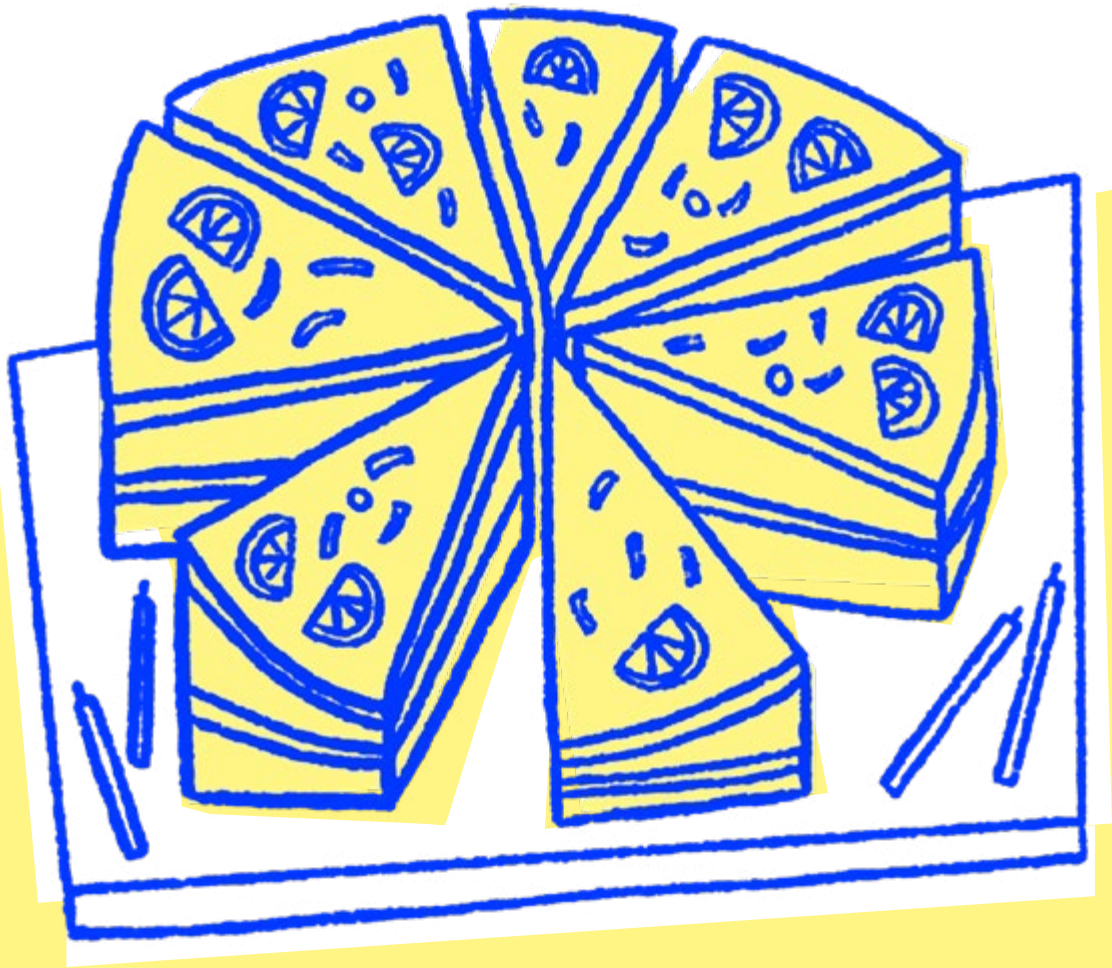


Benefit changes  
& larger families



# Needs and entitlements welfare reform and larger families

FINAL REPORT

# Needs and entitlements welfare reform and larger families

## Final Report 2023

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## **Contents**

### **Executive summary**

**Chapter 1** Introduction

**Chapter 2** Methodology  
How did we answer our research questions?

**Chapter 3** Setting the scene  
Larger families and poverty over the longer term

**Chapter 4** The two-child limit and the benefit cap

**Chapter 5** The employment effects of the benefit cap  
and the two-child limit

**Chapter 6** The fertility effects of the two-child limit

**Chapter 7** Impacts on finances

**Chapter 8** Impacts on mental health

**Chapter 9** Impacts on children

**Chapter 10** Lessons from this work

### **Project publications**

### **References**

# Executive summary

This report captures the findings of a three-year research project, the first to comprehensively assess how the benefit cap and the two-child limit affects families with three or more children. We urge policymakers to engage with, and act on, this timely and powerful evidence.

## Methodology

Our research used a multi-method approach to explore the impact of the benefit cap and the two-child limit on larger families (those with three or more children), bringing together quantitative and qualitative data sets in new and imaginative ways.

Our qualitative data was gathered through interviews with 45 parents of three or more children who, at the time of being selected for the study, were affected by the two-child limit, the benefit cap, or both. Participants lived in London (Tower Hamlets, Hackney and Greenwich) and in Yorkshire (Bradford, Leeds and York). Participants were invited to speak to us at three different points during the study. We conducted 45 interviews in the first wave (2021), 35 interviews in the second wave (2022), and 32 interviews in the third (2022–23).

Our quantitative research involved the analysis of multiple data sets, including the Labour Force Survey, the Family Resources Survey and Understanding Society. We also analysed comparative policy data across countries and administrative data on all births in the United Kingdom.

## Context

This research focuses on the effect of two specific policies: the benefit cap and the two-child limit. Both policies, introduced in the 2010s, are significant because they break the historic link between assessed need and entitlement to support within the benefit system.

The benefit cap was first implemented in 2013. It places a cap on the amount a household can receive in benefits if they have no, or low, earnings, meaning that some families do not receive their full benefit entitlement. The cap affected 114,000 households and an estimated 280,000 children in February 2023

(CPAG, 2023; DWP, 2023). Affected families lose £50 per week on average (DWP, 2023). Some households are exempt from the benefit cap including those with earnings over £722 a month and households in receipt of certain disability or carer benefits.

The two-child limit was implemented in 2017. It prevents families from receiving additional means-tested support for their third or subsequent children, worth up to £3,235 a year per child in 2023/24. Because the policy only applies to children born since 6 April 2017, the number of children affected by it increases each year. By April 2023, 1.5 million children lived in families affected by the two-child limit: equivalent to one in ten of all children (DWP, 2023b). There are several exemptions to the two-child limit including multiple births, adopted children, those living with kinship carers, and children conceived as a result of rape and during abusive relationships.

Some families are affected by both policies at the same time; we estimate that 32,000 households containing 110,000 children were subject to both the benefit cap and the two-child limit in March 2022.

Both policies disproportionately affect households with higher living costs, particularly households living in private rented properties and those with larger families, which in turn means they disproportionately affect minority ethnic households. In addition, the policies disproportionately affect households that are less able to increase their income through employment, particularly single parent households and families with younger children.

These policies have contributed to the rising levels of child poverty in the 2010s, which have predominately affected larger families. However, our quantitative analysis shows that larger families were at risk of poverty even before the introduction of the benefit cap and the two-child limit as a result of wider cuts to social security benefits for families with children. In addition, the poverty rate among children in larger families was rising despite increases in the employment rates of their parents.

Both policies are highly unusual in international context. Our analysis of EU countries found no equivalent to the benefit cap in any country bar Denmark. Only three EU countries impose a cap in financial support as the number of children in a household increase and in none of these is this as low as the UK (i.e. two children only).

## Assessing the policies' impact against their aims

Both policies were justified with narratives about fairness between taxpayers in employment and those needing support from the benefit system. The government claims that the benefit cap creates a strong work incentive and “introduce[s] greater fairness into the welfare system between those on out-of-work benefits and taxpayers in employment” (House of Commons Library, 2016, p.3). Similarly, the primary justification put forward for the two-child limit is to ensure “families in receipt of benefits face the same financial choices as those supporting themselves solely through work” (Work and Pensions Committee, 2019, p.1).

Both of these policies penalise families in certain situations and create incentives for families to behave differently: to work more hours and, in the case of the two-child limit, influence fertility-making decisions. However, our research found no evidence that either policy meets its behavioural aims and, in some cases, has had the opposite effect.

Although there was a slight increase in the proportion of households subject to the benefit cap entering employment after the cap was lowered in 2016, this modest change masks two different trends: a decline in unemployment and a rise in economic inactivity. In other words, there might have been a slight increase in the proportion of people who were in work, but there was a clear and much larger increase in economic inactivity among those affected by the cap.

The majority of capped households in one month remain subject to the cap in the next month. Very few of the capped families we spoke to moved into paid work. The parents faced considerable, and often multiple, barriers to paid work, which made it impossible for them to enter employment.

Additionally, we found no evidence of any increases in employment among families affected by the two-child limit. Our interviews with parents who are subject to the policy help to explain the lack of impacts on employment: the parents had a strong commitment to their caregiving responsibilities; they faced substantial barriers to entering paid work; and the reduction in benefit entitlement sometimes had counterproductive effects.



The two-child limit was presented by the government as a policy that would encourage parents to make decisions about whether to have children on the basis of what they could afford. But our quantitative analysis found that the two-child limit has had only a very small effect on fertility, meaning its main effect is to push families with three or more children further into poverty.

Our qualitative analysis showed that the two-child limit is based on assumptions that clash with everyday experiences of families. Many of the families we interviewed did not know that the two-child limit existed until after their child was born and, in some cases, conception was not a choice, but was the result of failed contraception or an abusive relationship. In other cases, the family was not receiving benefits when the affected child was born, and parents only found out about the restriction when their circumstances later changed as a result of relationship breakdown or job loss. Additionally, while there is an exemption in place for children born as a result of non-consensual conception or within the context of domestic abuse, the majority of the participants eligible for this were not receiving it.

Both policies ignore the everyday realities of people's lives, and how choices are often constrained by circumstances, such as an accidental pregnancy or a child with additional needs that make working more hours impossible.

### **Assessing the policies' wider impact on families**

Our research gathered swathes of evidence demonstrating that the benefit cap and two-child limit are causing extreme hardship to affected families. These impacts became worse over the course of our research as inflation increased sharply.

The parents we interviewed did not have adequate income to cover even basic living costs, such as food, clothing and essential bills. The policies prevented them from being able to save money, and they were therefore unable to replace essential items such as white goods and furniture. Despite using a wide range of strategies to try to manage on a low income, parents are accruing debt in various forms (including council tax, water, gas and electricity arrears, budgeting loans, money owed to family and friends, credit card debt and catalogue debt).

We also found evidence that the policies have a negative impact on people's mental health. The likelihood of experiencing mental ill health among those at risk of being subject to the benefit cap increased by around 50% after the cap was lowered in 2016. This was consistent with the stories we heard from our participants, who repeatedly described how the policy increased stress and anxiety, harming their well-being.

The impact of the two-child limit on mental health was more complex. Our quantitative analysis did not find a clear positive or negative impact, but accounts from qualitative data were clear; the two-child limit is making it much harder for families to make ends meet, and this creates anxiety in their lives.

The impacts on mental health resulting from the hardship caused by the two policies might be making it harder for affected families to enter paid work.

Although the parents we spoke to make every effort to shelter their children from the impact of these policies, both the two-child limit and the benefit cap affect children's opportunities and well-being. Parents struggle to afford a wide variety of essential items for their children, including food, clothes and heating, which has knock-on effects on the children's emotional and physical development.

The loss of income from these policies prevents children from participating in extracurricular and leisure activities, and cultural and family celebrations. This inability to afford material items and leisure activities can cause children to experience social exclusion and bullying. Children routinely experience feelings of sadness, anxiety and embarrassment on account of the acute financial pressure faced by their families.

**The likelihood of experiencing mental ill health among those at risk of being subject to the benefit cap increased by around 50% after the cap was lowered in 2016.**

## Conclusions

Our evidence provides an overwhelming and, we would argue, unassailable case for the need to end both the two-child limit and the benefit cap, and to centre support for families with children in a much more positive light within the social security system.

Future research is needed to monitor the impacts of both of these policies in the longer term, to explore the relationship between housing costs and the benefit cap, and to find out more about the impacts of the policies on children by speaking directly to them.

Illustrations Catherine Fortey



# Chapter 1

## Introduction

### The arrival of the benefit cap and two-child limit

Ten years ago, the UK's Conservative-led coalition government introduced the benefit cap, which restricts the total amount a household can receive in benefits, where earnings are below £722 per month. Announcing the policy's rollout in July 2013, then Secretary of State for the Department for Work and Pensions (DWP), Iain Duncan Smith, said:

*Returning fairness to the welfare state in this country is long overdue. We will always be there to support those who need help, but the days of blank cheque benefits are over and the benefit cap is a key part of this. We need a system that no longer traps people in a cycle of dependency and is fair for the hardworking taxpayers who fund it. Seventy years after Beveridge helped establish Britain's welfare state, we are restoring public trust in it. We are ensuring it is there as a safety net for those who need it but that no-one can claim more than the average household earns in work. – DWP, 2013*

Two years later, a majority Conservative government announced plans for a two-child limit, with only the first two children in a household entitled to means-tested social security support. The two-child limit was implemented from April 2017.

Both policies have been justified with recourse to rhetoric such as Iain Duncan Smith's, with the case resting on sharp (if hard to substantiate) divisions between 'hard-working taxpayers' and those reliant on social security support, who are derided as 'welfare dependents'.

Although the introduction of these policies was part of a wider package of austerity measures, they are especially important to analyse because of the extent to which they mark a decisive break with the principle of matching need to entitlement within social security support. The two-child limit and benefit cap were defended on the basis that both policies would support transitions into paid employment; these claims require investigation.



Significantly, both policies disproportionately affect larger families. The two-child limit does this by design, whereas the benefit cap affects those with greater consumption needs, leaving larger families at particular risk and over-represented among capped households.

The ways in which the two policies target larger families (whether implicitly in the case of the benefit cap, or explicitly with the two-child limit) matters a great deal, especially given that larger families have long been at increased risk of poverty and have a greater reliance on social security support, rooted in their higher level of need.

Within research on poverty, there has been limited attention given to the ways that poverty risk, depth and experience are affected by household size, and specifically by the number of children in a household. This has also been a relatively neglected aspect of research examining both poverty dynamics and policy impact, in comparison, for example, to the large body of research focused on lone parenthood.

## **The aims of our research programme**

Our major research programme corrects this, focusing attention on how families with three or more children are affected by the benefit cap and two-child limit, and locating this analysis within a broader context of poverty trends for this cohort. Going beyond the United Kingdom, we also situate the policy approach adopted here in a wider international context.

We address these issues through a mixed methods approach. We drew together the insights of large-scale quantitative data, including quasi-experimental analysis, with the more textured picture gained from qualitative longitudinal research (QLR), following families over time to understand their everyday experiences and to capture the unanticipated responses that survey data may miss. We also aimed to include parents in wider dissemination activities in a way that prioritises principles of care, compassion and reciprocity.

Our central research questions were the following:

- 1** How has the UK's poverty profile been affected by the benefit cap and the two-child limit?
- 2** How are larger families experiencing and responding to the changing policy context?
- 3** How and in what ways have the stated reforms affected wider well-being in larger families?

Throughout, we understand 'larger families' to be households with three or more children. We chose three children as the threshold because the two-child limit explicitly cuts off support after two children, implying that three children are beyond what it is reasonable to expect the state to support.

