STATES OF JERSEY

CHILD CARE SCHEME FOR LOW INCOME FAMILIES: AMENDMENTS

Lodged au Greffe on 12th October 2004
by Deputy G.P. Southern of St. Helier

STATES GREFFE

PROPOSITION

THE STATES are asked to decide whether they are of opinion −

to refer to their Act dated 27th April 1999 in which they approved a Scheme to make child care more available for low income families, and to their Acts dated 2nd May 2000 and 18th December 2001 in which they agreed amendments to the Scheme, and –

(a) to agree that with effect from 1st January 2005 the Scheme should be amended to remove the requirement that claimants must be employed or self-employed to receive benefits under the Scheme, and

(b) to charge the Employment and Social Security Committee to bring forward for approval amendments to the Scheme to give effect to the proposal.

DEPUTY G.P. SOUTHERN OF ST. HELIER

REPORT

There can be no doubt that throughout the world there is increasing recognition of the importance of improved provision of pre-school care and education in building healthy and successful individuals and communities. The U.K.'s commitment to a free place for every 3 and 4 year-old in the country is to be extended to 2 year-olds in the near future. The New Zealand government recently announced that every one of its 3 and 4 year-olds will soon be entitled to 20 hours' free education each week.

Locally, there will no doubt be a large measure of agreement with the statement made by the Jersey Child Care Trust (JCCT) in 2001, under the banner "The compelling case for good quality childcare" –

> *"High quality child care gives children an essential start in life and enables their parents to work or train".*

These sentiments are reflected in the recent endorsement by the States of the Strategic Plan 2005 to 2010. Under Strategic Aim 3– To enhance the quality of life, we find 3.6 – Aiming for a well-educated society:

> "*The States will ensure an integrated and sustainable approach to the provision of education"* the success of which will be indicated by *"An increase in the number of 3 to 5 year-olds receiving early years provision*."

The changes to current regulations contained in this proposition are intended to help transform these aims from wishes into reality.

History

In September 1996 a report from the States Working Party on Childcare highlighted the immediate and long-term benefits of high quality early years care and education.

> *"These include improved academic performance, enhanced social skills, a reduction in crime and antisocial behaviour, less need for remedial education and less unemployment. The positive effects are strongest in children from disadvantaged backgrounds. A cost-benefit analysis within the Report estimated a payback to society of £4,130 for every £1,000 invested in a high quality pre-school programme."*

The Report recognised the crucial role of childcare in fully utilising the workforce, reducing immigration and enabling full employment in addition to promoting a better future for the Island's children. Even a decade ago, it was already recognised that efforts to improve the quality of provision would push childcare out of the financial reach of families most in need.

The Report called for States intervention, and led to the establishment of the JCCT in November 1997 with the full support of the States.

As a result of Senator Kinnard's amendment to the Strategic Policy Debate of 1998, the Finance and Economics Committee was instructed to give tax relief for childcare costs from 1st January 1999.

The States duly passed proposition P.208/1998, Child Care Tax Relief and Child Care Allowance in October 1998, amended by Deputy M. Vibert to commence on 1st January 1999.

In the report accompanying the proposition, the Finance and Economics Committee identified the following principles for the grant of tax relief –

– to so subsidise child care costs as to act as a modest incentive to enter, or stay in work

– to subsidise child care of known quality

– to limit tax relief to those in the lower ranges of taxable income (those on marginal rate).

One of the eligibility conditions placed on the tax relief was that the claimant's income be in excess of £4,100, this being the level of the married woman's allowance at the time.

In its report, the then Finance and Economics Committee made no mention of the direct benefits to children, and hence indirectly to the community, from the provision of high-quality early-years childcare. The clear, perhaps sole, motivation of the Committee appeared to be economic; that of encouraging women into the workforce.

