

October 9, 2009

THE TRUE DEVASTATING COST OF GORDON BROWN'S CHILDCARE U-TURN

AS tens of thousands of parents across the country protest against plans to scrap childcare vouchers – the devastating cost of Gordon Brown's childcare U-turn is today revealed:

- Higher rate taxpayers will see childcare costs rocket by 28 per cent if both are currently taking advantage of the popular scheme.

Two parents claiming tax relief can save £2,390 annually on childcare. Annual research from the Daycare Trust shows the average cost for a full time nursery place for a child under two is £167 a week in England – an annual total of £8,684 and a five per cent increase on 2008. **[1]**

- Scrapping vouchers will also leave British businesses £130 MILLION poorer each year **[2]** as they can no longer benefit from National Insurance savings. The Federation of Small Businesses this week described the scheme as “vital”. **[3]**

The Government itself concluded: “Employer Supported Childcare does not only provide financial help with the costs of childcare. It also has wider benefits for all involved, including improved staff retention, reduced absenteeism and a more motivated workforce.” **[2]**

- Basic rate taxpayers will also suffer – as the Government's own research showed that 60 per cent of users of the scheme were basic rate taxpayers **[4]**

Pressure is mounting on the Government to back down from the plans. A petition launched to pressure Gordon Brown into reversing the policy is now the fastest growing on the Downing Street website – with tens of thousands of new signatures each day.

[\[http://petitions.number10.gov.uk/keepvouchers/\]](http://petitions.number10.gov.uk/keepvouchers/)

Paula Doran is a mother who uses childcare vouchers. She works in a solicitor's office in Liverpool. She said:

"Gordon Brown's announcement to scrap childcare vouchers will seriously affect my family's ability to pay for childcare - to the point where it would probably stop me or my husband from going to work".

"I don't understand why working families like mine have to suffer. I thought the Government wanted to encourage more families to work not less".

"This will definitely affect who I vote for at the next General Election".

Sarah McGladrigan, owner and manager of Cliff House Nursery School in Preston, Lancashire said:

"Gordon Brown needs to do his sums. Many children will be withdrawn from daycare by parents who can't afford to work, so that parents who aren't working can access a very limited 10 hours per week of free childcare".

"I don't see why the majority has to suffer so that the minority gets a headline grabbing 10 hours of free care per week. It is Middle England propping up everyone else".

Simon Moore, managing director of Computershare Voucher Services, the country's largest vouchers provider, said: "Gordon Brown has, seemingly without consideration, proposed a plan that will make it incredibly more difficult for parents across the country to pay for childcare.

"The first result of this policy will be for tens of thousands of parents to decide not to return to work after starting a family because they cannot afford childcare.

"Businesses will suffer, childcare providers will be hit and – to top it all – it will not even help the less well off in society – as 60 per cent of users are basic rate taxpayers who will also now struggle.

"It is a shockingly ill-conceived proposal."

Editor's Notes:

Background:

What is the Government planning to do about Childcare Vouchers?

- After April 2011, there'll be no tax breaks on new Childcare Voucher schemes which are set up, so they will once again become a cost to employers as they were in 1999
- After April 2011, no new employees will be able to join existing schemes and benefit from tax breaks
- After April 2015, all old schemes will lose the tax breaks for people who were members before April 2011 – which means that at that point, employers will stop offering existing schemes

[1] – Day Care Trust Childcare Costs Survey 2009:

http://www.daycaretrust.org.uk/data/files/Policy/costs_survey_2009.pdf

[2] – Next Steps for Early Learning and Childcare: Building on the 10-Year Strategy:

http://www.cabinetoffice.gov.uk/media/120944/early_learning_childcare_main.pdf

[3] – FSB response to Gordon Brown announcement: *"Childcare vouchers help employers and employees manage the difficult balance between work and childcare, cutting costs for mothers and allowing them the flexibility they need. They are vital to small businesses who can't otherwise subsidise childcare without incurring financial penalties. If the Government is serious about addressing equality and the gender pay gap it won't stop this vital scheme."*

[4] – NatCen Research for HMRC – Monitoring the Reform of the Income Tax and National Insurance Rules for Employer-Supported Childcare

<http://www.hmrc.gov.uk/research/report23-final.pdf>

About Computershare Voucher Services

Computershare Voucher Services acquired Busy Bees Voucher Services in September 2008. We are responsible for the administration, management and development of childcare vouchers, an employee benefit available to all eligible working parents. Once an employer is registered with childcare vouchers, parents are entitled to exchange a part of their salary for vouchers. This part of their salary is exempt from tax and National Insurance contributions. Childcare vouchers are National Insurance exempt for employers.

For more information visit: www.busybeesvouchers.com

About Computershare Limited (CPU)

Computershare (ASX:CPU) is a global market leader in transfer agency and share registration, employee equity plans, proxy solicitation and stakeholder communications. We also specialise

in corporate trust services, tax voucher solutions, bankruptcy administration and a range of other diversified financial and governance services.

Founded in 1978, Computershare is renowned for its expertise in data management, high volume transaction processing, payments and stakeholder engagement. Many of the world's leading organisations use these core competencies to help maximise the value of relationships with their investors, employees, creditors, members and customers.

Computershare is represented in all major financial markets and has over 10,000 employees worldwide.

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