



“IT FEELS AS THOUGH MY THIRD CHILD DOESN’T MATTER”

The impact of the two-child limit after four years

April 2021

Introduction

Since 6 April 2017, parents having a third or subsequent child are no longer eligible for support for that child through child tax credit and universal credit if they need it. This support is worth up to £2,830 per child per year.

The two-child limit means that a low-income family expecting their third child and receiving universal credit will only receive £14 per week in child benefit, when the estimated cost of providing that child with a socially-accepted minimum standard of living is £93 per week.¹ It means that a parent of three children who loses their job will be entitled to £54 less per week if they have a child aged under four than if that child were slightly older. Alongside the benefit cap,² the two-child limit undermines founding principles of the social security system that have been upheld for 50 years: that entitlement is based on individual and family needs, and that the government will help parents with the additional costs of raising children.

The impact of the two-child limit on families has been compounded by other cuts to social security including benefit freezes and the benefit cap. These policies have disproportionately affected families with children. Before COVID-19, £36 billion per year had been cut from social security as a result of government policies since 2010.³

Even the pandemic response has offered little for families with children: there has been no targeted financial support for children, and the two-child limit and benefit cap have both remained in place. Though the temporary £20 per week uplift to universal credit and working tax credit is welcome, it does not adjust for household size, with a single adult receiving the same as a couple with three children.

This joint report by Child Poverty Action Group (CPAG), the Church of England and the Welfare Reform and Larger Families research project presents the latest estimates of the number of families affected by the two-child limit, and provides an insight into the impact of the policy using survey data from families directly affected by it. It is a continuation of a series of annual reports tracking the impact of this policy over time.⁴

How many families are affected?

Government statistics show that in April 2020 (at the beginning of the pandemic), 243,000 families were affected by the two-child limit (approximately 900,000 children). 57 per cent of families affected were working, and 59 per cent had three children.

Extrapolating these figures to the beginning of April 2021, we estimate **that at least 350,000 families and 1.25 million children have now been affected by the policy on the fourth anniversary of its introduction.**

The COVID-19 pandemic played a role in this increase as the sudden and sharp economic downturn has meant more families have been turning to the social security system for help. We estimate that at least 15,000 more families have been affected than would have been in the absence of the pandemic (an additional 50,000 children affected). This has happened in spite of the extensive measures taken to protect people from the economic impact of the pandemic.

Families affected by the two-child limit

	April 2020, Department for Work and Pensions (DWP) data ⁵	April 2021, CPAG estimate ⁶	2020 to 2021 increase due to COVID-19 ⁷
Number of families affected	243,000	350,000	15,000
Number of children affected	~900,000	1,250,000	50,000

The number of families affected will continue to grow as nearly all low-income families with three or more children eventually become subject to the limit, and as the economic fallout of the pandemic is felt fully after temporary protections are withdrawn.

Families affected in times of crisis

The pandemic highlights the flawed rationale behind the two-child limit, which is that parents who receive benefits should make the same financial choices about having children as those supporting themselves solely through work. A crisis can happen at any moment. Large-scale crises such as the pandemic are, fortunately, rare. But job losses, ill health and relationship breakdown invariably hit individual households all the time. No family can assume that such a crisis would not affect them at some point in the next 18 years when they decide to have a child.

We have heard directly about peoples’ experiences of the policy through our online survey.⁸ One of the recurring responses we see in the survey is that families were affected by the two-child limit when a crisis unexpectedly hit.

“We could easily afford to pay for all of our children before my husband became unwell and unable to work. Now because our youngest child is young enough to need childcare and childcare is out of our budget I am limited to working at home. We are living in poverty with no way out before he starts school, or my husband recovers enough to restart work or look after the children.”

“I had been with my partner eight years, had three children and a mortgage. He has left me alone with the children. I work part time and can only claim for two children and because I have a mortgage can get no help towards that. I don’t know how I am going to afford to put food on the table.”

“I made the decision to have a third child while my husband and myself were in work. My husband then left the day before the lockdown and I had to claim universal credit. It feels as though my third child doesn’t matter and his food, housing and basic living standards don’t matter.”

