



CPAG'S 2024 pre-Budget briefing for MPs

February 2024

Introduction and summary of recommendations

There are more than four million children now living in poverty in the UK. Thirty-nine per cent of children living in a family where a person has a disability are in poverty, and there are variations between different communities but on average 49 per cent of children from Black or minoritised ethnic heritage communities live in poverty compared to 25 per cent of white children.

This means in an average classroom nine children out of 30 will be living in poverty, not to mention those from families sitting above the poverty line but struggling with the cost of living. It is not tenable for the government to continue to ignore these children – their health, their education, their living standards and their life chances will all suffer. If it does, the results will be catastrophic, with child poverty forecast to rise to record highs.¹ Time and time again, evidence shows that investing financial support in children and their families is the best way to reduce child poverty and give every child the chance to fulfil their potential.

- **Invest in children by increasing social security benefits.** This improves the standard of living for the 4.2 million children living in poverty in the UK, and leads to healthier, more educated children, meaning higher economic growth and reduced costs for the government.
- Specifically, the government should **scrap the two-child limit, remove the benefit cap, increase child benefit by £20 a week, and provide further funding for the household support fund.**
- In addition, the government should **roll out universal free school meals across England** – supporting pupils' learning and attainment, and reducing the pressure on household budgets.
- To get parents working (more) it is vital that there is **tailored employment support, combined with high-quality, affordable childcare and a second earner work allowance in universal credit.**

Recent press reports suggest that the Chancellor may be considering using any fiscal headroom to reduce taxes. Cutting taxes is regressive and there is no evidence that it leads to higher growth.² There is, however, a strong

¹ M Brewer, E Fry and L Try, *Living Standards Outlook 2023*, Resolution Foundation, 2023

² P Krugman, [American betrays its children again](#), New York Times, 2023

evidence base showing that increased social security in childhood leads to healthier, more educated children.³ This means a more productive workforce, higher economic growth and reduced costs for the government, making it a highly cost-effective investment for any government.^{4 5}

Policies to address child poverty

1. 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

2. 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. However, additional policies such as the two-child limit, benefit cap and universal credit deductions mean many families do not even get the inadequate benefits they should be entitled to.
3. The most cost-effective way to reduce child poverty is to **scrap the two-child limit**. In April 2024 almost 500,000 families (1.8 million children) will be affected by the policy, the vast majority of whom live in poverty.⁶ Scrapping the two-child limit would lift 300,000 children out of poverty and mean 800,000 children are in less deep poverty, at a cost of £1.8 billion – making a significant difference to the lives of more than a million children.⁷ The policy has been shown to have a negligible impact on the number of children parents decide to have,⁸ 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, as this case from CPAG's Early Warning System shows.

A working couple with three children has their universal credit reduced by the two-child limit and a deduction for rent arrears. Their income is very tight. During a period when the father was out of work due to ill health, the family was not able to get a cake or any presents for their youngest child's birthday. They hoped the child would be too young to remember.⁹

4. **Removing the benefit cap** would help some of the poorest families across the country. The vast majority of households affected by the benefit cap are families with children. There are currently 83,000 capped households, and this number is likely to rise substantially in April 2024, as the benefit cap threshold is frozen, while benefits will increase and local housing allowance (LHA) is unfrozen for 2024/25. Estimates

³ H Hoynes, DW Schanzenbach and D Almond, [Long-run impacts of childhood access to the safety net](#), AER, 106(4):903–34, 2016

⁴ 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

⁵ Author's calculation from OECD, [Revenue Statistics 2023 - the United Kingdom](#), 2023

⁶ 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.

⁷ See note 5

⁸ 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

⁹ P1435 (YWYW) December 2023, Early Warning System, CPAG

for 2024/25 indicate that more than 100,000 households could be capped, containing 300,000 children. It is illogical for the government to (rightly) uprate benefits by September CPI and unfreeze LHA but freeze the cap threshold. This will mean families living in the deepest poverty do not see any increase in support from benefit uprating.

5. The logic for the benefit cap remains fundamentally flawed. It has a negligible impact on work incentives, while taking money away from the poorest families. The main reason families cannot earn enough to escape the cap is that they face significant barriers to work because of disability or childcare for example.

A working lone parent of three was benefit capped and received £1,551 of universal credit each month to top up her £600 wages. After paying rent and other bills she was left with hardly any money to raise her children. She has now been awarded personal independence payment and has become exempt from the cap. Her monthly universal credit has risen to £2,023. It has made a huge different to her ability to make ends meet.¹⁰

6. Most capped households sit far below the poverty line, therefore removing the cap will not have much impact on the number of children in poverty. But it will substantially reduce the depth of poverty for the 300,000 children estimated to be living in families affected by the cap, and cost just £300 million.¹¹ Living in deep poverty is particularly damaging for children's life chances.
7. The government must also commit to **more funding for the household support fund**, which is due to run out this March. This funding should be long term, to give local councils the certainty they need to deliver high-quality, accessible and timely local crisis support. In addition, **a long-term strategy for local crisis support is needed**, building on existing expertise.¹² Proper regulation, guidance and data collection are essential for the design and delivery of good quality local crisis support. This system must sit alongside an adequately funded social security system that prevents people from reaching crisis point in the first place.