It is also important to note a linguistic point: our decision to describe families with three or more children as larger families rather than large families. 'Larger families' is not only more descriptively accurate, it also removes the stigma and judgement that has often been connected with derisory portrayals of 'large families', which have been characterised as passively depending on 'welfare' and posited as a problem that the Conservative's programme of welfare reform and austerity promised to correct.

We started this research programme in February 2020, just after the first cases of the Covid-19 pandemic were discovered in the UK. Over the following three years, the UK was hit by successive global and national crises, with the pandemic and cost of living crisis inevitably affecting all families, including our participants. Our methodological approach had to be adapted to reflect these new realities, with our original plans to interview people face to face suddenly rendered impossible because of the requirements for social distancing during the pandemic. At the first wave of interviews, parents were grappling with the everyday consequences of the pandemic; by the second and third they were reporting the cumulative and often desperate struggle to get by on less than their household needed against the context of rapidly escalating prices.

This evidence base provides a new and near-comprehensive understanding of the reach, impact and harm done by the two-child limit and benefit cap, while clearly illustrating that the two policies fail on their own terms. Our hope is that our findings will inform the political conversation on these policies, and establish a clear case for why both policies should be urgently repealed.

## Chapter 2

# Methodology – how did we answer our research questions?

We used a multi-method approach to explore the impact of the benefit cap and the two-child limit on larger families, bringing together quantitative and qualitative data sets in new and imaginative ways. We did not see our statistical work and the interviews we conducted as separate programmes of activity. Instead, where possible, we brought these different forms of data into dialogue with each other. Collecting different kinds of data enabled us to comprehensively investigate how the benefit cap and the two-child limit are affecting families, and in this chapter, we explain the main methods we used to gain insights into these issues.

### Quantitative analysis

The quantitative research involved the analysis of a large number of data sets, including the Labour Force Survey, the Family Resources Survey, Understanding Society, comparative policy data across countries, and administrative data on all births in the United Kingdom. In selecting our data sets, we have tried to use the highest-quality data available. Our analytical strategies were similarly diverse and had the aim of generating both descriptive and causal evidence. Our descriptive work was focused on gaining a complete picture of what has actually been happening to larger families over time, as well as developing a set of explanations for longer-term trends. This enabled us to understand the context in which the benefit cap and the two-child limit were implemented, and provided crucial background for our causal analyses.

In other parts of the research, we tried to estimate the causal effects of these policies on people's lives. Often, we used difference-in-difference-type designs to estimate these causal effects. These designs typically identify a treatment group (those affected by a policy) and a comparison group (those not affected), and then follow these groups before and after the policy is implemented. For example, in one of our analyses, we examined those at risk of being subject to the benefit cap, and we looked at the average level of mental ill health



among this group before and after the benefit cap became more restrictive (and increased the number of people affected) in late 2016 (see Chapter 8). This allowed us to see whether mental health problems increased after this reform. The problem with a simple before and after comparison which is focussed only on those at risk of being capped is that we cannot be confident about what would have happened to these people in the absence of this policy; comparing the change in mental health for those at risk of being capped with those not at risk strengthens our confidence in the result. Alongside these difference-in-difference approaches, we also used interrupted time series analyses and matching techniques in an attempt to explore the robustness of our findings.

By combining descriptive work with quasi-experimental methods, the quantitative parts of the project sought to understand the aggregate outcomes of the two-child limit and the benefit cap. What these macro data inevitably cannot capture, however, are the everyday experiences of being subject to these policies.

## **Qualitative longitudinal research**

Given the importance of capturing what it is like to directly experience these policies, we conducted QLR with primary caregivers in larger families. QLR enables close, finely grained tracking of experiences. One-off interviews can only provide a ‘snapshot’ of families’ experiences, whereas a longitudinal approach allows a dynamic picture to emerge that charts changes over time (Neale, 2019). Taking a longitudinal approach enabled us to generate rich data on how the benefit cap and the two-child limit affected larger families over time. Significantly, our interviews took place against a fast-changing political, socio-economic and policy context, initially mapping onto the latter stages of the pandemic and then the cost of living crisis. We were able to explore people’s experiences against this shifting context, exploiting the flexibility that QLR provides.

The benefit cap and the two-child limit were designed to promote behaviour change, particularly in relation to the labour market and fertility decisions. QLR is especially useful for exploring whether policies trigger behaviour change (Corden and Millar, 2007) because it allows us to track both the presence and absence of change in individual lives (Saldaña, 2003). The interviews also make visible the intended and unintended responses to these policies (Rist,

2002). Conducting three waves of interviews allowed us to see whether people responded to the policies in the ways that the government anticipated and, subsequently, whether the policies met their aims.



Our interviews were conducted in London (Tower Hamlets, Hackney and Greenwich) and in Yorkshire (Bradford, Leeds and York). Locating the QLR across these regions increased the robustness of the sample by ensuring our data reflected the experiences of these policies in different parts of the United Kingdom. We purposively sampled locations with a diverse population, including locations (e.g., Bradford, Tower Hamlets) that include a higher-than-average proportion of larger families, and those with lower rates (e.g., Leeds, York, Greenwich).

To recruit participants, we developed partnerships with local authorities and voluntary-sector organisations. These project partners put us in contact with those identified as likely to be affected by these policies. We developed a sampling frame to help ensure diversity among our participants in terms of ethnicity, family size and shape, and employment status. Participants were eligible for inclusion in the study if they: had three or more children; were affected by the two-child limit, the benefit cap, or both policies; and were living in one of our research areas.

We had initially planned to conduct interviews face to face. However, the pandemic and the demands of social distancing made this impossible. Instead, our first interviews were conducted online (either by telephone or using Zoom), with participants offered a choice for the second and third wave. As a research team, we felt that the face-to-face interviews were often the most in-depth and illuminating, but it was also notable that several participants welcomed the greater anonymity that virtual interviews provided, and we would consider a participant-choice-led approach to future qualitative interviews.

We conducted 45 interviews in the first wave (2021), 35 interviews in the second wave (2022), and 32 interviews in the third (2022–23). A breakdown of our initial sample is included in Table 1 below. This represents a high level

of sustained engagement with our sample, which speaks to their enthusiasm and commitment to the research, but also to the additional steps we took to keep people engaged. This included regular contact from the team, encompassing newsletters and project updates and contact at key points in the country's calendar (e.g., we sent some springtime chocolate to each of the participants' children in 2022).

Our ethical approach prioritised an ethic of care and reciprocity. We signposted participants towards additional sources of support and, where relevant and appropriate, we shared aspects of our own lives in the research encounters. On occasion, we made direct referrals: for example, for Christmas hampers from a local church. We were careful to send thank you cards and gift vouchers after each interview. But, more fundamentally, it was absolutely vital to try to make the interview encounter a positive one, and many of the interviewees reported that being given the chance to share their experiences was a beneficial experience. One of the participants told us:

*I was kinda dreading it, you know how it'd go, but now that I've done it I've actually kind of enjoyed speaking to you.*

**- Daneen, three children, two-child limit, Yorkshire, wave one**

As the extent of hardship that participants were reporting was often distressing to hear, we also sought to take care in how we supported each other as a team of researchers. This included debrief opportunities after each interview, and a shared fieldwork diary.

One additional but important aspect of the qualitative data collection was that all team members conducted some of the interviews, including those who had focused on quantitative research in the past. This meant that some members of the team conducted interviews for the first time. Team members more familiar with these methods provided training and guidance to the rest of the team. We also collectively developed the interview guides, and those newer to interviewing received feedback on the basis of the transcripts of their interviews. Our commitment as a team to this process was rooted in the fact that we wanted the quantitative parts of the project to speak directly to the qualitative parts. Including the quantitative researchers in the qualitative data collection fostered this type of cross-method thinking. We acknowledge both the craft of conducting good interviews and the value of the approach that we deployed here. There is no doubt that conducting interviews is a skill that takes time to learn, but we also think that involving all of the team members has strengthened the project, in part because it has created opportunities for fruitful conversation about how these different methods speak to each other.

**Table 1: Characteristics of the participants affected by the two-child limit**

<b>Socio-demographic characteristics</b>		<b>No. people</b>
<b>Area</b>	Bradford	20
	Leeds	1
	York	4
	Tower Hamlets	10
	Hackney	2
	Greenwich	8
<b>Policy affected by</b>	Two-child limit	21
	Benefit cap	12
	Both	12
<b>Length of time affected by policy</b>	Since March 2020	6
	Before March 2020	39
<b>Gender</b>	Female	39
	Male	6
<b>Ethnicity</b>	Black African	9
	Black Caribbean	1
	Pakistani	7
	Bangladeshi	7
	Arabic	1
	Black Caribbean and White	1
	White	19
<b>Relationship status</b>	Single	29
	Partnered	16
<b>Number of children</b>	3	20
	4	12
	5	8
	6	2
	7+	3
<b>Ages of children</b>	All below 12 years	21
	Some 12 years and above	24
<b>Employment status</b>	Employed/employed partner	13
	Unemployed	32

## **Participatory research elements**

In addition to the QLR outlined above, we sought to incorporate elements of participatory research within the programme. This included supporting participants to speak and share their experiences at webinars disseminating research findings. We also facilitated a media training session for participants interested in speaking to newspapers and broadcast journalists about their experiences, and supported several participants to take part in such activities. Towards the end of the programme, we carried out a discreet project in which several participants worked with the research team and a sound artist to create short illustrated videos documenting the impact of both policies. Participants attended workshops to develop these videos, and were included in key decision making about the outputs and their dissemination. Some of these participants emailed the research team to say they were glad to have taken part in producing them, and let us know they were really pleased with how they had turned out.

## **Methodological reflections**

As a mixed methods team, we have sought to combine quantitative and qualitative datasets and approaches. Our biggest innovation (and perhaps success) has been the decision to involve the entire research team (including our quantitative researchers) in the interviewing process, meaning we all had the opportunity to speak directly to and learn from those affected by the policies under analysis. This required an investment in the time required to train and support quantitative team members, but it was an investment that was well placed, given how it deepened the whole team's engagement with this evidence base and furthered our collective determination to continue this research effort.

More broadly, we have found that the mixing of qualitative and quantitative approaches has been most beneficial where we have been able to use our qualitative longitudinal work to explore effects of the policies that are not yet showing through in quantitative data sets, or which are not discernible given the small sample sizes. There have also been examples of us applying quantitative approaches to understand the broader generalisable trend (e.g., on the fertility impact of the two-child limit) and then using qualitative analysis to explore the reasons for this trend, resulting in a thorough account of the impact of the policies.

## Chapter 3

# Setting the scene – larger families and poverty over the longer term

To get a fuller understanding of the impact of the two-child limit and the benefit cap, we began by examining the risk of poverty faced by larger families before the policies were introduced. We looked at 25 years of data from the Family Resources Survey to set the scene for the rest of the project's work (see Stewart et al, 2023a).

Larger families have long faced an increased risk of poverty, both in the United Kingdom and elsewhere (Bradshaw, 2006; Redmond, 2000). There are two fundamental reasons why this is the case: higher consumption needs and greater constraints on labour market participation.

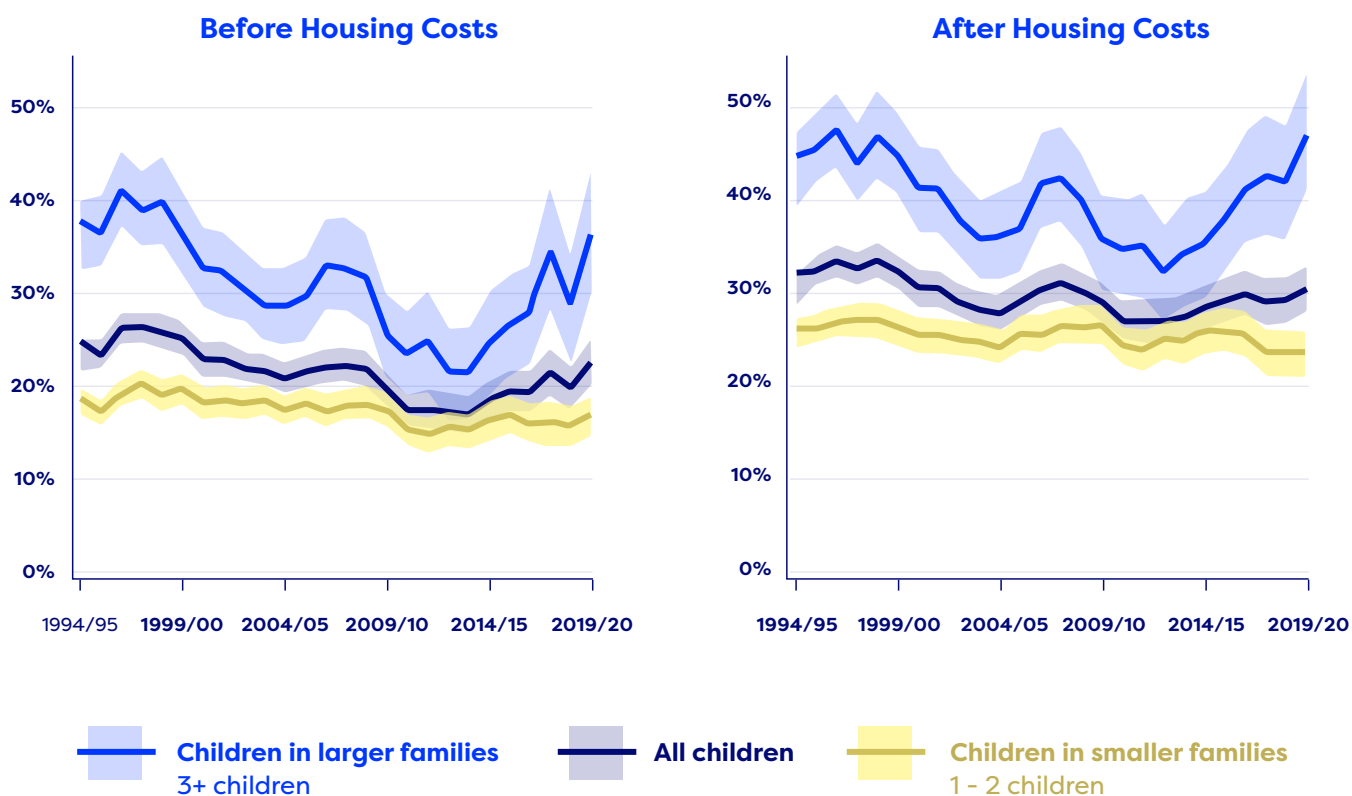
To measure poverty rates, poverty lines are adjusted for household size using an 'equivalence scale', reflecting the fact that the income required to meet the needs of a family of five (for example) is higher than for a family of three. We use this approach here too, adopting the modified OECD equivalence scale. However, it should be noted that the allowance for children captured by this scale has been found to underestimate the actual costs (Oldfield and Bradshaw, 2011; Hirsch et al, 2021). This means that, if anything, the figures here understate rates of poverty in larger families.

While the poverty risk for children in larger families has always been higher than for children in smaller families, our analysis points to significant changes over the past 25 years in the size of that additional risk. Using a standard poverty line of 60% of equivalised median income, child poverty rates in larger families fell sharply from 1997 to 2013, but have been rising since then. As we set out in this chapter, changes in the generosity of social security benefits are the central explanation. Cuts in social security support were pushing poverty rates up even before the lowering of the benefit cap and the introduction of the two-child limit.