A primary function of social security is to provide support to us when a crisis hits. It helps us recover and shields children from the worst impacts while we get back on our feet. But, **the two-child limit removes this safety net, penalising families and their children for changes in circumstances that are beyond their control.**

Disproportionate impact

The government statistics do not provide a breakdown of those affected by the two-child limit by demographic group, but there is evidence to show that **it disproportionately affects women, as well as certain religious and black and minority ethnic communities.**

Our estimates indicate that 70 per cent of families affected by the two-child limit are couple families, 29 per cent are single parent families headed by women, and 1 per cent are single parent families headed by men. The policy therefore disproportionately affects women who are much more likely to be single parents and more reliant on the social security system, particularly when their children are young. The impact of this policy on abortion rates also affects women specifically – this is discussed further below.

Non-white families are much more likely to live in households with three or more children, in particular Pakistani, Bangladeshi and Black families. According to the 2019 Annual Population Survey, 16.2 per cent of families contain three or more children. This rises to 42 per cent among families with a Pakistani head of household, 38 per cent among Bangladeshi households and 28 per cent among Black households.⁹

In terms of religion, Muslim and Jewish families are also more likely to have three or more children.¹⁰ Within these communities, raising children is closely bound to faith and culture.

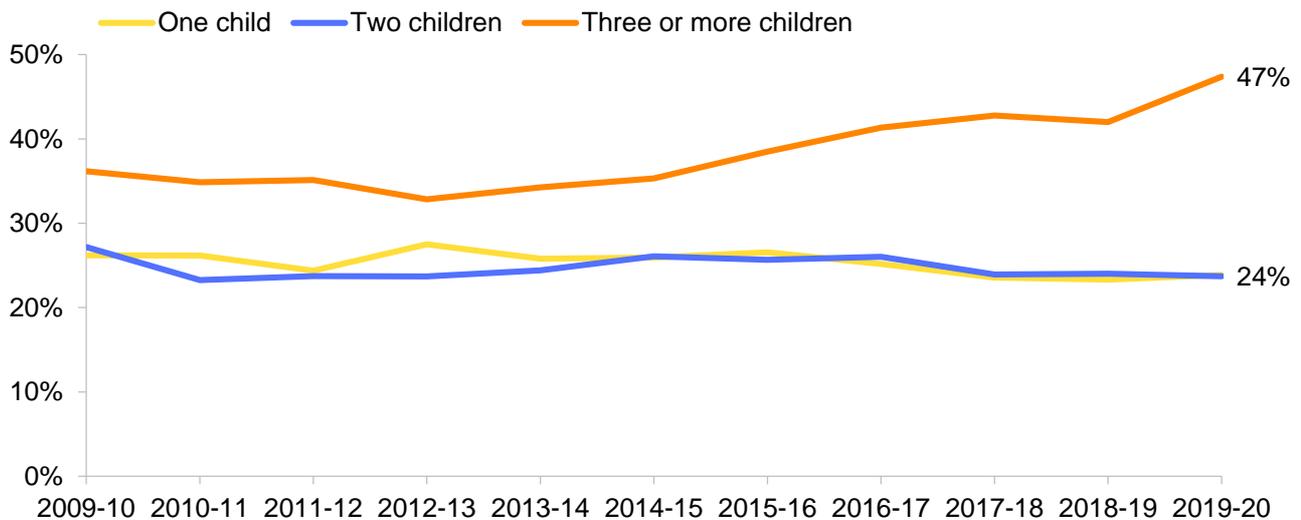
While not all larger families will be affected by the two-child limit, it creates additional hardship for those living on a low-income, and for those with higher incomes the safety net is much weaker if they experience a change in circumstances, such as the ones outlined above.

It is clear that the two-child limit disproportionately affects certain groups in society, and the government has given little consideration to the equality impact of this policy.

