



Respondent Information Form

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Are you responding as an individual or an organisation?

☐ Individual

☒ Organisation

Full name or organisation's name

Child Poverty Action Group in Scotland

Questionnaire

Question 1

Do you agree or disagree with the Scottish Government's assessment that Social Security Scotland should deliver payments to mitigate the two-child cap in Scotland?

☐ **Agree**

Please give reasons for your answer.

The Scottish Government's own analysis shows the single most cost-effective way to reduce child poverty would be to end the two-child limit.¹ CPAG, alongside many other organisations is advocating for the UK government to scrap the policy entirely. Given the Scottish Government's commitment and legal duties to eradicating child poverty, it is vital the two-child limit is mitigated in the meantime. Internal analysis by CPAG estimates that this measure could lift approximately 15,000 children out of poverty.

Families with children are more at risk of poverty than other groups. Household costs are higher in addition to higher housing and childcare costs. This pressure on household finances comes at precisely the time that parents' capacity to work is more limited because they may be on parental leave, working part-time to manage childcare, or staying in a job that fits in with their caring responsibilities. Crucially salaries don't account for family size.

As a result, low-income families rely on two main sources of income to get by: employment and social security. Most families receive a combination of both, with social

¹ <https://www.gov.scot/publications/welfare-reform-report-impact-welfare-reforms-households-children/>

security topping up earnings (which parents are often not in a position to increase significantly). This is why UK cuts to social security over the last 15 years have been so harmful to children and families and why in Scotland mitigating the two-child limit alongside Scottish child payment and mitigating the benefit cap is vital. As the policy only applies to third and subsequent children born since April 2017, the number of children affected by the two-child limit will continue to rise until 2035 when the first children born under the policy turn 18.

Children growing up in poverty face worse educational outcomes, poorer physical and mental health, and fewer opportunities in adulthood. This not only harms those children and their families but also weakens the economy and places greater pressure on public services in the long run. Analysis by CPAG estimates that child poverty costs the UK £39 billion a year, in terms of reduced revenues and increased spending.²

Impact on families

41% of children in poverty live in households with three or more children. Mitigating the two-child limit would directly support one of the Scottish Government's priority groups, rightly identified as being at greater risk of poverty. It will provide much needed additional income to families struggling as a result of the policy.

"I feel as if my... Not my favourite word, but it's stuck on repeat, is, "No, not today, maybe tomorrow. No, we don't have the money for that." Their response is always, "But my friends..." I just feel as if that's one that I really struggle with."

"Then my electricity and my gas is constantly on emergency because some weeks it comes to, "Do I buy food or do I top up the electricity and the heating and...?" Just the anxiety that comes with it and..."

Quotes from parents affected by the two-child limit, interviewed by CPAG's Strengthening Social Security project.³

Economic growth and higher employment won't bring child poverty down in isolation

Increasing parental employment (and therefore earnings) is a key component of child poverty reduction efforts, but it is not sufficient to lift families out of poverty on its own. While there were substantial and sustained improvements in the 1990s/2000s, recent years have been characterised by rising in-work poverty as gains in earned income have not been enough to make up for what has been taken out of the social security system. Three quarters of children in poverty in Scotland live in a working household.⁴

² <https://cpag.org.uk/news/cost-child-poverty-2023>

³ <https://cpag.org.uk/what-we-do/project-work/projects-scotland/strengthening-social-security-research-five-family-payments>

⁴ <https://data.gov.scot/poverty/#Children>

If policies to boost parental employment are not accompanied by an increase in social security benefits, they are unlikely to have a significant impact on child poverty. This is because employment policies tend to lead parents to enter low-paid and part-time work.

Unforeseen changes of circumstance

When the UK government introduced the two-child limit it implied that the policy would influence decisions about family size. George Osborne, the chancellor at the time, claimed that the policy would ensure that families in receipt of benefits faced "the same financial choices about having children as those supporting themselves solely through work."⁵ However, CPAG analysis showed that the probability of having a third or subsequent child declined by just 0.36 percentage points in England and Wales in the two years following the introduction of the two-child limit. Evidence from CPAG's Early Warning System⁶ highlights that many families become subject to the two-child limit following a change in circumstances rather than the birth of a child. For example:

A father was unexpectedly made redundant just after his third child was born. The family had to claim universal credit (UC) and became subject to the two- child limit.

A father became a lone parent to four children when his wife died and had to claim UC credit. He only gets child elements for the older two children due to the two-child limit.

A couple with two children recently took in a third child from a previous relationship. As one of the children was born after 2017, the two-child limit applies, and they will not receive any additional universal credit in respect of the third child.

The eldest sister has two children of her own. Her teenage twin sisters moved in with her after their mother moved away. Under the two-child limit additional child elements will not be included in the eldest sister's UC unless it is a formal kinship care arrangement, or it is confirmed by a social worker that they would otherwise be at risk of being looked after by the local authority. The exemption for multiple births does not apply unless the claimant is the parent of the children in question.

