



# CPAG'S AUTUMN STATEMENT REPRESENTATION

October 2023

## Summary of recommendations

- **Invest in children by increasing social security benefits.** There are 4.2 million children living in poverty in the UK so this would be a highly cost-effective investment – it reduces child poverty immediately and leads to improved education, employment and health outcomes, including life expectancy.
- Over time, benefit freezes, sub-inflationary upratings, and other harmful policies have increased the gap between entitlement and need. **Scrapping the two-child limit and removing the benefit cap** would make the most difference to children living in poverty.
- **Raise child benefit by £20 a week** – this would substantially reduce child poverty and help low- and middle-income families who have been struggling with the cost of living.
- **Roll out universal free school meals across England** – supporting pupils' learning and attainment, and reducing the pressure on household budgets.

These measures would all reduce the extent and depth of poverty, but there are also some immediate steps that need to be taken to **ease cost of living pressures** and **ensure child poverty does not rise further**:

- **Social security benefits need to be uprated in April 2024 by, at least, September 2023 CPI.**
- **Reduce the monthly cap on deductions** to 15 per cent of the standard allowance and introduce a DWP deduction cap of 5 per cent (in-line with the private sector).
- The **local housing allowance (LHA) freeze needs to be lifted**, so that housing support accurately reflects the prices renters are paying (the benefit cap must also be lifted to ensure all households receive support).
- The government must commit to **further funding for the household support fund**, which is due to run out of funding in March, alongside a long-term strategy for local crisis support.

In addition to these actions, which would make an immediate difference to children and families living in poverty, the government should ensure that plans to tackle economic inactivity meaningfully help parents and carers into work:

- Second earners in households claiming universal credit (UC) should feel the financial benefits of working, by introducing a **second earner work allowance**.
- Lead parents and carers in households claiming UC should be able to access **tailored employment support**.
- **Many low-income families include someone who is ill or disabled**. Proposed changes to disability benefits<sup>1</sup> designed to encourage people into work must not restrict access to these benefits, which so many families rely on.
- Childcare is a significant barrier that prevents many parents and carers from working. In the long-term, provide a high quality publicly funded **universal childcare system**. In the short term, remove work requirements from funded childcare, invest in extended schools, and increase the generosity of childcare support provided through UC.

## Evidence on child poverty

It is impossible to understate the importance of poverty for general living standards. **People living in poverty are in worse health, get less education, have lower well-being and their life expectancy is much shorter.**<sup>2</sup> Fortunately, a large body of evidence demonstrates that governments can reduce poverty and, in doing so, have a significant impact not only on incomes but other key outcomes.

### What affects the poverty rate?

Trends in child poverty over the past two decades provide clear evidence of what affects the number of households in poverty. From 1999/00 to 2004/05 there was a large reduction in relative child poverty, primarily due to large increases (above the rate of earnings growth) in entitlement to social security. For instance, over this period, a lone parent in part-time work with one child saw the cash value of their benefits increase by nearly 50 per cent.<sup>3</sup> Then from 2004/05 to 2007/08, relative poverty rose as social security was only increased in line with inflation, despite there being strong economic growth.<sup>4</sup>

From 2007/08 to 2010/11 there was a fall in child poverty, as the recession led to a reduction in median income. Then since 2010/11, child poverty has risen again, as the UK government now spends **£42 billion a year less** on social security than it would have spent if cuts, freezes and other changes since 2010 hadn't happened.<sup>5</sup>

<sup>1</sup> Department for Work and Pensions, [Work Capability Assessment: Activities and Descriptors Consultation – Consultation Paper](#), 2023

<sup>2</sup> GJ Duncan, KM Ziolo-Guest, A Kalil, [‘Early-childhood poverty and adult attainment, behavior, and health’](#), *Child Development*, Jan 81(1), 2010, pp306-25

<sup>3</sup> M Brewer and others, [Child Poverty in the UK since 1998-99: lessons from the past decade](#), Working Paper 10/23, Institute for Fiscal Studies, 2010

<sup>4</sup> As median income rose by more than low-income households' income.