## Changes in child poverty in larger families over 25 years

Child poverty fell from the late 1990s to the early 2010s, but rose again thereafter: by 2019/20, children faced a substantially higher poverty risk than either working-age adults or pensioners (IFS, 2021). Most of the change took place in families with three or more children, as Figure 1 shows. Measured either ‘Before Housing Costs’ or ‘After Housing Costs’, we see a converging of poverty rates by family size in the years to 2012/13, followed by a reopening of the gap. By the end of the period, the additional risk attached to larger-family status was back to where it had been 20 years earlier.

**Figure 1: Child poverty against a relative poverty line (60% median income) by family size**



**Source** Authors’ calculations using the Households Below Average Income data set (DWP, 2021). Shaded areas show 95% confidence intervals. For full details, see Stewart et al. (2023a).

To make sense of these changes, we explored three potential explanations: demographic change; changes in employment patterns; and changes in the impact of redistribution through the tax-benefit system. All of the analysis that follows uses the Family Resources Survey (FRS) or the Households Below Average income dataset which is derived from the FRS.

## Understanding rising poverty: demographic changes

We found little evidence that demographic changes contributed significantly to differences in poverty trends over our period of analysis. According to the FRS data, just under one in three children in the United Kingdom lives in a larger family, with some variation between 26% and 32% over the period 1994/95–2019/20. Around two-thirds of these children are one of three siblings, with 21–25% across the period living in families of four children, and 7–12% in families of five or more. These numbers have fluctuated over time, but with no clear pattern. Similarly, there has been little change in patterns of family size by household structure. Some 20–25% of children live in a lone-parent household, and this is similar in smaller and larger families.

We do find substantial changes in levels of parental education over time, with large falls in the percentage of children with a parent who left education before the age of 18 (down from 70% of parents in larger families in 1994/95 to 40% in 2019/20, and in smaller families from 65% to 30%), and correspondingly big increases in the percentage of children with a parent who stayed in education to the age of 21 and beyond (up from 15% in larger families to over 30%, and in smaller families from 18% to over 40%). If levels of education help to provide a route out of poverty, these changes should push towards a reduced poverty risk for families of all sizes.

Finally, there has been a notable shift over time in the ethnic composition of children in larger families. Table 2 shows that children in larger families are increasingly likely to come from minority groups, reflecting the overall changing demographic of families in the United Kingdom, as well as the fact that children from Bangladeshi, Pakistani, Black and mixed-ethnicity backgrounds are much more likely than White children to live in larger families. In the early 2000s, 84% of children in larger families were White, falling to 72% two decades later. Meanwhile the share of children in larger families of Black African or Black Caribbean ethnicity had more than doubled to 8.5%, and the share in Pakistani families had nearly doubled to 7%.

Because employment and wage differences mean that some minority ethnic groups face an increased poverty risk, we conducted further analysis to understand how far the changing ethnic make-up of larger families might itself have contributed to recent increases in poverty. The answer is only a negligible



amount. However, the ethnic composition of larger families does mean that an increased risk of poverty among larger families has a disproportionate effect on children from some minority ethnic backgrounds, with implications for inequalities by ethnicity.

**Table 2: Prevalence and composition of larger families by ethnicity**

	Prevalence		Composition			
	Share of children of given ethnicity who live in a larger family		Share of all children in larger families by ethnicity		Share of all children in smaller families by ethnicity 2001/04	
	2001/04	2017/20	2001/04	2017/20	2001/04	2017/20
<b>Pakistani</b>	62.9	52.5	4.4	7.0	1.2	2.7
<b>Bangladeshi</b>	66.4	53.9	2.5	3.1	0.6	1.1
<b>Indian</b>	34.2	23.2	2.3	2.9	2.1	4.1
<b>Chinese</b>	21.2	17.7	0.2	0.2	0.3	0.5
<b>Other Asian ethnicity</b>	38.2	28.5	0.7	1.4	0.5	1.4
<b>Black African / Caribbean</b>	40.7	50.0	3.9	8.5	2.6	3.6
<b>Mixed</b>	29.5	38.1	0.9	2.0	0.9	1.3
<b>White</b>	29.7	26.5	83.6	71.9	90.6	83.6
<b>Other ethnicity</b>	37.4	41.2	1.6	2.9	1.2	1.7
<b>All minority groups</b>	44.5	41.7	16.4	28.1	9.4	16.4
<b>All children</b>	31.4	29.6	100	100	100	100

Source: Authors' calculations using the Households Below Average Income data set (DWP, 2021).

Note: The data go back to the early 2000s, when the ethnic categories collected changed in a way that makes it hard to construct a consistent series. Three-year averages are presented to smooth annual fluctuations. Small sample sizes prevent Black African and Black Caribbean being presented separately.

## Understanding poverty trends: parental employment

Labour market activation was a core focus of government policy throughout the period examined, under both Labour and coalition/Conservative governments, in part because of a belief in employment as the best route out of poverty. Our analysis of employment trends using the FRS data highlights three striking points. First, parental employment rates have increased considerably over the past 25 years, in both smaller and larger families, with large drops in the share of households where no parent is in paid work. In the mid-1990s, around 15% of children in larger coupled families and 75% of children in larger lone parent families lived in a household without an adult in paid work. By 2019/20, these shares had fallen to 8% and 50%, respectively, with the sharpest reductions in the decade from 2010.

Second, employment rates nonetheless remain much lower in larger than in smaller families, where only 4% of children in coupled households and 30% in lone-parent households have no paid worker in the household. Further, levels of work intensity are also lower, with fewer total hours worked in larger than smaller families. Among smaller coupled families, it is increasingly common to have two parents working full-time, whereas in larger families the most popular pattern remains one parent working full-time and one parent at home. For example, by 2019/20, around 70% of children in coupled smaller families had parents working at least 70 hours between them (i.e. equivalent to both parents working full-time), up from around 60% at the start of the period, and considerably higher than the rate of around 45% for larger families throughout.

The third crucial point is that, despite increases in paid work, the risk of poverty before taking account of taxes and transfers (i.e., just looking at employment income) has increased over time for larger families. If adults move into work, or work more hours, this risk decreases considerably. But the impact of increases in employment has effectively been cancelled out by rising poverty risk within employment categories. For example, the risk of pre-transfer poverty in larger families where all adults work full-time has doubled across two decades from around 10% to 20%, while in larger families where adults between them work between half and full intensity (e.g. one parent works full-time and one is at home or part-time) has risen from 33% to 50%. The reasons are likely to be complex: to do with wage inequalities and norms of longer hours work which raise median household income and therefore the relative poverty line. But the net effect is that the tax-benefit system has been left with more rather than less work to do to keep poverty constant for children in larger families, let alone

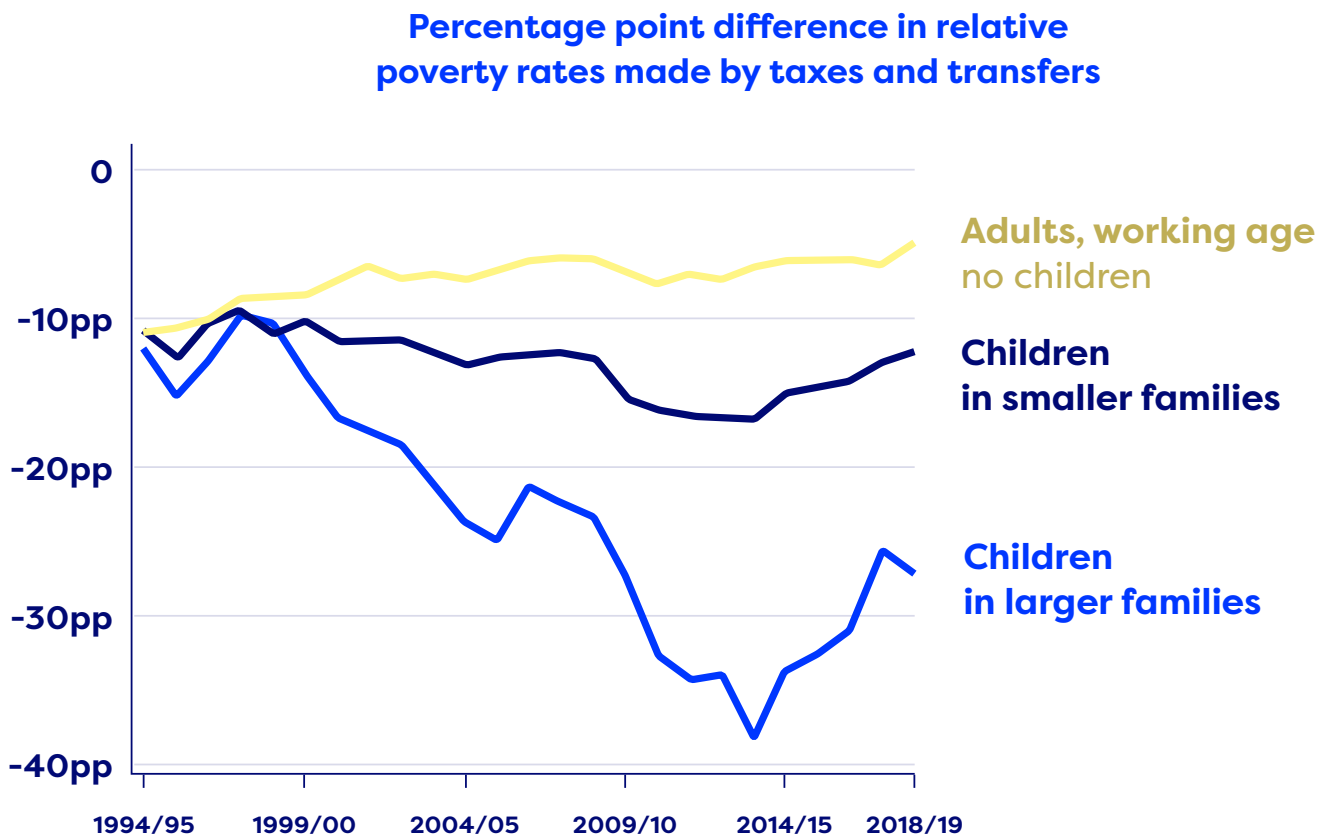
to reduce it. We now turn to look at what has happened to the effectiveness of that system.

### **Understanding poverty trends: changes to the social security system**

Changes to the tax-benefit system have had an extraordinarily clear impact on larger families. Figure 2 shows the percentage point difference that taxes and benefits make to relative poverty rates for children in families of different sizes, with rates for working age adults without children also shown for comparison. In the late 1990s, taxes and benefits were reducing relative poverty by just over 10 percentage points for all three groups. By the early 2010s, this had increased to nearly 40 percentage points for larger families, compared to around 16 percentage points for smaller families, whereas for working-age adults without children, the tax-benefit system was making less difference than before. In the most recent six-year period, effectiveness diminished for all three groups, but most sharply for larger families. For both larger and smaller families, the patterns across the period bear a strong resemblance to the changes in poverty rates in Figure 1.

Our analysis of employment changes showed that the tax-benefit system has needed to do more each year just to keep poverty in larger families stable, let alone bring it down, despite increasing rates of engagement in paid work. In the years to 2012/13, it was achieving this: child poverty was falling because the redistributive system became steadily more effective, especially for larger families. In the years since then, its effectiveness has fallen. The result is sharp increases in poverty.

**Figure 2: The impact of taxes and transfer on relative poverty rates (Before Housing Costs) by family size**



Source: Authors' calculations using Households Below Average Income (DWP, 2021). 'pp' indicates percentage point change.

These changes in the effectiveness of redistributive benefits for families with children map closely onto what we know about policy change. The initial period was the era in which the child tax credit system was introduced and uprated (in most years) above inflation. There was also a range of wider increases in financial support for families with children, including increases to Child Benefit, and new forms of support were introduced for those with very young children. Although none of these policies was targeted directly at larger families, they benefited these families most for two key reasons. First, policy that is more generous to children overall is of most value to families with more children. Second, the progressive design of the child tax credit system, most generous to those on the lowest incomes, meant more support was channelled to families working at lower intensity or not at all. By contrast, from 2012/13 we saw a series of cuts: notably low-to-zero uprating of working-age benefits from 2013 to

2020, restrictions in the value of housing allowances, and (in 2011) the abolition or restriction of a series of benefits for families with very young children, including the scrapping of the 'baby tax credit' and the Health in Pregnancy Grant, and the restriction of Sure Start Maternity Grant to first children only.

The benefit cap and the two-child limit were introduced into this context. The effects of these two policies are barely if at all reflected in this historical analysis: the benefit cap affects only a very small share of all families, although the impact on each one is potentially very large, and the two-child limit only applies to new births from 2017, so its reach was limited in the time period investigated. Forecasts project further significant increases in poverty in larger families, particularly as the coverage of the two-child limit grows.

## **Summary**

Our analysis of 25 years of data underlines the vital importance of social security support to protect families from poverty, particularly larger families, because of their higher consumption needs and their greater constraints to labour market participation. Despite increases in both parental education and employment in larger families, the risk of poverty for larger families before taxes and transfers has risen steadily, meaning increased effort is needed from the social security system just to keep poverty constant, let alone decrease it. In practice, however, social security changes were moving in the opposite direction even before the introduction of the benefit cap and the two-child limit. Larger families were already facing a rising poverty risk, a risk that the two new policies have exacerbated, and will do so further in the future as the two-child limit affects increasing numbers of households.

## Chapter 4

# The two-child limit and the benefit cap

Both the benefit cap and the two-child limit are policies that at first glance seem straightforward, in that they create a hard limit on eligibility for state support. But in fact, as is so often is the case with our social security system, they are quite complex and have been subject to change over time. This chapter provides a summary of each policy and its reach (in terms of the number and characteristics of the households affected). It also explores how politicians have sought to justify the policies.

### The benefit cap

The benefit cap, introduced in 2013 and lowered in 2016, limits the total amount of benefit income a working-age household can receive. The benefit cap was initially set at £26,000 for households with dependent children across the United Kingdom, on the basis that this was ‘broadly the level of the average earned income of working households, after tax and national insurance contributions have been deducted’ (DWP 2012, p.6). It was lowered in 2016 to £23,000 in London and £20,000 in other areas in order to deliver on the ‘government’s commitment to put work at the centre of the welfare system’ and ensure the system ‘remains fair’ to ‘the taxpayers who pay for it and to those people who need it’ (DWP, 2016). The first increase to the level of the benefit cap since its introduction took place in April 2023, as part of broader uprating of benefits in line with inflation. As of April 2023, the level of the cap stands at £25,323 for households in London and £22,020 for households with children outside London. There are lower levels of the cap for single-person households (see Table 3).

**Table 3: Benefit cap levels (per household per year)**

Household type	2013–16	2016–23	2023
Multi-person household in London	£26,000	£23,000	£25,323
Multi-person household outside London	£26,000	£20,000	£22,020
Single-person household outside London	£18,200	£15,410	£16,967
Single-person household in London	£18,200	£13,400	£14,753

Households are exempt from the benefit cap if they qualify for Working Tax Credit or, for households in receipt of Universal Credit, have a net monthly income above the equivalent of 16 hours a week at the national minimum wage (equal to £722 in 2023/24). There are also disability exemptions which mean that households are not capped where someone in the household receives certain disability benefits or if someone in the household receives Universal Credit because they care for someone with a disability (even where this is not someone in their household).