Promotes take up of other benefits for third and subsequent children

Mitigating the two-child limit could also encourage families to report third and subsequent children to DWP, HMRC and Social Security Scotland. CPAG's Strengthening Social Security project found that some families do not claim Scottish

⁵ <https://www.gov.uk/government/publications/summer-budget-2015>

⁶ <https://cpag.org.uk/what-we-do/project-work/early-warning-system>

child payment or child benefit for third and subsequent children because they mistakenly believe the two-child limit applies to those benefits as well.⁷ For example:

'They've got, maybe, four kids, they've got the two child elements on universal credit, but they've not applied for their younger two children for child benefit or the younger two children for Scottish child payment. They think it's the two-child [limit] across the board. We've had a few instances of that....' (adviser case study from the report)

Question 2

Do you agree or disagree that to mitigate the two-child cap, the Scottish Government should use the powers at s79 to top-up Universal Credit?

☐ **Agree**

Please give reasons for your answer.

We agree that the Scottish Government should use the powers at s79 to top up UC as this offers the quickest route to putting money in families' pockets.

In the absence of the Westminster government scrapping the two-child limit, our preferred option would be for the DWP to implement mitigation at source, to ensure maximum take-up with minimum administration for individuals. However, we recognise that six years after an agreement was reached between Scottish Government and DWP, the bedroom tax has still not been mitigated at source and do not wish to risk any delay to the mitigation of the two-child limit.

Another option would be to deliver the mitigation payment through Scottish child payment.

Whichever route is taken as the mechanism to deliver the mitigation payment bureaucracy must be kept to a minimum to ensure maximum take-up. The ideal would be to make a determination of entitlement and make payment without requiring an application. All avenues should be explored to identify if this is possible within the timeframe.

If this is not possible the following steps should be taken to make accessing the payment as easy as possible:

- existing recipients of Scottish child payment must be invited to claim the mitigation, and
- new claims for Scottish child payment must be adapted to serve as both a claim for Scottish child payment and two-child limit mitigation, and
- backdating should be included for the mitigation to ensure that those who apply late are not disadvantaged.

⁷ <https://cpag.org.uk/what-we-do/project-work/projects-scotland/strengthening-social-security-research-five-family-payments>

Question 3

Do you agree or disagree that payments to mitigate the two-child cap should be disregarded as income by the UK Government?

☐ **Agree**

Payments made to mitigate the two-child limit should be disregarded as income by the UK government as is the case with Scottish child payment and with bedroom tax and benefit cap mitigation through discretionary housing payments.⁸

If two-child limit mitigation is not disregarded, families will not benefit from the mitigation as intended. The payments could be deducted from universal credit awards and may cause them to become subjected to the benefit cap, undermining the intended support.

Question 4

Do you have any information you wish to share about any additional potential impacts of the proposed approach outlined in this consultation?

Families who will miss out on mitigation

CPAG supports the proposed approach as we believe this is the quickest route to getting money into the pockets of the majority of families affected by the two-child limit. However, as the mitigation approach proposed relies on topping up universal credit (UC) there are some families who will miss out on support because they are not in receipt of UC but would be if they were not subject to the two-child limit.

For example:

Ellie has 3 children but is not affected by the two-child limit. (due to an exception or because her children were born before 2017) Her rent is £1795.08 which is the maximum UC will pay for private rented 3-bedroom property in Glasgow. The maximum UC she could get would be £3073.65, but due to her earnings her UC is reduced to £215.85.

Anya also has 3 children and is subject to the two-child limit. Her rent and earnings are the same as Ellie's, but she does not receive UC. The maximum UC she could receive would be £2780.84 (since only 2 children are included in the calculation) but her earnings reduce her UC entitlement to zero. (hypothetical examples)

CPAG estimates that 3,000 households (or 10,000 children) in Scotland miss out on UC because of the two-child limit.⁹

⁸ reg 66 of the Universal Credit Regulations 2013 lists the benefits that are included as income in a universal credit calculation. Benefits that do not appear on this list are not treated as income. Discretionary housing payments and Scottish child payment are not on the list and are therefore not treated as income.

⁹ CPAG's analysis was carried out using UKMOD version B1.11. UKMOD is maintained, developed and managed by the Centre for Microsimulation and Policy Analysis (CeMPA) at the University of Essex

We urge the Scottish Government to investigate the impact of missing out on the two-child limit mitigation and consider using childhood assistance to support these families.

Exemptions

It is important that families continue to be made aware they can apply to DWP for an exemption from the two-child limit. As highlighted in Ellie and Anya's case studies above, some families will only get UC if a third or subsequent child is included in the calculation.

Families who are close to losing UC because they have earnings may be better applying for an exemption (if eligible) than mitigation, as the exemption will raise the threshold for earnings before their UC stops, whereas the mitigation will not.

Rate of payment

The payment proposed is equivalent of the UC element for each child. We agree this is the correct rate, as it matches the amount that a UC award will be reduced by. (A tapered rate would only be required if mitigation is extended to families who are not getting UC but would be if they were not subject to the two-child limit. In these circumstances any UC award would be smaller than the missing elements.)

We agree with the Scottish government's assessment that the 'benefits of the increased income for families who will receive the payments will outweigh any negative behavioural impacts which might result.'