<sup>5</sup> Author's calculations from the Policy Measures Database, March 2022. The sum of all policies in the 'Social security benefits', 'Tax credits', 'Welfare inside cap' and 'Welfare outside cap' categories for 2022/23, except 'Devolving disability benefits to the Scottish government.' These policies cover all policies announced from the 2010 Budget to the 2022 Spring Statement. As such they do not cover the recently announced emergency cost-of-living policies. However, these recently announced policies would only slightly reduce the total amount lost since 2010 and they are temporary, whereas the extensive cuts to social security are permanent.

The importance of social security is also exemplified by the Scottish government's recent approach. The introduction of **the £25 per week Scottish child payment**, among other policies, is **forecast to reduce child poverty in Scotland in 2023/24 by record levels**.<sup>6</sup>

A key factor in the initial reduction in child poverty across the UK and the reduction in Scotland was a commitment to a **child poverty strategy with poverty reduction targets**. While a poverty strategy for the 2020s needs to respond to the new challenges we face today, it needs to emulate the leadership, resources and targets that enabled success in the past. It needs to centre on a commitment to end child poverty that is shared across government departments, works in tandem with devolved administrations and is echoed in local authorities. To ensure that child poverty work is coordinated, a dedicated team in 10 Downing Street should oversee and drive the work forward.

### The impact of higher social security

Aside from the obvious potential improvement in current well-being by giving low-income families more income, there is a growing body of research that looks at the impacts of higher social security in childhood on child and adult outcomes. Studies have shown that there is a **causal link between higher benefits in childhood and improved health, education, employment prospects and even life expectancy**.<sup>7</sup> More recent work has focused on valuing the combined effect of these impacts, finding that increasing social security for low-income families is a **highly cost-effective investment** for the government.<sup>8</sup>

## Policies to address child poverty

The cost of living crisis has highlighted the inadequacy of the social security system. Increasing the overall adequacy of social security benefits should be a key objective of any government. Nonetheless, there are particular policies that would make the most difference to child poverty and represent the best investment for the government.

### Re-establish the link between need and entitlement

The value of benefits has no direct link to the costs faced by low-income households. Over time, benefit freezes and sub-inflationary upratings have **increased the gap between entitlement and need**, leading to rising poverty.

In order to stop the gap between entitlement and need growing even wider, **benefits need to be updated in April 2024 by, at least, September 2023 CPI**. Next year, prices are forecast to be 25 per cent higher than pre-COVID

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<sup>6</sup> Scottish government, *Child poverty annual progress report: statement*, 2023

<sup>7</sup> H Hoynes, DW Schanzenbach and D Almond, '*Long-run impacts of childhood access to the safety net*', *American Economic Review*, 106(4), 2016, pp903–34

<sup>8</sup> M Bailey and others, '*Is the Social Safety Net a Long-Term Investment? Large-Scale Evidence from the Food Stamps Program*', NBER Working Paper No. 26942, April 2020

(earnings 27 per cent higher), while benefits up until 2023/24 have only risen by 16 per cent.<sup>9</sup> Therefore an **increase of 8 per cent is needed to stop a real-terms cut.**<sup>10</sup>

The gap between entitlement and need is true for all households across the social security system, but there are some households who fare particularly badly, as they **do not receive their full entitlement** to meet the different characteristics of their household. There are various policies which cause this mismatch including the **two-child limit, the benefit cap, deductions** and the **LHA freeze**.

The most cost-effective way to reduce child poverty would be to **scrap the two-child limit**. Currently, 1.5 million children are living in households affected by the policy, the vast majority of whom live in poverty.<sup>11</sup> Scrapping the two-child limit would lift **250,000 children out of poverty and mean 850,000 children are in less deep poverty, at a cost of only £1.3 billion.**<sup>12</sup> The policy has been shown to have a negligible impact on the number of children parents decide to have,<sup>13</sup> meaning the only real effect of the policy is to take money out of the pockets of low-income families and drive up child poverty.