Some households are not capped as a result of the nine-month ‘grace period’. If a household’s earned income drops below the £722 threshold, they will be exempt from the benefit cap if their earned income was above this level in each of the previous 12 months. These households are exempt from the cap for nine months.

The benefit cap does not apply in the same way across the United Kingdom. In Northern Ireland, where the benefit cap was not introduced until May 2016, the effect of the benefit cap is mitigated for households with dependent children by a series of Supplementary Payments (see House of Commons Library, 2016). The benefit cap applies in Scotland in the same way as it does in England and Wales, but in 2023 the Scottish government announced a commitment to mitigate the benefit cap. These mitigations are administered through Scottish local authorities’ discretionary housing support schemes (Scottish Government, 2023). In England and Wales, discretionary housing payments can also be used by local authorities to support people affected by the benefit cap, but this is done on a discretionary basis and there are limits to the number of times households can access these payments.

## **The two-child limit**

The two-child limit, which was introduced in 2017, restricts means-tested child-related benefits to the first two children in a family. It means that a family with a third or subsequent child born after 6 April 2017 will not get any extra help through Universal Credit or Child Tax Credit for that child. This forgone support is worth up to £3,235 a year per child in 2023/24.

There are certain exemptions to the two-child limit, including when the second and subsequent children are part of a multiple birth, when the child is adopted or in care, and when child is conceived as a result of rape or coercion (often referred to as the ‘rape clause’). To receive an exemption through the ‘rape clause’, claimants must fill in a form documenting the reasons for their exemption, and seek independent verification from a health-care professional. This process has been widely criticised by rape and domestic violence charities (see Walker and Butler, 2017). In April 2022, 1,830 households were claiming an exemption to the two-child limit on the basis of non-consensual conception (DWP, 2022).

## **Who is affected by these policies?**

The latest government figures show that 1.5 million children live in families affected by the two-child limit, meaning the policy now reaches more than one in ten children in the United Kingdom. (DWP, 2023a). Because the policy only applies to children born since 6 April 2017, the number of children affected by it will, for the time being, increase each year. Eventually, an estimated 3 million children will live in households affected by the policy (CPAG et al., 2019).

The benefit cap affected 114,000 households in February 2023 (DWP,2023), suggesting that an estimated 280,000 children live in capped families (CPAG, 2023; DWP, 2023). The average amount capped was £50 per week, with some capped by much larger amounts. Indeed, 24% of affected households were capped by between £50 and £100 a week, while 13% were capped by over £100 a week. Analysis by the Institute for Fiscal Studies found that almost 1,000 households saw their monthly Universal Credit award reduced by £1,000 or more as a direct result of the benefit cap (Emmerson and Joyce, 2023).



Eighty-six per cent of capped households included children, with 70% of affected households being single-parent families; 53% of capped single-parent households have a child under five (DWP,2023).

Some families are affected by both policies at the same time, typically those who have low or no earned income, who live in rented accommodation (as support with housing costs is often what increases a household's benefit entitlement to reach the benefit cap) and who have a third or subsequent child. Although the government does not publish figures on the overlap between the benefit cap and the two-child limit, we submitted a Freedom of Information request that enabled us to estimate the number affected by both (for further information on methodology, see Stewart et al., 2022). We estimated that 32,327 households were subject to both the benefit cap and the two-child limit as of March 2022. These households contain at least 110,000 children.

The ways in which the benefit cap and two-child limit interact is important, not just because of the effect on households of the size of the financial loss from being subject to both policies, but also because the presence of one policy can undermine the logic of the other. For example, those subject to the two-child limit will experience a lower incentive to return to work because, even if the benefit cap is lifted as a result of them finding employment, the two-child limit will still apply (see Stewart et al., 2022 for more discussion). Conversely, those gaining exemption from the two-child limit will not benefit from the extra support as long as they are also subject to the benefit cap (Alisha's case study in Chapter 10 is an example of this).

## **The policies in international perspective**

To get a better understanding of how unusual these policies are, we conducted comparative analysis of social security support for children across the European Union (Stewart et al, 2023b). We found only three EU countries that impose a cap on financial support at a certain number of children: Spain, Cyprus and Romania. In none of these is the cap imposed at two children, rather at three or four. In Spain, there is no dedicated child benefit but the federal Guaranteed Minimum Income is effectively capped at three in coupled households and four in lone parent households (regional governments also have their own schemes which are often more generous). In Romania means-tested child benefits are capped at four children but there is also a universal child benefit which is more

than double the value of means-tested support. In Cyprus, the main means-tested benefit can only be claimed for four children, though it is notable that the benefit is most generous to third and fourth children.

In contrast, it is very common for EU countries to structure support for children such that per-child support increases as family size increases, reflecting an understanding of the additional pressures on larger families. Seventeen out of 27 EU member states have either universal or means-tested benefits that increase per child with family size.

Our research further found no close equivalent to the benefit cap in any other country except Denmark, where there is a benefits ceiling on social assistance which is applied through housing allowance.

This analysis underlines how unusual both policies are in wider European perspective. No other country that we looked at has come close to breaking the link between need and entitlement in social security provision in the way that the two-child limit and the benefit cap have done. We argue that the benefit cap and the two child-limit reflect an approach to social security that is predominantly “adult-behaviour-oriented” rather than focused on the interests and needs of the child. Through this approach, children and their needs sometimes seem almost entirely invisible, with a persistent focus instead on changing the behaviour of the adults in their household.

## **Defending the benefit cap and the two-child limit**

Both the benefit cap and the two-child limit have been repeatedly defended by politicians. It is claimed that the benefit cap creates a strong work incentive and “introduce[s] greater fairness into the welfare system between those on out-of-work benefits and taxpayers in employment” (House of Commons Library, 2016, p.3). The decision to initially set the level of the cap at median household earnings allowed politicians to make the argument that no household should receive more in benefits than the ‘average’ family receives from work.

This framing pits those in work and out-of-work against one another, rather than acknowledging that households often go through periods outside the paid labour market as their circumstances change (such as having a child,

shifts in the local economy and periods of ill health) and will need additional support from the state at these times. It also fails to recognise the existence of Child Benefit and in-work benefits support, which are a vital additional form of income for millions of working households. And it overlooks the fact that the vast majority of those affected by the cap rent their homes: it is their high housing costs which push their benefit entitlement over the benefit cap threshold (Emmerson and Joyce, 2023).

The primary justification put forward for the two-child limit is to ensure “families in receipt of benefits face the same financial choices as those supporting themselves solely through work” (Work and Pensions Committee, 2019, p.1). This implicitly drives a wedge between those who work and those who are not working, but less directly than with the benefit cap (as working households in receipt of means-tested benefits are also subject to the two-child limit).

This justification for the two-child limit implies that families should be making ‘choices’ about how many children to have based on how many they can actually afford. But this ignores the reality that what individuals can afford today is not a reliable predictor of what they might be unable to afford tomorrow, and especially when stretched into the longer term. One of the foundational principles of an effective social security system is protection against the risk of future changes and shocks to income (Hills, 2014).

Both policies ignore the everyday realities of people’s lives, and how choices are often constrained by circumstances; for example, an accidental pregnancy, or a child with additional needs that make longer paid work hours feel impossible, whatever the parents’ preferences.

In light of this background, our research sought to explore whether the government’s justification for both policies – that families should work more and/or decide to have fewer children – is actually what is happening to those who are affected. Beyond this, we have also tracked the impacts of these policies on the lives of the children and parents subject to them.

## Chapter 5

# The employment effects of the benefit cap and the two-child limit

### Case study

#### Vicky's experience of the benefit cap

Vicky is a single mum living in Bradford with her six children, three in their 20s and three younger ones aged 11, 10 and 8. Vicky is subject to the benefit cap (£220/month). She became subject to the cap when she was made redundant from her job in 2018.

At the first interview, Vicky was looking for work but was struggling to find anything that she could balance with looking after her children. One job looked promising, but the shifts were 7am–1pm or 2pm–11pm. She explained:

*People want flexibility from you, employers want flexibility, which I can't offer.*

She was particularly constrained in her work hours because she needed to take her children to school by bus (usually two buses). Vicky was starting to volunteer at a community centre to boost her experience and confidence and because she felt that they would be understanding about her caring responsibilities.

When asked what difference having the £220 per month would make, Vicky said:

*The benefits would actually pay my rent then ... it'd be a massive difference, a massive weight off my shoulders.*

As a result of the cap Vicky had fallen behind on rent payments. The younger children had had to stop swimming lessons, and other activities like an occasional cinema trip were no longer affordable. A trip down south to visit Vicky's extended family was out of the question.

At the second interview, Vicky was still looking for work. She had done some mini-courses at the Job Centre and had help with her CV and interview skills. But the basic problem of finding a sufficiently flexible job remained.

At the third interview, Vicky had moved into work. She explained that getting the job:

*has been great ... financially not so much ... it's not made a massive amount of difference financially*

She was working 10 hours per week as a lunchtime supervisor in a secondary school. The hours worked well with the school run, but because the job was less than 16 hours, the benefit cap still applied, and she was also receiving less support with council tax because she was earning. There didn't seem to be any option of gaining enough hours to escape the cap. One job currently available in the school required an 8am start, while full-time positions meant working until 4pm; both were currently impossible.

Vicky's story illustrates the way that the benefit cap means families do not receive adequate support through the social security system during a time of need; for example, when an adult is made redundant, or when only short hours are possible. It also shows the disconnect between assumptions about how the benefit cap would lead to behavioural change and the realities facing many families. Many jobs and employers simply do not offer the flexibility needed by someone with extensive caring responsibilities. Parents find themselves financially penalised for a situation over which they have no control.

It is crucial to examine the two-child limit and the benefit cap against their original aims. To do this, we first explore how far and in what ways both policies have affected employment among affected families. The next chapter focuses on the fertility effects of the two-child limit.

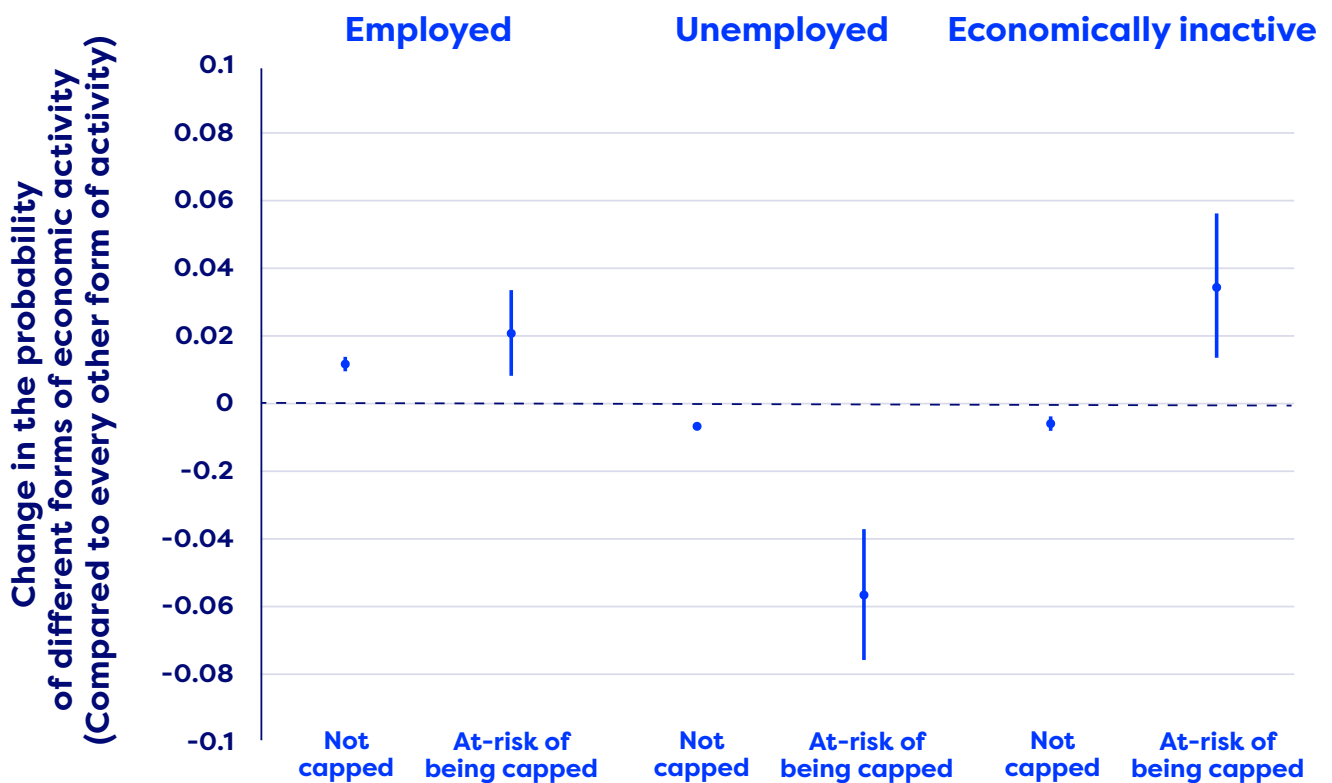
## The employment effects of the benefit cap

Focusing on the lowering of the cap in November 2016, which sharply increased the reach of the policy, we examined whether the benefit cap increased the proportion of people in paid work (Reeves et al, unpublished). We drew on data

from the Labour Force Survey because it interviews a cross-section of people every three months. This means that we can compare those ~460,000 people interviewed before the cap was lowered (from January 2015 to November 2016) with the ~440,000 people interviewed afterwards (from December 2016 to December 2018). Alongside this before-and-after comparison, we also compared those at risk of being capped with those who were not at risk of being capped (labelled as ‘not capped’ in the graph below). We identified those at risk of being capped as: aged 16-65, in rented accommodation, either a lone parent (with any number of children) or a two-parent family which contains at least three dependent children, and receiving housing benefit and at least two other form of social security (e.g., Income Support or Jobseeker’s Allowance). We exclude those who meet all of these criteria but are in receipt of Working Tax Credit, as households with a member in receipt of Working Tax Credit are exempt. Everyone else is considered to be not at risk of being capped.

Our main result can be summarised in the following graph.

**Figure 3: The employment effects of the benefit cap**



Source: Labour Force Survey Note: ‘Not capped’ refers to those not at risk of being capped.

We see a slight (albeit very imprecisely estimated) increase in the proportion of people who are in work among those at risk of being capped compared those to who are not capped. But this masks two different trends. First a decline in unemployment among those at risk of being capped that is larger than the decline we see for those not at risk of being capped. Second, a rise in economic inactivity among those at risk of being capped. This is striking because it is the exact opposite of the trend observed in the population across the same period, which saw a decline in economic inactivity.

One possible explanation for the increase in economic inactivity is related to the fact that people who are claiming disability-related social security are exempt from the cap. This suggests that people who were eligible for but were not claiming disability-related social security might have started to claim in order to become exempt. We therefore used the same statistical models noted above to explore whether the introduction of the lower cap in November 2016 was also associated with a rise in the proportion of households at risk of being capped claiming disability-related social security. This is exactly what we observe in our data. The proportion of people at risk of being capped claiming disability benefits increased by 3.67 percentage points, suggesting that some of the rise in economic inactivity was driven by people making new claims for disability-related social security.

