

Potential Impacts of the Welfare Reforms on Families and Childcare

The aim of the welfare reforms is to reduce the escalating cost of welfare, simplify the benefits system, making it fairer and more affordable and most importantly to make sure that work pays.

During the period of economic growth, nine out of ten families with children were entitled to some form of support from the government¹. This means that a large proportion of families in Devon will be affected by the Welfare Reforms. North Devon and Torridge have the highest level of benefit claimants in Devon and so it is likely that more families in these districts will be affected by the Welfare Reforms².

Households with children are expected to lose proportionately more income than other households. Tax and benefit changes will reduce family income by around 6% per year by 2015, compared to 2% for pensioners and 3% for working age households with no children³.

This paper sets out to highlight the potential impacts of the welfare reforms on parents and childcare in Devon.

The reforms mentioned in this report have been taken from those highlighted in the Devon Strategic Partnership Welfare Reform Advisory Group report, 'Impacts of the Welfare Reform and recommendations for action, Report to DSP, December 2013'. This report can be found here: www.devon.gov.uk/dsp-welfare-reform-report.pdf

¹ Page 6 - www.devon.gov.uk/dsp-welfare-reform-report.pdf

² Page 8 - www.devon.gov.uk/dsp-welfare-reform-report.pdf

³ Page 19 - www.devon.gov.uk/dsp-welfare-reform-report.pdf

The Reforms and their potential impact on families and childcare

Reform	Description	Districts most affected by reform?	Potential impact on Parents	Potential impact on Childcare
<i>Taken from the following report: www.devon.gov.uk/dsp-welfare-reform-report.pdf</i>				
Localised Council Tax Support (1 st April 2013)	Council Tax Benefit has been replaced with a localised scheme.	<ul style="list-style-type: none"> • East Devon 	<ul style="list-style-type: none"> • Increased incentive to find work. • More of the family income being spent on Council Tax therefore less disposable income available to spend on things such as childcare. 	<ul style="list-style-type: none"> • Higher demand for childcare from parents looking for work. • Potential for parents to get into debt with childcare providers due to less money available to spend on childcare.
Localisation of Discretionary Social Fund (1 st April 2013)	This replaces the Crisis Loans and Community Care Grants. Local schemes seek to provide support and advice and improve self-reliance.	<ul style="list-style-type: none"> • Exeter • North Devon 	<ul style="list-style-type: none"> • Parents encouraged to be self-reliant with underlying issues addressed and support given before money 	
Social Housing under occupation (1 st April 2013)	Reduction in housing benefits if households have spare bedrooms. Nationally 25% of those affected have one or more children	<ul style="list-style-type: none"> • Exeter • Mid Devon • North Devon • South Hams 	<ul style="list-style-type: none"> • Increased incentive to find work to cover loss of income • Parents relocate to smaller houses 	<ul style="list-style-type: none"> • Higher demand for childcare from parents looking for work • Higher demand for childcare where there are smaller social houses
Local Housing Allowance (LHA) for private sector tenants uplifted by Consumer Price Index (CPI)		<ul style="list-style-type: none"> • Torridge • North Devon 	<ul style="list-style-type: none"> • Increased incentive to find work to cover expenditure • Risk of rent arrears and debt which could lead to parents being unable to afford childcare • Parents move to areas where there is lower rent 	<ul style="list-style-type: none"> • Higher demand for childcare from parents looking for work • There is a potential for parents to become in debt with Childcare Providers due to lack of disposable income • Less demand for childcare as it

				<p>may become unaffordable</p> <ul style="list-style-type: none"> • Parents may only use the free early education entitlements which may increase take up • Higher demand for childcare in areas of low rent.
<p>Benefit Cap (1st June 2013)</p>	<p>The maximum amount that can be claimed for all benefits is £500 per week</p>	<ul style="list-style-type: none"> • Exeter • North Devon 	<ul style="list-style-type: none"> • Increased incentive to find work to have a higher income • This is more likely to affect larger families. It will also be more difficult to arrange childcare for more children. • This will also affect those in high rental areas so families may move to lower rental areas 	<ul style="list-style-type: none"> • Higher demand for childcare from parents looking for work • Less demand for childcare or parents just using the free early education entitlements • There may be an increase in demand for home childcarers as an affordable childcare option for larger families. • There may be an increase in demand for childcare in lower rental areas
<p>Child Benefit</p>	<p>This has been frozen for three years from 2011-12 and withdrawn from households with a high earner</p>	<ul style="list-style-type: none"> • Mid Devon • North Devon 	<ul style="list-style-type: none"> • This will affect parents who are high earners 	
<p>Tax Credits</p>	<p>Reduction in the childcare element of the Working Tax Credit to 70% of childcare costs. (Under the Universal Credit this is likely to rise again to 85%)</p>	<ul style="list-style-type: none"> • Torridge • Mid Devon 	<ul style="list-style-type: none"> • Childcare is less affordable for parents • More parents struggling to pay childcare costs 	<ul style="list-style-type: none"> • Parents may choose cheaper childcare options • There is a potential for parents to become in debt with childcare providers
<p>Universal Credit</p>	<p>Universal Credit will bring</p>	<ul style="list-style-type: none"> • 	<ul style="list-style-type: none"> • Increased incentive to find work 	<ul style="list-style-type: none"> • Higher demand for childcare from

