

# **Parents' experiences of claiming the childcare element of Universal Credit**

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# Contents

Executive summary .....	1
1 Introduction .....	4
2 Introduction to the UC childcare element .....	8
3 Experience of setting up the UC childcare element ..	13
4 Experience of claiming the UC childcare element.....	18
5 Suggested improvements to UC childcare element ..	28
6 Issues experienced with UC.....	33
7 Conclusion .....	35



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# Executive summary

## Overview

Little is known about families' experiences of claiming the childcare element of Universal Credit (UC), as parents currently using Working Tax Credit (WTC) to claim childcare are gradually transitioning from one system to the other. There are also relatively few new UC claims where the childcare element has been claimed.

Within this context, Save the Children UK commissioned NatCen Social Research (NatCen) to conduct a qualitative research study to explore parents' experiences of claiming the childcare element of UC in England, to provide an insight into parents' views and identify emerging issues and suggestions for improvement.

## Research aims

The study covered two areas of England and explored parents' experience of claiming some of their childcare costs through UC, as well as the key issues parents experience with UC more generally. The specific aims of the research cover four core themes:

- Parents' journey through claiming the UC childcare element
- Exploring the facilitators and barriers to claiming the childcare element
- Gathering suggestions on improving the experience of claiming the UC-childcare element
- Recording experiences of claiming UC generally

## Key Findings

### Introduction to the UC childcare element

Parents learned about the UC childcare element from a range and combination of sources. Levels of knowledge about the claim process of the childcare element differed between parents who had previously claimed the childcare element of WTC and parents who had not.

Four interrelating factors appeared to influence parents' decisions to take up the UC childcare element: childcare claim history; attitudes to work; attitudes to formal childcare; and expectations about the childcare element. These four factors combined in different ways to encourage or detract parents from claiming the childcare element. Based on these influencing factors, parents' views on claiming the UC childcare element can be grouped into a typology. This typology categorises parents views of the UC childcare element into five types:

- business as usual
- a facilitator
- 'best' fit with an existing plan
- worth taking a risk for
- as the only choice

### Experience of setting up the UC childcare element

Under UC, parents are expected to pay their childcare costs upfront and wait to have a proportion reimbursed. To pay the initial upfront childcare payment was a struggle and parents used their savings or took out loans, including loans from family and friends, to cover this initial cost.

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The wait, between three to nine weeks, for reimbursement of childcare costs was a challenging time for parents. In addition to not knowing when costs would be reimbursed, the long waiting period caused financial hardship. In some cases, parents were unable to pay bills and other household expenses. One of three coping mechanisms were used to deal with the shortfall in household income:

- Relying on other funding sources
- Negotiating with the childcare provider
- Using less childcare

### **Experience of claiming the UC childcare element**

To manage monthly upfront payments to childcare providers, parents built trust and negotiated payment dates. This involved either agreeing to move fee payments to align with payment dates or agreeing to pay fees as and when possible. Parents budgeted carefully or relied on financial support from family and friends to manage these costs on a long-term basis.

Parents regularly experienced issues which affected their childcare element and, consequently their ability to pay the childcare provider, including:

- School holidays
- Fluctuating UC payment amount and dates
- Limited understanding of how payments are calculated which stopped parents being able to budget effectively when they received fluctuating incomes
- Missing payment cut-off dates
- Administration errors

### **Suggested Improvements to the UC childcare element**

There were three key areas parents felt the UC childcare element could improve:

- Better communication and information, including accuracy of information, clear and responsive communication and dedicated teams who specialised in supporting parents with the UC childcare element.
- Further support for parents, including: access to face-to-face and financial support.
- Design changes to the UC element, including: reduced waiting period; direct payments to childcare provider and regular payment dates.

The childcare element of WTC was preferred by parents who had previously claimed it. This was because they received consistent payments throughout the year and there was a short waiting period for reimbursement. However, the flex of the UC childcare element with income was welcomed, as parents were less at risk of being faced with high overpayments.

### **Key issues with UC generally**

The main issues or challenges parents experienced with their UC claim more generally included, a struggle to cope with a reduction to their household income; difficulty managing monthly payments and; finding it hard to prioritise paying rent directly to their landlord.

## **Conclusions**

The experience of claiming the UC childcare element was financially and emotionally challenging for parents and particularly difficult for parents who lacked any financial 'safety net' at the set-up or steady state stage of claiming the UC childcare element. Safety nets included loans from the Department for Work and Pensions (DWP), personal savings intended for their child's future, and support from friends and family.

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The findings indicate five areas for improvements:

**Comprehensive information and guidance** on the:

- specific eligibility criteria for claiming the UC childcare element,
- childcare providers appropriate to use and covered by the subsidy,
- different options parents can make use of to submit receipts, and the
- length of time parents should expect to wait between paying the initial upfront costs and reimbursement

**Targeted communication**, about the key differences between the WTC and the UC childcare elements, for current WTC childcare element recipients.

**Training for Jobcentre and UC helpline staff** on the policy so they can respond with more clarity and detail to parents' queries.

**Universal offer of financial support through DWP loans or budgeting advances** for all parents setting up the UC childcare element.

**A fixed waiting period** between paying the first upfront childcare payment and receiving the first reimbursement from DWP.

The number of parents claiming the UC childcare element is set to increase rapidly over the next couple of years. This research offers a valuable insight into parents' experiences and views of claiming the UC childcare element. It also provides policy makers with clear and practical suggestions that parents believe would help their claim process.

# 1 Introduction

## 1.1 Policy context

Over the last 20 years, working parents on low incomes have been provided with financial support for some of their childcare costs. In 2003, two new tax credits were introduced: working tax credit (WTC) and child tax credit (CTC). The primary aim of these tax credits was to make work more 'financially attractive' whilst ensuring that people with or without children on low incomes were still given support. CTC provided income-related support for those on low incomes with children, whilst simplifying the support available. Additional support for those with children was given through WTC, which aimed to improve parents' incentive to work by helping cover some of the costs of childcare.

Universal Credit (UC) is now replacing WTC and CTC for those on low incomes. As part of UC there is also a childcare subsidy, similar to that provided under WTC, which provides working parents with financial support to meet their childcare costs. In comparison to the childcare element of WTC, the UC childcare element has changed in relation to: the eligibility criteria, the amount of financial support received, and the way childcare costs can be claimed.

Table 1 sets out the differences between the WTC and UC childcare element.

**Table 1: Differences between Tax Credits and the UC childcare element**

	<b>Tax Credits</b>	<b>Universal Credit</b>
<b>Eligibility</b>	Families with children were entitled to support through WTC to cover their childcare costs. Parents must be in work for 16 hours (each parent if a couple), caring, or disabled.	Families with one or two parents must be in work but can claim regardless of the number of working hours. There are some exceptions which include if a parent: has limited capability to work, caring responsibility for a severely disabled person, or temporarily absent from the household.
<b>Amount received</b>	Up to 70 per cent of childcare costs were covered, with a weekly limit of £122.50 a week for one child, or £210 a week for two or more children.	Up to 85 per cent of childcare costs are reimbursed. This equates to £646.35 for one child and £1108.04 for two children a month.
<b>Claim process</b>	Recipients had to calculate their average weekly childcare costs. Any changes to childcare costs must only be reported if they increase or decrease by £10 a week across a four-week period. Childcare costs are reviewed on an annual basis.	Recipients must report their monthly childcare costs via submitting receipts to the Department for Work and Pensions (DWP). Recipients have a one-month assessment period in which to do this. If evidence is not submitted in that period, the payment may not be provided.
<b>Payment</b>	Upfront payment paid either weekly or every 4 weeks.	Recipients must pay for their childcare costs up front and will have them reimbursed once they have submitted evidence of payment.  Recipients must also pay any deposits required up-front.  Recipients do have access to advance payments to cover these costs, such as the Flexible Support Fund.

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In addition to the childcare element of UC, some parents can also claim Free Early Years Entitlements (FEEE). In England there are three different types of entitlement. The first is a universal entitlement of 15 hours free childcare when using a registered provider for 3- and 4-year olds. The second is 15 hours free childcare for disadvantaged 2-year olds. Eligibility for this is based on parents' income and receipt of certain benefits or tax credits, as well as other specific criteria related to a child's circumstances.<sup>1</sup> The third and most recent entitlement is 30 hours free childcare for 3- and 4-year olds for working parents below a certain income threshold.

As the rollout of UC has happened in stages, families that were claiming childcare costs through tax credits have gradually transferred over to claim the UC childcare element. Currently parents who make a new claim for childcare subsidies are directed to the UC childcare element.