How do these results fit with the official statistics on 'off-flow' published by the government? To take just one data point, between August 2019 and November 2019, less than 25% of people subject to the cap in August were no longer subject to it in November. Of the people who did move off the cap, less than 40% (it varies by household type) of those claiming housing benefit and less than 20% claiming Universal Credit moved into paid work. A big chunk of the rest of those who were no longer subject to the cap became exempt because they started claiming another kind of benefit, such as disability-related social security. In short, our data are consistent with the picture provided by the broader data supplied by the DWP.

Crucially, however, these official statistics also indicate that more than 75% of people remained subject to the benefit cap. Indeed, what is paramount here is that the vast majority of capped households stay subject to the cap for a significant period of time. Indeed, among those who have ever been capped,

only 48% are no longer capped, suggesting that more than 50% have either been continuously subject to the cap or have been capped repeatedly.

We can turn to our qualitative evidence base to more fully understand these population-level statistics. The majority of the people in our sample who were affected by the benefit cap saw little change in their situation, and only five of the 21 participants who were not in paid work at the start of the fieldwork moved into paid work. Of these, only two became exempt from the benefit cap as a consequence (the earnings of the other three participants were below the threshold needed to obtain an exemption). A further participant, Zauna, was temporarily exempt from the cap because she obtained a job between the first and second round of interviews, but then lost her job by the third round of interviews owing to an arm injury, which she incurred at work. At the third interview, Zauna explained how her life had changed since the first interview:

*The life were changed as when I got a job and when they take the cap off from me; when I was working they take off benefit cap, which was a little bit like, OK, the money they were taking before at least I [could] make shopping or that stuff, but when you don't have a job, [you] go back to the benefit cap ... which is difficult, and my house rent now, because of the arrears and everything, is about 2,000 plus.*

**- Zauna, four children, benefit cap, London, wave three**

At the third round of interviews, she was really hoping for her injury to heal because she wanted to re-enter paid work owing to the financial hardship her household was facing.

The common experience of the people interviewed across the research timeframe was that they found stubborn barriers to engagement in employment. Many of the participants affected by the benefit cap faced the twin barriers of health conditions and difficulties in combining paid work with caring responsibilities. For example, Suzie became subject to the benefit cap after her husband committed suicide. Following this highly traumatic event, she suffered from depression. She also had considerable caring responsibilities, as she had five children aged between two and 18 (at the first round of interviews). She explained how her depression, alongside lack of childcare, made it impossible to enter paid work at the current time:



*It's the childcare, it's like obviously all the school runs, and then it's like nursery as well, cos she only goes mornings as well ... obviously my depression doesn't help me, because some days I can be OK and some days I can just like I just don't want to talk to anybody. – Suzie, five children, benefit cap and two-child limit, Yorkshire, wave one*

Those who were already in paid work, or who moved into paid work during the fieldwork but had earnings below the threshold, struggled to obtain the extra hours needed to become exempt from the benefit cap. Faduma worked for an agency as a paid carer, and needed only one more hour of paid work a week to become exempt from the benefit cap. She asked for more hours of paid work, but was refused:

*It's not on your hand, it's with them, because you're waiting, yeah, you're waiting. She [from the agency] said, "A lot of people working, we don't have, we've got a limit" ... these people they don't care, you know, these people they don't care, yeah, they don't care about you, they do only what they have to do. – Faduma, four children, benefit cap, London, wave three*

In line with the quantitative research findings, four of the participants became exempt from the benefit cap through successfully making new claims for disability-related social security provision. However, at the same time, many of our participants had health conditions (or had children with health conditions) but were not receiving disability-related benefits. For example, Bushra's young son had a tube feed which meant she could not enter paid work, despite her high degree of motivation:

*Every childminder that I've tried, they're all scared about his tube, they get, something happens like they think they can get in trouble ... Otherwise I'm very active; I could get a receptionist job or what I studied as a facilitator, I'm a speaker as well, motivational speaker ... But then three childminders have rejected me because of his condition; so then I kind of like, OK, slide it away, look after your child, that's it. – Bushra, seven children, benefit cap and two-child limit, London, wave two*

Because Bushra was not receiving any disability-related benefits for her son, she remained subject to the benefit cap despite the fact that she was not able to escape it through entering paid work. Her family faced considerable, and sustained, financial hardship as a result. Taken together, then, our qualitative evidence explains and supports the population level findings: the benefit cap does not support increased employment among those affected.

## Summary

The introduction of the lower benefit cap in late 2016 seems to have simultaneously pushed some people towards paid work and other people into economic inactivity. The net effect of the policy might be a slight increase in employment, but it is also very possible that it had no overall impact at all. It might be that those who entered employment were already able to do so because their family situations allowed it, whereas those moving into economic inactivity have competing responsibilities that make it difficult for them to return to work right now. The parents we spoke to who were affected by the policy faced considerable, and often multiple, barriers to paid work, which made it impossible for them to enter employment. As a result, they remained subject to the benefit cap and unable to meet their household's basic needs (see Chapter 7).

## The employment effects of the two-child limit

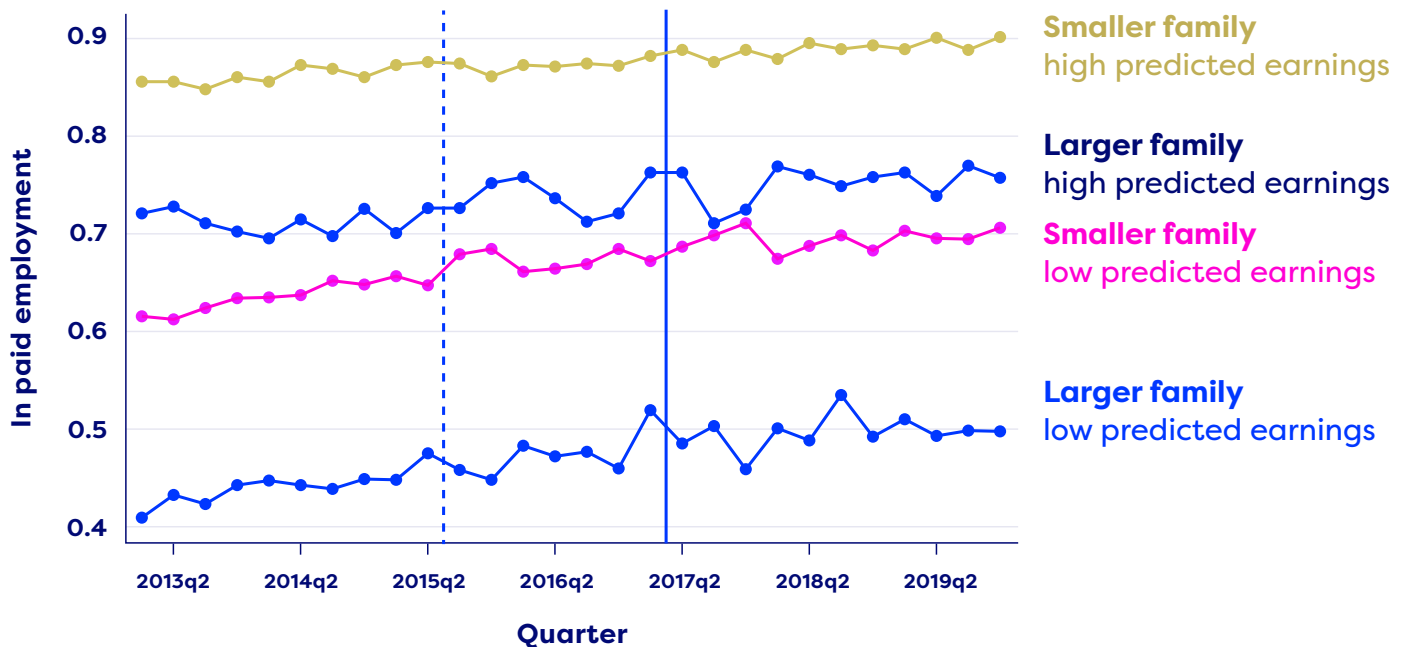
Although incentivising paid work was not a stated aim of the two-child limit, the government justified the policy within the context of its overall objective of increasing labour market participation: “We aim to ensure that our policies encourage families to move into and progress in work where possible so that they have the best opportunity to move out of poverty and become self-reliant” (HMG, 2019, unpaginated). The government anticipated that the two-child limit would lead to more people looking for and entering paid work. For example, in oral evidence to parliament's Work and Pensions Select Committee on the two-child limit, Permanent Secretary of the DWP Peter Schofield cited “the dynamic impact [of the two-child limit] of more people looking for work, more people finding work” (DWP Select Committee, 2019, p.8). Such claims were made without any evidence on the employment effects of the two-child limit.

## Quantitative analysis

We set out to fill the evidence gap by investigating whether there is any evidence that the two-child limit has improved labour market outcomes for larger families (Reader et al, 2023). For our quantitative analysis, we drew on the largest household survey in the United Kingdom, the Annual Population Survey. This survey includes rich data on the employment, earnings and demographic characteristics of families and individuals. We compared changes in employment before and after the introduction of the two-child limit between those affected (larger families receiving benefits) and those unaffected (smaller families and larger families not receiving benefits).

The overall story is represented in Figure 4, which shows, for families with children, the proportion of adults aged 16–45 who are in employment. The figure covers four separate groups: larger families with low predicted earnings; larger families with high predicted earnings; smaller families with low predicted earnings; and smaller families with high predicted earnings. If the two-child limit had increased employment, then we would expect to see an increase in employment rates among larger families with low predicted earnings. There is no notable increase in employment after the introduction of the two-child limit in April 2017 for this group. Additionally, there are no signs of increases in working hours. We also see no decline in unemployment or economic inactivity.

**Figure 4: Patterns of employment by family size and earnings**



Source: Annual Population Survey (for more details see Reader et al 2023). Total sample: 313,617. Person-household weightings are utilised to correct for non-response. The solid vertical line indicates the introduction of the two-child limit in April 2017; the dashed vertical line indicates the announcement of the two-child limit in July 2015

## Qualitative evidence

Our interviews with parents affected by the two-child limit and the benefit cap help to explain why the two-child limit does not result in increased moves into paid work or increased hours of employment. The main reasons were the participants' current preferences regarding unpaid care and paid work, the barriers the participants' faced to paid work, and the counterproductive effects of the two-child limit.

### Current preferences for unpaid work and paid work

Although the majority of participants had worked in the past and were planning on working again in the future, most of them did not want to enter employment at the current time. This was often because they wanted to look after their children themselves while their children were young. Kimberly told us:

*I'd rather watch me kids grow up and then once she's in full-time school then, you know, just doing summat round school hours. – Kimberly, four children, benefit cap and two-child limit, Yorkshire, wave one*

In the interviews, parents explained that the two-child limit had not made any difference as to whether they wanted to enter paid work, either because they did not want to enter paid work at the current time or because structural barriers meant this was not an option. Yalina's response clearly shows the lack of difference the two-child limit has made to her paid work choices:

**Interviewer:** *Has having the two-child limit made a difference as to whether or not you want to find paid work?*

**Yalina:** *Not really, cos I think my first priority is my kids, being with my kids. (Yalina, three children, two-child limit, Yorkshire, wave one)*

The choice to prioritise unpaid care despite the two-child limit demonstrates the strength of parental preferences for caring for children. Even though parents face a reduction in income due to the two-child limit, they often still prefer to care for their children rather than enter paid work, particularly when their children are young.

## Barriers to paid work

The parents who did want to enter paid work told us of a range of barriers that made this difficult and, in many cases, impossible. As with the benefit cap, the main barriers concerned childcare and health conditions. Childcare costs and childcare logistics were particularly significant issues for the participants affected by the two-child limit, as these parents all had at least one very young child. Aadya explained:

*I did want to [enter paid work]. I was, the last couple of years actually, looking to go into employment, it just gets very difficult to try and manage three different pick-ups and then putting my youngest, which would make things easy if I could get him into like a full day kind of setting, and then the amount that they charge in the nurseries it's like, I was quite shocked, to be honest, and taken back how much they asked. I can't remember exact amount right now, but when I kind of totted it up I thought it's just really gonna take a chunk out of what I'm going to be earning, a massive chunk, on top of the fact that I have to think of somebody coming collecting them because three-thirty is quite a long time because most jobs finish at five; and for that reason I have kind of been forced to be at a little bit of a standstill at the moment.*

**- Aadya, three children, two-child limit, London, wave one)**

Claimants in receipt of Universal Credit can receive 85% of their childcare costs. However, because this does not completely cover childcare costs, childcare can remain unaffordable (Wood, 2021). Also, parents in larger families who need childcare for three or more children face additional difficulties with childcare costs because there is no increment for a third child (at the time of the fieldwork, the government paid a maximum of £646 per month for one child and £1,108 for two or more children).

Many participants also faced health barriers to paid work. Laura became affected by the two-child limit a few years after being diagnosed with a serious health condition that required her to quit her job. At the time of the first interview, her youngest child was also being assessed for multiple health conditions:

*I mean I don't see it, I mean there's two things; one is am I gonna be healthy enough to work, and also like this kind of, things are so uncertain for my youngest at the moment, you know, they're testing him for multiple conditions and I just don't know if I'm ever gonna be able to not be caring for him full-time. So I'd love to [go] back to work, yeah so he's got suspected autism but they also think that he might have [health condition] which is like a genetic condition, which I kind of don't really understand yet. I can't, you know, what, what his needs are gonna be as he gets older but right now he needs full-time care.*

**- Laura, three children, benefit cap and the two-child limit, London, wave one**

Entering or increasing paid work is the only means of making up the shortfall from the reduction in entitlement arising from the two-child limit. However, this is not a feasible option for many households subject to the policy. This leaves families struggling to get by on an inadequate income.

### **Counterproductive effects of the two-child limit**

Finally, the QLR shows that the two-child limit can push people further away from the labour market for two main reasons. First, some participants found that the income shock of the two-child limit made it harder to afford the financial costs involved in entering paid work (e.g., childcare, interview clothes and transport to work). For some, it became harder to afford training or further education. Amanda, who at the first interview had recently obtained a degree in graphic design, had to sell the equipment she had bought to establish her own business because she did not have enough income from her benefit payments to cover her family's basic needs:

*I'd started buying knitting machines, which I had to sell to basically feed the kids ... I started buying equipment to make the graphic studio in the house and then when I started getting broke I sold back my Apple Mac. So all the things I tried to make myself financially secure with had to go. - Amanda, four children, benefit cap and two-child limit, Yorkshire, wave one*

Second, a strong theme from our interviews was the negative impact of the two-child limit on parents' mental health (see Chapter 8). This had implications for the participants' ability to find or sustain employment. Daneen talked explicitly about how her financial difficulties negatively affected her mental health. She related this specifically to the loss of money she faced as a result of the two-child limit and explained how this subsequently negatively impacted her ability to enter paid work:

*They're telling me now to live with three [children] off that money; so it causes me worry. Like even before I get paid like I know what's going out and I know what I'm gonna be left with and I know it's gonna be a struggle again ... it makes you lose everything, your motivation, your ambition, you know, your mental health; how can I even think about working when I'm constantly feeling ill, I feel sick and I feel like I haven't been able to do anything that I wanted to? – Daneen, three children, two-child limit, Yorkshire, wave two*

## Summary

The government justified the introduction of the two-child limit in the context of its overall aim of increasing labour market participation. Yet we find zero evidence – even tentative – of any increases in employment among affected families. Implementing 'sticks' to incentivise behaviour change does not seem to be effective for this group. Instead, it deprives larger families of essential income at a time when child poverty among larger families is already rapidly increasing (see Chapter 3). We also find evidence of why the two-child limit does not have its intended impacts on employment: the strength of parents' commitment to their caregiving responsibilities, the substantial barriers they face to entering paid work, and the counterproductive effects of cutting benefit income.



