



MIND THE GAPS

REPORTING ON FAMILIES' INCOMES DURING THE PANDEMIC

14 May 2020

This is the fifth in a series of weekly briefings, *Mind the Gaps*, which highlight some of the gaps in support that exist for children and families affected by the Covid-19 pandemic. Evidence of these gaps is drawn from our Early Warning System (EWS) which collects case studies from frontline practitioners working directly with families on the problems they are seeing with the social security system.

The issues outlined in this briefing are a selection of some of the 'top issues' emerging through the EWS. It is important to note that these briefings are not designed to capture everything we are seeing; instead the *Mind the Gaps* briefing series will feature different issues each week and return to issues that need urgent attention where necessary.

More and more families are being affected by the benefit cap

The benefit cap limits the financial support available to households who are not working, or not considered to be working sufficient hours, to £20,000 a year outside of London or £23,000 a year in London. Because of their higher costs, families with children are more likely to be affected by the cap, with single parents disproportionately affected. There are two ways to escape the benefit cap: working more, or moving into cheaper housing. Both of these options could involve dismissing much of the government advice regarding staying safe during the pandemic and, in many cases, it is simply not possible for people to take these steps. As the UK heads towards a deep recession and with many parts of the economy shutdown it is very unlikely that claimants will be able to find a job or increase their working hours during this time, particularly for families with children who have childcare responsibilities in the face of school and nursery closures. With regard to moving into cheaper housing, as reported in our [previous Mind the Gaps briefing](#), some local authorities have banned house moves in all but the most urgent cases for those living in social housing. Even with lockdown restrictions beginning to ease, this is often difficult for social housing tenants as there may not be cheaper housing options available in their area.¹

Perversely, the positive steps taken by the government to uprate certain benefits to help low-income families who have been affected by the pandemic has meant that more and more families are going to be affected by the benefit cap, with little scope for remedying their situation. In February 2020, 79,000 households had their benefits

¹ For example, in Scotland 70% of claimants affected by the benefit cap have council or housing association tenancies (figures are from May 2019)

capped.² CPAG estimates that we are likely to see an increase of at least 50% on this figure as a result of the coronavirus pandemic. There are three main ways that families may become subject to the cap as a consequence of coronavirus:

1. **The increases to universal credit (UC) standard allowance and local housing allowance (LHA) rates:** uprating the UC standard allowance by £20 a week and increasing LHA rates to the 30th percentile will mean that families who were already on benefits and were close to the level of being capped will be newly affected by the cap as a result of these increases. This means the increases in benefits will not go to these households, despite the fact that they face the same financial pressures as other claimants. Our estimates show that 12,500 households are likely to be capped as a result of the increase to the UC standard allowance alone. Many more will be affected as a result of the increase in LHA.
2. **Families who were previously on benefits but are now not deemed to be working enough:** families who were previously claiming benefits but were working a sufficient number of hours (16 hours a week in most cases) and therefore escaped the cap may find themselves newly capped if they have lost a job or their hours have dropped. Some of these workers will be protected by the 'grace period' which means claimants will not be capped for the first nine months if they are newly unemployed, however this relies on a consistent work history over the past year which many claimants may not have.
3. **Families claiming benefits for the first time:** 2 million households have claimed universal credit since the beginning of March.³ In the absence of better data about who these new claimants are, it is difficult to know how many of these households will be affected by the benefit cap. Some households will be exempt because of the grace period, although analysis has shown that for those households that are not exempt the majority could be hit by the cap.⁴

The Early Warning System has received a number of cases regarding families who have been newly affected by the cap. As these case studies highlight, single parents (the vast majority of whom are women) are disproportionately affected by the policy as they are more likely to rely on support from the social security system.

A lone parent with four children moved from income support to UC when she started a part-time job in February. The benefit cap is not applied if you earn more than £542.80 a month. This client's monthly earnings are £426.96 so the cap is applied and her UC is reduced by £220 a month plus £95 to repay her UC advance. She will not benefit from the increase in the UC standard allowance because of the cap.

A lone parent with four children is subject to the benefit cap. Her latest UC statement shows that even more money has been deducted than usual due to the increase in child benefit and the UC standard allowance, with the effect that she does not benefit from these increases.

A single mum with five children needs to stay at home as she needs to shield her son, who has additional needs. Her benefits have been capped and she doesn't know how she will manage financially.

The example below illustrates how families who may not usually be subject to the cap because they claim what is known as an 'exempting benefit', such as a disability benefit, may be subject to the cap for longer than necessary.

² DWP, [Benefit cap data to February 2020](#) (May 2020)

³ DWP, [Universal Credit declarations and advances: management information](#) (May 2020)

⁴ For example, a couple with two children will be affected by the cap in 82% of England. See Pennington, J. [The benefit cap is undermining the government's response to coronavirus](#), Shelter (May 2020)

This is because they are experiencing delays in being awarded the exempting benefit as a result of the three month pause in some benefit assessments announced by the DWP in response to the coronavirus.

A parent with four children stopped work in February and applied for UC. The parent has earned more than the benefit cap threshold for the last four years, but the benefit cap has been applied, on what appears to be the DWP's calculations and interpretation of the legislation without regard to the policy intent, which would allow a grace period of nine months before the cap is applied. The family has applied for DLA for one of the children which, if awarded, would exempt them from the cap, but the assessment has been delayed due to a pause in assessments taking place.

The case studies below illustrate how workers who escaped the cap by working a sufficient number of hours are now being affected as a result of being furloughed. These examples demonstrate a difference in policy applying to claimants on UC and claimants on legacy benefits that disadvantages UC claimants. For those claiming working tax credit (WTC), they are still able to receive their full entitlement if they have been furloughed or their hours have dropped. They will also not be affected by the benefit cap as WTC is an 'exempting benefit.' In contrast, for those claiming UC who do not qualify for the grace period, they will become subject to the cap immediately if they lose a job or their hours drop below a certain level.

A single mum of three children (one aged 7 and twins aged 4) usually works as a catering assistant in a school kitchen during term time. She is contracted to work 16 ¼ hours per week, and is paid on the last working day of each month throughout the year. Her standard wage of £574 per month isn't enough to escape the benefit cap in universal credit (£604 in this case). When the school is open, she works overtime and can escape the cap. Now the school is closed and she is furloughed, she is only receiving 80% of her normal wages and cannot increase her hours. She is struggling to buy food and is borrowing money from family members to help with her rent.

A single mum with twins escaped the benefit cap by working over 16 hours per week when her twins went to school. She has now been furloughed and her lower earnings means she is now affected by the cap. She has been awarded a discretionary housing payment to help with her rent until June, but this is not a long-term solution.

This week the government has announced a continuation of the generous coronavirus job retention scheme, a welcome step that will help to safeguard the livelihood of millions of workers. But there is a stark difference between this and the financial support available for those who have not been furloughed, or have been furloughed on low wages and are now subject to the benefit cap, but are unable to work enough or at all to escape the cap because of sickness, job loss, loss of hours or school closures. For these families, the support available is arbitrarily capped, despite facing the additional costs of raising children. CPAG, alongside many other organisations, is calling for a suspension of the benefit cap to help support families during the coronavirus pandemic.

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.

About the Early Warning System

Our Early Warning System helps us get a better understanding of how changes to the social security system are affecting the lives of children and families. We gather information from advisers about the experience of children and families. This intelligence informs much of our policy, research and campaigning work, and also feeds into the advice we give frontline advisers.

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