

## **Employers For Childcare information: The experience of children in poverty with no recourse to public funds**

### **About Employers For Childcare**

Employers For Childcare is a charity and social enterprise that supports families by campaigning to address the barriers that prevent parents from entering into, and staying in, the workforce. We address childcare as both an economic and a social issue and lobby for investment in our childcare infrastructure to benefit children and families, as well as the local labour market and economy. We undertake research which provides us with evidence to campaign on these and a range of issues relating to childcare, family and work. Most notably the ability of parents to access affordable, appropriate childcare and the impact this has on families, both financially and in terms of their well-being.<sup>1</sup> We also operate a Family Benefits Advice Service offering free, confidential and impartial advice and guidance on the financial support families are entitled to. Last year, this service helped over 8,000 people, and identified £12.6 million in additional financial support for parents.<sup>2</sup>

Through our work with families in Northern Ireland, we engage with migrant parents to help them identify the financial support they may be entitled to, both with the cost of childcare (if applicable) and more broadly.

### **Eligibility for financial support with the cost of childcare**

There are four main forms of support that working parents can access to assist with the cost of registered childcare:

- Childcare Vouchers (now closed to new entrants)
- Tax Credits (now closed to new claimants)
- Tax-Free Childcare
- Universal Credit.

Tax Credits (Child Tax Credits and Working Tax Credits) and Universal Credit are public funds, meaning that individuals who are subject to immigration control and have no recourse to public funds will be unable to access them. Similarly, it has been written into the legislation establishing the Tax-Free Childcare Scheme that a Tax-Free Childcare account cannot be opened by someone who is subject to immigration control with no recourse to public funds.

This was not the case with the Childcare Voucher scheme which operated via salary sacrifice, meaning that anyone who was employed and paying tax – provided they met the broader eligibility requirements – could receive financial assistance through the scheme for their registered childcare costs.

This poses a significant barrier to families in accessing and affording registered childcare, impacting on their children – in terms of their opportunity to benefit from developmentally enriching early education and childcare – and on their household finances, as parents may struggle to work as a result. In the case of Tax-Free Childcare – which is available to eligible families with a household income of potentially up to £200,000 per annum – families are missing out on financial support

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<sup>1</sup> <https://www.employersforchildcare.org/report/northern-ireland-childcare-survey-2020/>

<sup>2</sup> <https://www.employersforchildcare.org/report/social-impact-report-2019-20/>

covering 20% of their annual childcare costs. According to OECD data, the UK is the third most expensive country among its members for childcare.<sup>3</sup>

We strongly urge the Government to review the financial support it offers to families with the cost of registered childcare to ensure that this is available to all families, including those who have no recourse to public funds. This will enable those families to remain in work, and to continue paying tax and national insurance. Otherwise, families are at severe risk of being pushed into poverty, with a significant proportion of their household income being spent on registered childcare – particularly where they do not have a local family network to provide childcare. Alternatively, if families are simply unable to afford childcare then their children will miss out on the clear educational and developmental opportunities that come from attendance at high quality childcare at a vital time.

Set out below are case studies of parents who have contacted our Family Benefits Advice Service and have been unable to access financial support due to their immigration status (note that names have been changed to protect their identity):

**Case study 1:** Lina and Aleem are both subject to immigration control and have no recourse to public funds. Both are working, and they have two children. Lina and Aleem currently receive Childcare Vouchers however, should they change jobs, they will lose access to this and any support with their childcare costs. This is despite their significant contributions through the tax system.

*“If we change jobs we won't have access to any other childcare help however non-immigrant parents can access Tax-Free Childcare or other forms of support. Families like ours won't be able to afford the childcare we need, and one of us might end up having to quit work.”*

**Case study 2:** Belinda and her husband are working in the UK on a skills Visa and discovered that they cannot qualify for Tax-Free Childcare or Universal Credit due to their Visa restrictions (they have no recourse to public funds). Belinda and her husband both work and are paying taxes. Belinda was starting to look for a higher paid job to enable her to progress her career however, because of the closure of Childcare Vouchers to new entrants, if she moves jobs she will lose access to the scheme and have no support with her childcare costs. She therefore feels ‘locked in’ to her job for at least the next four years until her youngest child no longer requires registered childcare. If Tax-Free Childcare were available to parents who are subject to immigration control, this scheme would pay for 20% of the family's childcare costs.

*“Without support with my childcare costs I would not be able to work the hours I do. Childcare Vouchers have literally given me the freedom to do my job properly, knowing that I can afford quality childcare and my children are safe. However if I move jobs I will no longer qualify for any form of financial support. I'm devastated, because I was starting to look for a better paying job and now I am questioning whether I can afford to do so. It makes me angry that I am required to pay taxes and do so without complaint, and I'm allowed to vote, but I can't have the same childcare benefits... I am sure that mine is not the only family who is actually being penalised by the TFC system. This needs to be changed so that immigrants who are contributing to the economy can still access affordable childcare.”*

**Case study 3:** Kaya and her husband have one child, aged 19 months. Kaya and her husband are both working but are subject to immigration control. Neither Tax-Free Childcare nor Universal Credit is therefore available to this family. Their visas state that they have no recourse to public funds.

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<sup>3</sup> <https://data.oecd.org/benwage/net-childcare-costs.htm>

*“This makes me very angry, even though we are working and doing everything right, because of our visa restrictions we aren’t entitled to any help. I really don’t understand why, when we are paying taxes. Childcare may be just out of reach for us now.”*

### **Early education and childcare entitlement**

The 30 hours free childcare scheme in England offers eligible children aged 3-4 (whose parents are working and earning between a specified minimum and maximum amount) access to free childcare each year. However, the parent who applies must have one of the following:

- British or Irish citizenship
- Settled or pre-settled status granted under the EU Settlement Scheme
- A right to reside on 31 December 2020 if they are an EEA national or family member who qualifies to apply under the EU Settlement Scheme by 30 June 2021
- A form of immigration permission that is not subject to the ‘no recourse to public funds’ condition, such as indefinite leave to remain or refugee leave.

A parent will not meet the criteria if either parent is a non-EEA national and subject to immigration control, and has no recourse to public funds.<sup>4</sup>

### **Conclusion**

It is not right that working families who otherwise meet the eligibility criteria are prevented from accessing vital support with registered childcare costs because they have no recourse to public funds.

This is both a barrier to lifting families out of poverty, and a cause of further financial hardship within those families. There is also a real risk that families will find themselves unable to afford high quality childcare for their children, meaning that those children miss out on educational, social and developmental enrichment that helps to give them the best start in life. There is clear evidence that children who benefit from quality, enriching childcare achieve better educational outcomes and, over their lifetime, have higher earning potential.

We would urge the Committee to consider the importance of financial support with registered childcare costs for families who have no recourse to public funds as part of its ongoing inquiry.

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<sup>4</sup> <https://www.childcarechoices.gov.uk/guides/parents-eligibility-and-application/>