Impact on poverty

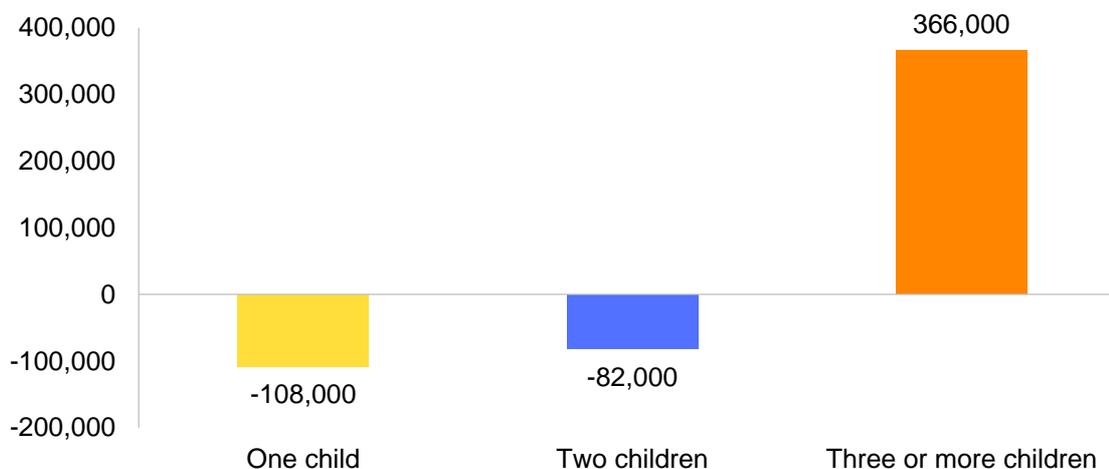
Poverty rates have long been higher among larger families than smaller ones, and the two-child limit is widening the gap. In 2019/20, 47 per cent of children in families with three or more children were in poverty (after housing costs), and this proportion has been rising since 2012/13.¹¹ Conversely, the poverty rate for children in smaller families, who continue to be able to access support for each of their children, was 24 per cent, half the rate for larger families, and has remained steady over the past decade.

Child poverty rate (after housing costs) by size of family



In the three years after the two-child limit was introduced, the number of children in poverty (after housing costs) rose by 176,000, to reach 4.3 million. But this masks the scale of the rise among larger families because the number of children in poverty in smaller families fell by 190,000 while the number of children in poverty in larger families rose by nearly 370,000.

Change in the number of children in poverty (after housing costs) between 2016-17 and 2019-20



The two-child limit disproportionately affects families already at high risk of poverty, meaning that as well as driving an increase in the number of children in poverty, it increases the severity of poverty for large numbers of children. Between 2016/17 and 2019/20, the number of children in larger families in deep poverty¹² has risen by 50 per cent – from 860,000 to 1.3 million.

While the increase in child poverty since 2016/17 is the result of multiple socio-economic factors, a key contributor is undoubtedly the two-child limit. When fully rolled out, the two-child limit will affect three million children in 800,000 families, and up to half a million children will have been pushed into poverty as a result of the policy.

If the two-child limit were removed today, 200,000 children would immediately be lifted out of poverty, and 600,000 children would be living in less deep poverty, at a cost of only £1 billion.¹³ This makes scrapping the two-child limit the most cost-effective way for the government to reduce child poverty.

Impact on families’ lives

All families affected by the policy to date will contain at least one child under the age of four. This is significant for two reasons: first, families with young children are already more likely to be living in poverty than families with older children,¹⁴ and second, negative experiences children have in their early years (including the experience of living in poverty) can have adverse lifelong effects.¹⁵

The impact of this policy on families has been pervasive. Through our survey of affected families, we are able to hear directly how the two-child limit shapes their day-to-day lives.¹⁶ The most direct impact of this policy is financial. **Affected families report that they are having to cut back on essentials, such as clothes, dentistry, baby equipment, and the quality and quantity of food.** Many families report that, despite reducing their spending, they are not always able to make ends meet, and are experiencing problem debt and rent arrears as a result.

“I didn’t realise how much the two-child limit would affect us until both my husband and I were made redundant due to coronavirus ... Being made redundant has made it increasingly difficult to pay our outgoing bills... We are tied up in 2-year contracts that we could afford whilst working. We will incur charges for non-payment and we can’t afford the early settlement fee.”

“After being made redundant while pregnant during the pandemic, I have found myself on universal credit and being affected by the 2-child limit. We are seriously struggling to make ends meet, we have got rid of unnecessary outgoings and still find ourselves unable to provide all that our children need... Every week we are in more and more debt.”

Despite parents’ best efforts, the financial impact has affected their and their children’s well-being, restricting their ability to participate in extracurricular activities or socialise with friends.