**Removing the benefit cap** would help some of the most vulnerable families across the country. While we welcomed the decision last year to uprate the benefit cap in line with the rest of the social security system, there are still projected to be 100,000 households affected by the cap in April 2023.<sup>14</sup> Most of these capped households sit far below the poverty line. Removing the benefit cap would **substantially reduce the depth of poverty for the 250,000 children** living in families affected by the cap, and cost just £300 million.<sup>15</sup>

Official figures show there are **2.3 million children (51 per cent) in households on UC which are having debt deductions** from their benefits, forcing them to live on significantly less than their entitlement.<sup>16</sup> The average per-household monthly deduction is £75 - working out as £84 million a month or **£1 billion a year being taken away from low-income families**. This puts an unnecessarily large additional burden on already precarious finances, as this case from CPAG's Early Warning System (EWS) shows:

<sup>9</sup> Benefits are based on the annual uprating of 1.7%, 0.5%, 3.1% and 10.1% in April 2020, April 2021, April 2022 and April 2023 respectively. Prices up to 2023 Q2 come from Consumer Price Index, ONS. From 2023 Q3 onwards they come from Table 1.C: The quarterly modal projection for CPI inflation, Monetary Policy Report August 2023, Bank of England. Earnings from 2019-20 to 2023-24 are taken from the July of each financial year from Total Pay, Average weekly earnings in Great Britain, seasonally adjusted, January 2000 to July 2023, Office for National Statistics. For 2024/25 they come from 2024 earnings growth figure of 3.5% from Table 1.D: Indicative projections consistent with the MPC's modal forecast, Monetary Policy Report August 2023, Bank of England.

<sup>10</sup> To calculate the percentage change over time you need to multiply the percentages together ie, an 8% increase on top of 16% = 25% not 24% (1.08 x 1.16). Also rounding may affect some figures.

<sup>11</sup> The results presented here are based on UKMOD version B1.03. UKMOD is maintained, developed and managed by the Centre for Microsimulation and Policy Analysis (CeMPA) at the University of Essex. The process of extending and updating UKMOD is financially supported by the Nuffield Foundation (2018-2021). The results and their interpretation are the author's sole responsibility.

<sup>12</sup> See note 7

<sup>13</sup> M Reader, J Portes and R Patrick, *Does cutting child benefits reduce fertility in larger families? Evidence from the UK's two-child limit*, Nuffield Foundation, 2022

<sup>14</sup> *Written questions and answers - Written questions, answers and statements - UK Parliament*

<sup>15</sup> See note 7

<sup>16</sup> Number of Households with Children by Parliamentary Constituency, May 2023, accessed from [questions-statements.parliament.uk/written-questions/detail/2023-09-11/198821](https://questions-statements.parliament.uk/written-questions/detail/2023-09-11/198821)

*A couple with three children have monthly UC deductions totalling £140 to pay off a UC advance and rent arrears. They are struggling to get by on their earnings and UC, and have debts of more than £10,000 despite using the local food bank and the household support fund. The family could not afford for their children to take part in activities during the school holidays.<sup>17</sup>*

**Reducing the monthly cap** on deductions to 15 per cent of the standard allowance and introducing a DWP deduction cap of 5 per cent (in-line with private sector) would **greatly support low-income family budgets at no cost to the government.**

A further policy that removes the link between entitlement and need is the **freezing of LHA rates since 2020/21**. This freeze means that many families receive less in housing support than they need to pay their rent. CPAG receives numerous cases through the EWS of low-income families who have large shortfalls between their rent and entitlement:

*One low-income couple with a child aged eight, living in a two-bedroom home, have a £225 monthly shortfall between their rent and the housing costs help included in their UC. They must use money designed to cover other essential costs to meet this shortfall.<sup>18</sup>*

This is pushing more and more children into temporary accommodation, with numbers reaching a record high in England.<sup>19</sup> Lifting the freeze would mean **millions of families are better able to pay their rent and would reduce the number of children in temporary accommodation.**

Finally, the government must commit to **further funding for the household support fund**, which is due to run out of funding in March 2024. This funding should be long term, to give local councils the certainty they need to deliver good quality, accessible and timely local crisis support. In addition, **a long-term strategy for local crisis support is needed**, building on existing expertise.<sup>20</sup> Proper regulation, guidance and collection of data is essential for the design and delivery of good quality local crisis support, and this system must sit alongside an adequately funded social security system that prevents people from reaching crisis point.

