



SPRING BUDGET 2023

Post-Budget briefing for parliamentarians

March 2023

This briefing outlines CPAG's response to the Spring Budget announcements in the following areas:

- Childcare
- Conditionality in universal credit
- Changes to health and disability benefits
- Support with energy costs

Introduction

The number of children living in poverty in the UK is projected to reach a record high.¹ The Budget contained some noteworthy announcements that will help children and families, most significantly an expansion of free childcare, however these announcements will not stop child poverty rising.

This 'back to work' Budget sets out a number of measures to encourage parents and carers into the labour market. Most of these measures are hugely welcome. Paying childcare costs upfront, and increasing the cap on childcare costs in universal credit (UC) will make a big difference to low-income families. The extension of the 30-hour childcare offer to children aged 9 months to 2 years will help families on a range of incomes. Wrap-around childcare for children in primary school has the potential to open up job opportunities for parents previously restricted by school hours. However, we know from our work with second earners that the barriers to working for primary carers of children are significant and wide-ranging, and more will be needed if the chancellor is serious about encouraging women back into employment in large numbers.

Parents and carers have often spent a significant amount of time outside of the labour market, and need further education and training to increase their chances of finding employment. Together with training and skills, people need access to high quality tailored employment support. There are also a number of practical barriers for parents entering the labour market – most notably finding flexible employment opportunities that can fit around childcare responsibilities, finding a suitable childcare provider, covering the cost of getting suitable training and

¹ [Living Standards Outlook 2023](#), Resolution Foundation, 2023

qualifications, and the limited financial gain of working for primary carers in families claiming UC, as there is no second earner work allowance. There was very little in the Budget to overcome these barriers.

Instead of addressing these barriers, the government has decided to ramp up conditionality requirements for primary carers of children in families claiming UC, despite these families already having one parent in work. We know from our own employment support programme with second earners that being dragged into the job centre for a ten-minute appointment with an overstretched work coach, with small children in tow, only serves to increase stress and worry, and offers minimal help and support with entering the labour market. The intention to toughen up the sanctions regime, together with significant changes to the assessment process for health-related benefits which risk placing unsuitable conditionality requirements on claimants with a disability or health condition, is particularly worrying.

The government must also recognise that some parents and carers are not in a position to work due to their circumstances. This might include caring for a very young child, caring for a child with a disability or a health condition, or because they have a disability or health condition themselves. These families were forgotten in this Budget. As the chancellor outlined, early years childcare is the first step in a child's education. But because of the restrictive eligibility rules for free places which require parents to work, children in families not in a position to work will not reap the educational advantages of attending early years childcare.

We need bold action from the government if we are to tackle rising levels of child poverty in the UK. Increasing child benefit, expanding free school meals, and abolishing the two-child limit and the benefit cap would immediately lift a million children out of poverty as well as ensuring that *all* families, working or not, are provided with a basic level of support to help with the costs of raising a child.²

Childcare

Free hours:

CPAG welcomes the expansion of free hours to children aged 9 months to 2 years in England. CPAG's Cost of a Child analysis found that the main reason why the cost of having a child is highest when children are young is childcare.³ However, we do not agree that children's access to these places should be restricted by requiring both parents to be working at least 16 hours. As the chancellor indicated, childcare is about education as well as enabling work, but the earnings barrier prevents children from families on the lowest incomes, who are likely to benefit the most, from accessing places.⁴ The government should be looking to provide free childcare for every family that needs it.

It is vitally important that there is adequate funding to meet the demand. Currently, insufficient funding means that a third of local authorities are unable to meet the demand for the 3- and 4-year-old 30-hour entitlement. More than 1 in 4 cannot meet the demand for the 3- and 4-year old 15-hour entitlement.⁵ The announced increase in funding for existing childcare entitlement by £288 million in 2024-25 is broadly in line with the expected rise in providers' costs over the next two years.⁶ However, this means there is no additional funding in real terms, and many local authorities will continue to struggle to meet demand. A key reason for a rising number

² CPAG calculations, based on increasing child benefit by £20.

³ [The Cost of a Child in 2022](#), CPAG, 2022

⁴ [Equal Hours?](#), The Sutton Trust, 2023

⁵ [Childcare Survey 2023](#), Coram Family and Childcare, 2023

⁶ [Childcare reforms create a new branch of the welfare state - but also huge risks to the market](#), Institute for Fiscal Studies, 2023

of local authorities being unable to meet demand is that, since 2017-18, there has been a 13 per cent real cut in core funding per hour. It is vital that the government properly funds new and existing schemes to make sure childcare provision is not a postcode lottery.