<p>The roll out of the Universal Credit is continuing at a controlled pace and everything is being thoroughly tested. Expected in Devon by 2017.</p>	<p>together a range of working age benefits into a single streamlined payment. It will replace:</p> <ul style="list-style-type: none"> • Job Seekers Allowance • Employment Support Allowance • Income Support • Child Tax Credits • Working Tax Credits • Housing Benefit <p>There will be an increase in support for childcare. It is estimated that 500,000 working families will receive help with childcare. On average a family eligible for childcare support under the Universal Credit will be £65 a month better off. Under the 85% maximum claim for childcare there will be a cap of £646 for one child and £1108 for two or more children.</p>		<p>to have a higher income</p> <ul style="list-style-type: none"> • This will particularly effect lone parents • Couples with children will have the highest average gain. • The amount of Universal Credit awarded will be based on earning and not hours worked so removes the requirement to work 16 hours. 	<p>parents looking for work particularly in areas with high employment opportunities</p> <ul style="list-style-type: none"> • There could be a higher demand for more part time childcare.
<p>Conditionality Package to claim benefits (2014/15)</p>	<p>Work-focussed interviews will take place more regularly for Lone Parents once their youngest child reaches the age of one. Mandatory work-related</p>		<ul style="list-style-type: none"> • Increased amount of parents looking for work and potentially needing childcare 	<ul style="list-style-type: none"> • Continued demand for childcare for two-, three- and four-year-olds and therefore funded provision

	<p>activity will be introduced for some lone parents whose youngest child is aged three or four, but cannot be used to require claimants to apply for or take up work. These measures are to help parents to begin preparing for work.</p>			
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What are the options for families?

Employment

The most positive outcome for families will be to secure additional income by finding work.

Impact on Parents:	Impact on Childcare:
Parents may struggle to find suitable childcare as there are only a limited number of jobs for school hours only.	There will be more demand for childcare with more parents going back into work. However with a large proportion jobs being shift work, there may be an increase in the demand for out of school provision and atypical hours care.
With low wages many parents may struggle to afford childcare. However, with changes to the regulations, allowing a person to care for a child for three hours without registering there may be a higher usage of informal childcare.	There may be an increase in informal childcare arrangements. Childcare providers may find parents struggling to pay their childcare bills. Parents may choose to use cheaper forms of childcare (pre-schools, childminders rather than Day Nurseries etc.) Childcare providers will need to promote help with the costs of childcare to parents.
A large proportion of employment in Devon is part time. This may mean that the free early education entitlement may be enough childcare to enable the parent to work.	This could see greater take up of 2gether and the Early Years Entitlement therefore there will be a higher demand for funded provision.

Moving Home

Some families may seek alternative housing in order to be able to take up work or reduce their outgoings on rent.

Impact on Parents	Impact on Childcare
Parents will move to areas where there are job opportunities. This means that they will have more income.	There will be a higher demand for childcare in areas where there is lot of potential employment.
Parents will move to areas where there is more affordable housing, smaller houses and lower rents.	There could potentially be a higher demand for childcare in areas where there are more affordable houses.
Parents will move out of rural areas where there are fewer job opportunities and housing is expensive to more urban areas where there are more job opportunities and more affordable houses	Childcare in rural areas may become unsustainable and no longer required whilst there may be an increase in the demand for childcare in larger towns and cities.

Managing Expenditure

Some families may be able to carefully manage their household income and expenditure in order to cope with the changes under the welfare reform.

Impact on Parents	Impact on Childcare
Parents may start using informal childcare arrangements or juggle parenting in order to cut costs.	With parents having less income, there may be a decrease in the demand for childcare. Childcare providers may see more parents in debt to them which could potentially lead to more childcare providers with sustainability issues.
Parents may opt for cheaper forms of childcare	This may see a shift in the demand for different types of childcare. Childcare providers will need to promote help with the costs of childcare in order to make their childcare affordable for parents.
Parents may choose to only use childcare for the free entitlement.	This may result in an increase in the take up of the early education entitlement and therefore an increase in demand for funded provision but a decrease in the demand for additional bought hours at the provider.

Issues

As more parents are encouraged to work, a lack of suitable childcare at an affordable price may become a barrier.

Actions for the Early Years and Childcare Service

- Continue to work closely with Job Centre Plus, partners and other agencies to keep informed about changes under the Welfare Reforms
- Inform parents of the changes under the Welfare Reforms through the DISC service
- Work with partners to support the accessibility and affordability of childcare linked to the welfare reforms.

This is part of the wider Devon County Council agenda and is being addressed by the Devon Strategic Partnership (new.devon.gov.uk/devonsp/welfare-reform) through the actions and recommendations of the Welfare Reform Advisory Group (www.devon.gov.uk/dsp-welfare-reform-report.pdf)

Further Information

For more information on the work of Devon Strategic Partnership please see:

new.devon.gov.uk/devonsp/welfare-reform

For more detail on the impact of the Welfare Reform and the work of the Devon Strategic Partnership in addressing the impacts please see: www.devon.gov.uk/dsp-welfare-reform-report.pdf.

For further information on the Welfare Reform please see:

<https://www.gov.uk/government/policies/simplifying-the-welfare-system-and-making-sure-work-pays>