## Chapter 6

# The fertility effects of the two-child limit

### Case study: Khadra's experience of the two-child limit

Khadra is a single mum with six children aged 2, 3, 5, 6, 9 and 10. She is subject to the two-child limit: she does not receive the child element for her youngest two children. Khadra did not know about the two-child limit when she became pregnant with her fifth child. Furthermore, her fifth and her sixth children were not planned. She explained:

*It was in April that I found out [about the two-child limit] and I give birth in June, yeah, it's kind of shocking. And to be honest with you ... my last two were out of my plans; I mean I'm so glad I have them but I mean I wasn't planning to have them ... With my fifth one I had the coil but still I fall pregnant, and with my sixth one I had the implant, the one you put in your shoulder, and I still have, I fell pregnant ... So it's not something that I did it on purpose, you know what I mean?*

Khadra told us that she did not think the two-child limit policy was fair given that her pregnancies were the result of contraception failure. She also explained that she could not countenance an abortion given her religious beliefs:

*I cannot, due to my religion, because I'm a Muslim, I cannot abort the child, and that means I'm ending a life, basically like I killed someone.*

As a result of the two-child limit, Khadra could not afford to meet all of her children's basic needs, which led to feelings of inadequacy as a mum and also increased tensions in her household:

*I feel bad because sometimes you cannot, you cannot meet all the needs, you know what I mean? You cannot, because, because of the financial situation you cannot, and that kind of makes you feel bad, and sometimes we'd say "OK, let me get this one what they want" and the other one she'll be like "Oh, why has she got it and why I don't have it?"*

Contrary to government claims that the two-child limit "could have a positive effect on overall family stability" (DWP, 2015, p.1), the financial strain caused by both the loss of work due to the Covid-19 pandemic and the two-child limit led to the breakdown of Khadra's marriage:

*I think our breakup was to do with financial ... at that time the restaurant was being shut down, the cafe is being shut down, he was out of work, I wasn't working, so yeah, that created, because of the financial he was like "We already like get paid to have four kids and then we have to support this one, the fifth one and then now the sixth one." And because we were having lots of argument.*

Khadra's experience demonstrates how the two-child limit unfairly penalises households containing a third or subsequent child born after April 2017. Khadra faces a substantial loss of income (£540 per month at current rates) which she could experience for many years to come. This constitutes a particularly punitive consequence, especially given that Khadra was not aware of the two-child limit at the point of conception and her pregnancies were the result of contraception failure.

An implicit aim for the two-child limit was to influence the fertility-making decisions of parents in receipt of social security provision. The government's Impact Assessment for the two-child limit explicitly acknowledged the possibility of negative fertility effects: "In practice people may respond to the incentives that this policy provides and may have fewer children" (DWP, 2015). At other points, however, the government has denied that the policy aimed to reduce fertility (Work and Pensions Select Committee, 2019). Despite these inconsistencies in the presentation of the policy, it is certainly possible given

existing literature on social security and fertility that the policy might have reduced fertility, considering the scale of the reduction in financial support (Brewer et al., 2012).

Our findings from quantitative quasi-experimental research suggest that the two-child limit has had no significant fertility effects. By drawing on our QLR to contrast the policy assumptions underpinning the two-child limit with the everyday realities of fertility decision-making, we found a series of mismatches between policy presentation and lived experience, which help to explain the absence of significant fertility effects.

## Quantitative analysis

In collaboration with Professor Jonathan Portes (King's College London), we examined large-scale data to investigate whether there is any evidence that the two-child limit has reduced fertility (Reader et al, 2022). To answer this, we compared the likelihood of having a child between those who could be affected by the two-child limit – low-income women/couples with two or more children – with three other groups who were unlikely to be affected:

Low-income women/couples with no children, or one child

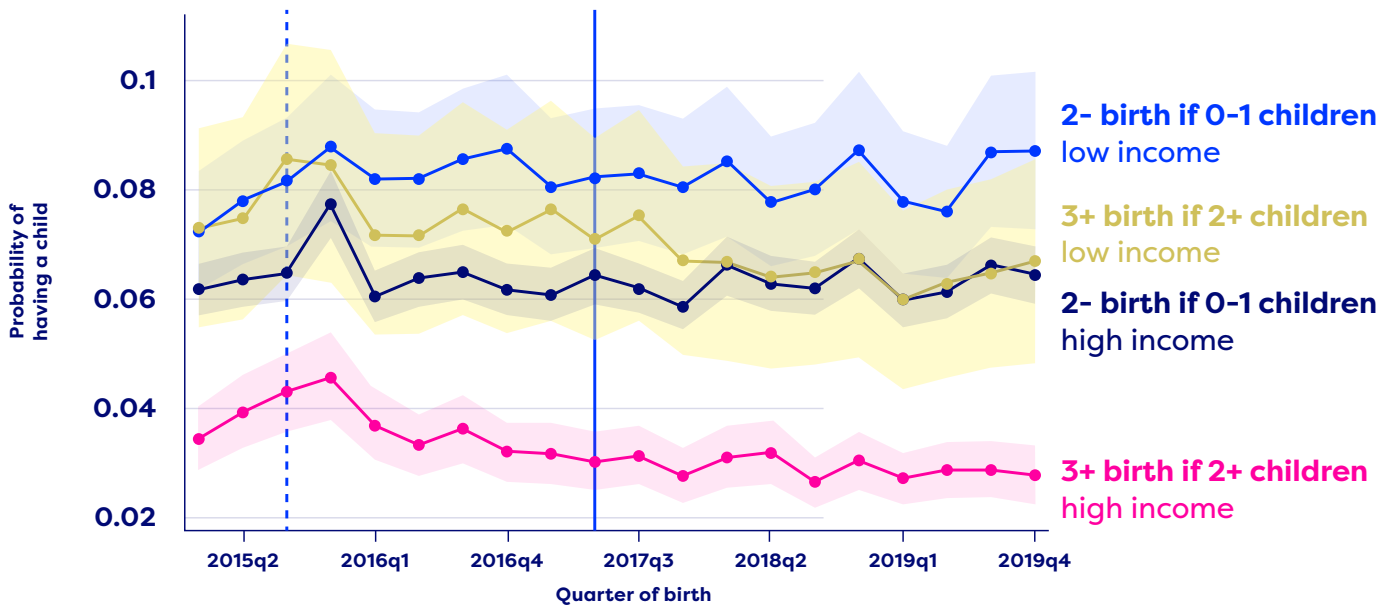
High-income women/couples with two or more children

High-income women/couples with no children, or one child

This approach helped us to sift out wider changes in fertility rates and to estimate the causal impact of the two-child limit on fertility.

We implemented this methodology by drawing on more than 3 million administrative birth records and household survey data. Figure 5 charts the probability of having a child for the above four groups. The orange line represents women or couples with two or more children who are in low-income occupations. There is a noticeable decline in the trend after April 2017 that is not shared by the other groups. However, the decline is relatively small, and is not statistically significant. On the basis of this, we estimate that the two-child limit reduced the probability of having a child for families in this group by 4.8 percentage points. However, this estimate is not statistically significant.

**Figure 5: Probability of having a child by family size and income**  
by NS-SEC occupation, family size and quarter of birth, 2015-2019



*Note: Data from Annual Population Survey and administrative births microdata. Sample is adult female respondents aged 16-45 (weighted N=10.3 million a year on average; unweighted N=50,735 a year on average). Shaded areas are 95 percent confidence intervals. See Reader et al (2022) for more details.*

At most, this analysis suggests that approximately 5,400 fewer births a year have taken place due to the two-child limit. By contrast, estimates from Child Poverty Action Group suggest that 50,000 children are pushed into poverty each year as a result of the policy (CPAG, 2022).

## Qualitative analysis

Just as in our analysis of employment effects, our qualitative interviews illuminate the reasons why we do not see larger fertility effects from the policy. We identified five key assumptions about fertility decision-making that are implicit (and sometimes explicit) in the DWP's rhetoric around the policy. Our interviews provided evidence of the mismatch between these assumptions and the everyday realities for those affected by the two-child limit.

## **Assumption 1: People are aware of the two-child limit and so can factor it into their decision-making**

*Entitlement will remain at the level for two children for households who make the choice to have more children, in the knowledge of the policy.*

**- DWP, 2015, p.3**

Approximately half of the participants interviewed for this study who were affected by the two-child limit were not aware of the policy when the affected child was conceived. They often found out about the policy later in the pregnancy or at birth.

*When I rang up to like update that I'd had a baby, I rang up Child Benefit and they said I could apply for it and then I rang up Tax Credits and obviously they said like, no, kinda thing, so like, yeah. Not a lot I could do.*

**- Melissa, four children, two-child limit and the benefit cap, Yorkshire, wave one**

For some participants, it would have been extremely unlikely for them to have known about the policy before conception, or simply impossible. One participant was living abroad when she had the affected child and only found out about the two-child limit when she moved to the United Kingdom with her 11-month-old baby. Another participant, Ifemelu, was not claiming benefits at the time that she conceived her third child. She told us:

*While I was pregnant with them I wasn't on any benefits, I didn't even know anything about benefit then ... my third child, he was around two years old when I was going on benefits. So that's when I realise there is two-child limit.*

**- Ifemelu, three children, two-child limit and the benefit cap, London, wave one**

This widespread lack of awareness about the two-child limit directly reduces the scope for it to trigger a fertility response. This might change over time as the reach of the policy increases. However, given the widespread lack of understanding about the social security system, awareness of the two-child limit and who it affects is likely to remain low.

## Assumption 2: People can predict the likelihood of needing social security support in the future

*Families who were not previously claiming benefits have made decisions about the affordability of life choices in the knowledge that their financial (and other) circumstances could change over time.*

– HMG, 2020, unpaginated

For many in our qualitative sample, choices about fertility were made on the basis of current circumstances rather than predictions of what the future might bring. For some, circumstances changed unpredictably. Several participants experienced relationship breakdown after conceiving their third or subsequent child, which inevitably changed their financial position. Jessica knew about the two-child limit when she conceived her fourth child, but was not overly concerned because she was in a relationship and her husband was in paid work:

*It didn't concern me because obviously I was in a financially stable place; also it was my husband's first child as well so we were quite happy to not have to even take that into consideration really, we wanted the child and we was fairly stable. So it didn't really affect us much at that point.* – Jessica, four children, two-child limit and the benefit cap, Yorkshire, wave one

However, Jessica's relationship broke down, and so she and her children were affected by the two-child limit, something she had not, and arguably could not, have predicted.

## Assumption 3: People make fertility choices based on what they think they can afford

*[The two-child limit] will ensure that the benefits system is fair to those who pay for it, as well as those who benefit from it, ensuring those on benefits face the same financial choices around the number of children they can afford as those supporting themselves through work.*

– DWP, 2015, p.1

Although financial considerations were a factor for some participants, for most this was not the most important factor when deciding whether to have another

child. People were often making a positive choice to have a further child, and one that was not predicated on financial incentives. When asked if the two-child limit had influenced her decision-making about having the affected children, Kimberley replied:

*I don't just have kids to get benefits and stuff like that, I have kids because I love 'em.* – **Kimberley, four children, two-child limit and the benefit cap, Yorkshire, wave one**

These participants prioritised their reproductive aspirations and familial relationships over the potential financial repercussions of the policy. Hammad, who did not receive the child element for his youngest two children owing to the two-child limit, explained that he and his wife approached fertility decision-making on a very different basis to the one assumed by the government:

*To be honest, for us we not looking for that two more in the same way; we believe that in our community or in our background home we don't think about that, because, you know, we are Muslim.* – **Hammad, four children, two-child limit, Yorkshire, wave one**

Our qualitative evidence base suggests that there are routinely a range of affective, relational and religious aspects to decision-making about fertility, rather than the purely economic ones that the government's rhetoric so often suggests.

#### **Assumption 4: Conceptions are chosen**

*[Those affected will be those] in receipt of tax credits or Universal Credit who choose to have a third or subsequent child after April 2017.*  
– **DWP, 2015, p.2**

Although the two-child limit frames the decision to have a third or subsequent child as the product of choice, for many of our participants, this was not the case. For some, the pregnancy was unplanned or the result of contraception failure. Asma explained:

*It [the pregnancy] did come out of the blue sort of thing but yes, it was; how should I put it? A bit of a shock. Yes, it did come out of the blue and*

*I was worried that I wouldn't be entitled to any child tax; so that was a bit of a concern. – Asma, five children, two-child limit, Yorkshire, wave one*

For several of our participants, the affected child was conceived as a result of non-consensual conception or in the context of an abusive relationship:

*The last kid was not voluntarily a pregnancy, it was a very traumatic experience, if you can take what you take from that. – Amanda, four children, benefit cap and two-child limit, Yorkshire, wave one*

The majority of the participants eligible for the exemption in place for children born as a result of non-consensual conception or within the context of domestic abuse were not receiving it. For Amanda, this was partially due to the verification process that claimants have to go through to prove their eligibility for the exemption:

*Well they've told me I could get money but I have to go into a lot of past detailing I don't want to go into so I chose to opt out of that, and also it would be on the system that I've applied for this money so if my kid was to look back she would see it, so even though it would make me better off, I don't know, I just I can't explain, like I just, I couldn't.  
– Amanda, four children, two-child limit and the benefit cap, Yorkshire, wave one*

The 'rape clause' requires women to disclose and re-live their rape or abuse, something which has attracted criticism elsewhere (Sefton, Tucker and McCartney, 2019; Engender, 2017; Machin, 2017). Despite this, the two-child limit continues to penalise families on the basis that they 'chose' to have more than two children.

### **Assumption 5: The two-child limit will improve children's life chances**

*...the proposed changes enhance the life chances of children as they ensure that households make choices based on their circumstances rather than on taxpayer subsidies. This will increase financial resilience and support improved life chances for children in the longer term.  
– DWP, 2015, p.7*



Our research highlights a stark disconnect between the government's claim that the two-child limit will be beneficial for children, and the lived reality. Due in part to the disparity between the policy presentation and the everyday experiences highlighted above, many families continue to have a third or subsequent child despite the policy. When this happens, they are missing out on nearly £3,000 in financial support per child every year. Our QLR shows that this has an unequivocally negative effect on children in the whole family (not just the affected child) (see Chapter 9).

## Summary

Our research, the first to comprehensively analyse the fertility effects of the policy, demonstrates that, contrary to government expectations, the two-child limit has not had a significant effect on fertility. Our qualitative research helps to explain why the two-child limit does not lead to a large reduction in fertility in families in poverty: there is a clear and significant mismatch between government assumptions and everyday experiences of fertility decision-making.