Childcare in universal credit:

CPAG welcomes the long overdue reforms to childcare in UC. Having to pay childcare costs upfront has meant many parents have been unable to start working, as they cannot cover these costs before receiving their first pay cheque. The rise in the childcare cap in UC is also welcome, as it had not been increased in years, and unfairly penalised parents in high-cost areas.

However, a problematic issue with childcare in UC remains. The proportion of childcare costs that are covered by UC must increase from 85 per cent to 100 per cent. Making low-income families pay for childcare is illogical if the government is serious about encouraging parents back to work, and risks undermining other welcome changes to childcare.

Childcare for school-age children:

CPAG welcomes the commitment that all parents of primary-aged children in England will be able to access wrap-around childcare (between the hours of 8am and 6pm) through their school by 2026. However, the strength of this programme will depend on what is included in the provision, whether this provision is free to access, and the amount of funding and support that schools and local authorities receive to roll this out.

CPAG's vision for extended schools is based on what we know works for low-income families and supports children to thrive. It includes free to access wrap-around childcare, holiday programmes, extra-curricular activities such as sport and drama, universal free breakfasts and lunches, as well as dedicated mental health and wellbeing practitioners, and welfare rights advisers. Secondary school pupils across England should also have access to extended schools activities as they are proven to support children and young people's educational, social and emotional development.⁷

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, ensuring cost is never a barrier for low-income families. If there is insufficient and temporary funding, this risks placing an additional burden on already overstretched school staff and another cost passed on to parents.

CPAG previously estimated that it would cost the government £2.6 billion a year to fund every primary school, and £525 million a year to fund every secondary school in England to deliver core extended schooling activities, and an additional £500 million to provide mental health practitioners and family support workers.⁸ Significantly more funding is therefore needed beyond the £289 million announced in yesterday's Budget.

⁷ *Extended Services Evaluation: end of year one report*, Department for Education, 2010 and *Unfinished Business: where next for extended schools?*, CPAG, 2016

⁸ *Extended school provision*, CPAG, 2021

Conditionality in universal credit for parents and carers

The childcare announcements in the Budget are hugely welcome, however these measures tackle only some of the labour market barriers that parents face. Parents have often spent a significant amount of time outside of the labour market while raising young children. Therefore, they need tailored employment support to help with their re-entry into the labour market as well as guidance and funding to be able to take up suitable training opportunities. This must include being able to access free childcare to undertake training and qualifications. The government has announced dedicated support and funding to help people with a disability or health condition, and older people to find suitable employment opportunities. It was disappointing that there was not a similar package of support for parents and carers, recognising the specific barriers that they face.

Instead, for parents on UC there is increased conditionality and the use of sanctions. The Work and Pensions Select Committee found that there was no evidence benefit sanctions incentivised people to work.⁹ The only effect was to take much needed money away from low-income families and worsen their mental health. It is particularly worrying that the government is planning to use automation as part of measures to strengthen the use of sanctions.

Melissa and her husband have two daughters, aged 9 and 5 years. Melissa's husband is self-employed and works long hours. Melissa is the lead carer to her daughters, and has the standard work search conditionality of 25 hours per week. Melissa's youngest daughter needs extra care: she is currently being assessed for autism. Melissa was recently sanctioned after she failed to answer a phone call from the job centre. Melissa thought the phone call was an informal catch up after a job interview: it wasn't explained that it was mandatory. In any case, Melissa couldn't answer the phone call as her youngest daughter had thrown and broken her phone. Melissa challenged the sanction and it was overturned – but not before it had caused significant hardship and worry.¹⁰

A mother-of-two with a working partner has recently been asked to attend the job centre on a weekly basis. Prior to April she would attend fortnightly. She is not sure why she must attend weekly meetings. During the Easter holidays she had to look after her children, but when she explained this to her work coach, she was told to bring them to her appointment. She previously attended the job centre in the town centre but now is required to attend a temporary job centre several miles away. It is difficult for her to get there by public transport so she takes a taxi costing £7 each way. This places a significant financial burden on the family's tight budget.¹¹

Our work with second earners has shown that conditionality requirements often do not take into account the additional barriers primary carers face. Factors such as transport and childcare are often not taken into consideration for job centre appointments, let alone for suitable jobs. People are encouraged back into low-paid, precarious work, which has little impact on household finances or economic growth. This approach has contributed to a large rise in in-work poverty, where now three quarters of all children in poverty are in working households.¹²

If the government is serious about economic growth, it needs to help parents get into good-quality work which matches their skills and has career progression opportunities, not just any old job. Work coaches are already

⁹ [Benefit Sanctions](#), Work and Pensions Select Committee, 2018

¹⁰ Case study from the [Your Work Your Way](#) programme, an innovative work support programme for potential second earners from low-income families, helping them overcome barriers to get into work and progress.

