



FALLING FURTHER BEHIND

HARDSHIP AMONG BENEFIT CAPPED FAMILIES AS PRICES RISE

21 June 2022

New statistics released today show that 120,000 households were subject to the benefit cap in February 2022.¹ The benefit cap limits the amount of social security some households receive, with families losing £236 a month, on average.²

In April 2022, capped families in London saw the real value of their benefits fall by £2,070 as inflation hit 9 per cent – a 40-year high – and their benefits didn't increase at all.³ The ceiling created by the benefit cap hasn't increased since it was introduced in 2013. In fact it was *lowered* to its current level in 2016.

Almost all capped families are in deep poverty,⁴ with many at risk of homelessness and falling into debt to pay for essentials even before the recent price increases. The cost of living payments announced by the chancellor will provide some support to capped households this year, but they don't account for the additional needs of families with children. Without removing the benefit cap, 150,000 households will lose out when benefits keep pace with prices next April.⁵

Even before the recent price increases, the benefit cap made it harder for families to make ends meet, pushing families deeper into poverty and often forcing them to take on debt to cover the essentials. The government should remove the benefit cap to provide immediate support to struggling families and prevent them falling even further behind as prices soar.

¹ Department for Work and Pensions, *Benefit cap: number of households capped to February 2022, 2022*

² Authors' calculation of the mean loss for families with children receiving universal credit due to the benefit cap in February 2022. See, Department for Work and Pensions, *Benefit cap: UC point in time caseload*, Stat-Xplore

³ £1,800 outside London. The real fall in value is calculated as the difference between uprating the benefit award for families subject to the cap (£1,667 outside London and £1,917 in London) by 9 per cent in April 2022, and the current approach of not increasing capped awards.

⁴ Deep poverty is defined as 50 per cent of equivalised median household income. 90 per cent of capped households are in deep poverty.

⁵ Author's calculation using UKMOD, Family Resources Survey 2019-20. The [latest figures](#) show 120,000 households were capped in February 2022, and we wouldn't expect this level to change dramatically by April 2023. We modelled the additional number of households who would be subject to the benefit cap, assuming universal credit and housing benefit are increased by 10 per cent in April 2023 – an estimated 35,000 households. Totals don't sum due to rounding. Inflation expectations are based on the Bank of England's prediction that inflation will hit 11 per cent in Q4 2022 – putting September's CPI inflation at 10-11 per cent.

The benefit cap is putting additional pressure on families with children

The majority (86 per cent) of capped households are families with children,⁶ but the benefit cap doesn't recognise that many families with children face higher living costs. A coupled household with children is subject to the same cap as a coupled household without children – £20,000 a year outside London and £23,000 in London. 80,000 households (67 per cent) affected by the cap are single-parent households and 54,000 have a child under 5.⁷

Households across the UK are feeling the squeeze on their budgets as prices rise. But low-income households, who spend a greater share of their disposable income on essentials, are at the greatest risk of hardship. The pressure exerted by rising prices is even greater for low-income families with children, who have additional mouths to feed alongside the additional costs of childcare.

Targeted cost of living support could still leave families with children exposed

The chancellor recently announced a package of support for lower-income households to mitigate some of the increases in energy bills.⁸ This is an important corrective to the untargeted measures previously announced,⁹ and delivering these payments through the social security system is an efficient way to target support where it is needed most. But these flat payments – providing the same amount to a single person as a couple family with two children – don't account for the substantial differences in consumption needs across household size.

On average, families in the bottom half of the income distribution with two or more children spend twice as much on food, household goods and services, clothing, and transport, compared to equivalent families without children.¹⁰ These families with children also spend 1.3 times as much on energy as equivalent families without children.¹¹ Yet flat payments don't account for the additional needs of families with children.

These cost of living payments will cover around three quarters of the increase in energy bills since the start of this year, on average, for working-age families receiving benefits.¹² But with inflation now at 9 per cent and scheduled to peak at 11 per cent later in the year,¹³ the price of essential goods, food, clothing and transport are all rising alongside energy bills. The Institute of Grocery Distribution warns that food inflation will likely reach 15 per cent this summer,¹⁴ pushing up the price of essential food items and the risk of families skipping meals.

