



# SPRING BUDGET 2023

## CPAG briefing for parliamentarians

March 2023

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### Summary of recommendations

As inflation remains in the double digits, families with children face another year of financial stress. 4.3 million children were in poverty before Covid and this number is projected to rise further in the future, as families experience the full effects of decade-long cuts to social security.<sup>1</sup>

This is an important moment for the government to demonstrate how it will support families on a low income. Investing in social security protects those who need it most. This investment is highly cost-effective – reducing child poverty immediately and leading to improved education, employment and health outcomes, including life expectancy.<sup>2</sup>

CPAG recommends the following four actions to make an immediate difference to children and families living in poverty:

1. **Scrap the two-child limit**
2. **Abolish the benefit cap**
3. **Raise child benefit by £20 a week per child**
4. **Roll out universal free school meals across England**

To tackle economic inactivity and help parents and carers into work, the government should also:

5. **Introduce a second earner work allowance in universal credit (UC) and provide tailored employment support**
6. **Provide a high-quality publicly funded universal childcare system**

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<sup>1</sup> [Living Standards Outlook 2023](#), Resolution Foundation, 2023

<sup>2</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

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

## Scrap the two-child limit

The most cost-effective way to reduce child poverty is to **scrap the two-child limit**.<sup>3</sup> In 2023/24 over 1.5 million children are going to live in households affected by the policy, the vast majority of whom live in poverty.<sup>4</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>5</sup> The policy has been shown to have a negligible impact on the number of children parents decide to have,<sup>6</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.

## Abolish the benefit cap

**Removing the benefit cap** would help some of the most vulnerable families. While we welcome the recent decision 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>7</sup> 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>8</sup>

## Increase child benefit

**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. Even with the uprating to child benefit in April, real-terms cuts to child benefit mean it has **lost 25 per cent of its value since 2010**.<sup>9</sup> Increasing child benefit by **£20 a week** would see **500,000 children pulled out of poverty**, at a cost of £10 billion.<sup>10</sup>

## Expand universal free school meals

Free school meal (FSM) entitlements can relieve pressures on household budgets, but current eligibility criteria are far too stringent. CPAG's analysis shows **that 800,000 children in poverty in England do not currently qualify** for either of the two nationally-provided FSM schemes (universal infant and means-tested) FSMs.<sup>11 12</sup> There are also wider benefits to universal FSMs. They can help to boost children's learning and attainment,<sup>13</sup> as well as supporting their health.<sup>14</sup> CPAG estimates that **rolling out universal FSMs in England would cost £1.8 billion**.

<sup>3</sup> Children born after April 2017 are subject to the policy; by the time the policy is fully rolled out, up to 3 million children could be affected.

<sup>4</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>5</sup> See note 4 (the UKMOD one if references change again!)

<sup>6</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>7</sup> UK Parliament, [Written questions and answers](#), 24 November 2022

<sup>8</sup> See note 4

<sup>9</sup> Author's calculations using *CPI All Items Index*, Office for National Statistics, 2022; Child benefit rates; *Economic and fiscal outlook – November 2022*, Office for Budget Responsibility, 2022

<sup>10</sup> R Statham and H Parkes, [A lifeline for families – investing to reduce child poverty this winter](#), IPPR, 2022

<sup>11</sup> [800,000 children in poverty not getting free school meals](#), CPAG, 2022

<sup>12</sup> The provision of FSMs to all children in Years 3-6 in London means 90,000 of the 800,000 are covered for next year. This is welcome, but it is the responsibility of the national government to make sure no child goes hungry at school. FSMs shouldn't be a postcode lottery.

<sup>13</sup> [Free and nutritious school lunches help create richer and healthier adults](#), Lund University, 2021

<sup>14</sup> [Impact of the universal infant free school meal policy](#), Nuffield Foundation, 2020

## Employment support

The recent 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 work and UC. However, when looking at the reasons behind economic inactivity, **most 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. 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.

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. There should also be greater consideration given to hidden costs such as transport (particularly in rural areas) and access to IT.

## Childcare

The UK has one of the most expensive childcare systems in the world.<sup>15</sup> Support for the cost of childcare is a complex patchwork, differing by age of child and nation.<sup>16</sup> 44 per cent of councils in England reported not having enough childcare for parents who work full time.<sup>17</sup> 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**.

### Pre-school childcare

**A big gap in pre-school childcare exists for children aged 0-2**, and this is where childcare is the most expensive for families. There is currently no supply-side funding for this age group in England, while for children aged 3-4 the free entitlement provides more support but still leaves many families facing huge gaps. 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>18</sup>

### 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>19 20</sup> 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.

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<sup>15</sup> [Is Childcare Affordable?](#), OECD, 2020

<sup>16</sup> Provision of financial support for childcare costs is split across three different government departments.

<sup>17</sup> L Coleman, M Dali-Chaouch and C, Harding, [Childcare Survey 2020](#), Coram Family and Childcare, 2020

<sup>18</sup> L Coleman, S Shorto and D Ben-Galim, [Childcare Survey 2022](#), Coram Family and Childcare, 2022

<sup>19</sup> [Maqic breakfast](#), IFS, 2016

<sup>20</sup> [Can out of school activities close the attainment gap?](#), Newcastle University, 2016

Publicly funding these clubs and activities, and making them universally available, would boost family finances and 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>21</sup>

### Universal credit

**A key problem with childcare support in UC is the rigid delivery mechanism.** Unlike in the tax credit system, UC requires parents to pay for childcare costs upfront and then wait weeks to be reimbursed.<sup>22</sup> Costs can exceed £1,000 for a month's full-time place creating a significant financial barrier to starting work, taking on additional hours, or staying in work when childcare needs change such as during the school holidays. The flexible support fund and budgeting advances can be used to circumvent the rigid system, but awareness of these schemes is extremely limited. They are not advertised and if they were demand would outstrip supply.

The level of financial support provided through UC is also not adequate. 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>23</sup>

There is also a cap on monthly costs, meaning that families in high-cost areas such as London can receive less than 85 per cent of the total costs. Our evidence shows that parents looking for work often struggle with training, application forms and interviews without dedicated childcare support to cover these times.<sup>24</sup>

### Conclusion

Families have been telling us that they have no room left in their budgets, and they have been on the brink of survival since long before inflation started to rise. Increasing social security for low-income families is a **highly cost-effective investment** for the government.<sup>25</sup> 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>26</sup> Rapid and sustained investment in the social security system will pay immediate dividends: helping to ensure that children don't bear the brunt of the current crisis, as well as investing in their future.

### 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.

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<sup>21</sup> [Extended school provision](#), CPAG, 2021

<sup>22</sup> Depending on how a claimant's assessment period aligns with the delivery of childcare, they may have to wait over a month.

<sup>23</sup> [Children's futures and the economic case for before- and after-school provision](#), CPAG and Magic Breakfast, 2022

<sup>24</sup> See [cpag.org.uk/your-work-your-way](https://cpag.org.uk/your-work-your-way) for more details.

<sup>25</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

<sup>26</sup> H Hoynes, DW Schanzenbach, D Almond, [Long-run impacts of childhood access to the safety net](#). American Economic Review 106(4):903–34, 2016