### Improving adequacy for everyone

**Increasing child benefit** would further reduce child poverty while also supporting the income security of low- and middle-income families who have seen their budgets stretched significantly in recent times. Even with the uprating to child benefit in April, since 2010, real-terms cuts to child benefit mean it needs to rise by 25 per cent to restore its **value**.<sup>21</sup> Increasing child benefit by **£20 a week** would see **500,000 children** pulled out of poverty, at a cost of **£10 billion**.<sup>22</sup>

Another way to support all families through the current cost of living crisis and beyond is **universal free school meals**. For families, free school meal entitlements can **relieve pressures on household budgets** and free up money for other living costs. The current provision of free school meals is far too stringent. CPAG's analysis shows **that**

<sup>17</sup> CPAG's Early Warning System, June 2023, P1291

<sup>18</sup> CPAG's Early Warning System, April 2023, P1225

<sup>19</sup> Department for Levelling Up, Housing and Communities, *Statutory homelessness live tables, January – March 2023, England, 2023*

<sup>20</sup> See CPAG, *You Have to Take it Back to the Bricks: reforming emergency support to reduce demand for foodbanks*, 2022

<sup>21</sup> Author's calculations using Office for National Statistics, *CPI All Items Index, 2022*; Office for Budget Responsibility, *Child benefit rates; Economic and fiscal outlook – November 2022*, 2022

<sup>22</sup> R Statham and H Parkes, *A lifeline for families – investing to reduce child poverty this winter*, IPPR, 2022

**900,000 children in poverty in England do not currently qualify for free school meals**, and therefore miss out on the many benefits outlined below, which further disadvantages them.<sup>23</sup>

Universal free school meals can help to **boost children's learning and attainment**,<sup>24</sup> as well as supporting their health through providing a balanced meal each day.<sup>25</sup> Children also benefit from the social experience of sitting down together in a shared dining hall and eating the same food.<sup>26</sup> CPAG estimates that rolling out universal free school meals in England would cost £2 billion.

### Employment support

It is vital in any social security system that work is appropriately incentivised. The reduction in the UC taper rate and increase in the UC work allowance were welcome steps that increased the amount that low-income households can take home when combining paid work and UC. However, it is time for the government to go further if they are serious about addressing economic inactivity. The first step is to understand why people are not working. The vast majority of **out-of-work households** are **between jobs, caring for young children** or have **disabled** household members. We also have high numbers of workless adults living in a household where one person is working – the vast majority of these are parents (usually women) who are caring for children.

Potential second earners face particularly high barriers to work. As outlined, they are often the primary caregiver of children, so work options are limited by the availability and cost of childcare. Currently, there is no work allowance for second earners, so from the first £1 they earn, 55p is lost in reduced UC. Introducing a **second earner work allowance** (as there is for primary earners) would encourage many more parents into employment.

CPAG's Your Work Your Way (YWYW) project provided **tailored employment support** to second earners.<sup>27</sup> It is clear from this project that there are many more **barriers to work** than UC's 55 per cent taper rate. It is vital that parents are able to access childcare (detailed below) as well as having flexible working hours.

*Fatima is a mother of three from Pakistan.<sup>28</sup> Her husband works in a warehouse. She was a teacher in Pakistan and has a master's degree. She wants to work as a teaching assistant. She has a good level of conversational and written English but due to availability of space at the adult education provision she has been studying at a lower level. If she had continued to use this route, Fatima would have needed another year to achieve the level 2 functional skills in English required to work as a teaching assistant (L2 functional skills is an alternative qualification to a GCSE pass grade in English and Maths). YWYW funded an intensive L2 course which enabled Fatima to apply for jobs in a couple of months rather than a year.*

As the case study highlights, it is important that potential earners are given employment support to find the best job to match their skills; that they can access training courses; and that they receive advice on self-employment and financial support to fund any associated costs. The average amount spent per client in YWYW was £1,400, but this short-term investment led to greater wages (and actually saves the government money in the medium-term as benefit entitlement is lower and more taxes are paid). There should also be greater consideration given to hidden costs such as transport (particularly in rural areas) and access to IT.

<sup>23</sup> CPAG, [Free School Meals, third of kids in poverty miss out](#), 2023

<sup>24</sup> Lund University, [Free and nutritious school lunches help create richer and healthier adults](#), 2021

<sup>25</sup> Nuffield Foundation, [Impact of the universal infant free school meal policy](#), 2020

<sup>26</sup> Education Policy Institute, [Evaluation of Universal Infant Free School Meals](#), 2018

<sup>27</sup> See [cpag.org.uk/your-work-your-way](http://cpag.org.uk/your-work-your-way) for more details.

