



Briefing for MSPs – Cuts to Child Tax Credit Debate Tuesday 25th April.

Child Poverty Action Group works on behalf of the one in four children in Scotland 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 solve poverty – for good.

- Analysis by CPAG and IPPR indicates that once universal credit is rolled out, the two-child limit will result in up to 200,000 additional children in poverty across the UK¹.
- Families with more than two children will miss out on up to £2,780 for each ineligible child as a result of the two-child limit.
- 260,000 (1 in 4) children in Scotland currently live in poverty and more than two-thirds of those live in families with at least one parent in work¹.
- Families with three or more children are already at a higher risk of poverty. Across the UK, 39% of children in these families already live in poverty after housing costs, compared with 26% of those in families with two children.¹

The UK Government must reverse the two-child limit. Repealing this policy would prevent 200,000 children being pushed into poverty across the U.K. No family, wherever they live in the UK, should be subject to the two child limit and associated 'rape clause'.

Poverty in Scotland

1. More than one in four (260,000) of Scotland's children are officially recognised as living in poverty, compared to 22% (220,000) in 2014/15ⁱ. This is a level significantly higher than in many other European countriesⁱⁱ.
2. The recent increase in child poverty is in-keeping with independent modelling by the Institute for Fiscal studies (IFS) which forecasts an increase of more than 50% in the proportion of children living in poverty in the UK by 2020/21. This would reverse most of the fall in child poverty observed in the UK since the late 1990'sⁱⁱⁱ.

What impact will the 'two-child' limit have on families?

3. **Families who claim tax credits or universal credits, which have a third or subsequent child born after 6 April 2017, will no longer be able to claim a child element for this child or any future children.**
 - Four exceptions were announced during the passage of the Welfare Reform and Work Act 2016: if the third or subsequent children are part of multiple births; adopted; being looked after by families and friends; or conceived through rape or in a coercive relationship.



4. The child element is worth up to £2,780 per year (£232 per month) and until now has been payable for all children in low- income families to help protect them from poverty.
5. Families who make a new claim for universal credit will only receive the child element of universal credit for two children per family, even if the children were born before April 2017.
6. The largest group affected will be working families with three children.
7. Latest available statistics show that 872,000 families across the UK with more than two children claimed tax credits in 2014/15.
8. 65% were working families and 68% had only three children. A similar number of families can be expected to be affected by the two-child limit in the future (not immediately, as most children born before April 2017 will be protected as long as their family remains on tax credits or universal credit).

A family with two children, where both parents work full time for the minimum wage, already falls 12% short of the income that the general public regards as necessary for a minimum acceptable standard of living. Families with three or more children, if not entitled to any additional tax credit or universal credit payments, will clearly fall much further behind than this.

9. The total award made to out of work families is already limited by the benefit cap. (The benefit cap was reduced from £26,000 to £20,000 in November 2016).

Concerns About the Two Child Limit.

10. The two-child limit breaks a fundamental basic principle of the rights of the child which should underpin the social security system, as well as the link between the assessment of a child's needs and the support they receive.
11. Under this policy, some children in a family will receive less support than their siblings, simply because they are younger.
12. The UK government consultation stated the policy was intended to encourage families to 'think carefully about whether they are financially prepared to support a new child without relying on the tax credits or means-tested benefit systems'^{iv}.
13. The UK government policy intention assumes that all families will be financially secure for 18 years and ignores the fact that any family can be hit by redundancy, illness, separation or widowhood, leading to a significant loss of income.



14. The exception for children conceived through rape or coercion acutely highlights the fundamental failings of the policy. It risks causing women trauma and humiliation, as they have to obtain a third party statement that their circumstances are consistent with conceiving in this way.
15. The devastating impact on family and child wellbeing, through the significant psychological harm caused to the mother^v is compounded by the risk of serious privacy breaches, as both family members and authorities which require proof of income could easily deduce the circumstances.

Next steps?

16. **The UK Government must reverse the two-child limit.** Repealing this policy would prevent 200,000 children being pushed into poverty across the U.K. No family, wherever they live in the UK, should be subject to the two child limit and associated 'rape clause'.
17. The two-child limit will significantly impact on the ability of the Scottish Government to achieve the four child poverty reduction targets in the Child Poverty (Scotland) Bill by reducing the income available to many families in Scotland.
18. **The Scottish Government should:**
 - Continue to engage with UK government to state objections to the implications of the limit on families in Scotland.
 - Look at ways support can be made available to ensure families affected by the two-child limit can avoid income crisis.

ⁱ Latest 2015/16 Poverty and Income Inequality in Scotland figures, Table A1: Relative Poverty in Scottish Households 1994/5 to 2014/15, <http://www.gov.scot/Resource/0051/00515392.pdf>

ⁱⁱ International comparisons are for 2011 on a before housing costs basis under which 15% of Scotland's children live in poverty. Poverty in Scotland 2014 see Chapter 5 Figures 5.3, p90 and 5.6, p94

ⁱⁱⁱ Living Standards, Poverty and Inequality in the UK: 2015-16 to 2020-21. Table B2: Relative Poverty: 2007/08 to 2020/21. <http://www.ifs.org.uk/uploads/publications/comms/R114.pdf> Research from the Resolution Foundation also projects increases in child poverty of up to 1.2 million across the UK by 2020/21 compared to 2016/17 available at <http://www.resolutionfoundation.org/wp-content/uploads/2015/10/Child-poverty-briefing.pdf> (page 11)

^{iv} 'Exceptions to the limiting of the individual Child Element of Child Tax Credit and the Child Element of Universal Credit to a maximum of two children.' Public consultation. DWP. 2016. <https://www.gov.uk/government/consultations/universal-credit-and-child-tax-credit-exceptions-to-the-2-child-limit>

^v <https://www.theguardian.com/society/2017/apr/09/rape-clause-in-family-welfare-cap-harms-mothers-and-children>