Given that migration to UC is still underway and due to continue until 2021, little is known about families' experiences of claiming the childcare element of UC. It is within this evolving context that Save the Children UK commissioned NatCen Social Research (NatCen) to conduct a qualitative research study to explore parents' experiences of claiming the childcare element of UC in England.

## 1.2 Research aims

The overall objective of the research is to understand parents' experiences of claiming the childcare element of UC. The specific aims of the research cover four core themes:

- Parents' journey through claiming the UC childcare element
- Exploring the facilitators and barriers to claiming the childcare element
- Gathering suggestions on improving the experience of claiming the UC childcare element
- Recording experiences of claiming UC generally

## 1.3 Methodology and analytical approach

An in-depth qualitative approach was used to meet the research aims. A total of 16 face-to-face interviews were conducted in January and February 2019 with parents who had experience of claiming the UC childcare element.

### Sampling

#### Area selection

In-depth interviews were conducted in two different locations in England. A review of Department of Work and Pensions (DWP) data was conducted to identify areas where the largest group of parents were recorded as claiming the UC childcare element. The two areas identified were the London Borough of Croydon<sup>2</sup> and Oldham.

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<sup>1</sup> This includes looked after children, children whom have left care through an adoption, child arrangements or special guardianship order, children who have a current statement of special educational needs or an education, health and care (EHC) plan or claim Disability Living Allowance.

<sup>2</sup> Due to challenges identifying eligible participants recruitment was widened out to the neighbouring London boroughs of Southwark and Sutton.

## Sampling parents

Within each area parents eligible to take part had to be:

- receiving the childcare element of UC and;
- the child they were claiming UC childcare element for, was aged five or under<sup>3</sup>

To ensure that a range of views and diversity within the sample were captured, a set of quotas were set against key characteristics that were likely to influence parents' experience of claiming the childcare element of UC. Table 1 below presents the indicative quotas set and the achieved sample.

**Table 1: Sampling criteria**

Sampling criteria		Indicative quotas	Achieved sample
Geographical location	Oldham	8	8
	London	8	8
Age of child	At least one child aged 5 or under	16	16
Type of UC claim	Single	At least 4	13
	Couple	At least 4	3
Employment status	Full-time	At least 4	2
	Part-time	At least 4	14

## Recruitment and informed consent

An agency with specialist expertise in qualitative recruitment was used to identify and recruit parents to the sample. A screening questionnaire was developed by NatCen and used during recruitment to ensure parents met the inclusion criteria. Recruiters also clearly explained the purpose of the research at the point of recruitment. Each respondent received a thank you payment to cover their time and any travel expenses incurred.

Prior to the start of interviews, researchers gave participants an information sheet which outlined the purpose of the research. Permission to record the interview was also sought. The voluntary nature of participation was emphasised, and participants were told that they could withdraw from the research at any point before publication by contacting the NatCen research team. Researchers sought written consent before starting each interview.

## Ethics

Ethical approval was sought from NatCen's Research Ethics Committee (REC). This ethics governance procedure is in line with the requirements of the Economic and Social Research Council (ESRC, 2005) and Government Social Research Unit Research Ethics Frameworks (GSRU, 2005).

## Analytical approach

All interviews were transcribed and analysed using Framework analysis. Framework analysis involves organising qualitative data into a series of thematic matrices or charts. Using the themes covered in the interview topic guide and incorporated new emerging themes a matrix was set out in which each row represented an individual and each column a theme and any related sub-themes. Transcript data was thematically summarised and illustrative verbatim quotes added to the matrix. These summaries

<sup>3</sup> This group of parents were prioritised as they typically make most use of formal childcare. Childcare is also likely to form a barrier to work for parents with children in this age group.

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and quotes were linked to verbatim transcript data for cross-referencing, quality assurance checks, and transparency. Once all were coded, analysis was carried out by theme and individual responses.

The report avoids giving numerical findings, since qualitative research cannot support numerical analysis.

## Report structure

The report provides an outline of pathways parents have taken to apply and claim the childcare element of UC. Chapter Two describes participants' experiences of being introduced to the childcare element; what their initial concerns were and highlights the factors that influenced parents to make a claim. Chapter Three covers participants' experiences when setting up their claim. Chapter Four focuses on the 'steady state' stage, which occurs when parents have been claiming UC for a couple of months or more. Chapter Five sets out suggested improvements to the UC element. Finally, Chapter Six discusses the issues parents reported experiencing with UC more generally.

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## 2 Introduction to the UC childcare element

This chapter describes parents' experiences of being introduced to the UC childcare element, their expectations and concerns around claiming the benefit and the factors that influenced their decision to make a claim.

### 2.1 Initial sources of information about the childcare element

Parents received initial information about the UC childcare element from a range of sources. The following information sources were used by parents:

- Friends and family
- Childcare provider
- Jobcentre
- UC helpline and online journal
- Online forums

In some circumstances, where parents received information from friends and family and childcare providers, they sought other information to supplement or confirm advice and support. The source of information parents accessed, or how many sources they accessed, does not appear to relate to parents' level of knowledge about the UC childcare element at the initial stage of their claim.

#### **Friends and family**

Friends and family members already claiming the childcare element themselves or who had heard about it, acted as an initial source of information. Parents who reported this as their first source of information were not actively seeking out information about help with their childcare costs, nor were they already using formal childcare or claiming WTC. However, after hearing about the possibility of claiming back their childcare costs via UC, they took active steps to find out whether they would be eligible and what the claiming process would involve from other sources.

#### **Childcare provider**

Childcare providers also introduced parents who were not actively seeking out information about how to cover the cost of their childcare. Examples of this included parents seeing a leaflet about the UC childcare element at their childcare provider, or parents' childcare providers directly approaching them to tell them about the childcare element because they thought they may be eligible.

#### **Jobcentre**

Local Jobcentres were a third source of information for parents who were both in and out of work at the initial point of hearing about the UC element. Parents reporting this as an information source included those who were seeking out further information, after hearing about the UC childcare element from other sources. For another group of parents, the Jobcentre was the first source of information about the UC childcare element. Examples of this included parents making an appointment to switch from claiming Housing Benefits to UC and being told about the childcare element during this appointment.

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## Universal Credit telephone helpline and online journal

The UC telephone helpline and online journal were sources of information for parents who were actively seeking out information about the UC childcare element, whether they were already claiming UC or not. These parents were already aware of the possibility of claiming back their childcare costs through UC either because they had an older child for whom they were claiming the benefit. In other instances they had been told about the UC childcare element by another source.

### Online forums

Online forums acted as a source of additional information for parents about the childcare element. Parents read about other parents' experiences of claiming the UC childcare element after hearing about it from another source and accessed these sites for more information about the claim process. This type of parent needed more information and proactively sought it online.

## 2.2 Understanding of the UC childcare element before making a claim

Parents knowledge and understanding of the claim process at the initial stages of their application varied widely. There were also areas where parents received incorrect or a lack of information about elements of the UC childcare policy. The findings indicate that parents who were moving from claiming the childcare element of WTC to UC were less well informed compared to parents who had not claimed any childcare costs via the WTC childcare element.

### Understanding of the claim process

At the initial stages of making a UC childcare element claim parents' knowledge and understanding of how the process worked fell onto a broad spectrum. At one end within the spectrum there were parents who had a good grasp of the process and knew that they had to submit receipts and that there would be a waiting period before receiving the first payment.

At the other end of the spectrum there were parents who knew very little about the claim process or had incorrect information.

*"I was told that it was the same, which was wrong information and then later on down the line I found that it wasn't the same, because when it was through the Working Tax and Pensions, they would give you the money and then you would pay who you had to pay, but now it's nothing like that."*

(London, single claim, claiming for one child)

In-between there were parents who knew about some aspects of the process but were unaware or misinformed about other aspects. For parents in this group, not knowing certain aspects led to issues later in the claim process. Examples of this included parents who had to provide proof of their childcare costs but did not know how to submit receipts. This meant that they almost missed submitting their receipts on time to be reimbursed for the first month (see Chapter Four for a greater exploration of issues experienced during the claim process).

For parents in this group, the lack of knowledge about the claim process meant they were unprepared for the gap between paying their childcare costs and having them reimbursed through their UC payment.

### Receiving incorrect information

There was a lack of information and misinformation about other aspects of the UC childcare element amongst parents. There were examples of parents being told by Jobcentre staff that they had to work at least 16 hours a week in order to claim back

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childcare costs, even though there is no minimum hour requirement under UC. Parents in this situation had never been correctly informed, and still believed they must work a minimum 16 hours each week. There were also parents who were not given clear answers by Jobcentre or UC helpline staff. For example, Jobcentre staff did not know if a parent could use a nanny and claim the UC childcare element. Parents who were not given answers to their case-specific questions believed that Jobcentre and UC helpline staff were uninformed about the childcare element and wished that there was staff dedicated to answering questions about the element (see section 5.1).