“I can no longer afford to send them to boxing or martial arts classes. It also affects the amount of food and clothing I am able to buy. My youngest son had to stop playing football for a while because we could not afford to buy him boots that fit and the boots he was wearing came to be 2 sizes too small!”

Living on such a tight budget takes its toll. While parents try to shield their children by cutting spending on themselves, it is often at the expense of their own mental health and relationships.

“My kids are picking up on how stressed and depressed I am that I can’t even afford to be a mummy and take care of them right. I never planned to be single with 3 children and it’s making my mental health so bad.”

The policy appears to be driving rising abortion rates

Research by the British Pregnancy Advisory Service (BPAS) has also found that the two-child limit is a significant factor in women’s decision to end a pregnancy, with 57 per cent of women who were aware of, and likely to be affected by, the policy saying it affected their choice.¹⁷ The number of women with two or more children who had an abortion in 2019 was 16.4 per cent higher than in 2016 (the year before the policy was introduced) - more than twice the rate of increase seen among women with one previous child. Respondents to the BPAS survey described being “forced” by their financial circumstances into ending a pregnancy that they would otherwise have wanted:

“If there was no two-child limit I would have kept the baby, but I couldn’t afford to feed and clothe it... I’ve really struggled to come to terms with [my decision].”

Conclusion

The pandemic has highlighted how events beyond our control can upend our lives and finances, but there are crises on a more personal scale affecting families in non-pandemic times, from job losses to relationship breakdown and ill health. Our social security system should be there to support families through tough times. Two-thirds of the UK population now agree that the two-child limit should be suspended or lifted altogether.¹⁸ It is time for the government to lift the two-child limit and help all children thrive.

About this report

The Church of England’s Mission and Public Affairs Council is the body responsible for overseeing research and commenting on social and political issues on behalf of the Church. The Council comprises a representative group of bishops, clergy and lay people with interest and expertise in the relevant areas, and reports to the General Synod through the Archbishops’ Council.

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. Child Poverty Action Group is a charity registered in England and Wales (registration number 294841) and in Scotland (registration number SC039339).

The Nuffield Foundation-funded Welfare Reform and Larger Families research project examines how the risk of poverty for larger families has changed as a result of recent benefit reforms. The project specifically focuses on the benefit cap (which limits the benefits an out-of-work or low-earning household can receive) and the two-child limit. Larger families have always faced a disproportionate risk of poverty but these reforms potentially make life more difficult because they break the link between needs and entitlement in the social security system and disproportionately affect single parent households and certain religious and ethnic groups. This multi-method project will enable better understanding of welfare reform’s impact on larger families and contribute to the evidence base on the impact of separating benefit from need, for future social welfare policy.

The Nuffield Foundation is an independent charitable trust with a mission to advance social well-being. It funds research that informs social policy, primarily in Education, Welfare, and Justice. It also funds student programmes that provide opportunities for young people to develop skills in quantitative and scientific methods. The Nuffield Foundation is the founder and co-funder of the Nuffield Council on Bioethics and the Ada Lovelace Institute. The Foundation has funded this project, but the views expressed are those of the authors and not necessarily the Foundation. Visit www.nuffieldfoundation.org

Appendix: Methodology

Estimating the number of families currently affected by the two-child limit

This involves two calculations:

1. Measuring how many would have been affected without COVID-19
 2. Measuring how many more families have been affected because of COVID-19 (families who were not previously claiming means-tested benefits)
- 1) *Measuring how many would have been affected without COVID-19*
- **Extrapolating from past trends we would expect about 335,000 families to be affected by the two-child limit**

2) *How many more families affected because of COVID-19*

First, we calculated how many more families are claiming means-tested benefits:

- December 2019 - 3.3m families on means-tested benefits
- December 2020 - 3.6m families on means-tested benefits
- In the absence of COVID-19, we would expect the number of families on means-tested benefits to fall slightly
- Therefore an estimated 350,000 additional families are on means-tested benefits because of COVID-19

Second, we need to estimate how many of the additional families have 3+ children:

