



UK benefits restricted to two children in a family likely to increase child poverty

ESPN Flash Report 2017/20

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Description

From April 2017 income tested cash payments are to be restricted to two children in a family. Child tax credits, housing benefit and universal credit are all affected by this policy. It is likely to increase child poverty.

At present low income families can claim child tax credit and if they qualify they receive up to £2,780 (€3,253) per child per year. The Government announced in 2015 that it would restrict payments to the first two children in a family. Despite a defeat in the House of Lords on some other cuts announced at that time, this policy starts in April 2017. The policy will affect the child tax credit payable for all third or subsequent children born after April 2017 and all new claims for universal credit whenever they were born. Under child tax credit and universal credit, higher amounts are currently paid in respect of disabled children. Where a third or subsequent child is disabled, they remain eligible for this “top-up” linked to their disability, but not for the child element of £2,780 (€3,253). Initially no exceptions were included but the government accepted a number of exceptions during the passage of the Bill, which were put forward in Regulations in March 2017. The exceptions cover:

- third or subsequent children under kinship care arrangements;
- third or subsequent children adopted from local authority care in the UK (not if adopted by step-parents, or from overseas);
- third or subsequent children likely to have been conceived through rape (which will now include in the context of

a coercive and controlling relationship) but only if the mother is no longer living with the father. This “likelihood” is to be determined by a professional opinion from an approved professional (police, social worker, doctor, nurse, etc.);

- all children born as part of a multiple birth if the firstborn child of that birth is the first or second child in the family;
- all children born as part of a multiple birth except the firstborn child of that birth, if the firstborn child of that birth is a third or subsequent child in the family;
- children born to children under-16 living with their parents or carers (as from 16 the young person would have to make their own claim)

The order of children matters – if a first or second child meets an exception, that does not entitle the family to more than two child elements:

- a family with two biological children, who later takes in two children under kinship care, will receive 4 child elements;
- a family who has taken two children in under kinship care, and subsequently has their own two children, will only receive two child elements;
- similarly for adopted children or those conceived in rape/coercion.

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The limit is applied on a rolling basis: if a family has three children and is receiving two child elements, once the first child moves out of the household they can start to receive a child element in respect of their third child.

It appears that the Government's rationale for this change is to reduce the deficit by £1,365 (€1,597) million per year by 2020/21. They also wish to influence behaviour hoping to "encourage parents to reflect carefully on their readiness to support an additional child" (quoted in Impact assessment). The savings to be made from the policy are quite modest (in the context of the austerity cuts of £27 (€32) billion per year since 2010). There is no evidence that it will influence fertility rates, which are already at sub-replacement level.

The Children's Society (2016) estimate that 640,000 families will lose support as a direct result of the proposed changes. In total, the loss of a child element plus the family element of Child Tax Credit will mean that a family with three children will lose up to £3,325 (€3,890). A family with four children will lose up to £6,100 (€7,137).

Hood and Waters (2017) have projected that 600,000 more children will live in poverty by 2020/21 compared with 2015/16, all of them in families with three or more children. The two-child limit accounts for around a third of this impact.

The measure comes on top of a host of other changes implemented since 2010 that have had an impact on the living standards of low income families with children. Beatty and Fothergill (2016) have estimated that 83% of the losses since 2015 have fallen on families with children, with couples with children losing £1,450 (€1,697)

per year and lone parents £1,750 (€2,048). The losses are also concentrated on social housing sector tenants.

Outlook & Commentary

In 2015/16, the latest year available, 27% of households with children had more than two children and they constituted 36% of children in relative income poverty (after housing costs). The risk of poverty is 39% for households with three or more children compared with 26% for one-child households and 27% for two child households. Child Poverty Action notes that a number of groups in the population are particularly likely to be hard hit by the policy including Orthodox Jews, Pakistani and Bangladeshi families and Roman Catholics. It also notes that the policy is "extremely likely to contravene human rights treaties to which the UK is a signatory", including those relating to women's reproductive rights and protection from religious and gender-based discrimination. It is probable that the policy will be challenged on discrimination grounds and may well reach the European Court of Justice.

A number of women's rights and rape support organisations have raised serious concerns about the third party evidence model for the rape/coercion exception and the risk that women claiming this exception will be exposed to further trauma and breaches of privacy.

Further reading

Beatty, C. and Fothergill, S. (2016). "The uneven impact of welfare reform: the financial losses to places and people", Centre for Regional; Economic and Social Research, Sheffield Hallam University: https://www4.shu.ac.uk/research/cresr/sites/shu.ac.uk/files/welfare-reform-2016_1.pdf

Child Poverty Action Group (2017). "Consultation response, 'Exceptions to the limiting of the individual Child Element of Child Tax Credit and the Child Element of Universal Credit to a maximum of two children'": <http://www.cpag.org.uk/content/consultation-exceptions-two-child-limit-cpags-response>

Children's Society (2016). "Welfare Reform and Work Bill: Report and 3rd reading Briefing – Two Child Limit": <http://www.childrenssociety.org.uk/sites/default/files/The%20Childrens%20Society%203rd%20Reading%20Briefing%20-%20Two%20Child%20Limit.pdf>

Hood, A. and Waters, T. (2017). "Living standards, poverty and inequality in the UK: 2016-17 to 2021-22", Institute for Fiscal Studies Report 127: <https://www.ifs.org.uk/publications/8957>

Welfare Reform and Work Bill: Impact Assessment of Tax Credits and Universal Credit, changes to Child Element and Family Element: <http://www.parliament.uk/documents/impact-assessments/IA15-006E.pdf>

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