

# **STATES OF JERSEY**



## **CHILD CARE SCHEME FOR LOW INCOME FAMILIES: AMENDMENTS (P.173/2004) – COMMENTS**

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**Presented to the States on 23rd November 2004  
by the Employment and Social Security Committee**

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**STATES GREFFE**

## COMMENTS

The Committee believes that the States should reject the Proposition for 3 reasons: firstly, that benefit policy should support an early years strategy and not drive it (the Education, Sport and Culture Committee is currently working on such a strategy); secondly, the Committee notes that the potential additional cost is uncertain. As Deputy Southern points out; “it is equally difficult to predict what increased demand there will be”. It is unlikely that any additional funding would be forthcoming within the constraints of the 2005 cash limits. Lastly, the Committee has also been reviewing the Childcare Allowance system in the context of the new Income Support system.

As recently pointed out in R.C.48/2004 “Income Support System” –

*“Financial assistance with childcare is currently available through 3 different systems. Those who pay tax at the marginal tax rate can gain tax relief on their childcare payments that is worth approximately £34 a week. People who are beneath the tax threshold can claim either a childcare allowance for children in registered childcare who are under the age of 5 or can claim through the discount scheme administered through the Jersey Child Care Trust for children aged between 5 and 12. The current systems are based on the requirement that childcare is necessary to allow parents to find or maintain employment and therefore to remove the disincentive to work that childcare costs sometimes produce. There is a different point of view that suggests that childcare is beneficial to the child, and as such the requirement for parental work should be dropped.*

*The question of the individual responsibility to work in order to care for him/herself and his/her dependents is touched upon later in this report and is a key feature of the income support benefit. However, the requirement to work may be too rigid for an income support system which should reflect the difficulty that beneficiaries might experience in maintaining a childcare place after genuinely losing a job or during a bout of genuine long-term sickness. There is also the possibility that a childcare place may be necessary during periods of training or re-training geared to finding or maintaining employment. Such exceptional circumstances should be covered by an income support system.*

*As with rental subsidies, the cost of childcare does vary and therefore the level of assistance would have to meet an agreed level of a fair value of childcare costs.*

*The Education, Sport and Culture Committee are developing a Strategy for Early Years Education and Care. This will, of course, influence the future provision”.*

Having noted the information given in the report, the Committee believes that the following clarification and additional information may be helpful to members.

It is true to say that one of the drivers behind the introduction of the current Childcare Tax Relief and Allowance system was the economic argument that it would enable more women to return to the workforce and thus reduce numbers of workers coming into the Island. However, as Jersey already had a very high female participation rate, it was recognised that the impact would be marginal. Therefore, the emphasis was placed more on “making work pay” for the less well off and providing a “modest incentive” to those in the marginal tax band.

Behind this initiative was the aim of encouraging expansion of childcare provision (there were waiting lists at all nurseries at the time) and improving the quality of that provision. As a result, the Childcare Allowance and Tax Relief was to be given only where quality could be regulated and monitored, that is, to registered nurseries, crèches and childminders. Also, at the time, this scheme was designed to fit in with the Childcare Strategy of the then Education Committee. This included the intention of providing a nursery in each school so that all children age 3-5 in the Island could ultimately access free nursery education. In this respect, the Island was ahead of the U.K. and New Zealand governments as quoted in Deputy Southern’s report.

Another issue debated at the time was that of parental choice. The general view was that the system should give parents the choice as to whether they remained at home to care for the child or went to work. It was felt that the Family Allowance system, targeted as it was to the less well-off families, was the appropriate vehicle for creating

that choice. Since then, the Employment and Social Security Committee has also introduced 'Home Responsibility Protection' which ensures that the parent staying at home to care for children under 5 years has his or her Social Security contributions credited for up to 10 years in order to build up future pension entitlement.

Whilst there has not been a high uptake of the 0-5 year component of the Childcare Allowance, the 5-11 year "after school" subsidy element of the scheme has been very popular. This may well support the argument that some parents choose to stay at home in the early years and return to work when the child starts school. It is also known that an amount of informal care is provided within families.

The Childcare Allowance system is in fact currently subsidising about 700 places across the whole age group. In addition, there are over 970 claiming Tax Relief. In total, there are around 1,670 parents benefiting from the current system. In this respect, it should be noted that when the initial scheme was being set up, it was estimated that the total cost of both the tax lost through Tax Relief as well as the cost of Childcare Allowance would be around £2 million. In 2004, the estimated tax lost (based on 2003 income) and Childcare Allowance (0-11) system is estimated to be about £1.8 million in total. Specifically, the 2004 cash limit for the whole Childcare Allowance system is £669,000 (excluding administration costs) and a budget of £667,000 (excluding administration costs) has been inscribed in the Committee's cash limits for 2005 which would only be enough to maintain the current system.

In essence, Deputy Southern is proposing universal entitlement to childcare allowances for all low income families with children under 5 whether or not they decide to work. As can be seen from R.C.48/2004, the Committee believe it right to continue to link Income Support benefit subsidies to work, with more specific alleviations, and for more support to be targeted to those at the lower end of the income distribution scale rather than spread the money thinly across a wider group of people.

The Committee therefore cannot support the proposition.

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### **Re-issue Note**

These comments are re-issued because the version originally submitted to the States Greffe omitted the words "low income" in the penultimate paragraph.