Improving adequacy for everyone

8. **Increasing child benefit** would further reduce child poverty while also supporting the income security of low- and middle-income families who sit just above the threshold for means-tested benefits but have seen their budgets stretched significantly recently. Even with the uprating of child benefit in April, real-terms cuts since 2010 mean it needs to rise by 25 per cent to restore its value.¹³ Increasing child benefit by £20 a week would pull 500,000 children out of poverty, at a cost of £10 billion.¹⁴ Furthermore, the government should make child benefit universal again. The high-income child benefit tax charge adds unnecessary complexity, distorts labour market decisions and undermines the important principle that social security should support everyone at different times in their lives, including when they have children.
9. Another way to support all families is by **providing universal free school meals (FSM)**. For families, FSM entitlements can relieve pressures on household budgets, free up money for other living costs, and remove the stress of making and managing school meals from family life. Current FSM eligibility is far too

¹⁰ P1458 January 2024, Early Warning System, CPAG

¹¹ See note 5

¹² See CPAG, [You Have to Take it Back to the Bricks: reforming emergency support to reduce demand for foodbanks](#), 2022

¹³ 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

¹⁴ R Statham and H Parkes, [A lifeline for families – investing to reduce child poverty this winter](#), IPPR, 2022

stringent. CPAG's analysis shows that 900,000 children in poverty in England do not currently qualify for FSMs, and therefore miss out on the many benefits outlined below, which further disadvantages them.¹⁵

10. Universal FSMs can help to boost children's learning and attainment,¹⁶ and a balanced meal each day supports their health.¹⁷ Children also benefit from the social experience of sitting down together in a shared dining hall and eating the same food.¹⁸ CPAG estimates that rolling out universal FSM in England would cost £2 billion.

Employment support

11. It is important in any social security system that work is appropriately incentivised. However, recent government policy has focused on investing significant resources into pushing a small number of out-of-work people into low-paid, precarious employment, with little hope of career progression. It has not addressed the large barriers to work this group faces.¹⁹ This approach has had a negligible effect on economic growth and the living standards of the people affected.
12. Labour force participation rates are high in the UK, but if the government wants to reduce economic inactivity further, 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. There are also high numbers of adults not in paid employment living in a household where one person is working – the vast majority of these are parents (usually women) who are the primary carers of children. This means that for some families it will not be possible to work or to work extra hours. For others they will require particular support and flexibility to allow them to combine work with family life.
13. CPAG's Your Work Your Way (YWYW) project **provided tailored employment support** to second earners in low-income households claiming universal credit.²⁰ The vast majority of participants were mothers, many of whom had three or more children so were managing significant childcare responsibilities. The project found that it was important to support participants to search for jobs that matched their skills; to ensure participants could access training courses; to offer participants advice on self-employment; and to give them financial support to fund any associated costs with training or preparing for work.
14. But tailored employment support alone does not overcome all the barriers. **Introducing a second earner work allowance in universal credit** (as there is for primary earners) would encourage many more parents into employment, as they would get to take home more of their income from working. In addition, good quality, affordable childcare (see below) is necessary to increase employment among all parents, but in particular mothers.

¹⁵ CPAG, *Free School Meals, third of kids in poverty miss out*, 2023

¹⁶ Lund University, *Free and nutritious school lunches help create richer and healthier adults*, 2021

¹⁷ Nuffield Foundation, *Impact of the universal infant free school meal policy*, 2020

¹⁸ Education Policy Institute, *Evaluation of Universal Infant Free School Meals*, 2018

¹⁹ H Hoynes, R Joyce and T Waters, *Decades of benefit reforms have pushed more people into work – but very often into part-time, low-paid work with little prospect of progression*, Institute for Fiscal Studies, 2023

²⁰ See cpag.org.uk/your-work-your-way for more details

Childcare

15. The UK has one of the most expensive childcare systems in the world.²¹ Support for childcare costs is a complex patchwork, differing by age of child and nation.²² 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.²³ A 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**.
16. CPAG welcomes the expansion of free hours to children aged 9 months to 2 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.²⁴ However, it needs to be funded adequately – for 2025/26 the total shortfall is estimated to be £5.2 billion.²⁵ The government must **ensure that funding levels are sufficient**, so that every local authority can meet the demand for pre-school childcare provision in their area.
17. There is also **no need to make parents meet certain work requirements to access the scheme**. Childcare is about early years education as well as enabling work, but an earnings barrier undermines that principle and helps to widen the attainment gap between children living in poverty and their peers. In addition, an earnings barrier means that parents who are training or looking for work are shut out of these childcare schemes.
18. Investing in before- and after-school childcare is also essential. 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.²⁶ ²⁷ Where they are free to access, they can also significantly boost family finances, both because parents can work more or find new or more rewarding work, and because they remove prohibitive childcare costs.
19. CPAG therefore welcomed the Chancellor's commitment at the last Budget to explore options for wraparound childcare in schools. However, the recent guidance indicates that families must pay for the childcare. Those who stand to gain the most will therefore miss out, further entrenching inequalities. In addition, the £289 million currently allocated is both highly insufficient and temporary. It is vital that **costs do not land on struggling families, and funding for local authorities and schools must be additional, sufficient and permanent**.²⁸

Conclusion

20. 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 child poverty across the country. Increasing child benefit, expanding free school meals, and abolishing the two-child limit and benefit cap would

²¹ OECD, *Is Childcare Affordable?*, 2020

²² Provision of financial support for childcare costs is split across three different government departments.

²³ M Jarvie and others, *Childcare Survey 2023*, Coram Family and Childcare, 2023

²⁴ D Hirsch and J Stone, *The Cost of a Child in 2022*, CPAG, 2022

²⁵ Women's Budget Group, *Women's Budget Group response to the childcare measures Spring Budget 2023*, 2023

²⁶ IFS, *Magic breakfast*, 2016

²⁷ Newcastle University, *Can out of school activities close the attainment gap?*, 2016

²⁸ CPAG's model does not rely on school staff delivering activities, but suggests that they work with delivery partners to develop a programme that works for their community.

instantly help millions of children in poverty, as well as making the country healthier, more educated and more productive. If the government is serious about economic growth it should invest in children, as well as removing barriers to work that many low-income families face.

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.