<sup>28</sup> All names have been changed to protect the identity of participants.

Good quality employment support, together with childcare (see below), and a second earner work allowance will do far more to support parents and carers to enter the labour market (or work more hours) than increasing conditionality within UC, which is the current government plan.

### Disabilities and employment support

**Many low-income families include someone who is ill or disabled.** Changes to disability benefits designed to encourage people into work must not restrict access to these benefits or make the system even more punitive. CPAG often hears about families who, in their time of need, are treated too harshly by the social security system:

*A couple with two children claimed UC while the father (the main breadwinner) was too unwell to work. The family were sanctioned while the father was appealing a decision about his capability for work and continuing to provide DWP with medical certificates from his GP. Job centre staff have discretion about adjusting work-related requirements in this situation, but the decision was made to sanction the family instead. The sanction and the absence of a limited capability for work related activity (LCWRA) component are both having a major impact on their finances.<sup>29</sup>*

Restricting access to health and disability benefits by making assessment processes harder and/or increasing conditionality is not the right approach to encouraging ill and disabled people into work.

Firstly, it must be acknowledged that for a **significant proportion of this group employment may not be a realistic short-term prospect**. The government should provide them with adequate financial support from the social security system, while also addressing the structural barriers that prevent ill and disabled claimants from working. As the case study below illustrates, increased conditionality can push people further away from the labour market:

*A street homeless UC claimant, with poor literacy and health problems, failed to keep up with work-related requirements and was sanctioned for three months before getting support from a charity. He might be able to do some work with proper support; however, the sanction only pushed him further into destitution and worsened his health problems.<sup>30</sup>*

For those people who would like to move into work, the social security and employment support systems should be designed to provide actual jobs for those with the capacity to work, and employment support should always be voluntary. **A comprehensive and detailed review should be commissioned by the DWP** to establish what works and what does not, regarding how successful various employment support schemes are in getting disabled people into work and supporting them to stay in work.

The DWP should collaborate further with disability organisations and with disabled people to better understand what effective models for supporting disabled people to move towards work look like.

### Childcare

The UK has one of the most expensive childcare systems in the world.<sup>31</sup> Support for the cost of childcare is a complex patchwork, differing by age of child and nation.<sup>32</sup> There are also significant gaps in the supply of childcare for older children, disabled children and for parents working atypical hours, which need to be addressed.<sup>33A</sup>

<sup>29</sup> CPAG's Early Warning System, August 2023, 53085

<sup>30</sup> CPAG's Early Warning System, September 2023, 53620

<sup>31</sup> OECD, *Is Childcare Affordable?*, 2020

<sup>32</sup> Provision of financial support for childcare costs is split across three different government departments.

<sup>33</sup> M Jarvie and others, *Childcare Survey 2023*, Coram Family and Childcare, 2023

comprehensive child poverty strategy should commit to reforming childcare to reduce costs and improve quality for all families by moving towards a **universal, publicly funded childcare system**.

### Pre-school childcare

CPAG welcomes the expansion of free hours to children aged 9 months to two years. CPAG's Cost of a Child analysis found that the main reason the cost of having a child is highest when children are young is childcare.<sup>34</sup> However, we think that it is unnecessary to place work requirements on all adults in the household in order to access the scheme. As the chancellor indicated, childcare is about education as well as enabling work, but an earnings barrier undermines that critical child-centred function by blocking kids in the worst-off families from accessing places. The government should provide free childcare for every family that needs it.

It is also important that there is sufficient funding to meet the demand. Currently, insufficient funding means that a third of local authorities are unable to meet the demand for 3- and 4-year-old 30-hour entitlement.<sup>35</sup> More than one in four cannot meet the demand for 3- and 4-year-old 15-hour entitlement. This shortfall is forecast to grow over time – in 2025/26 the total shortfall is estimated to be £5.2 billion.<sup>36</sup>

The government must ensure that its funding is sufficient, so that every local authority can meet the demand for pre-school childcare provision in their area.