The Fiscal Review Working Group charged with developing this reform recognised that tax relief would have no impact on those below the tax threshold, and therefore proposed a Child Care Allowance (CCA) to give an equivalent subsidy to those on low incomes. It further proposed that both reforms must be introduced at the same time –

> "*The Employment and Social Security Committee's aim is to introduce the new system in the year 2000. However, the Fiscal Review Working Group felt strongly that it would be unfair to introduce child care tax relief next year in accordance with the States decision when those who do not pay income tax, and those whose need is likely to be much greater, would not receive any help until the following year. The Committee has therefore decided that a separate, interim child care allowance scheme should be introduced on1st May 1999, in the same year as the Child Care Tax Relief Scheme becomes effective.*"

The Employment and Social Security Committee was charged to prepare an Act to implement this allowance. This resulted in the Child Care Scheme Act 1999, passed by the States on 27th April 1999. This Act, R & O 9389, had as its aim -

> "*to establish a Scheme to make child care more available for low income families*".

I believe this Act has been extremely ineffective in meeting this aim, and I shall return to this below. At this point I draw members' attention to the "interim" nature of the scheme, which is now in its 6th year, and the fact that the Committee agreed to "hurry-up" its proposals. What the Committee did, in fact, was merely to copy the tax relief proposals. In the words of the report –

> "*It is proposed that the criteria for child care allowance should mirror those for child care tax relief.*"

Thus the eligibility rules for the allowance "mirrored" the minimum income criterion for relief –

> "*the income of the claimant from employment or self-employment during the calendar year in which the application for benefit is made is likely to be£3,027 or more;*

this sum being 80% of the earned income threshold for self-employed contribution purposes.

In their contribution to the report of P.208/1998 the Employment and Social Security Committee reinforce the encouragement to return women to the workforce –

> "*The committee's proposal is that the child care allowance should be based on the simple principle of 'making work pay'. It should encourage people to work and so reduce reliance on benefits. This is not to say that parents who stay at home to care for very young children should be discouraged from doing so. The current Family Allowance system is designed to support low income families whether they stay at home or go out to work and the committee believes that any new Income Support Scheme should do the same.*"

Current position: market penetration

The result is that we have 2 mechanisms to assist and enhance parents' access to under-fives' child care and education –

Child Care Allowance – for those 29% of families below the tax threshold; and
Child Care Tax Relief – for those taxpayers on marginal rate.

The 2003 estimates for the number of under-fives in the Island from the Statistics Unit show a total of 4,500 children, as follows –

Age	0 – 1	1 – 2	2 – 3	3 – 4	4 – 5	Total
Number	856	873	881	883	1,001	4,556

So, how successful have the child-care subsidies been in assisting parents into the workplace?

The distribution of all children across income bands revealed by the Income Distribution Study 2002 demonstrated that children are more likely to be found at lower incomes, as follows –

Number of children	Bottom quintile	Second quintile	Third quintile	Fourth quintile	Top quintile
15,310	29%	21%	18%	16%	16%

Assuming that the distribution of under-fives is similar, this would give 1,320 of them in the bottom quintile, well below the tax threshold, and thereby a minimum figure for those eligible for CCA. Similarly, on the broad assumption that most marginal-rate families will be found in the second and third quartiles, this would give a figure for these children, targeted by Child Care Tax Relief, of some 1,800.

Figures from the Income Tax department show that 1,628 claims were made for child care relief in 2003, of which 693 were over the marginal rate limit, which resulted in 935 qualifying for relief. This effectively means that some 52% of (marginal rate) tax-paying parents with under-fives are taking up the subsidy. This appears to be a highly successful policy.

The figures for CCA from the Department of Employment and Social Security paint a very different picture –

Year	1999	2000	2001	2002	2003
Number of beneficiaries	132	144	98	82	71
Expenditure (£,000)	444	668	771	716	786

One can clearly see a marked decline in take-up from a relatively low initial base. To draw a direct comparison between the 2 forms of subsidy, in 2003 CCA was down to only 5% penetration instead of the 52% achieved by childcare tax relief.

The child care allowance has signally failed in its prime aim *"to make child care more available for families on low incomes"*.

Child care costs

Costs will depend on the type of care and the age of the child. The following range of fees has been obtained from the JCCT –

Nursery place:	age 0 – 2	£5.00 per hour
	age 2 – 3	£4.50
	age 3 – 5	£3.50 – £4.00

Childminder: between £5 and £7 per hour.

