would work alongside ESC if they had other eligible children.

“Surely a more sensible idea would be to try and get it under one roof rather than having vouchers and this at the same time – you’d rather just wait for the second child to be eligible so you could do them both at the same time” (Parent)

9.2. Providers’ views of early registration

Nurseries were confident that at least some of their parents would want to use TFC and therefore early registration had obvious commercial advantages. They wanted to register early so that they were familiar with the system and could advise parents on how to use it, and so that they could be confident that the system worked correctly before they started taking payment through it.

"You'd be prepared. If the system changes and lots of parents come in wanting this then we're prepared." (Nursery)

However, childminders and nannies were led by their perception of parents’ needs and would only register if it was requested of them.

"I'd just sign up as and when I needed to, there's no point in unnecessary paperwork", (Nanny)

10. Views and preferences for information and advice on TFC

In this section we present findings on what kinds of advice and information parents would like about TFC throughout the relevant processes.

10.1. Information and advice for parents

Parents expected that information about TFC would be communicated to them through leaflets which were targeted in locations and through gatekeepers appropriate to parents. These included:

- Maternity packs from employer;
- Bounty packs when leaving hospital after having children and the 'red book' offered by health visitors;
- Childcare providers and schools;
- Childcare advice websites – e.g. Family Information Service; and
- Health visitors and doctor's surgeries.

In addition targeted messages in suitable media were welcomed, such as:

- Online forums such as Mumsnet (with links through to the appropriate sites); and
- Baby magazines.

Regarding help and support on the TFC system, parents felt very strongly that they should be able to access this immediately if required. They wanted to see clear help information on the TFC website, and there was strong support for online chat services – something they had come to expect through their dealings with telecoms and utilities providers.

Parents also felt that it was important that there was a helpline alongside the online support to assist those who feel more comfortable talking to someone as a means of resolving their problem. They felt strongly that this should be a Freephone number and that voice recognition software should be avoided.

Parents wanted TFC to be widely advertised by the Government, particularly with regard to messages around eligibility. They believed these messages should be communicated through a national campaign utilising billboards and public transport.

10.2. Information and advice for providers

Nurseries were keen to support parents in accessing TFC, but wanted to know it was coming and what they needed to do. Nannies and childminders who were unsure about signing up also wanted to know what TFC was, and what it could mean for them if a parent requested using it.

Nurseries who deal with large numbers of payments reported that it was essential that they were informed early about TFC so that they had time to decide whether to register, and to know how to go about it.

“Start communicating with providers now! We don't want two months' notice” (Nursery)

Providers reported that their Local Authority was an important source of advice, which they accessed through childminder networks, key support staff and newsletters. Other suggestions included:

- Leaflets/ posters from HMRC to display to parents;
- Individual emails from HMRC/ HMRC website;
- Face-to-face visits and workshops from local authority staff;
- Staff briefing packs including policy detail and FAQs to help answer parent questions;
- Updating training courses to reflect the changes in policy; and
- National Childminder Agency/ PACEY paper and email newsletters.

Like parents, nurseries were also concerned about technical problems and a number said they would appreciate an advice and support helpline to ensure that any problems could be dealt with quickly.

Nannies, as well a small number childminders, reported they would expect to hear about TFC from the parents that employed them. Nannies particularly were paid a wage by their employer, and therefore expected their employer to handle most of the pay-related administration (see appendix B).

11. Views on TFC messages

This section presents views on the messages tested with parents, and reasons behind those views. It draws on findings from research with parents and providers.

11.1. Messages aimed at parents

In total, we tested seven messages about TFC with parents and providers to determine which of these they considered to be most salient and compelling. Overall, messages which clearly communicated information about eligibility and entitlements were best-received by both parents and providers; those which used words which were considered subjective or in some way ambiguous were less well-liked. It was also evident that it was very important to parents that any presentation of entitlements was clear and unambiguous. Views on the different messages are outlined below.

(i) '£2000 per child, per year to support your childcare needs'

Neither parents nor providers were favourable towards this message. The main criticism centred on the fact that the message was thought to be misleading as it did not accurately represent their entitlement under TFC; parents may be eligible for much less than £2000 per child per year. They were concerned that communicating the scheme in this way could raise parents' hopes and may lead to HMRC having to disappoint parents who expected a £2000 payment which in turn, could damage the scheme's credibility – something participants were keen to guard against given that they identified one of the main advantages of TFC being that it widened access to childcare. More practically, participants were also concerned that advertising the scheme in this way could place a burden on HMRC; they envisaged a large number of parents would call to enquire about how they could claim this amount of money. They also found the £2000 figure difficult to relate to, because most budgeted for childcare on a monthly rather than an annual basis.