## Overall varying levels of knowledge

Parents who had never received financial support to cover their childcare costs previously tended to have a higher level of understanding of the claiming process. In comparison, those who had received financial support from a WTC claim were less familiar with the claim process. A possible explanation for this is that amongst those who had previously claimed WTC, there may have been an assumption that the claim process would be the same and the transition from the old system to the new system would be smooth, which may be why they had not explored whether there had been changes.

## 2.3 Concerns before making their first claim

Amongst parents who had good knowledge and understanding of the claiming process, three main concerns were raised at the initial stages of this claim, this included the ability to pay up front costs, the waiting period for reimbursement, and the possible implications of missing a monthly payment.

Parents worried also about the requirement to pay childcare costs upfront, particularly if they had to use a large proportion of their salary to cover the costs:

*“So she just said between those dates, if I put it in then I can get it, but I'd just literally been paid, so I knew that it would be a good four weeks until I got it. Then when I pay my rent and the bills and done the kids I was like... I don't know. There was part of me that thought shall I do it? Shall I take the job or not?”*

(Oldham, single claim, claiming for two children)

After submitting their first receipt, parents have to wait at least four weeks to receive their first payment. Parents aware of this waiting period were concerned about coping financially:

*“In the back of my mind I'm wondering again; where am I going to leave my child? Am I going to keep asking friends and family to look after them until I get paid? Or am I going to get in debt with the childminder?”*

(London, single claim, claiming for two children)

Parents were not reimbursed for their childcare costs if they had not uploaded childcare receipts on-time or missed an appointment at the Jobcentre to submit receipts. As such parents were anxious that if this were to happen, as it would put them in a difficult financial position.

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*“I asked them, ‘So if you are not going to pay for - if I miss appointment or maybe I didn’t see notification, so that money you’re not going to pay me, so what’s going to happen to me?’ They said they are not going to refund that money - and which is going to cause me a lot of problem[s] finally with the rent because it’s a whole month process that they are going to hold me without paying me.”*

(London, single claim, claiming for two children)

These concerns appeared to be influenced by a lack of clarity from official sources (for example DWP) over the amount they would be reimbursed, when they could expect to be reimbursed, or whether they would be reimbursed at all.

## 2.4 Factors affecting decision-making and take-up

Four interrelating factors appeared to influence parent’s decisions to take-up the UC childcare element:

- childcare claim history
- attitudes to work
- attitudes to formal childcare
- expectations about the childcare element

Amongst parents, these four factors combined in different ways to encourage or detract parents from claiming the childcare element. Based on these influencing factors parents can be grouped into five typologies.

### The childcare element as business as usual

For parents in this group, the decision to use the UC childcare element, was a matter of continuing with business as usual. These parents were already claiming their childcare costs through WTC. In order to continue to receive financial support with their childcare costs, they had to switch to the UC childcare element. Attitudes to childcare and work were positive amongst these parents but were not a factor in their decision-making, as they were already in work and using formal childcare.

### The childcare element as a facilitator

The availability of the childcare element for this group was the factor that made it possible to work and use formal childcare; without it, these parents would not have worked because their childcare costs would have been too high. None of the parents in this group had claimed WTC previously to cover their childcare costs. Attitudes to work and childcare were positive because these parents wanted to work and use childcare because they believed it was good for their children’s development. In this group were parents for whom work was a part of their identity and being able to claim the UC childcare element made it possible for them to work.

### The childcare element fit with an existing plan

When the childcare element was presented as a possibility, parents in this group viewed it as advantageous, but it was not a deciding factor because they were always planning to work and use formal childcare. None of the parents in this group had claimed WTC to cover childcare costs before and attitudes to work and childcare were either positive or did not factor in their decision-making process.

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## The childcare element was worth taking the risk for

There were parents who reported feeling concerned about making use of the UC childcare element because of the requirement to pay childcare costs upfront. These parents were also initially discouraged from making use of the financial support because of the lack of clarity over how much of the childcare costs would be covered, but ultimately it was worth the risk. For these parents, having a support network that could help them cover the upfront costs or childcare payments if needed, acted as a facilitator to claiming the element.

Parents claiming childcare through WTC beforehand and parents who had never claimed childcare costs were in this group. There was nothing that was particularly distinguishing about this group's attitudes to work, and attitudes to childcare were either positive or not a factor at all.

## The childcare element was the only choice

Parents in this group had never claimed their childcare costs through WTC and did not want to claim the UC childcare element. However, they felt that they did not have a choice because they had been told to look for work by their work coach and had no other way to pay for childcare.

## 2.5 Summary

Before setting up their UC childcare element claim, parents went through a process of seeking out information and deciding what to do. Parents learned about the UC childcare element from a range and combination of sources, seeking out additional information when needed. Levels of knowledge about the claim process of the childcare element differed between parents who had previously claimed the childcare element through WTC and parents who had not. Where DWP could not provide parents with clear responses to their questions around eligibility and the claim process, this caused confusion amongst parents.

Parents with a full understanding of the UC childcare element worried about their ability to pay childcare costs upfront, coping whilst waiting to be reimbursed, and the consequence if they were to miss a monthly payment. Parents' concerns about the childcare element, along with their claiming history, attitudes to work, and the use of formal childcare informed their decision making about whether to take-up the childcare element. Although all parents in our sample ultimately decided to claim the UC childcare element, parents who viewed it as a facilitator to being in paid work or fitting with their current or future plans, had more positive expectations of the element compared to parents who were concerned or reluctant to take-up the childcare element.

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## 3 Experience of setting up the UC childcare element

This chapter describes parents' experiences of setting up their UC childcare payments, from making the initial claim and paying childcare costs upfront to waiting for their first payment.

### 3.1 Initial set-up of UC childcare element

The UC rule is that parents must provide the contact information and Ofsted registration number of their childcare provider and submit receipts of their childcare payments for the month of the claim.

Parents taking part in this research set up their claim for UC childcare support through one of three modes: in person at their local Jobcentre; online through the UC online portal; or by completing a paper form and posting it to DWP. Typically, parents found the initial set-up process easy to understand and simple to follow. In some circumstances where parents experienced difficulties, they were able to enlist the support of friends who had experience of completing the form themselves. Other parents who reported difficulties with the online form, because of limited proficiency in English, visited the Jobcentre to access support for the initial set-up procedure.

#### Childcare provider involvement

Receiving the required information from childcare providers was reported to be a simple part of the application process for parents. During the set-up process childcare providers played one of two roles, depending on the level of support requested by parents:

- **Assistive but minor role:** childcare providers who provided parents with the documents and information needed to make their claim without much discussion or explanation.
- **Active and supportive role:** childcare providers assisted parents with the claim process. Childminders in particular were reported to play an active role after parents requested their assistance.

Parents whose childcare providers played an active role in the initial claiming process had a developed relationship with their childcare provider and had previously discussed arrangements for paying upfront costs with the provider, as discussed below.

### 3.2 Managing upfront costs

The UC rule is that parents must pay their childcare provider first and obtain a receipt before they have their costs reimbursed. The amount paid upfront depends on the period being covered (such as two weeks or a month). The first upfront childcare payment parents make might also include a deposit, which is often required by registered childcare providers, particularly nurseries.

Overall, parents explained that they were not able to afford the initial upfront childcare payment. The participants accessed a range of sources to cover this initial cost, sources included:

- Personal funds such as savings

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- Advance payments from DWP (such as the Flexible Support Fund and budgeting advances)
  - Loans from friends and family

In some cases, parents using a combination of these sources to pay their first instalment of childcare costs.

## Personal funds

Parents who used personal funds drew from their wages or savings accounts. Drawing from wages was possible for a group of parents who had low childcare costs or lived in a dual-earner household, so had a higher income. There were also examples of parents who used their savings (that were either explicitly set aside for their child or other purposes).