¹¹ See footnote 10.

¹² [Households Below Average Income 2019/20](#), Department for Work and Pensions, 2021

overstretched, so any move to increase work-search requirements needs to be matched by a rise in the number of work coaches and other resources for job centres. As the chancellor outlined, many more parents want to work, and it is vital that the government provides meaningful employment support as well as removing more barriers to achieve this goal. And this needs to include financial support to train and gain qualifications as well as active work-search support.

One key barrier affecting this group is the limited financial incentive for second earners in families on UC. From the first £1 they earn, 55p is lost in social security. When this is combined with money already deducted for national insurance contributions, income tax and childcare contributions, the financial benefit of entering work is often very small. CPAG recommends that a second earner work allowance in UC is introduced, so that parents can keep more of their earnings before they start losing UC, which will provide a bigger financial incentive to work.

Changes to health and disability benefits

The Budget and accompanying health and disability white paper included announcements that have significant implications for disabled people and those with health conditions. While these changes will benefit some individuals, overall, they mark a retrenchment in people's rights within the social security system.

The government is planning to bring forward legislation that will abolish work capability assessments (WCAs) for UC. These assessments currently determine if a claimant has limited capability for work or work-related activity (LCW/LCWRA) for UC purposes, a decision that affects the amount of their UC as well as their work-related requirements. The LCWRA category, in particular, provides claimants with a significantly higher UC award and exempts them from all work-related requirements.

Under changes set out in the white paper, this system will be replaced with a discretionary approach to conditionality – with work coaches able to impose mandatory work-related requirements on anyone claiming UC, including those with serious illnesses and on the highest rates of disability benefits. The extra amount of UC for those in the current LCWRA group will be replaced with a 'health element' that will only be paid to UC claimants who separately qualify for working-age disability benefits like personal independence payment (PIP).

WCAs can be a stressful and demeaning experience for claimants, and scrapping them is welcome news for PIP recipients who will not have to undergo a further assessment to qualify for the new UC 'health element'. But, in its 2021 green paper, the government acknowledged:

"(the) reason why it would be difficult to combine the WCA and PIP assessments into one single assessment is that they are assessing different ways in which people's disabilities and health conditions affect them. The PIP assessment tests whether a person is likely to incur extra costs, while the WCA tests the impact of a person's condition on their ability to work."¹³

This highlights that relying on the PIP assessment to passport people to health-related benefits in UC will deprive people who are unable to participate fully in the labour market due to an illness or a disability from getting the support they need, because they do not meet the restrictive and non-work-related criteria for getting a disability benefit such as PIP.

¹³ [Shaping future support: the health and disability green paper](#), Department for Work and Pensions, 2021

Many people who cannot work do not qualify for PIP. For example, PIP assessments generally require people to have had their health problem or disability for three months and be expected to have it for a further nine months, meaning that anyone with an acute, short-term illness will struggle to get PIP (and therefore a UC health element) even while they are clearly not fit for work. Likewise, someone might currently be placed in the LCWRA group because work-related activity poses a substantial risk to their health – a rule that acts as an important ‘safety valve’ for UC claimants with mental health problems, for example – but there is no equivalent rule that will entitle the same claimants to PIP.

One of the main motivations behind these changes is to encourage claimants in receipt of health and disability benefits to work if they wish to. However, people worried about losing their LCWRA status if they try work are equally worried about losing their entitlement to PIP. A person can, in law, receive PIP while in work (as they can, in law, stay in the LCWRA group while in work), but their ability to hold down a job, travel to work, do the tasks involved in their work and so on are all taken into account in a PIP assessment and frequently used as reasons for refusing or withdrawing PIP. Paragraph 144 of the white paper states:

“We want to give people confidence to try work, so that those who are able to can progress in or towards work, without the worry of being reassessed or losing their benefits.”¹⁴

For the reasons above, also recognised by the Social Security Advisory Committee in August 2022,¹⁵ this change will not have this intended consequence.