Full-time care, say, from 8 a.m. to 5.00 p.m., 45 hours per week, will therefore cost between £160 and £225 weekly.

Examples of typical families in this low-income range are given alongside the current CCA scales are shown in Appendix 2. A couple who are both are working on minimum wage will each earn around £10,000 a year or £200 weekly. Members will note that the second earner's wages would be swallowed up by the cost of full-time childcare apart from the £50 of CCA received.

The single parent enabled by CCA to come off welfare to work part time, say 25 hours per week on minimum wage, is likely to be no worse off. A single parent with greater skills, enabling earn better rates, say £7 per hour, would see a marked improvement in her standard of living.

In terms of the cost to the States of the CCA scheme, analysis of the £786,000 for the current scheme in 2003 shows that only £330, 000 went to under-fives, with some £360,000 to assistance for 5 to 12 year-olds, and £97,000 for administration. This is an average of £90 per week per applicant.

Current position: case studies

To illustrate for members why the Child Care Allowance Scheme is so ineffective, and so that they might understand how the system operates on the ground, I include 2 case histories here. Both involve single parents, but could equally apply in most respects to couples, married or otherwise.

Parent A

Parent A gave birth to twins in 2002. The father had left some time previously, but in any case due to his involvement with drugs, the mother did not want him around the children. She and the children were on parish welfare, but she was determined not to be totally dependant on welfare if she possibly could.

In January 2004 following the twins' 2nd birthday, parent A asked the parish to support 2 places (mornings only) in the parish nursery to enable her to seek work. The parish agreed an initial period of 4 weeks, on the assumption that should she find work, she could then apply for CCA to pick up the costs. During this period she applied diligently for a wide range of possible work, including a previous employer with whom she had trained in data input. They said that there would be opportunities coming up and put her high on their list. Parent A enjoyed her mornings away from the twins. She became less stressed. The twins settled down in nursery, and blossomed both socially and linguistically.

On 4th February she was informed at a welfare panel attended by her Deputy that funding for the nursery places would be stopped. After some persuasion on the part of her Deputy, the funding was extended to 16th February. She appealed the case through her Deputy to the Connétable. The day before the appeal was to be heard she received confirmation of a start date from her previous employer. She started work on 15th March on a part-time contract of 8 weeks' duration. She applied for and received CCA during this time.

At the end of the contract on 12th May, she requested and obtained a 2-week extension from the Social Security Department. On 20th May a request was made on her behalf that the parish continue funding the nursery places. This was refused. Following a phone call from her Deputy, the DESS extended CCA by a further 2 weeks until 11th June. On 17th June her Deputy took the case to an Appeal Board of the Comité des Connétables, who expressed their sympathy but restated the position that funding for child care was not in their remit.

At the time of the appeal the twins' nursery places were being supported with a grant from a children's charitable organisation. Following the appeal, the parent was finally offered a position involving data input on the parish work scheme, enabling her to receive CCA.

She has now been offered a permanent part-time data input position with the same previous employer. She starts on 11th October.

I have since been informed by a senior official the Department of Social Security that officers have the discretion to extend the child care allowance to a period of 8 to 10 weeks, the average time it takes to find work following job loss. However, the advice from those members of staff who deal with members of the public in the Family Section is still that discretion to extend CCA is limited to 4 weeks maximum.

Parent B

Parent B has a 2 year-old daughter. She was receiving some maintenance from the father but this ceased when he left the Island. After the birth of her daughter she worked part-time as a shop assistant for some 12 months. During this time she received CCA, which she used to employ a registered childminder. In September 2003 when the childminder became pregnant, parent B had to stop work and went on parish welfare. In January 2004, the parish agreed to fund a place (mornings only) for her daughter in the parish nursery, to enable her to seek work.

On Monday 22nd March, she was told that her daughter's nursery place would be withdrawn on Friday 26th. Despite intervention from her Deputy and her G.P. drawing attention to her history of serious depression, after an appeal to the Connétable, the nursery place was withdrawn on 23rd April.