- We know from government two-child limit statistics that there are about 850,000 3+ families on means-tested benefits. This means there are 2.5 m families with 1-2 children.
- From 2018/19 HBAI (Households Below Average Income) data we know that there are 6.6m families with 1-2 children and 1.3m families with 3+ children.
- This means 4,100,000 families with 1-2 children and 450,000 families with 3+ children are not on means-tested benefits pre-COVID-19.
- If families with 1-2 children and families with 3+ children are equally likely to be on means-tested benefits because of COVID-19, this means 35,000 additional 3+ families on means-tested benefits.* Not all of these will be subject to the two-child limit though as their youngest child might be too old. Based on data from large scale surveys, we would expect around half (49 per cent) of families with 3+ children to have at least one child under the age of 4.
- Using the above figures means there are at least **15,000 additional children newly affected by the two-child limit because of COVID-19.**

Combining these two calculations means an estimated 350,000 families (335,000 + 15,000) are now affected by the two-child limit.

*It might instead be argued that large families are more likely to be eligible as entitlement is higher.

Survey of affected families

This report draws on an ongoing survey of families affected by the two-child limit. The survey has been running since February 2019. Users of the Entitledto benefits calculator who are likely to be subject to the two-child limit are invited to participate. By the end of March 2021, the survey had received 1,753 responses, including 816 responses in the last year.

We are grateful to all the families who completed our online survey for sharing their experiences with us. Thank you also to Entitledto for directing affected families to the online survey, without which this research would not have been possible.

Notes

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- ¹ See D Hirsch (2019), ‘The Cost of a Child in 2019’, Child Poverty Action Group, Table 3.1. This figure is the estimated additional cost of raising a third child, excluding rent, childcare and council tax.
- ² The benefit cap, introduced in 2013, limits the amount of benefits an out-of-work or low-earning household can receive, regardless of need.
- ³ Authors’ calculations from Policy Measures Database, Office for Budget Responsibility, December 2019.
- ⁴ Earlier reports in this series include “All Kids Count” published in June 2019 <https://cpag.org.uk/policy-and-campaigns/report/all-kids-count-impact-two-child-limit-after-two-years> and “No one knows what the future can hold” published in May 2020 <https://cpag.org.uk/policy-and-campaigns/report/no-one-knows-what-future-can-hold>
- ⁵ HMRC and DWP (2020) Child Tax Credit and Universal Credit claimants. Statistics related to the policy to provide support for a maximum of two children.
- ⁶ See methodology in the Appendix of this report.
- ⁷ See methodology in the Appendix of this report.
- ⁸ The survey has been ongoing since February 2019. Users of the Entitledto benefits calculator who are subject to the two-child limit are invited to participate. By March 2021, the survey had received 1,753 responses.
- ⁹ ONS (2020) Annual Population Survey, household dataset, January-December 2019. Bespoke analysis.
- ¹⁰ ONS (2019) Census 2011. Bespoke analysis commissioned by the Church of England’s Mission & Public Affairs Team.
- ¹¹ DWP (2021) Households below average income: 1994/95 to 2019/20. Accessed via Stat Xplore.
- ¹² Defined as having a household income less than 50 per cent of the national median (after housing costs).
- ¹³ Author’s calculations using Family Resources Survey 2018-19, UKMOD. See also CPAG (2021) Budget Representation <https://cpag.org.uk/policy-and-campaigns/briefing/our-2021-budget-submission>
- ¹⁴ The poverty rate is 36 per cent among children in families where the youngest child is aged 0-4, compared to 27 per cent among children in families where all children are over 4 years old. See DWP (2021) Households below average income: 1994/95 to 2019/20, Table 4.6db
- ¹⁵ See, for example, the Marmot Review (2010)
- ¹⁶ The survey has been ongoing since February 2019. Users of the Entitledto benefits calculator who are subject to the two-child limit are invited to participate. By March 2021, the survey had received 1,753 responses.
- ¹⁷ See BPAS (December 2020): <https://www.bpas.org/about-our-charity/press-office/press-releases/research-finds-that-the-two-child-limit-is-a-significant-factor-in-women-s-decision-to-end-a-pregnancy-during-the-pandemic/>
- ¹⁸ See BPAS (March 2021): <https://www.bpas.org/about-our-charity/press-office/press-releases/new-polling-shows-majority-of-the-public-now-oppose-the-government-s-two-child-limit-policy/>