"It makes it seem like it's a lump sum on offer" (Parent)

Providers were similarly concerned about the scheme claiming to offer £2000, and also raised concerns for families with English as a second language around this ambiguity.

Parents and providers spontaneously suggested that adding 'up to...' at the start of the message would make the message more accurate. When interviewers probed around the message with the inclusion of 'up to...', parents were more receptive to it but overall this message still compared unfavourably to others as it did not explain how the scheme would work.

(ii) 'For every 80p you pay in, the government will top up an extra 20p towards your childcare'

Both parents and providers considered this a compelling message which would encourage them to find out more. Both parents and providers typically described it as clear, simple to understand and a concise explanation of the policy.

Parents praised the use of the figures as they could easily work out what benefit they would get from this scheme, and felt it addressed the key concern of affordability.

Providers praised the use of unambiguous facts in this message, thus minimising the chance that the scheme would be misunderstood. Some providers raised concerns about parents' ability to calculate the proportions into specific entitlements.

(iii) 'The scheme is flexible – you can pay into your account as and when you like'

The central idea of this message was considered positive and parents did appreciate that they could pay into the account when it suited them, particularly given that many acknowledged how childcare costs varied throughout the year. However, most did not consider that this was what they would want to know *first* about TFC. Parents suggested that this would be helpful 'follow-up' information but should only be provided once they had been told how much TFC could help them, and who would be eligible.

Providers expressed some concern from a professional perspective that this message could discourage parents from being disciplined with their contributions to their account and this could result in arrears on their childcare account. Providers felt more comfortable with parents being encouraged to make regular payments into their account.

"I think that would make people think that they could pay when they wanted and run up a debt and pay it off as they want. As the provider, I'm not happy with that." (Nursery)

Providers thought this message would be well received by self-employed parents or those on variable incomes as this message was particularly pertinent to them.

(iv) 'Tax-Free Childcare supports parents returning to work'

Parents said this information was useful to know as it helped them understand what the aim of TFC was and why it had been designed. Parents also interpreted this as a political statement, intended to get parents into work. This was viewed negatively by some who, putting aside their own political viewpoint, felt that these messages should convey practical information only. Because of this, parents did not think this should be the first message communicated to them; while they thought it could be useful to refer to as part of a wider FAQ about TFC, it did not cover off the key pieces of information they wanted to know in the first instance.

There was also concern about the wording around "returning", with some feeling that it was misleading and could discourage those who were already working from investigating their entitlement.

"'Return to work' makes it sound like it's only for returners – if I heard that I'd think I'd be discounted because I'm already at work" (Parents)

Some providers thought this message would be particularly appealing to first time parents who, in the experience of the providers, found it emotionally harder to leave their children in childcare.

(v) 'Tax-Free Childcare is fair – it applies to all eligible parents, wherever they work, including self-employed parents'

This message was widely criticised by parents who questioned the use of the word 'fair' because they felt it was a subjective term, and hence ambiguous. It was felt that fairness was inherently tied up with eligibility and without knowing what the criteria was it was impossible to tell whether TFC was genuinely fair. Parents also saw the word 'eligible', as a potential 'catch'. For parents who were already sceptical about their eligibility, the inclusion of the word 'eligible' suggested that they would be excluded from TFC. This message therefore tended to raise more questions than it answered and was not considered to be motivating.

However, parents did take some positives from this message. The inclusion of the phrase 'wherever they work' was picked up on by both parents and providers, as was the reference

to self-employed. Parents and providers tended to feel that the self-employed were often excluded from benefits and so were pleased to see that this scheme would be open to them. This led them to think that this would be a scheme that would be available to greater numbers of parents.

(vi) ‘The scheme will be simple to use and delivered online’

The word ‘simple’ was considered to be a subjective term by parents, who were dubious as to whether their understanding of the word would be the same as that of HMRC. Some suggested that the claim in this message could lack credibility for parents with previous dealings with HMRC, especially given experiences of the tax credits system, which was felt to be difficult to navigate.