Welfare suggested that she approach the Children's Office to secure funding for the nursery place through a charitable organisation. Parent B had an interview with a Children's Officer on 29th April, where it became clear that –

– the children's office would refer her case to a charity; but

– the charities concerned were themselves under financial pressure;

– neither parent or child was seriously "at risk" in comparison to others;

– and, in any case, any funding would be short-term.

Given the prospect of a further temporary placement, when her daughter was already showing distress over the changes she had been put through, parent B decided not to pursue this option. She did go through a bout of depression, but has since recovered. She remains unemployed. I understand that she intends to take up an offer from a friend to move to France permanently in October. I have no doubt her daughter will soon find a place at the nearest *Ecole maternelle.*

Child care today – the case for change

As a past president of the Jersey Teachers' Association, I have long recognised the importance and significance of high quality pre-school childcare and learning. Whilst the direct economic arguments (adding to the workforce) have hitherto predominated in the case for subsidised pre-school care in Jersey, there is increasing evidence that the long-term benefits of such provision are significant both to our children and to our community. This proposition takes another step towards recognition of the importance of pre-school provision.

There can be no doubt that pre-school childcare and education has been a growth area in recent years. The Jersey Child Care Trust (JCCT) in its Five Year Strategy for Child Care 2002-6, reported a 50% growth since 1996. The current number of places of various types of provision is as follows –

Type of care	Day nursery	Playgroup	Childminder	States nursery	Total
Number of places	693	421	247	491	1852

The total of places represents 40% of the under-five population. In terms of the comparator used in the KPMG benchmarking excercise, the percentage of 3 – 4 year-olds who have access to free early years education, however, Jersey is in the lower quartile and records a red warning light –

Measure	Jersey performance	Lower quartile	Median	Upper quartile
Children aged 3 – 4 with access to free education %	33	51	60	66

There is clearly room for improvement.

It is also clear that child care provision in Jersey is expensive. The JCCT in its Child Care Survey 2000 states –

> "*Families are paying too much for child care – especially lower income families. Families earning less than £15,600per annum paid about 25% of their gross income on child care.*

The JCCT in their review of Strategy "Two Years On" highlight 4 areas as priorities–

– **Reviewing all the child care allowances**. Research shows that parents still want accessible affordable childcare. The numbers of parents claiming CCA in particular is extremely low, with each childcare facility having less than 2 parents per setting on average claiming the benefit There is evidence of single parents who are paying 50% of their net income on childcare. This would indicate that the allowances are not having the originally desired impact.

– **Hard-to-reach families**. Through discussion with community professionals (we recognise) there is a need to engage with these families and to provide the support they require. Children who are identified as being in need are those who are most likely require good quality childcare. Research shows that the combination of childcare and education is particularly beneficial to this group.

– **Work-life balance issues.** Parents and carers need help and support to facilitate their children's development, and to get the balance of work and family life right.

– **Single-parent families.** Support for single parents, who form a large section of society, and in particular those reliant on parish welfare payments, must be a priority.

Also from the Childcare Survey 2000, the JCCT highlight education opportunities –

– **Study.** More than half of non-working parents would like to study for further qualifications to improve their employment prospects – if childcare was available (and affordable) while they studied.

This proposition will address the failure of the current Child Care Allowance to achieve its prime aim*: To make child care more available to low-income families.*

The removal of the requirement to be in work from the entitlement criteria will undoubtedly improve availability of childcare, by –

- enabling parents more efficiently and effectively to seek work;
- allowing parents to study to improve skills and qualifications;
- permitting access to those hard-to-reach children in greatest need, who research suggests would benefit most;
- allowing continuity of care provision to be maintained in a sector where employment is often short-term or unstable;
- improving the quality of life for parents and children on low incomes.

This proposition makes no attempt to address the question of the level at which CCA is set, although this, too, must have an effect on take-up of the scheme; nor does it change the mechanism for calculating the amount of allowance due. It is noted from Appendix 2 that the transition from CCA to Child Care Tax Relief at the tax threshold is a smooth one for couples, but produces a sharp reduction in benefit for single parents, from around £3,000 to £1,660 over a year.