The inevitable implication of the lack of fertility effects, given the withdrawal of £3,000 of child-related support per child per year, is that child poverty will increase. Our qualitative research shows that the two-child limit does result in multiple severe negative impacts that harm parents and their children (see Chapters 7 and 9). An estimated 50,000 children are pushed into poverty each year as a result of the two-child limit (CPAG, 2022). By contrast, our quantitative analysis suggests that, at most, 5,400 fewer births are taking place each year as a result of the policy. It is clearly highly problematic that the two-child limit is operating as a poverty-producing policy, especially given that child poverty was already rising in larger families even before the policy was introduced (see Chapter 3).

## Chapter 7

# Impacts on finances

### Case study: Kalima's experiences of the two-child limit and the benefit cap

Kalima is a single mum with five children aged 2, 7, 11, 13 and 17. Her youngest child has a speech disorder and was being assessed for autism during the fieldwork. Kalima is subject to both the benefit cap (£439/month) and the two-child limit (applied to her youngest child). Kalima became affected by the benefit cap when she separated from her abusive husband when pregnant with her fifth child. She became subject to the two-child limit when the fifth child was born. She does not receive any child maintenance, and her ex-husband is not allowed any contact with the children.

At the first round of interviews, Kalima explained the range of impacts that the benefit cap and the two-child limit had on her ability to afford goods and food:

*Oh it is very difficult; as the kids are growing up they need more like laptops and other technology things, which is hard to get; they have to wait a very long time before I could get them what they need to help with their education and every other thing. We can't really eat out, it has to be a very tight budget for everything. Shopping, can't get them treats very often and, yeah, if you do, you go behind on something. If you want to pay for something else, you fall behind on other things like bills ... It's not nice for the kids. It's all right for me to go without things that I could do with as long as they've got it, but it's when it affects them that it's quite hard.*

She explained that she used the food bank every other week, couldn't afford family days out and couldn't save.

At the second round of interviews, Kalima reported that the impacts of the two-child limit and the benefit cap had got worse owing to her growing children's

increasing needs and the price rises that had begun to be felt across the United Kingdom. She explained specifically how this had affected her food shopping:

*So you have to cut down on the amount you buy and then to make ends meet you have to; what's it called? You have to switch to the things you buy. So normally when they're on offer I can get them, if they're not on offer then I have to buy their own like, their Tesco brand stuff.*

At this time, she was using food vouchers as she had reached the limit on the number of times she could use the food bank.

At the third round of interviews, the cost of living crisis had deepened and Kalima explained that the impact of the two-child limit and the benefit cap had become even worse as a result of the rising prices:

*It was hard enough before and now it's near enough, well for me, not possible to pay my bills without getting into debt.*

During this interview, Kalima reported that she was now in debt with her gas and electricity provider, that she'd had to cut down further on food expenditure and that she was borrowing money from friends and family.

Kalima's experiences illustrate how the impacts of the two-child limit and the benefit cap can change over time, and in this case worsen, owing to the increased financial pressures brought about by children's needs increasing with age and to changes in the national economic context. Her case shows that even without the cost of living crisis, her benefit payments were not adequate to meet her family's basic needs. The ensuing economic crisis made a difficult financial situation impossible.

Chapters 5 and 6 demonstrated that the two-child limit and the benefit cap have not succeeded in meeting their objectives with regard to increasing employment or influencing fertility-making decisions among larger families. We now turn to how the policies affect family finances, parents' mental health

and children, revealing a wide range of significant harms. In this chapter, we examine the financial impacts of the policies.

By severing the link between entitlement to social security and need, the two-child limit and the benefit cap mean that households do not have adequate benefit payments to cover basic living costs. Drawing on our qualitative evidence base, this chapter details the range of essential costs the parents could not meet, the strategies they used to try to manage their low benefit income, and the debts they incurred as a result of the impossibility of meeting all of their household's needs.

The nature and extent of the financial hardship families faced was shaped by the policies under examination here, but also by the broader policy context and the impact of successive national and global crises. This includes the wider programme of austerity, which featured a raft of other cuts to social security spending for working-age households, such as the change to lower indexation for benefits uprating, the benefit freeze (2015–20), and the introduction and capping of Local Housing Allowances. At the first wave of interviews, participants were still experiencing the legacy and aftershocks of the financial strain resulting from the Covid-19 pandemic. By the second and third interview waves, participants were routinely under immense pressure because of the cost of living crisis. These different and intersecting sources of financial pressure made disentangling the impacts of the two-child limit and the benefit cap from the families' wider financial situation difficult. Nonetheless, it was abundantly clear that both policies added to and deepened the financial difficulty that parents and their children were facing. We adopted strategies to try to isolate the specific financial impacts of the policies. This included asking participants what difference the money they did not receive (as a result of the policies) would have made to their lives. We also asked them to consider how they might have fared during the cost of living crisis were they not subject to the policies. The analysis showed that the loss of income as a result of the policies was substantial and was having a significant material impact, as demonstrated in the findings we share in this chapter.

## Food

Parents frequently mentioned the difficulties they faced in affording food for their families. Families often had to eat very simple meals and reduce their consumption of meat, fish, fresh fruit and vegetables. At times, there was not enough food for the whole family, so parents went without, as Rachel's experience shows:

*I haven't had dinner every day for the last couple of weeks, which annoys [Husband], and when I saw my diabetic nurse on Friday she went mad, but they [my children] need to be fed; I can, I mean I can't, but I can survive on a piece of toast ... a piece of toast is quite cheap to buy and quite cheap to make. – Rachel, eight children, two-child limit, Yorkshire, wave two*

Due to difficulties in affording food, it was common to resort to using food banks. However, there were considerable issues with this, including restrictions on the number of times individuals can receive food and the provision of food that was unsuitable for the families' needs. Many of the parents who used food banks spoke of how they were not able to make nutritious meals from the food they were given. Alisha, who was subject to the benefit cap and the two-child limit at the first round of interviews but had received exemptions from both policies by the third round, reflected back on her experience of using a food bank:

*I couldn't cope with the food banks constantly, the kids weren't eating well, everything was going wrong, because it wasn't; I like to get a lot of fruit and veg and meat in, you see, obviously you can't, you know, beggars can't be choosers can they? ... I'd have been happy with things like bags of pasta, things you know, stuff I could, I don't mind cheap stuff that I can make meals out of, but not just all this; it was multipacks of crisps and forever endless biscuits and, which is great for a treat but you can't have a meal off that. – Alisha, five children, previously subject to the two-child limit and the benefit cap, Yorkshire, wave three*

## Clothing

Parents also spoke often of the difficulties they had in affording clothes for both themselves and their children. It was routine to simply be unable to afford to buy new clothes when needed:

*My daughter's been walking around with like holes in her shoes because I can't afford to get her a pair of school shoes. – Ashley, four children, benefit cap, London, wave two*

*I don't get new work clothes or anything like that, you know, I still wear the same stuff that I had maybe two years ago, but it's just washed and cleaned on a regular basis, that's all, but I haven't, you know, I haven't changed for over two years, like shirts, work shirts or anything like that. – Rez, four children, two-child limit, London, wave two*

Parents particularly struggled with affording school uniforms at the start of the new school year. Parents frequently accessed assistance in terms of vouchers, but these often were not sufficient to cover the whole cost, resulting in parents having to use payment plans, take out loans or ask for help from family and friends. On being asked how the start of the new school year had gone, Daneen replied:

*It's not been too easy with; as you're aware that the new school year started, I have a 14 year old who's started her Year 10, a ten year old that's started a new primary year, in primary school, youngest has started nursery as well. So just buying the items and everything so far, I've had to buy everything off these, you know, the sites that offer the split payments, I've had to use all of them. – Daneen, three children, two-child limit, Yorkshire, wave three*

## Essential bills

In addition to essential material items, the benefit cap and the two-child limit make it difficult for households to afford essential bills, including utility, water and council tax bills, and to pay their rent. Anthony is subject to the benefit cap and faces a considerable shortfall given he was living in private rented accommodation in London. At the first interview, he explained:

*Ever since they put me on this benefit cap, every month I'm averaging, I'm getting rent arrears by, I ain't worked it out, about £400 a month, just over £400 a month, £500 a month, something like that, in rent arrears, which I can't pay, I can't pay it, I haven't got it, how can I pay something I haven't got? – Anthony, three children, benefit cap, London, wave one*

Bushra, who is subject to both the benefit cap and the two-child limit, explained that she struggled to afford a range of basic necessities, including utilities. She told us:

*The house is a bit cold as well, because we're dealing with the damp as well, the same thing, because when I call someone to look at the damp they say to me "The better, the more you put more heating the damp will be less." So then I said "How can I do it cos I can't afford it every night the, the heat to be on?" – Bushra, seven children, two-child limit and the benefit cap, London, wave two*

These findings raise concerns about the possibility for eviction and also for poor ill health, given damp is linked to asthma and associated illnesses.

## **Extracurricular activities, leisure activities, cultural and family celebrations and holidays**

As detailed in Chapter 9, the two-child limit and the benefit cap routinely result in the inability to afford extracurricular and leisure activities for children. The policies can also make it difficult for parents to socialise, as Yasmin's experience shows:

*I don't have a lot, you know the girls that I met in this area, in this school, a lot of them have partners, they all have the extra, they will invite me "Oh do you want to go for coffee?" ... as a mum I'm stuck in a house with just five kids, I don't have anyone else to talk to. So it would be nice to go out for a bit of coffee and have it with them and just get like a English breakfast ... I can't go and afford that big meal for 6/£7, just myself, I feel selfish if I do that, cos I know I can get with a lot, mincemeat and pasta, I think ahead that way, and then I have to excuse it and say "Oh my daughter got this, I have to go GP, I have*

*to go.” But mentally I’m like, ah it would have been nice just to go and have a coffee. – Yasmin, five children, two-child limit and the benefit cap, London, wave one*

Lack of adequate income also makes it difficult for households to meet the costs of cultural and family celebrations including Christmas, Eid and birthdays of both immediate and extended family. Laura told us:

*If our family were to invite us out for, you know, a birthday meal or something like that, it’s a lot of worry, you know, thinking we’re gonna go somewhere, don’t know how much it’s gonna cost, are we gonna be able to afford it, am I gonna be put into an embarrassing situation where I can’t, you know, pay our way? – Laura, three children, two-child limit, London, wave two*

Laura’s experience demonstrates that inadequate benefit payments can lead to social exclusion and shame.

## Savings

Because the parents were unable to meet basic costs, they were unable to save, which gave rise to worry concerning the potential for emergencies:

*I do worry not having any savings or anything to fall back on, you know, if, if there’s an emergency and I’d have to take a child to the hospital I’d have to get a taxi, do I have enough money for that?  
– Jyoti, four children, benefit cap, Yorkshire, wave two*

Lack of savings meant that when furniture or white goods needed replacing, families were unable to do this. Between the first and second round of interviews, Paavani and her family moved from a furnished private rented home to an unfurnished housing association home. The family was not able to afford furniture:

*We sleep on the floor; we don’t have no beds.  
– Paavani, three children, two-child limit, Yorkshire, wave two*



## Strategies for managing low benefit payments

As the parents struggled to meet their households' needs on their low incomes, they adopted a wide range of strategies to try to get by. These included using food banks, shopping at the cheapest supermarkets, buying cheaper versions of food and clothing, looking for reduced food items and food offers, borrowing money from family and friends, budgeting carefully, and buying second-hand clothing and items. Some of these strategies are highlighted in the parents' accounts below:

*I started shopping at Aldi to supplement my rent ... there was no more Asdas, no more Tesco, like they haven't seen Heinz beans for months, they haven't seen a McVities biscuit, they haven't eaten Walker's crisps, they don't think they exist anymore. But like we've had to supplement any brands for cheaper, smart price, like anything that's Aldi.*

**– Amanda, four children, two-child limit and the benefit cap, Yorkshire, wave one**

*I wasn't a big fan of spreadsheets but that's me best friend now, I think is doing a spreadsheet just to work things out because I didn't have that worry of, worried about food and stuff, but now I do have that kind of bit of stress.*

**– Jyoti, four children, benefit cap, Yorkshire, wave one**

*I'm constantly trying to chase up, you know, constantly ringing my worker for a food bank and sorry, yeah, constantly trying to get bills down and looking for bargains online and it's just, it's quite exhausting actually.*

**– Jessica, four children, two-child limit and the benefit cap, Yorkshire, wave one**

As Jessica's experience shows, the benefit cap and two-child limit result in parents having to undertake time and energy-consuming activities to try to get by. This additional unpaid labour increases the time pressures families face and reduces time available to look for paid employment.

## Debt

Despite the considerable amounts of time and effort the parents put into trying to make ends meet, this was often simply not possible, as Fiona explained:

*There's no solution for getting things adding up, there's just no solution to it, and you'll be laid awake at night stressed about it, worrying about it, and it don't matter cos it makes no difference cos the finances just aren't there to solve it. – Fiona, three children, two-child limit, Yorkshire, wave one*

As a result of this, the parents frequently reported incurring debt. In addition to the rent arrears accumulated highlighted above, other forms of debts included council tax, water, gas and electricity arrears, budgeting loans, money owed to family and friends, credit card debt and catalogue debt. Jessica and Rachel explained:

*I've always been, you know, good with money and never been in any debt whatsoever, but the last few months that's changed ... so gas and electric are behind, council tax is just an absolute nightmare. – Jessica, four children, two-child limit and the benefit cap, Yorkshire, wave one*

*It's just this constant hamster wheel that you just can't get off and you're robbing from Peter to pay Paul all of the time and so you're just constantly playing catch-up, there's, there's no sort of months where there's an easy rest to it. And Christmas was just horrendous, everything my kids had was second-hand, everything, and I beg, borrowed and stole from both my son and my daughter; I didn't steal from them, but I borrowed money from them and so I've gotta pay them back for that and it just has a detrimental effect on everything. – Rachel, eight children, two-child limit, Yorkshire, wave three*

## Change over time

Over time, the vast majority of the participants reported that the financial impacts of the two-child limit and the benefit cap had become worse. This was routinely ascribed to the cost of living crisis. At the third round of interviews, Laura explained that the impact of the two-child limit had increased:

*You definitely feel the burn of it more at the moment because everything, everything's gone up. Our rent's gone up again, our electric's gone up again, the hot water's gone up like five times what it was. So yeah, it's been difficult financially managing.*

**- Laura, three children, two-child limit, London, wave three**

Angela's comments give insight into the everyday realities of being affected by the two-child limit during the cost of living crisis:

*It's like treats for the kids ... me little one'll be like "Oh can we go to shop?" And it's like "No, we've got stuff at home." But now we really don't have stuff at home, you know what I mean? It's scary but you can understand this heat or eat thing and it's one of them things where it's not a position you want to be in. It's like I'm obviously at home on my own and I'm sat in the living room and I've got a blanket over me, there's no heating on because I don't see the point; it's cold and my coat's wet, and me trainers, so they could do with drying, but I don't want to put it on and heat the whole house just to dry my coat and trainers. So it's like I'm sat with a blanket, fluffy socks and a blanket... it's like same with food, I have a cup of tea on a morning when I come in from the school run and I might have two pieces of toast, but then quite often I don't eat again then until teatime.*

**- Angela, five children, two-child limit, Yorkshire, wave three**

The increase in financial hardship led to the parents having to adopt additional strategies to try to meet their households' essential costs, as Jyoti explained:

*I mean normally I like to sort of do a big shop and then top it up in the middle of the week; I just don't have the money to do that now. So I'm stretching everything, I'm planning meals now; and that's quite difficult cos you can't buy certain stuff, you know, stuff that you used to be able to buy; I'm always constantly looking for a bit of a sale or a budget or something like that. It's really difficult now. And I feel like I have to go to different shops to buy different things because I can't buy everything in one sort of supermarket now because of the rates and their prices.*

**- Jyoti, four children, benefit cap, Yorkshire, wave three**

Most of the participants received the cost of living payments issued by the

government in the summer and autumn of 2022. These payments were very welcome; however, many of the participants commented that they were inadequate, particularly as they were one-off payments that were not adjusted to family size. Also, as a result of the two-child limit and the benefit cap, the families were already in a very difficult financial position when the cost of living crisis became especially acute, as detailed above. Consequently, many of the participants used the money to pay for items and to cover costs unrelated to the cost of living crisis, for example, to repay debts or replace broken furniture. While welcome, then, the cost of living support payments did not succeed in protecting larger families from the cost of living crisis.