Online delivery was widely considered by parents to be a basic expectation, and therefore not important to advertise. Providers reported more concerns than parents about the potential exclusion caused by having the scheme entirely online, and were therefore more concerned about putting parents off.

Overall this message was considered to contain information that it would be useful to follow up with but that would not motivate people to find out more about TFC in the first instance.

(vii) ‘Tax-Free Childcare will help one million more working families’

Opinion was polarised on the effectiveness of this message. Many parents were sceptical about whether they would be eligible, but others were encouraged to find out whether they too would be able to save money. Nonetheless, this message was praised for alluding to the eligibility criteria, by specifying that only working families are able to get this support.

“I’d think – maybe I could be one of them?” (Parent)

Both providers and parents had an issue with the figures used in the message. They did not feel that the numbers were large enough to convince them that many would benefit from TFC and as such this message was seen as a political statement. In particular, those who had recently lost out on tax credits and/or Child Benefit tended to assume that this would be a scheme targeted at working families on a lower income to theirs and this would just be something else that they could not claim. Some providers felt that parents wanted to know how the new scheme would affect them personally, not how many other people it might help.

11.2. Messages aimed at providers

Providers were supportive of anything which helped parents pay for childcare, and which they felt would provide them with timely and correct payments. They therefore wanted messages which highlighted that the scheme widened support for parents, and which reassured them that the system would work.

Consequently, providers were receptive to messages which informed parents about their eligibility and entitlement. They particularly liked *“for every 80p you pay in, the government will top up an extra 20p towards your childcare”* because it was perceived as factual and unambiguous, minimising the chance that the scheme would be misunderstood by parents.

Providers were also receptive to messages about the system being simple; they stated that this was important to them and the parents they worked for. They did, however, need this message to be presented alongside messages which told them what the system actually did. Some providers were also simultaneously sceptical about HMRC’s interpretation of “simple”, stating that their experience of similar schemes in the past was quite the opposite.

Being paid on time was a key concern for providers and while they thought the flexibility of the system would be appealing to parents they worked for, they were worried that messages around flexibility would discourage parents from being disciplined with their contributions.

12. Conclusion

Parents and providers were typically supportive of TFC as they felt it would ease the burden of childcare costs for parents and would widen access to deserving groups. However, many parents taking part in the study made the initial assumption that they would not be eligible for support, particularly if both parents in the household were working. Parents also tended to report that finding information about financial support for childcare was difficult. As such, they reported that they would like clear information about eligibility criteria and about how to access the scheme.

Regarding searching for information about childcare and related support, both informal and formal sources played their part. Word-of-mouth was crucial, and friends, family and online forums were trusted sources of information because they were felt to be unbiased. Services had an important role to play and parents often looked to childcare providers for advice. Nurseries in particular saw themselves as having an important role to play in explaining what was available. Local Authority Family Information Services and government websites were also turned to for information and advice.

Understanding eligibility and entitlements were intertwined for parents – in general it was important for parents to understand whether they would be able to register for the scheme and how much it would be worth to them. As such, parents typically advocated a two-stage online process in which they could answer some simple questions and establish their eligibility very quickly, followed by a stage in which they could input more detailed data and be presented with details of their entitlement. They tended to prefer to see an accurate figure as this would help them best plan household budgets.

Regarding early registration, it was vital to parents that they could be certain of eligibility and entitlement levels before proceeding with the scheme. Parents were receptive to registering early in order to receive information. Views were more mixed regarding paying into accounts early, with those whose financial planning it suited responding positively to this suggestion, but others presenting a range of reasons why this would be unappealing to them.

Nurseries, which typically have a large number of customers and accept a range of payment types, were most receptive among providers to TFC: they tended to be used to dealing with parents paying through ESC and also in taking a role in supporting parents in accessing support. Childminders, who often dealt with smaller numbers of customers and tended to handle their business' finances themselves, were less receptive, with views dependent on their experiences of ESC to date. Both nurseries and childminders were concerned most of all that parents using TFC would not default on payments, and wanted to be assured that top-ups would be timely and the systems would work well. Nannies were typically unlikely to report a preference to be paid through TFC because they were used to being paid directly by what was often a single employer.