For convenience I have set out in Appendix 1 how the Act would need to be amended to give effect to my proposal.

Financial and manpower considerations

Back in 1998 the then Finance and Economic Committee stated "the cost of granting this allowance is impossible to estimate". The committee made £2 million available and suggested that administering the scheme would require two additional members of staff. The scheme only delivered £330,000 last year for under-fives. It is equally difficult to predict what increased demand there will be. Re-instatement of the original £2 million funding would enable some 420 families to benefit, assuming similar income levels. This would mean a take-up of around 30% of eligible families. It is difficult to predict how rapidly this level might be attained, but expansion of the scheme would, of course, be limited by the rate at which the number of childcare places grows. Any need for additional staff would be similarly constrained.

APPENDIX 1

CHILD CARE SCHEME ACT 1999[1]

Act to establish a Scheme to make child care more available for low income families

---

STATES OF JERSEY

The 27th day of April 1999

THE STATES, adopting a proposition of the Employment and Social Security Committee, have made the following Scheme –

THE SCHEME

Purpose of this Scheme

1. The purpose of this Scheme is to benefit families on low incomes by helping them with child care costs where they cannot benefit from an income tax child care allowance.

Meaning of terms used in this Scheme

2. In this Scheme –

"child care" means child care provided to a child of an eligible family where the child is under the age of 5 years and the care is provided by a nursery or child-minder registered under Article 68 of the Children (Jersey) Law 1969;

"Department" means the Employment and Social Security Department;

"eligible family" means a family which is eligible to receive benefits under this Scheme by virtue of [Article] 4;

"family", in respect of a claimant, includes the claimant, the child or children receiving child care and any person the claimant is living with in a family arrangement whether or not the spouse of the claimant and whether or not of a different sex from the claimant;

"income of the family from all sources", in respect of an eligible family, does not include a benefit paid to any member of the family by the States which is not compensation for a loss of income.

Administration of this Scheme

3.–(1) This Scheme shall be administered by the Department.

(2) The Department shall appoint one of its officers to be a "determining officer", to determine eligibility to benefits under this Scheme, and a more senior officer to be a "reassessment officer", to reassess any decision made by the determining officer where a person believes the decision to be wrong.

(3) The determining officer and the reassessment officer may be assisted in carrying out their duties under this Scheme.

Eligibility for benefits under this Scheme

4.–(1) A family shall be eligible to receive benefits under this Scheme if –

(a) at the time the application for the benefits is made the claimant has the lawful custody of the child or children receiving the child care;

(b) the claimant and the child or children receiving the child care (if more than 6 months old) have all been ordinarily resident on the Island for a continuous period of at least 6 months when the application is made (although absences during that period totalling 28 days or less are not to be taken as breaking the continuity of the period of ordinary residence);

~~**(c) the income of the claimant from employment or self-employment during the calendar year in which the application for the benefit is made is likely to be [£3,914] or more;**~~

~~(d)~~(c) the income of the family of the claimant from all sources during the calendar year in which the application for the benefit is made is likely to be less than the minimum amount which would require any member of the family to pay income tax in respect of that income.

(2) Despite a family complying with the requirements of paragraph (1), it ceases to be an eligible family if the claimant is absent from the Island for more than 28 days during any period of 6 months.

Amount of benefit

5.–(1) The maximum amount that may be provided each week under this Scheme in respect of a child of an eligible family shall depend upon the likely total income of the family from all sources during the calendar year in which the benefit is to be provided but in no case shall more than [£220] a week be provided under this Scheme in respect of the cost of child care incurred by an eligible family.

(2) The maximum amount that may be provided each week in respect of a child of an eligible family shall be calculated on a sliding scale between a maximum amount of [£110] if the income of the family from all sources is likely to be [£4,406] **or less,** down to a minimum amount of [£31.80] if that income is likely to be [£24,680] or more (but still less than the amount upon which any member of the family would be required to pay income tax) and is the amount which bears the same relationship to those maximum and minimum amounts as the likely total income of the family from all sources bears between [£4,406] and [£24,680] (except that if the income of the family is likely to be more than [£24,680] it is to be taken to be [£24,680]).