The white paper does not outline how this will interact with the Scottish social security system (disability benefits are devolved in Scotland). At present the Scottish government is applying the PIP eligibility criteria to the adult disability payment (which will replace PIP in Scotland) to ensure a smooth transition. If the qualifying criteria for disability benefits in Scotland and the rest of the UK significantly diverge, this could affect a claimant’s ability to access health-related benefits in UC.

Disabled people and those with long-term health conditions were also a focus of the Budget’s stated ambition to get more people into the labour market, with the chancellor citing the two million sick and disabled people who are economically inactive. One of the ways they will be supported is through a new programme, ‘Universal Support,’ in England and Wales, where the government will spend up to £4,000 per person to help people with disabilities and health conditions find appropriate jobs. We strongly support the provision of tailored support and investment to help people return to work, but this programme will only offer 50,000 places a year, so it would take 40 years for such a scheme to be offered to all economically inactive people with disabilities.

Meanwhile, the conditionality changes set out in the health and disability white paper mean that work-related requirements will be determined on a case-by-case basis by job centre staff. While more training and support are proposed, this change will put decisions in the hands of work coaches which have previously been made by more senior decision-makers guided by the assessments of medical professionals. Discretionary decisions made by work coaches cannot be appealed in the same way that WCA decisions currently can, removing an important right from claimants and excluding the tribunal system from having oversight of this crucially important topic. CPAG is extremely concerned about the impact of these changes on claimants.

¹⁴ [Transforming support: the health and disability white paper](#), Department for Work and Pensions, 2023

¹⁵ [Out of work disability benefit reform](#), Social Security Advisory Committee, 2022

CPAG's Early Warning System, which collects evidence from claimants and frontline benefits advisers, gets regular reports about inappropriate conditionality being imposed on claimants who have disabilities or health conditions and are not protected by being in the LCWRA group. In the worst cases, a claimant's inability to meet these inappropriate requirements leads to them being sanctioned, which means that their benefit income is cut or stopped for a period of time. The plans outlined in the white paper, coupled with a strengthening of the sanctions regime overall, are very likely to lead to an increase in the number of sanctions being applied to UC claimants who have health conditions and disabilities.

Support with energy costs

In the Budget, the chancellor announced that the premium faced by 4 million customers on pre-payment meters will come to an end in July, reducing unfairly high costs for low-income households. This is a welcome step, but the government must do more to ensure that customers on pre-payment meters claim the energy bills support scheme vouchers they are entitled to. In February this year, 1.9 million vouchers worth £400 had not been redeemed.¹⁶

It will be reassuring for households across the UK that the energy price cap will remain at £2,500 for another three months rather than increasing at the end of March. However, families will still see a £400 increase in their bills per year, as a result of the energy bills support scheme coming to an end, which many will not be able to afford.

The cost of living payments that will be paid to households on UC and equivalent benefits this year will help families with higher energy costs and with the costs of other essentials that continue to rise. But these flat-rate payments do not stretch as far for families with children who face higher energy costs – households with children spend 30 per cent more on energy than households without children.¹⁷

While energy costs are forecast to fall below the energy price guarantee level in the coming months, there is no evidence that costs will return to pre-2022 levels. Families will need support with energy costs in the long term and this is best delivered through our social security system. Ensuring that benefit levels are adequate to support families to have an acceptable standard of living that keeps them out of poverty is the most appropriate and effective way for the government to target support.

Conclusion

The chancellor was keen to highlight how the sun has been shining as a result of the actions of this government. Low-income families with children have not experienced the past decade this way. Cuts to social security and public services that children and families rely on, compounded by a pandemic and the cost-of-living crisis, have made life extremely difficult for lower-income families, with an increasing number now living below the poverty line.

¹⁶ [January sees highest level of energy bill support reach vulnerable households](#), UK government, 2023

¹⁷ Author's calculations from ONS, *Disposable income and energy expenditure for different fuel type households and household types, UK: financial year ending 2018, 2020* and Share of households with children calculated from DWP, *Households Below Average Income 2019/20, 2021*.

This Budget will not make much difference to these families. The expansion of childcare offers real opportunities for the future, but there was nothing in terms of cash support that will help families struggling with the cost of living here and now.

To tackle rising levels of child poverty, we need more direct financial support for low-income families. Increasing child benefit, expanding free school meals, and abolishing the two-child limit and benefit cap would lift a million children out of poverty overnight and send an important message that this government stands beside *all* families with children, including those on the lowest incomes.

About CPAG

Child Poverty Action Group works on behalf of the more than one in four children in the UK growing up in poverty. 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.