### Extended schools

Our research shows that before- and after-school activities support children to thrive, and help them explore their wider interests outside the core curriculum. They are proven to **support pupils' learning and attainment**.<sup>37 38</sup> What is more, where they are free to access, they can significantly **boost family finances**. This provision enables parents to work more or find new or more rewarding work, as well as removing prohibitive childcare costs. However, because these activities rely on already-stretched school budgets, only some children and families currently get to reap the many educational and financial benefits. The rest are locked out because of costs or lack of provision.

Investment in before- and after-school provision must be prioritised so children can thrive and families have more opportunities to work. Publicly funding these clubs and activities, and making them universally available, would help reduce child poverty. CPAG has estimated that it would cost £2.6 billion a year to fund every primary school in England to deliver core extended schools activities. For secondary schools, an additional £525 million would be required.<sup>39</sup>

For this vision to be achieved, it is important that there is a statutory framework in place and that the additional funding is adequate and ring-fenced. If there is insufficient and temporary funding, this could just place an additional burden on already overstretched school staff and yet another cost for families.

### Universal credit

In the long term CPAG advocates for universal childcare provision. However there are some immediate reforms that would help low-income families with childcare costs now. These would increase parents' employment options and support families to escape poverty. The level of financial support provided through UC is also not adequate.

<sup>34</sup> D Hirsch and J Stone, [The Cost of a Child in 2022](#), CPAG, 2022

<sup>35</sup> M Jarvie and others, [Childcare Survey 2023](#), Coram Family and Childcare, 2023

<sup>36</sup> Women's Budget Group, [Women's Budget Group response to the childcare measures Spring Budget 2023](#), 2023

<sup>37</sup> IFS, [Magic breakfast](#), 2016

<sup>38</sup> Newcastle University, [Can out of school activities close the attainment gap?](#), 2016

<sup>39</sup> CPAG, [Extended school provision](#), 2021



Currently UC pays up to 85 per cent of childcare costs, but the remaining 15 per cent is still substantial. When coupled with the taper rate, national insurance contributions and income tax, it can mean that parents see only a small financial gain from taking on extra work.<sup>40</sup>

*Jill is a lone parent with two children who attend the local primary school. She is currently working 15 hours per week on the minimum wage to fit in work around school drop-off and pick-up (8:30am and 3:30pm respectively). Jill is currently in receipt of UC and is eligible to claim support for up to 85 per cent of her childcare costs. After she's covered her housing costs, Jill's weekly income is £297, which means Jill and her children live below the poverty line (£300 for her family). Jill would like to work more but childcare costs are a significant barrier.*

*If Jill chooses to increase her work to 30 hours per week but has to pay for before- and after-school provision to make this possible, she would lose over half of her increased net income to meet these costs. In this instance, Jill's additional income would be £55 per week (after tax) but she would spend £30 on childcare.*

Evidence from YWYW also shows that parents looking for work often struggle with training, application forms and interviews without dedicated childcare support to cover these times. Childcare in UC must be extended to cover parents who are undertaking training, or carrying out other work-focused tasks such as application forms or job interviews.

## Conclusion

As the evidence outlined in this briefing demonstrates, child poverty is not inevitable. With the right policy changes we can substantially reduce the extent and depth of poverty across the country. Increasing child benefit, expanding free school meals, and abolishing the two-child limit and benefit cap would instantly help millions of children in poverty, as well as improving their life chances. Uprating benefits in line with inflation, reducing deductions in UC, increasing LHA, and investing in crisis support would also make a huge difference to low-income families, helping them to weather the cost of living crisis and securing household budgets for the future. Finally, the government's plans to tackle economic inactivity represent an opportunity to help families further by addressing the barriers parents and carers face in employment.

### About CPAG and our sources of evidence

Child Poverty Action Group works on behalf of the more than one in four children in the UK growing up in poverty. It doesn't have to be like this. We use our understanding of what causes poverty and the impact it has on children's lives to campaign for policies that will prevent and end poverty – for good. We provide training, advice and information to make sure hard-up families get the financial support they need.

We have particular expertise in the functioning of the social security system, through our welfare rights, training and policy work. CPAG's *Early Warning System* collects case study evidence from advisers across the UK on the impacts of welfare reform, and has collected thousands of cases to date. The *Your Work Your Way* project provided tailored employment support to second earners.

<sup>40</sup> CPAG and Magic Breakfast, [Children's futures and the economic case for before- and after-school provision](#), 2022