## Advance payments from DWP

Three types of advance payments exist to help UC claimants with shortfalls in income: The Flexible Support Fund, UC advances and the budgeting advance. There was mixed awareness of the existence of these forms of support. Parents who did not use the budgeting advance included those who had already accessed this for a different purpose and were not aware of the Flexible Support Fund. Others decided not to use this type of loan because they did not want money taken off their UC payment to pay back the loan:

*“They said that there was a first month advance or something like that, which we thought we’d rather not do because we thought we can get forward, pay the first month ourselves...rather than having a little bit taken out each month then we’re having to top it up.”*

(Oldham, couple claim, claiming for one child)

Parents who used the advance payments to cover their initial upfront payment, had mixed thoughts about doing so. One view was that the loan had been helpful, and these parents were grateful for the support:

*“I panicked. Obviously that’s when I spoke to them and they offered the advance payment, which I was lucky to get really because I didn’t know what I was going to do...I thought it was going to be a lot worse.”*

(Oldham, single claim, claiming for one child)

The loan was not viewed as particularly helpful when the amount received had not covered a large amount of the childcare costs:

*“My advance payment was only £400. So I still had to find the £670, so unfortunately I have to pay it out of my wage which left me with next to nothing.”*

(Oldham, single claim, claiming for two children)

## Friends and family

Parents who were not able to cover the childcare costs out of their personal funds or did not use DWP loans, borrowed money from friends and family. Being able to do so made it possible for these parents to use their chosen childcare provider and claim the childcare element of UC.

*“We’re certainly not a family that’s got a lot of extra money, so I had to speak to my dad about lending us some money first before we could get it back.”*

(Oldham, couple claim, claiming for two children)

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Parents who borrowed money from friends and family were grateful to have the support:

*“We’ve got really good support in family and either of us was at the point where we couldn’t get the childcare or whatever they would help in any way that they can.”*

(Oldham, couple claim, claiming for one child)

Not all parents had friends and family that they could rely on for financial support. These parents considered asking friends and family but did not feel comfortable doing so and had to cover the costs on their own:

*“I remember I nearly had to ring my dad to borrow some money but I just scraped by without doing it, but it was quite hard.”*

(Oldham, single claim, claiming for two children)

### 3.3 Coping with the initial waiting period

The UC rule is that once parents pay their first instalment of their childcare costs upfront, they have to wait a period of time until their costs are reimbursed. Under the WTC system, parents waited between seven and 14 days for the costs to be repaid. The initial waiting period for the UC childcare element is different and parents in the research reported waiting between three to nine weeks to have their initial childcare costs reimbursed.

This waiting period was reported to be a challenging time for parents to cope with and two factors influenced this:

- Uncertainty in the repayment date
- Financial hardship

#### Lack of certainty over repayment date

One of the key sources of concern for parents during this initial waiting period was that they did not know how long it would take for their initial payment to be reimbursed. Parents reported fearing that the money would never come. To alleviate their concerns, parents attempted to find out when they could expect to be reimbursed by calling the UC helpline. This, however, did not provide parents with a clear indication of how long they would have to wait:

*“Because I was like, ‘When are you going to sort this out? How much longer?’ Every time I managed to phone them or get through to them they were like, ‘Oh, we are on your case.’ I was like, ‘How much longer?’ ‘Oh, we can’t give a date but it is being sorted out.”*

(London, single claim, claiming for one child)

#### Financial hardship during initial waiting period

Parents who were left with little money after paying the first instalment of childcare costs upfront felt the impact on their household finances as they were unable to pay bills and cover household expenses. An example of this was being unable to pay rent, which put them in arrears, and unable to pay for other essential household expenses:

*“We had to pay less for shopping. We paid less for clothes, other extravagances we couldn’t do - not that we do anyway - but other things we had*

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*to cut back on. I had to ask my son to pay a bit more, so it was like trying to juggle harder, more than what we were doing at the moment.”*

(London, single claim, claiming for one child)

Parents who experienced waiting periods of longer than four weeks found managing their finances particularly difficult:

*“You have to pay; you know you have to pay before and it run out. It's when it's run out that I was facing trouble. You know like you pay first, so the four weeks is up, no money. So by then you'll be like - that was when I was wobbling.”*

(London, single claim, claiming for one child)

Even after having their childcare costs reimbursed, parents explained that the large outlay in upfront costs and the long waiting period had longer-term financial ramifications:

*“It was tough yeah and it took me three months to get back on track again because I'd made that big initial payment. Obviously when you're bringing up kids and you're working part-time, and you've got all this going on, you're on a budget anyway. So it did make it a little bit tough.”*

(Oldham, couple claim, claiming for two children)

Parents who did not feel financially stretched during this waiting period either had received a loan from the Flexible Support Fund or who had received a loan from friends or family members, who had not asked to be repaid quickly.

## Methods of coping with the initial waiting period

Parents developed one of three coping mechanisms to deal with the shortfall in household income during the period they waited for their first payment to be reimbursed, including:

- Relying on other funding sources
- Negotiating with the childcare provider
- Using less childcare

### **Relying on other funding sources**

Parents who were experiencing financial hardship during the initial waiting period relied on other funding sources such as credit cards or savings to buy food and other household essentials:

*“Thank goodness because of my daughter's savings. That's where I was taking money to get food and pay my gas.”*

(London, single claim, claiming for two children)

In some cases, those parents who had to pay for a second month of childcare during this period had to use money normally allocated to other bills, such as rent:

*“I was having to take from other bills as well to pay the childcare and it was like, I'm paying - I'm robbing from Peter to pay Paul, when it was working fine as it was.”*

(London, single claim, claiming for one child)

Where credit cards or saving accounts were not readily available, parents borrowed money from friends and family to cover costs during this period:

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*“I just had to borrow money. I borrowed money from a friend. I was just getting help from family really saying can you borrow and once I get my money then I can give it back.”*

(London, single claim, claiming for one child)

### **Negotiating with the childcare provider**

Parents who had no other sources of funding and had good relationships with their childcare provider were able to negotiate later payment dates until they were reimbursed for the first payment. Parents did this by explaining the situation, paying what they could at the time, and keeping their childcare provider updated throughout the period.

There was evidence that parents relied on personal relationships and the goodwill of childcare providers. Examples of this included parents coming to an agreement with their childminder that they would pay the next childcare bill after they had been reimbursed for the first month. One parent reflected that her childminder was being lenient with her because they came from the same country and spoke the same language. She observed that this might not have been the case with other childminders, who may not have believed her or cared.

### **Using less formal childcare**

Another way that parents coped during this period was to use less childcare to ensure that the following month they would not have to pay another childcare bill upfront. Instead these parents relied on friends and family to look after their children. However, parents found informal childcare precarious and did not want to have to rely on it all of the time.

## **3.4 Chapter summary**

Parents' experiences of setting up the childcare element, from submitting their first claim to receiving their first payment, varied depending on the ease of setting up the claim and the financial impact of paying childcare costs upfront and waiting to be reimbursed.

Obtaining the required information from childcare providers was a simple part of the set-up process for all parents, with parents who need extra assistance asking their childcare provider to play an active and supportive role in the process. Paying childcare costs upfront and waiting to be reimbursed, as is the design of the childcare element, was experienced differently by parents. Parents who struggled to pay their childcare costs upfront and were financially stretched during the waiting period found this time stressful. They had to rely on personal savings, funds allocated to other household expenses, borrowing money or negotiating with their childcare provider to cope during this period.

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## 4 Experience of claiming the UC childcare element

This chapter discusses parents' experiences of claiming the childcare element of UC on an ongoing basis once the initial claim had been set up, outlining key factors which influenced parents' experiences throughout their claiming journeys. Strategies parents used to help manage their payments are set out, along with issues which affected parents' ability to manage the childcare element and their implications. Finally, parents' experiences of claiming the childcare element are presented in comparison to benefits claimed prior to the introduction of UC.

### 4.1 Payment dates

Amongst parents, the period between paying childcare costs and receiving the childcare element varied. Participants also received their income from employment at different intervals. Given the variation in payment dates for the childcare element and payment frequency from employment, parents experienced a range of different payment schedules. Parents whose payment dates from employment and the childcare element were closely aligned, were divided into those who liked receiving all of their monthly income together and those who reported preferring payments to be staggered to ensure that money was reimbursed throughout the month.

Parents paid their childcare fees at different points. Those with regular payment dates were required to pay their childcare provider weekly or monthly. A group of participants paid for their childcare immediately after receiving their UC or income from work. As outlined in Chapter Three, parents who did not have a fixed payment schedule reported paying for their childcare in instalments as and when they could afford it.

Among parents who expressed an opinion on payment dates, the consensus was to favour weekly payments, perceiving it to be easier to budget on a week-to-week basis. A group of participants spoke about negotiating childcare payment dates with their provider (see 4.3 for further details), suggesting that these parents had managed to reach an agreement which met their needs.

### 4.2 Submitting receipts to DWP

Parents submitted their childcare receipts to DWP in a range of ways. In some circumstances the method of submission was chosen and in others the submission method was perceived to be the only option. Among those who knew about the different options, their choice was influenced by several factors.