150,000 households risk losing out when benefits keep pace with prices

The chancellor also confirmed that benefits will increase in line with prices next April 2023. This will ensure that our social security system is not made permanently weaker by the sharp increase in inflation seen this year, but

⁶ See note 1. Includes capped households receiving universal credit and housing benefit.

⁷ See note 6

⁸ See Department for Work and Pensions, [Cost of living support factsheet](#), May 2022

⁹ Just £1 in £3 announced at the Spring Statement went to households in the bottom half of the income distribution. See Resolution Foundation, [Inflation Nation](#), 2022

¹⁰ Author's calculations using the Living Costs and Food Survey, 2019-20.

¹¹ See note 9

¹² Assuming a working-age household with no disabled household members receives the £400 energy rebate, £150 council tax rebate, and the £650 payment for recipients of means-tested benefits.

¹³ Bank of England, [Monetary Policy Summary and minutes of the Monetary Policy Committee meeting ending on 15 June 2022](#), 2022

¹⁴ IGD, [Viewpoint Special Report: exploring the outlook for food inflation](#), June 2022

won't address successive years of cuts and freezes that leave many families struggling to get by. Without removing the benefit cap, many risk falling even further behind.

If the government doesn't remove the benefit cap, more families will become subject to it in April 2023 as the nominal increase in benefits pushes more payments to hit the ceiling created by the cap. We estimate that **an additional 35,000 households will become capped overnight**, resulting in a total of around 150,000 households capped in April 2023 - **an increase of almost a third (29 per cent)**.¹⁵

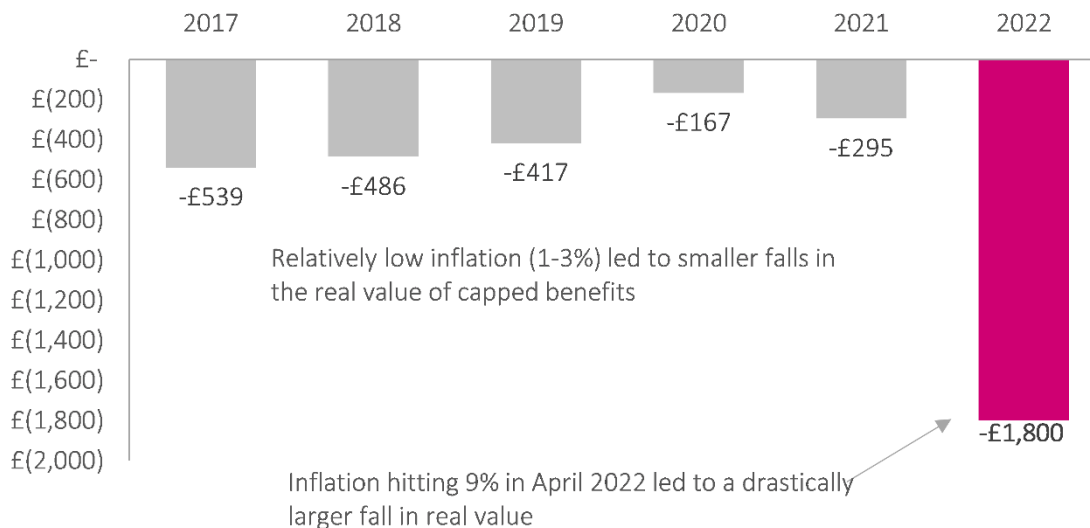
Putting recent price rises in context

The benefit cap was lowered in 2016, from £26,000 across the UK to £23,000 a year in London and £20,000 a year outside London. It has remained at its current level since November 2016, while the cost of living has increased by 18 per cent.¹⁶ The government has committed to review the lowered cap but is yet to publish its evaluation.