(3) Subject to paragraph (1), the amount to be provided in any week under this Scheme in respect of a child of an eligible family shall be –

(a) the actual cost incurred during that week by the family for child care for that child; or

(b) the amount calculated in accordance with paragraph (2), being whichever amount is the less.

(4) The determining officer must keep the amount calculated in accordance with paragraph (2) under review (and in any event must review that amount at least once in any period of 6 months) and on each review must make such adjustments to the amount as he considers appropriate having regard to any changed circumstances of the eligible family.

Duties of determining officer

6.–(1) Before authorizing benefits under this Scheme in respect of an eligible family the determining officer must satisfy himself –

~~**(a) that during the calendar year in which the benefits are to be provided the income of the claimant from employment or self employment is likely to be [£3,914] or more;**~~

~~**(b)**~~**(a)** that during the calendar year in which the benefits are to be provided the income of the family from all sources is likely to be less than the minimum amount which would require any member of the family to pay income tax; **and**

~~**(c)**~~**(b)** that the child care to be provided in respect of a child or children of the family is adequate and necessary and is to be provided at a reasonable cost having regard to the cost of child care in general.

(2) The determining officer may delay authorizing the provision of child care benefits to a family until he has received sufficient evidence to satisfy him that the benefits may be properly provided to the family in accordance with this Scheme.

Duties of reassessment officer

7.–(1) The reassessment officer shall reassess a decision of the determining officer under this Scheme on the application of any person with an interest in the decision.

(2) The decision of the reassessment officer on a reassessment carried out in accordance with paragraph (1) is final.

Provision of benefits

8.–(1) The Department shall ensure that benefits under this Scheme are provided in accordance with the decisions of the determining officer or, on reassessment, the reassessment officer.

(2) In so far as possible the benefits in respect of an eligible family shall be provided by way of payments to the person who provided the child care to the family and shall be paid upon presentation by that person to the Department of appropriate accounts containing details of the child care provided.

(3) Benefits under this Scheme shall be paid monthly by electronic transfer or, where this is not possible, by cheque.

Cost of Scheme to come from General Revenue of the States

9.–(1) Benefits under this Scheme shall be provided from the General Revenue of the States.

(2) The cost to the Department of administering this Scheme shall be borne by the General Revenue of the States.

Commencement of this Scheme

10. This Scheme is to be taken to have commenced on the first day of January 1999 and the payment of benefits under it are to be made accordingly.

APPENDIX 2

EXAMPLES OF WEEKLY RATES OF CHILD CARE ALLOWANCE

nnual ncome	**Maximum weekly payment for each eligible child under 5**	**Total Annual Subsidy**	**Typical examples**
	£110.00	**£5,720**	
	£110.00	£5,720	
	£107.71	£5,600	
	£103.85	£5,400	
	£99.99	£5,200	£7,800 – welfare – Single parent plus child. £7300 – Disability benefit.
	£96.14	£5,000	
	£92.28	£4,800	£9,360 – Couple/**genuine** lone parent on welfare
	£88.42	£4,600	£9,980 – 40-hour week on minimum wage of £4.85 per hour
	£84.57	£4,400	
	£80.71	£4,200	£12,150 – Couple on Invalidity/disability/ sickness benefit
	£76.85	£3,996	
	£72.99	£3,795	
	£69.14	£3,595	
	£65.28	£3,395	
	£61.42	£3,194	
	£57.57	£2,993	
nt max. 18,020	**£57.49**	**£2,990**	
	£53.71	£2,793	
	£49.85	£2,592	£19,970 – Couple – both working 40-hour week on minimum wage
	£45.99	£2,391	
	£42.14	£2,191	
	£38.28	£1,990	
ximum 24,680	**£31.80**	**£1,654**	
ate tax Child	**Child Care Relief (£6,150 x 27%)**	**£1,660**	

[1] *This copy of the Act reflects amendments made in 2000 and 2001*.