#### Submitting in-person at Jobcentre

Parents who chose this method had experienced technical issues when trying to upload receipts to their online journal or because they needed support from others to use a computer. Other reasons for choosing in-person submission included a concern about losing receipts if they were taken home to upload electronically. There was also parents who had initially not been given any other submission option, having started claiming prior to the introduction of the option to submit receipts online.

Overall, parents regarded this method to be inconvenient, as it often necessitated special arrangements such as taking time off work to attend a brief appointment at the Jobcentre. The type of submission relied on employers offering flexibility to parents.

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The process was accompanied by additional issues including lengthy waiting times as appointments overran, travelling long distances to appointments and parking fees, which were felt to be expensive. These frustrations were particularly salient for participants who were unaware of, or unable to utilise alternative options due to the online receipt upload not functioning for them.

### Online submission

Those opting to provide their receipts online included parents who had started off submitting receipts in-person but had since been able to move to online submission since DWP introduced this option. Parents described different ways of submitting receipts online, including uploading digital images of receipts to the UC online portal or scanning receipts and emailing them to DWP.

Where the online submission option worked without any issues, participants reported it being a straightforward process. Parents who experienced issues with the online upload function, which often malfunctioned, had to take additional steps to ensure their childcare element was paid, such as following up with the UC helpline, or visiting the Jobcentre. When parents did not notice that their receipt upload had failed, parents experienced delayed or missing payments from DWP.

### Postal submission

Other methods discussed included submitting childcare receipts to DWP by post. Parents gave a range of reasons for using this method. These included not having access to a scanner to submit them online and visiting the post office to send receipts becoming a weekly routine. Among participants who used this method, there were parents who felt that they had no choice but to submit their receipts by post, as they had previously experienced technological issues when emailing or uploading their receipts.

Posting receipts was associated with additional financial costs for participants, especially those who opted for Recorded Delivery. Paying for Recorded Delivery was viewed as reassurance that receipts would arrive securely and ultimately, that childcare element payments would be made.

### Other

A group of parents lacked knowledge about how to submit receipts. Examples included new claimants being unaware that they needed to submit childcare receipts to receive the subsidy, believing that they only needed to confirm their income and the costs of childcare via the online portal. Other examples included parents who misunderstood that they had to submit receipts annually, in line with the tax year. These parents appeared to have little understanding of how the claiming process worked, and it is unclear whether they received their subsidy.

## 4.3 Strategies developed to manage payments

The UC childcare element process was challenging for parents to manage, due to the upfront costs, waiting period for reimbursement, and being paid at monthly intervals. Parents reported handling these challenges in several different ways including building trust in their childcare provider and developing new financial management strategies.

### Building trust and negotiating payment dates

A predominant approach adopted by participants to manage monthly upfront payments was to negotiate special arrangements with their childcare provider around payment

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dates. Parents described building up a good relationship with their provider to secure exceptional arrangements or relying on providers' compassion and understanding by explaining their situation and asking for help. Negotiated childcare payments took two main forms:

- Moving fee payments to align with UC payment date, or
- Paying fees as and when they could.

### **Moving fee payments to align with payment dates**

Parents requested to move their childcare fee payment date to fall on or immediately after the date that the UC childcare element was paid. These parents effectively used the childcare costs reimbursed from the preceding month to cover the following month's payment. Those able to make this arrangement explained their situation to their childcare provider, outlining the date they would receive their payment from DWP and where required, providing evidence from their bank statement to support their case.

### **Paying fees as and when possible**

Another group of parents paid their childcare provider on an 'ad hoc' basis, dependent on when they had the money as opposed to a fixed payment date. Primarily, this group paid their fees in instalments based on what they could afford at the time, rather than as one lump sum. Parents explored the reasons why they were afforded leniency in their childcare payments, attributing this to the positive relationship they had built with their provider.

*"I have other things to do with money, yes, that's why so I will look at the most important thing - maybe the rent. Also I will tend to say, you know what? The rent, I can't speak to no one, let me just pay them their money but with her, she can understand. So maybe that's why I tend to not pay the full money there and then, but I always give her the full money later."*

(London, single claim, claiming for two children)

Though participants relied on providers to be accommodating about these contingencies, mixed views were expressed about needing the special arrangements. One group of parents acknowledged that the negotiations they had agreed with providers would not be an option all parents could access. Others were aware of the effect their arrangements were having on providers, including late fee payments in instances where the childcare element was delayed in arriving. These parents felt guilty about the perceived impact this may have on the provider's business or ability to afford to look after their own family. There were also some parents who were concerned about their special arrangements affecting the care their children received, and whether their child would be treated differently:

*"When I am going to work I feel like my child is not safe. Not that my child is not safe to me but I'm thinking oh, because I haven't paid this month where the manager has asked me for the money, maybe do I treat my child like this?"*

(London, single claim, claiming for one child)

### **Financial strategies utilised**

Building trust with childcare providers and changing fee payment dates did not always overcome the challenges parents experienced when paying for childcare upfront. Parents also had to use a range of financial strategies to manage their payments, including budgeting and money management or support from family and friends.

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## **Budgeting and money management**

A group of participants reported budgeting strictly to manage their money. This involved paying for or setting aside the amount needed to cover childcare costs as soon as their UC payment was received, helping parents to avoid the temptation to spend the money on other needs. This meant that parents knew how much they had remaining to live on. Other specific steps taken included increasing their adult son's rent to live at home, or proactively changing the dates of other bills to ensure that childcare payments could be made on time.

## **Financial support from family and friends**

Parents continued to access the financial support they had accessed during their initial claim and waiting period (see Chapter Three). Parents reported borrowing money to cover costs at what were perceived to be particularly challenging points. School holidays were a challenge because Free Early Years Entitlements do not operate during this period. Borrowing money sometimes resulted in financial hardship in the following month, as parents repaid their family or friends.

Parents felt embarrassed about borrowing money and observed that they would not have to do so if the UC childcare element had been easier to claim:

*“Well it's a bit degrading isn't it that you can't pay for your own children?”*  
(Oldham, single claim, claiming for two children)

Families did not just provide financial support. Examples of this included parents paying less rent to their landlord when struggling financially (landlord was their father). Another example included receiving additional hours of childcare for free when needed at weekends (childminder was participant's mother-in-law).

## **4.4 Issues affecting management of childcare payments**

The strategies parents used to manage their payments were not always sufficient, and parents regularly experienced issues which affected their UC childcare element and, consequently their ability to pay the childcare provider.

### **School holidays**

For parents using childcare for a child aged between two-to-four years old, Free Early Education Entitlements were used by parents to cover the costs of 15 or 30 hours of childcare. Parents paid childcare fees for any hours used in excess of these entitlements. For example, using it when they worked additional hours, or during hours when nurseries are closed such as weekends, early mornings, or evenings. FEEE are not available to parents during school holidays, which meant that those usually in receipt of these entitlements had to find the means to cover the entire costs of childcare during these periods.

Additional childcare costs in the absence of FEEE subsidies was a key issue for parents, and there were a range of consequences reported. Parents described having to work overtime, borrow money, or switch to informal childcare from family or friends during these periods. Longer holidays were deemed the most stressful, for example in the summer holidays when higher childcare costs needed to be paid. Where parents were tied into a childcare contract which mandated that fees must be paid all year round regardless of whether children attended, school holidays were particularly stressful.

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## Fluctuating UC payment amount and dates

A further issue described by parents was receiving different amounts of UC in some months. This was dependent on the amount the parent had received from working in the preceding month and was challenging to predict. As such, these issues affected how parents were able to manage making payments for childcare.

### Unexpected income

Where parents received unexpected additional income, this caused difficulties in the following month, as the amount of UC they received was reduced. For example, parents with commission-based income found that their earnings varied across months depending on sales, meaning that their UC was lower than usual:

*“So now I just got paid the other day it's nowhere near as much as I've ever got paid, because I've earned more and my childcare bills have been less, so I didn't get that much from universal credit, which again is fine. It just messed me up with budgeting.”*

(London, single claim, claiming for one child)

Other parents experienced similar reductions to their UC as a consequence of unexpected income, such as receiving an annual bonus or tax rebate. As the additional income was hard for this group to anticipate, they felt that deductions from their UC were unfair, making it difficult to budget for childcare costs. As a result, participants struggled to pay their childcare fees.

### Delayed childcare element payments from UC

Aside from month-to-month variation in the amount of UC parents received, a group of participants experienced delays to the reimbursement of their childcare costs. It was difficult to anticipate these delays which resulted from issues such as childcare receipts not being submitted properly, due to issues with the online upload function. Parents felt upset by delays to their payments which were perceived as being out of their control, again resulted in missing their scheduled payment date for childcare fees.