Each year, rising prices further erode the value of capped 'awards' – the amount of support families get. But the speed of the fall in value of capped households' benefits this year is startling. If capped awards outside London had kept pace with inflation since the threshold was lowered in November 2016, they would be £3,670 higher than they currently are (£4,220 higher in London). **Around half (49%) of the fall in real value lost over the last 7 years is from April 2021 – April 2022 alone.**

Inflation between November 2016 (when the cap was lowered to its current rate) and 2021 has reduced the real value of capped awards by between £170 and £540 each year – a substantial amount when budgets are already balanced on fine margins. As inflation hit 9 per cent in April, the real value of capped awards fell by £1,800 outside of London and £2,070 in London.

Capped awards fall in real value each year as prices rise, drastically so when inflation is high



¹⁵ See note 4

¹⁶ The benefit cap was lowered to its current level in November 2016. CPI inflation increased by 18 per cent between November 2016 and April 2022 (latest available data).

Note: The fall in real value is calculated by looking at the difference between not increasing capped awards (£1,667 outside London and £1,917 in London) and capped awards if they had kept pace with price rises, measured as the annual CPI rate for April in each reference year.

Pushing families deeper into poverty has consequences for families and local economies

Even before recent price increases, capped families often struggled to make ends meet, and many had to take on debt to pay for essential goods and services. As prices increase at the fastest rate in 40 years, these families are feeling even more pressure on their household budget.



I'm on a tight budget, I mean I've been hearing about it [rising prices] on the news as well and I get worried about that, because I can just about afford it now and I don't know what would happen if they do go up. I'd have to ask for some sort of help or I'd have to cut down on sort of the food or something to get the gas and electric on.

Jyoti, single mum, four children

As prices rise, more and more capped households will be facing extremely difficult situations. Many simply have nothing left to cut back in their budget. Lucy fell into rent arrears as a result of the cap:



Last month I was living on food bank, literally I was on food bank every week, and then when I got paid the first of March, I literally didn't pay all my rent because I couldn't cope anymore, I couldn't. So I told them like right now I could pay how much I can for my rent what they've given me, how much I'm paying on top I can't pay it because of I need to buy food for my house, gas and electric. So at the moment I'm in arrears with my rent as well.

Lucy, coupled mum, three children

When the cap pushes people in debt or rent arrears, this can have knock on effects for local economies. In 2021, the government gave £54 million to local authorities to prevent residents being made homeless as a result of the benefit cap.¹⁷ Many local authorities say the amount they receive from central government for these crisis payments is not enough, leading to additional expenditure on temporary accommodation for those made homeless as a result of the policy.¹⁸

Earlier in the year, Ashley was struggling and had to stop using gas to heat her house:



The food's gone up, electric's gone up, everything seems to have gone up, everything's gone up and it was bad enough before but now it's just, your life ain't any life, we don't go out, we don't get to do nothing, we're just here... I can't afford to use the gas in this house is freezing cold.

Ashley, single mum, four children

¹⁷ Department for Work and Pensions, [Use of Discretionary Housing Payments: financial year 2020 to 2021](#), 2022

¹⁸ Written evidence from [London Councils \(BNC0033\)](#) to the Work and Pensions Select Committee's 2019 inquiry into the benefit cap.

Remove the benefit cap to support families most in need

As inflation continues to rise past a 40-year high, the benefit cap is exerting increasing pressure on the budgets of families with children in poverty.

The chancellor's cost of living payments will shield most working-age households from around three quarters of the increases seen in energy bills over this year, on average, but provide no mitigation to wider price rises which are set to hit families with children in poverty the hardest.

The government should look at additional direct support for families with children in poverty, with reference to family size. Any package to help families must include removing the benefit cap.

Removing the benefit cap would provide immediate support to families most in need, lifting 175,000 households out of deep poverty and 30,000 out of poverty. It would cost around £350 million.

About CPAG

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 solve poverty – for good. We provide training, advice and information to make sure hard-up families get the financial support they need. We also carry out high profile legal work to establish and protect families' rights.

This briefing includes quotes from participants in the [Benefit Changes and Larger Families](#) project, a Nuffield Foundation-funded research project with the University of York, the London School of Economics, the University of Oxford and CPAG.