In terms of communicating TFC, messages which presented details about the eligibility criteria and entitlement resonated most strongly with parents, as long as they were unambiguous. Parents wanted to know about the eligibility criteria most of all, and whether TFC would be worth their while. Subjective messages which included words such as “fair” and “simple” were less well liked.

Appendix A: Achieved sample quotas

Table 1: achieved quotas for discussion groups in the study

Group number	Household income	Household composition (numbers included in group)	Work Status / patterns	Additional quotas
1 (London)	4 x under £20K 6 x between £20k and £50K. None over £50k	2 x lone parents 4 x with more than 1 child	5 x in full time work 5x in part time work	10 x using a nursery / child minder / informal care 2 x BME 10 x tax credits claimants 2 x not confident using the internet or do not use online banking
2 (Bristol)	All over £50k	8 x with more than 1 child	At least 3 in full time work At least 3 in part time work	6 x using a nursery / child minder 2 x BME
3 (Bristol)	2 x under £20K 7 x between £20k and £50K. None over £50k	3 x lone parents 3 x with more than 1 child	5 x in full time work 5 x in part time work	10 x using a nursery / child minder / informal care 3 x tax credits claimants 3 x not confident using the internet or do not use online banking
4 (Manchester)	All over £50k	1 x lone parent 4 x with more than 1 child	6 x in full time work 4 x in part time work	4 x using a nursery / child minder
5 (Manchester)	3 x under £20K 7 x between £20k and £50k	4 x lone parents 8 x with more than 1 child	6 x in full time work 4 x in part time work	At least 2 using a nursery / child minder 2 x BME
6 (London)	All over £50k	1 x lone parents	6 x full time work 4 x part	10 x using a nursery / child minder / informal care

			time work	2 x BME 2 x who are not confident using the internet OR do not use online banking
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Table 2: achieved quotas for interviews with parents in the study

Overall sample	Household income quotas	Household composition quotas	Location quotas	Work status/patterns quotas	Childcare usage/ other quotas
15 depth interviews with eligible parents	5 x under 20k	5 lone parents (1 with more than one child)	5 in Bristol	5 x both parents in full time work	2 x primarily child-minder 5 x primarily nursery 8 x primarily other (including informal care and afterschool clubs)
	8 x 20-50k	6 couples with one child	4 in London	10 x at least one parent in part-time work	
	2 x over 50k	4 couples with more than one child	6 in Manchester		
	8 claiming tax credit	2 parents of a disabled child 2 BME			3 who are not confident using the internet and do not use online banking 4 paired depths

Table 3: achieved quotas for interviews with providers in the study

Overall sample	Location	Registration status	Type of provision
25 depth interviews	10 based in London	1 provider was not registered to Ofsted	2 x LEA maintained nurseries (attached to primary schools)/ pre-schools
			4 x independent day nurseries
	7 based in Bristol		2 x state provided day nurseries
			4 x after-school clubs/ play schemes for school-aged children (aged 4 years +)
	8 based in Manchester		4 x nannies found through agencies
			9 x non-agency child-minders / nannies (likely to be childminders)

Appendix B: Types of provision

Here we discuss the range of formal childcare used by participants, including why parents chose different types of childcare, and how different providers were paid by parents.

Nurseries included in the study typically provided day-time care to children, usually only during a school term. Many of the nurseries had over one hundred children in their care and accepted a range of payment types, including Employer-Supported Childcare vouchers (ESC). Parents typically chose nurseries as they felt it was the environment which would help children best prepare for school.

After school groups and play schemes provided some wraparound services for school-aged children before and after school and sometimes during the holidays. Providers told us that they accepted cash, cards, cheques and direct debits as well as ESC with some providing free places to eligible children. Parents used these services to enable them to work longer hours than school alone would cover.

Childminders provided care during working hours, and usually all year round. Childminders were self-employed, taking a small number of customers (typically between three and five children at one time). Childminders were paid in range of ways, including cash, and many accepted ESC. Parents reported they chose to use a childminder because they provided more flexibility to fit around work hours than a nursery.

Nannies included in the study were employed by the parents whose children they looked after. They generally had one employer at a time and would usually look after all their children for a single daily rate rather than taking a payment per child. Some were paid a wage – weekly or monthly – usually straight in to their bank account, with tax already deducted. Some accepted payment through ESC from their employer though typically only on being asked and after having been given information and guidance from them about how to set it up.