## Limited understanding of how payments are calculated

Beyond the challenge of fluctuating UC payment amounts, parents discussed a sense of disempowerment throughout their claim journey, when they could not understand how their payments had been calculated. This meant that parents were unable to calculate the implications of working overtime on their UC amount. When parents tried to seek guidance from the UC helpline, they were not given an answer and were directed to an online calculator which appeared inaccurate:

*“Then you don't really have someone you call them on the phone, they don't even speak to you. There was a time I phoned and they said to me, 'Go online and use the checking calculator.' Is it because whenever the hours goes up, that's when they play up with the childcare, they don't pay enough?”*

(London, single claim, claiming for one child)

As a result of not understanding how payments are calculated, parents were unable to contest the amount they had received, even where this was thought to be incorrect. Parents were frustrated at perceiving a lack of support on this matter from DWP. This was exemplified by one participant, who relied on a personal contact within the local authority in their area in to help them understand how UC payments are calculated. Without access to this support, they would have struggled:

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*“You'd just be loss. You have to go with it because if you refuse to do it you're the one who is worse off, but I think they could explain it a little bit better or even send out a letter and say, 'This is how this is worked out...Just so you understand, because if your claim was ever to be wrong you might end up being the person who has to pay back the money, but how would you know it's wrong?’”*

(Oldham, couple claim, claiming for one child)

## Missing payment cut-off dates

Lack of clarity was likewise experienced in other areas of the claiming process, such as the cut-off dates by which childcare payments had to be made to receive the costs back in the following UC payment. A group of participants were unaware that they could not pay their childcare provider on the last day before their new assessment period began (the period within which a person's UC entitlement is calculated), culminating in not receiving their childcare element. However, parents reported inconsistencies in how strictly this policy was enforced by DWP. There were examples of parents who had been able to claim their childcare back by calling the UC helpline. Whereas others were unsuccessful in presenting their case and received no payment, despite having received ambiguous guidance via the UC online journal:

*“I just said, 'I've got some payments dates. If I pay it on Friday which is the 25th will this still be within my assessment period as Friday is the 25th?' So she just put, 'Your assessment period ends on the 25th so you would need to pay your childcare by or on this date. So that's why I'm querying it and trying to get it back because she told me, she said that and it's something else now. It's not what they told me.’”*

(Oldham, single claim, claiming for two children)

## Administration errors

Parents described a range of administrative errors which resulted in their childcare element payments being withheld or refused, with negative consequences for their personal and financial situations. These errors included technical issues with uploading receipts to the online portal, meaning that payments were delayed. Further problems involved forgetting an appointment at the Jobcentre, culminating in the childcare element not being paid. In such instances, participants prioritised food for their family but were unable to pay for their rent, resulting in being sent to court by their landlord.

*“Well, at that time I didn't pay my rent, so my rent just increased that month again. I just tried to find a way of having something to eat with my kids at least, so that's what's most important thing.’”*

(London, single claim, claiming for one child)

The online portal also caused further administrative errors. A group of parents were unaware that they needed to update changes to their work status online, presuming that income would be derived through their National Insurance number. Consequences of this included parents who were unable to feed their children and having to take them to the other parent so that they could be fed. In this period, this parent had to live off Child Benefit payments alone, amounting to £34.40 per week.

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*“The kids had to go to their dad's near enough every day for their tea because I just didn't have anything in and I had no money to get anything because I was just living off my child benefit”*

(London, single claim, claiming for two children)

## 4.5 Implications of claiming UC childcare element

Alongside the financial consequences parents reported a range of implications of claiming the childcare element. These centred around their personal and household situations, as well as attitudes to work and use of formal childcare.

### Personal

Parents discussed a range of personal implications associated with claiming the UC childcare that were affecting their health and wellbeing. Stress and anxiety about the UC childcare element was a salient theme throughout interviews. In some instances, this manifested as avoidance in order to cope with the anxiety and uncertainty described:

*“I ignore stuff a lot. So when I don't think about it, it doesn't bother me, but obviously now having this conversation it does just get you anxious I suppose...Yes, it's a bit messy. It makes your mind a bit messy I think.”*

(London, single claim, claiming for one child)

Anxiety was also described as the product of a lack of confidence in the UC system. Parents worried about whether administrative errors around the failure of some childcare receipts to upload would result in the childcare element not being made, anticipating a cascade of negative consequences:

*“Well you feel like you're going to lose your place at nursery and then you won't be able to go to work and it does have a bit of a knock on effect doesn't it with your working life as well?”*

(Oldham, single claim, claiming for two children)

Parents reported feeling embarrassed that they had not been able to pay their childcare provider because of delayed payments due to administrative errors. Late payments also meant that participants needed to seek support from family and friends to cover their financial shortfall which made them feel uncomfortable.

### Household

Aside from negatively affecting parents' health and wellbeing, claiming the UC childcare element also had implications for parents' households. Parents spoke about reducing the amount of money they were able to spend on food and shopping for their family. For example, one parent struggled to afford to pay for her children's breakfast and lunch:

*“It doesn't make me feel happy, no... because it's not only affecting me; it's affecting my kids as well... sometimes if I'm really broke I have to give them £10 to go to school...They need lunch so if I'm really, really struggling I just have to give them £10 and that £10 you cannot have breakfast in school. Even for the whole [week], £10 is not enough.”*

(London, single claim, claiming for one child)

Managing the upfront costs of childcare each month led a group of participants to get into arrears with other financial commitments. This included withholding rent payments, or only partially paying the amount due. In turn, parents feared being taken to court.

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*“It’s stressing me because the rent is very important ... it’s stressful because I’ve never been in that kind of situation of thinking that I’ve got arrears to pay; they might evict me. But now I’m thinking all those sort of things and I’ve got three kids to look after, so it’s really worrying.”*

(London, single claim, claiming for one child)

The claiming process itself was perceived as challenging. For a group of parents, these difficulties were regarded to be insurmountable, meaning that alternate sources of childcare were sought, such as asking older children to babysit when possible to avoid the need to claim. The resultant pressure was then felt by older children in the household, meaning that they were unable to complete college work, or to socialise with friends at weekends.

## Attitudes to work

Claiming UC and the childcare element yielded unintended negative consequences for parents’ attitudes towards work. Views and experiences about UC payments generally and the UC childcare element were difficult to disentangle here. Parents described wanting to work additional hours or full-time but felt discouraged by the deductions they experienced to their UC in the following month. This was perceived to be demotivating and also made it difficult to pay for childcare and household expenses due to uncertainty over how much would be received from UC:

*“With universal credit, £1 over whatever it is you’re supposed to get it doesn’t prom[pt] people to work. I’ve worked with a lot of people who said they’re going to stop working because they can’t do overtime. They can’t do a lot of things. So they’d rather stay at home where they know they’re going to get money every month. So I don’t think it empowers people at all.”*

(London, single claim, claiming for three children)

Similarly, this was reflected in parents’ sense of the benefits of paid work. A group of parents reported feeling no better off in work financially, citing a range of other reasons as to why they chose to remain in employment, such as meeting other people, or for their own sense of identity:

*“When I’m working now, there is no more money .... I’m not working because of the money because you’re not getting anything.”*

(London, single claim, claiming for two children)

For others, the process of claiming the childcare element was perceived to be so difficult to manage, that parents considered leaving their jobs so that they did not have childcare costs to reclaim. Another group considered addressing these difficulties by seeking a full-time job with increased income, in the hope that they would no longer need the childcare element financially.

In contrast, parents who felt that when the childcare element was paid without any issues, they were better off in work financially. As outlined in Chapter Two, this group perceived the childcare element as a facilitator to their return to work:

*“It makes it a lot better for us to go out and work to know that we’ve got that childcare covered... Yes, I feel like for us it just enables us to go out and work and get that bit more money coming into the house and live life how we want to, not only how we can if that makes sense.”*

(Oldham, couple claim, claiming for one child)

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## Views and use of childcare

Parents' attitudes to work were interrelated with their views on and use of childcare. A group of parents wanted to continue working but considered removing their children from formal childcare to avoid the upfront payments. An example of this includes parents considering finding agency work, so that they could choose to accept or decline shifts on the basis of whether family or friends were available to look after their children.

*"I want to stop working like and join agencies, so when I'm working for an agency if I'm free I have a friend who will help me....I'm applying to some agencies, you know like agencies like when you are free you have someone to help you with the kids then you can work. That one is like you won't be claiming childcare. This is where I'm coming from."*

(London, single claim, claiming for one child)

The desire to stop using formal childcare due to the upfront costs was not shared by all participants. Other parents perceived there to be key benefits to their children attending formal childcare, instead of it just allowing parents to work. This included believing that nursery was important for a child's development.

Nevertheless, in some cases, parents felt as if they were a burden to childcare providers. This was particularly important where parents had either made special arrangements around fee payments or had ever been late to pay their fees. As a result, this group felt unwelcome at their nursery and worried that their provider might not continue accept their child. An example of this includes a parent discussing the difficulties associated with working for parents who were claiming the childcare element with their childcare provider:

*"Even the woman was telling me, she said, 'These people are very difficult.' That's why anyone that is with universal credit, they don't look after [the children]. They said because she always has problems with them or the payment ... because the universal service is not paying."*

(London, single claim, claiming for three children)

## 4.6 Views on amount reimbursed

Views about the adequacy of the UC childcare element varied between parents. At one end of the spectrum parents felt as if the amount was too little. For example, one parent felt that working was not worthwhile and implied the childcare element should cover 100 per cent of childcare costs:

*"It's like what they're paying, why am I working? I still need to make top-up, like their cheque that they're giving me is not enough. So let's say for example if they pay all of the childcare, that's fine, but they're not paying everything. They're paying about is it 85 per cent or so? So I have to pay the rest of the money."*

(London, single claim, claiming for two children)

At the other end of the spectrum, parents described being happy with the amount received, suggesting that the childcare element would be appealing and helpful to parents even if it was at a lower rate:

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*“I think any help towards it... People would go for it if it was 50 per cent. Any help that's going to help people out to work and not feel like you're having most of your wage taken off you... So I think it's a decent amount.”*

(Oldham, couple claim, claiming for one child)

Other views were mixed. Parents were appreciative of the amount, though would feel grateful if the coverage could be increased. In some cases, parents expressed understanding that it may not be possible for DWP to increase the amount. Parents views in this group varied as to whether they were financially better off in work or not. Among those who felt they may not be better off financially, cited other important reasons as to why they continued to work and claim the childcare element, such as enjoyment of work and to retain their identity beyond being a parent.

## 4.7 Summary

Experiences of claiming the childcare element of UC varied greatly between participants. Nevertheless, marked similarities were apparent across aspects of parents' claiming journeys, in terms of the impact on participants' personal and household situations, along with changes to their attitudes to work. The schedules of payment from UC, work income and the dates at which parents had to pay childcare fees were configured differently for all participants. Accordingly, parents' capacity to manage their payments within their given situation were dependent on a range of strategies. These showed commonalities across all parents, with negotiations with childcare providers and various financial strategies being predominant approaches. Parents were similarly affected by a range of issues, such as facing increased childcare costs during school holidays, and administration errors which resulted in childcare element payments not being made, impeding their ability to manage within the policy.

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## 5 Suggested improvements to UC childcare element

This chapter sets out the range of suggested ways parents felt the UC childcare element could be improved. Parents suggested improvements that can be divided into three broad categories:

- Improved communication
- More support for parents
- Design changes to the UC childcare element

The chapter concludes with parents' reflections of how the WTC and UC childcare elements compare.

### 5.1 Improved information and communication

Parents suggested that information and communication around the UC childcare element could be improved by providing:

- Comprehensive and clear information about claim process
- Proactive and responsive communication
- A dedicated childcare team at the Jobcentre or through the UC helpline

#### Comprehensive and clear information about the claims process

Parents called for all information available online, via work coaches and the UC helpline to be comprehensive, ensuring that the information provides responses to all possible questions or queries parents might have. Parents also wanted clearer information on the type of evidence they could submit online to receive their childcare payment; the type of financial support that could cover upfront payments; and clarity around the deadline for submitting receipts.

Parents transitioning from receiving financial support with their childcare costs via WTC to UC felt that there should be more information explaining the differences between the two systems.

*"I just got told that it would be a changeover. That was it. So I was waiting and waiting and waiting, no money, no money, ringing, ringing, ringing and that's now when they start to inform you that oh, it's going to take a while. It's a changeover. It's a this, it's a that."*

(London, single claim, claiming for one child)

#### Proactive and responsive communication

Parents who experienced issues receiving some of their UC payments, due to errors in submitting receipts or not finalising submissions using their online journal, would have liked proactive communication from DWP to inform them of errors. Once errors had occurred, it was often too late for them to be resolved easily, which meant parents did not have their childcare payment reimbursed.

Others felt that there should be an improvement to the speed at which queries were addressed via the online journal.

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*“They should have a timeframe that they need to get back to you within six hours or even 24 hours. That would be better.”*

(Oldham, single claim, claiming for two children)

## Dedicated childcare experts

There was frustration among some parents that work coaches at the Jobcentre and staff on the UC helpline often had limited knowledge of the childcare element. A suggested solution was to introduce a specialist team who could deal with childcare queries only.

*“Having somebody dedicated to deal with that side of things in the Jobcentre would be really useful and would put people's minds at rest, because sometimes people just want to talk and air their concerns and their worries or even if there was a Jobcentre that had a little group that got together.”*

(London, single claim, claiming for one child)

To increase the speed of response, others suggested that the UC helpline should have a dedicated phone number just for queries relating to the UC childcare element.

## 5.2 More support for parents

### Face-to-face support

Parents who had English as an additional language would have liked more face-to-face support when they began their claim.

*“Maybe send people to [Job]centres, somewhere they can really do the whole thing for them, not them having to go through the whole process, because it's so stressful ... I'm not born here; I'm a migrant. They should realise not everyone that has understanding to be going through all these kind of things.”*

(London, single claim, claiming for two children)

Face-to-face support would also have reassured parents, who had concerns or issues with the online submission function, that the claim had been accepted.

### Financial support

Access to financial support to help with upfront costs was also a given as a suggested improvement. This came from parents who were either told they were not eligible for a DWP loan, as they had accessed financial support earlier in the year, so could not get any more financial support. As well as parents who did not know that they could access financial support.

*“If they could offer you some sort of financial help when you first have to pay upfront. If they maybe could offer you some sort of, I don't know a loan. Maybe you could pay that back through universal credit. That would have helped me a lot if they'd said, 'We can give you this much amount and you can pay this much amount back monthly.' Maybe a bit more help in that month because it is really difficult.”*

(Oldham, single claim, claiming for two children)

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## 5.3 Design changes

A range of improvements to the design of the UC childcare element were shared by parents, including:

- Reduced waiting period
- Direct payments to childcare provider
- Regular payment dates

### Reduced waiting period to reimburse upfront costs

Those who had previously claimed the WTC childcare element reported that the waiting period between the end of WTC and the first month of UC should be reduced.

*“It's when you first set your thing up you've got to wait for the full month before you get anything. So it's that first month when your tax credits stop and you've got nothing. They should lessen the first month really.”*

(Oldham, single claim, claiming for two children)

*“Like how they used to do before. They just give you the money. Once you've provided all the information they want and they've done their checks, then they used to put the money straight in your account.”*

(London, single claim, claiming for one child)

As outlined in Chapter Four parents, including those who had previously claimed WTC, had to borrow money from friends or family or use credit cards to cover them financially when they first started working.

### Direct payments to childcare provider

Parents recommended that it would be easier if the payment went directly to their childcare provider and they paid the difference. It was perceived that this would reduce the administrative burden on parents having to submit the same information (for example receipts) each month.

*“The amount of times you have to do it and the amount of times you've got to go with your receipts or that is just... You think well you've got the nursery's registered number ... you know how long they're there for and how long they're going for, but then at the same time I understand you've got to prove you've paid it. That's why I think they should pay them direct.”*

(Oldham, single claim, claiming for one child)

### Regular and separate payment dates

Another recommendation was that UC childcare element should be paid more regularly, for example on a weekly basis. Parents felt this might help to mitigate the use of the childcare element payment for other household costs.

*“When you've lumped everything in, not everyone is as careful with money as they should be. So they'll see this lump sum, go on a wild spending spree and then forgetting that, oh damn! I've got this or that to pay. Even though it, thankfully, didn't happen to me but that's what kind of can happen.”*

(London, single claim, claiming for one child)

Alongside a regular payment date, it was suggested that the UC childcare element could be paid separately to the UC intended to top up their wages or cover their

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housing costs. Parents who received fluctuating wages suggested this would be particularly helpful. This group of parents did not feel it was fair that their childcare payments were affected by their increase in income. This perhaps demonstrates a lack of knowledge of the UC system; the intention is that a UC claimants income flexes with their income. This means if they begin to earn more, their UC payments will reduce.

## 5.4 Comparing WTC and UC childcare elements

For participants who had previously claimed the childcare element of WTC, views were expressed in favour of this system for a range of reasons.

### Addressing fluctuating income

Where parents had fluctuating income due to not working fixed hours, it was felt that WTC was better equipped to take this into account. This is because WTC was calculated across the year, meaning that parents could report their accurate income for this period. In contrast, fluctuating income on a monthly basis meant that it was difficult to anticipate how much would be earned in one month and accordingly, the amount of UC received in the following month.

*“They pay you throughout the year then they send you a form or you call them, give them everything that you are working for the whole year and if your annual payments. You give it to them. They work it out. If they have a bonus to give you, they give you. If they don't have anything to give you that's fine, but that doesn't stop them to pay, but for universal it's a very nightmare service for me.”*  
(London, single claim, claiming for three children)

In contrast, other parents with experience of claiming WTC disagreed. For these parents, the fear of having to make repayments to HMRC at the end of the tax year due to additional earnings meant that they UC regarded as an improved system:

*“You knew what you were getting every week but then if you did overtime at work they'd obviously bill you at the end of the tax year where this universal credit takes it off at the end of the month or the month after so you know you're not going to be billed with a big bill at the end of the tax year.”*  
(Oldham, single claim, claiming for two children)

### Clarity over payment amounts

Parents expressed different opinions about whether payment amounts under WTC or the childcare element of UC were easier to understand. For a group of parents, the consistency of WTC payment amounts across the year were deemed to be helpful, facilitating budgeting and money management:

*“I used to get my tax credits every single week and it's the same amount every week regardless because it's worked out over the year and not the month. So it's just easy. You know what you're getting paid. You know what is coming off bills. You know everything.”*  
(Oldham, single claim, claiming for one child)

However, other parents voiced a preference for the UC childcare element over WTC childcare element. Whilst both systems were perceived to be similar, it was suggested that UC payments are set out more clearly, showing how the overall amount was divided across each area of entitlement, such as housing benefit and childcare costs:

*“It's just the same as the working tax, but you get to see what you're getting. I understand it more because I can see it in front of me rather than your working*

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*tax and your child tax... so you know what to pay out to your rent and what you need to use out of your wage to top up your childcare.”*  
(Oldham, single claim, claiming for one child)

## Claiming process and waiting period

Views about the claiming process for the childcare element of UC were overwhelmingly negative, in comparison to WTC. Parents found upfront payments for childcare and waiting up to a month for reimbursement as very challenging. As a result of the transition from the WTC to the UC childcare element, parents described encountering financial difficulties which meant that they could no longer pay for childcare on-time, even where this had not been problematic previously.

Although some parents were aware that WTC covered up to 70 per cent of their childcare costs, whilst the childcare element of UC increased coverage to 85 per cent, WTC was still considered preferable, as it was easier to navigate. Parents explained this seemingly counterintuitive position in terms of finding UC to be problematic and burdensome. WTC was regarded to be less complex, and less prone to issues arising:

*“Although it is less percentage in childcare back, I think the whole overall getting it back is a lot easier. I think I'd prefer just for the simple easiness is just having the 70 per cent off the tax credits rather than the 85 off the universal credit, because of the way you have to go about it. If it was simple and you paid the first month and you got it back straight away and then you did the next one that would be a lot simpler, but it's not as simple as they make it out to be.”*

(Oldham, single claim, claiming for two children)

Nevertheless, for other parents, no differences were raised in their experiences of claiming the childcare element of UC, versus WTC.

## 5.5 Chapter summary

There were three key areas parents felt the UC childcare element could improve. The amount and accuracy of information, clear and responsive communication and dedicated teams who knew about the policy would put parents at ease during the set-up and claim process. Parents wanted access to face-to-face and financial support, where it had not been received. A number of design changes were suggested to improve parents experience of claiming the UC element, these included: a reduced waiting period after the initial payment to their childcare provider; direct payments to childcare providers and regular payment dates. Amongst parents who had previously claimed the childcare element of WTC, this process was preferred because they received consistent payments throughout the year and there was a short waiting period for reimbursement. However, the flex of the UC childcare element with income was welcomed, as parents were less at risk of being faced with high overpayments.

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## 6 Issues experienced with UC

This chapter describes the main issues or challenges parents experienced with their UC claim more generally. The following issues were raised by participants:

- Reduction in household income
- Managing monthly payments
- Paying rent directly

### 6.1 Reduction in household income

Parents who had previously claimed out of work benefits such as Jobseekers Allowance or Income Support, or WTC to supplement their income, observed that their overall income had been reduced since switching to UC. This had negative financial implications for parents. Parents described various ways coping with this reduction in income, such as asking older children to contribute to household bills or using credit cards to cover the shortfall:

*“I’m now living on the credit card. I don’t know the new system - unless maybe it’s something that they reduce this and the government I’ll pay it back, but now I’m living on credit card. If I tell you what I owe you’ll be shocked.”*

(London, single claim, claiming for one child)

### 6.2 Managing a monthly income

Parents who previously claimed Jobseekers Allowance or Income Support also cited that their biggest difficulty with UC was managing their monthly income. Parents described finding it easier to manage their income on a weekly or fortnightly basis.

*“... Even though I was budgeting before but it’s a lot harder than... When everything comes in and then everything goes out ...at least [before] you can say, ‘Okay, next week I’ve got this coming in; I can pay that bill next week.’ I can measure it out a bit, but now it’s more [difficult].”*

(London, single claim, claiming for one child)

Not all parents found monthly budgeting difficult. Parents explained that they were either used to budgeting their money across the month, because they had long work histories where they were paid monthly, or they had monthly mortgage repayments. There were also parents who had previously received Income Support on a fortnightly basis but now preferred the monthly payment system.

*“I prefer having it in one sum because I’ve put myself to the point where I can live without weekly. It comes to one point. It’s easier for me to separate it all to where it’s supposed to go to, bills, kids, work, whatever it is. It’s easy for me to process it that way.”*

(Oldham, single claim, claiming for one child)

### 6.3 Paying rent directly

An issue for some parents who had previously received housing benefit, which was paid directly to their landlord, was that they found receiving their rent directly via UC difficult. Parents explained that they had been tempted to use the income intended for their rent to pay for other costs. There were examples of parents who had fallen into rent arrears since switching over to UC.

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*“... it's stressful because I've never been in that kind of situation of thinking that I've got arrears to pay; they might evict me. But now I'm thinking all those sort of things and I've got three kids to look after, so it's really worrying, yes.”*

(London, single claim, claiming for two children)

## 6.4 Chapter summary

Parents who had previously claimed out of work benefits, tax credits or housing benefit reported difficulties coping with elements of the UC design, specifically managing a monthly rather than fortnightly budget and receiving rent, rather than having this paid to their landlord. This group also observed that their income had reduced since transitioning to UC, which made budgeting and managing the childcare element all the more difficult.

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## 7 Conclusion

Overall the experience of claiming the UC childcare element was found to be financially and emotionally challenging for parents and particularly difficult for parents who lacked any financial 'safety net' at the set-up or steady state stage of claiming the UC childcare element. Safety nets included loans from DWP, personal savings intended for their child's future and friends and family support.

The findings indicate that there are five areas of reform to better support working parents to make use of the UC childcare element:

- **Comprehensive information and guidance** on the:
  - specific eligibility criteria for claiming the UC childcare element,
  - childcare providers appropriate to use and covered by the subsidy,
  - different options parents can make use of to submit receipts, and the
  - length of time parents should expect to wait between paying the initial upfront costs and reimbursement
- **Targeted communication**, about the key differences between the WTC and the UC childcare elements, for current WTC childcare element recipients.
- **Training for Jobcentre and UC helpline staff** on the policy so they can respond with more clarity and detail to parents' queries.
- **Universal offer of financial support through DWP loans or budgeting advances** for all parents setting up the UC childcare element.
- **A fixed waiting period** between paying the first upfront childcare payment and receiving the first reimbursement from DWP.

Although the findings in this study are based on a small, purposively selected sample of parents, they provide in-depth insights into the experiences of parents claiming the UC childcare element in two areas of England. The number of parents claiming the UC childcare element is set to increase rapidly over the next couple of years, as parents using the WTC childcare element transfer over to UC. Further research may be necessary to explore the full range of personal and financial implications the UC childcare element is having on working families more widely. This research offers a valuable insight into parents' experiences and views of claiming the UC childcare element. It also provides policy makers with clear and practical suggestions that parents believe would help their claim process.