## **Summary**

As these findings show, the benefit cap and the two-child limit constitute a significant reduction in entitlement, which leads to extreme financial hardship for affected families. Additionally, while the two-child limit is applied to the third child and any subsequent children, these findings show that the whole family suffers from the absence of this payment. Problematically, these policies particularly entrench the poverty women disproportionately experience, as women are more likely than men to be subject to these policies (Andersen, 2023). Although parents put a considerable amount of time and effort into trying to get by on an inadequate income, no amount of strategising can make up for the inadequate payments. As a result, family members go without basic necessities and households incur debt. Largely as a result of the cost of living crisis, the financial hardship of the participants worsened over the course of this fieldwork. The cost of living crisis adds urgency to the need to abolish these policies, because it is simply not possible for families to manage if they experience internal or external financial shocks. This results in suffering for the millions of household members affected by the policies at the present time, and will inevitably have long-term repercussions.

## Chapter 8

# Impacts on mental health

### Case study: Leylo's experience of the two-child limit and the benefit cap

Leylo is a single mum and has eight children, who were aged just under 1, 1, 3, 5, 7, 8, 10 and 12 years when we first spoke with her. She is affected by the benefit cap (£800/month) and the two-child limit (which is applied to her three youngest children). A family of this size is already quite a lot to manage, but things became worse for Leylo during the course of our research.

At the first interview, Leylo was struggling to get by on her low Universal Credit payments and sometimes had to cut back on heating in order to keep on top of her bills. At the second round of interviews, she reported that her financial struggles had started to get worse because of rising prices. She explained she was having to borrow money from friends and that she was unable to replace her washing machine and cooker, both of which had broken down. However, she explained that although she had a lot of problems:

■ *The mental [health] is OK, is fine ... I know everything will be fine.*

By late 2022, when we returned for our third interview, the cost of living crisis had really begun to bite. Prices had risen substantially across the board. When asked to reflect on any big changes in her life since the previous interview in February 2022, Leylo said:

■ *My life has been really hard since then ... there was inflation, the gas and electricity and everything became more expensive and the benefits that we get are not enough to cover that. ... I was healthy before but I went into depression and I have to take the antidepressants every day.*

What was behind this dramatic change? For Leylo, it was 'the financial struggle'

and how this conflicted with her desires as a parent:

*I'm a single mum and the kids ask me to buy them some things that I cannot afford but I usually try.*

Leylo had stopped paying her gas and electricity. Now she was in debt and was receiving daily phone calls from the companies she was indebted to asking for payments she could not afford to make.

Leylo had received the cost of living payment provided by the government to support families in exactly this situation, but that money had been immediately used to repay existing debts that had accrued as a result of the two-child limit and the benefit cap. Recognising her dire financial situation, Leylo had been looking for paid work and had recently been interviewed for a position, but did not get the job.

Leylo is one of many parents we spoke to who had experienced these kinds of difficulties. These parents worried about how to make ends meet and felt the stress and anxiety of providing for their children.

One dimension that has been largely missing from the government's early evaluations into the benefit cap and the two-child limit is the impact on mental health and well-being more broadly. Although health is briefly mentioned as a barrier to paid work, the impacts of the policy on health were articulated in predominantly positive terms. Those who moved into work saw their health improve, the one-year evaluation claimed (DWP, 2014). Our project has given more focused attention to the potential impacts of these policies on mental health and well-being (Reeves et al., 2022).

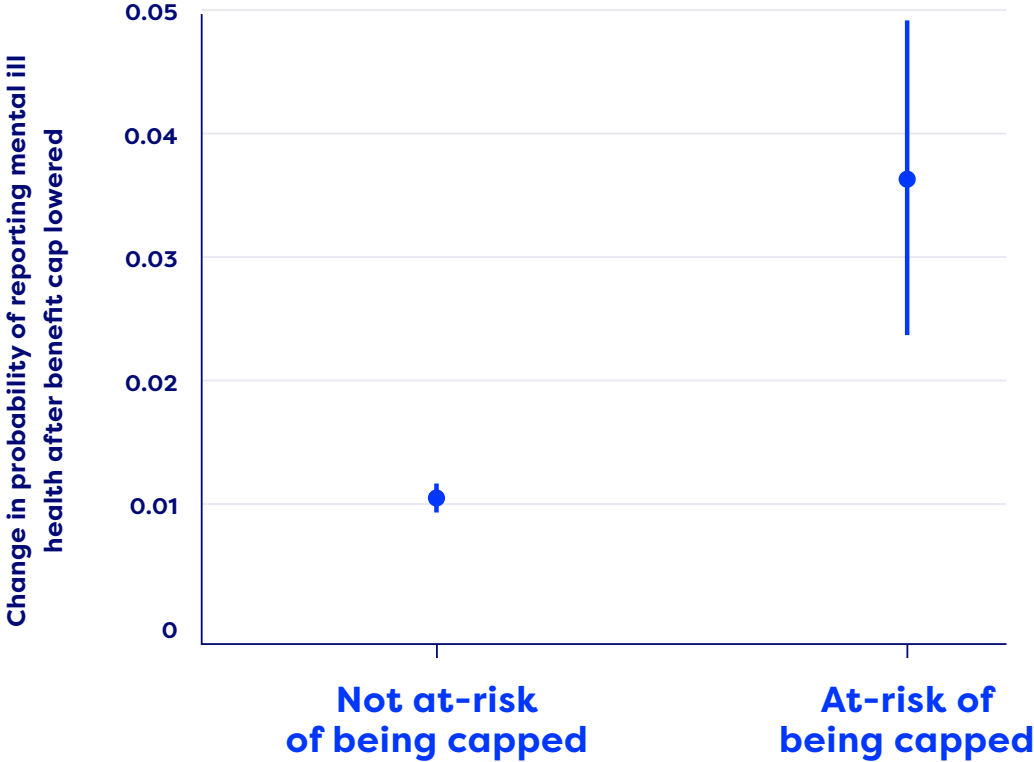
### **The mental health effects of the benefit cap**

In November 2016, the benefit cap was reduced from £26,000 per year to £23,000 per year for families in London (£15,410 for single people) and to

£20,000 (£13,400 for single people) outside the capital. We treat this reform as a natural policy experiment, comparing those at risk of being capped and those who were not. We drew on a survey of around 900,000 people, some of whom were interviewed before the cap was lowered and some who were interviewed afterwards. We therefore compared the risk of experiencing poor mental health for both those at risk of being capped and those not at risk of being capped, before and after the reform.

Our key finding is summarised in Figure 6.

**Figure 6: The mental health effects of the benefit cap**



Source: Labour Force Survey. Vertical lines represent 95% confidence intervals. See Reeves et al (2022) for more details.

On the left-hand side of the chart we see that people who were not at risk of being capped experienced a small increase in the probability of reporting mental ill health. This is consistent with the general trend in mental health over this period.

On the right-hand side of the chart we see what happened to those at risk of

being capped. For this group there was a different pattern: they experienced a far larger rise in the risk of reporting mental ill health after the benefit cap had been lowered in November 2016.

However, these negative mental health effects did not appear overnight; rather, they emerged over a number of months. By the end of our study period, the risk of experiencing mental ill health among those at risk of being capped had increased by around 50%. To put this into perspective, in November 2019 there were around 76,000 households subject to the cap. Our estimates suggest that lowering the cap increased the number of people experiencing depressive-like symptoms by around 6,600.

One implication of this finding is that the benefit cap might result in a non-trivial number of people experiencing poorer mental health. This is particularly important because many of those experiencing poorer mental health will still be out of work, and so the effect of the cap could be to push them even further away from the labour market. We went on to test this directly. When we examined the labour market effects of the benefit cap, we found that those at risk of being capped were more likely to be economically inactive after the cap was lowered in 2016 (see Chapter 5). We then explored whether the rise in mental health problems was one factor contributing to this rise in economic inactivity, and this is exactly what we found. More precisely, implementing the lower benefit cap in late 2016 is associated with an approximately 4 percentage point increase in the proportion of people who are economically inactive. Around 20% of this rise can be explained by the associated rise in mental health problems among those exposed to the cap. Therefore, increased mental health problems explains some of the rise in economic inactivity.

## **The mental health effects of the two-child limit**

We also considered whether the two-child limit affected parents' mental health (Reader et al., 2023). Like the analysis above, we used the Labour Force Survey to examine this question, but focused on households that had a baby after April 2017. This analysis was always likely to be inconclusive because the policy is being rolled out in a gradual fashion as new babies are born and are then subject to the two-child limit. This meant we had to find families with a new baby (their third child) who were also claiming Universal Credit; only a relatively small number of households met this criterion. It is worth noting that this will change over time as the policy continues to operate. However, it was important for us to do whatever analysis we could early in the policy's implementation



because of the magnitude of the financial impact, and the importance of mapping this.

In addition to the relatively small sample size, we had the problem of identifying an appropriate control group; which group should we compare with the families affected by the two-child limit? New parents in the past who were also receiving social security, or new parents receiving social security who have had their second child? Finally, having children is typically a challenging experience that already has a large impact on mental health.

Despite these challenges, we estimated a triple difference model which leveraged three sources of variation in order to identify whether a family is affected by the two-child limit or not: family size, income status and the date of birth of the child.

The main result from our quantitative analysis is inconclusive. There does seem to be an increase in mental health difficulties after April 2017 among larger families with low predicted earnings. However, our formal statistical model suggests that these differences are not statistically significant.

The fact that our quantitative analysis was not able to find conclusive results points to one of the (very many) advantages of adopting a mixed methods approach. Although our quantitative analysis was inconclusive, our qualitative methods provided a decisive picture of the mental health effects of the two-child limit. We now turn to a summary of the evidence shared in interviews about the harm being done to people's mental health by the two-child limit and the benefit cap.

## **Everyday accounts of the harms caused by the two-child limit and the benefit cap**

Both the two-child limit and the benefit cap force people to live on less than an assessment of their needs suggests that they require. This directly and negatively affects people's mental health. We now share evidence of these harms, looking at experiences of the two-child limit and the benefit cap.

Almost everyone we interviewed described how these policies were creating stress and anxiety. Suzie, who was affected by both policies, talked explicitly

about how her financial difficulties negatively affected her mental health.

*I'm always stressing about money, how am I supposed to pay this, how am I supposed to pay that? So I'm always stressed about that and I always wake up in the middle of the night with all that and it takes me ages to go to sleep on a night-time thinking about that. – Suzie, five children, two-child limit and the benefit cap, Yorkshire, wave two*

Noor explained how being affected by the benefit cap harmed his mental health:

*Obviously both my wife and I are stressed by the situation, our mental health is all over the place ... we are struggling, we have been struggling. – Noor, three children, benefit cap, Yorkshire, wave one*

In a similar vein, Alice set out how fear about the financial impacts of the benefit cap featured as a constant backdrop to her day-to-day life:

*I'm always like scared that something's gonna happen. Yeah so I'm benefit capped, that means my rent's not paid, so financially I've been mentally like really stressed out cos since I've moved into this property every like few months this comes again where I'm like; I got a letter even once to say that I'm being evicted. – Alice, three children, benefit cap, London, wave one*

Both policies are harming people's mental health in a way that can move individuals further away rather than closer to the paid labour market. Jessica explained:

*I couldn't even pay my gas, electric, council tax, rent, there wouldn't be enough money a month to even pay them, and that's without food and clothes for the kids; so I've just had to make the decision of I need to feed my children, I can't pay my council tax and my bills; and that's the decision that I've had to make until hopefully I'll manage to get back to work. But, you know, that's kind of been dragged out of it because the more stressed and the worse my mental health gets the longer I'm gonna be off work for. – Jessica, four children, two-child limit and the benefit cap, Yorkshire, wave one*

## Summary

Our quantitative analysis of the benefit cap shows those at risk of being capped experienced a far larger rise in the risk of reporting mental ill health after the benefit cap had been lowered in November 2016 than did those not at risk of being capped. Crucially, our data suggest that the negative mental health effects worsen over time. The main result from our quantitative analysis of the mental health effects of the two-child limit is inconclusive. However, the qualitative interviews with parents demonstrate clearly that the two-child limit negatively affects mental health. Most families experienced mental health shocks as a result of being affected by the two-child limit and the benefit cap. This constitutes a very real and potentially far-reaching harm caused by the two policies. Additionally, this harm potentially hinders the policies from achieving their anticipated goals.



## Chapter 9

# Impacts on children

### Case study: Rachel's experience of the two-child limit

Rachel is a coupled mum with eight children (six of whom live at home) aged 1, 3, 7, 12, 17, 19, 21 and 23. She is a full-time carer for her husband, who is disabled, and for two of her children, who are autistic. Rachel is subject to the two-child limit (she does not get the child element for her youngest two children).

At the first round of interviews, Rachel explained that as a result of the two-child limit, she struggled to afford clothing and leisure activities for her children. When asked what difference having the child element for her youngest two children would make, she replied:

*That's a dress that [1 year old's] wearing that is not covering over so they'd have clothes that would fit them, just basic stuff like that, and you could go to the ball park, you could take them swimming and things, you know, it's coming up to winter where going to the outdoor park is not always viable and so you're just stuck.*

She explained that the lack of ability to afford leisure activities was particularly difficult for her children owing to their awareness of activities their peers had taken part in:

*It's hard when they go back to school and you hear that their friends went here, there and everywhere and they did nothing. And I mean, you'll always get the one kid that went to Disney or whatever; so it's not even that, it's the fact that they've been somewhere and, you know, they've done whatever, because there is so little stuff that is free and accessible and I think it's hard, it is really hard.*

At the second round of interviews, Rachel explained that the impacts of the two-child limit had worsened owing to an unexplained reduction in tax credits and the cost of living crisis. She continued to struggle to buy clothes for her

children, and affording essential items including nappies had become more difficult:

*[6th child's] still in nappies full-time and he gets them for free from the NHS and we had to put [8th child] in some the other day; I'm not meant to but we literally run out of nappies and I didn't have anything. So, yeah it's basic stuff, it's not even niceties, it is basic stuff like nappies, baby wipes. And, as I said, clothes; I mean [8th child] has grown and she's got clothes that don't fit her but she's having to go to nursery in and I hate it, I absolutely hate it.*

At the third round of interviews, due to the compounding effects of the cost of living crisis and the two-child limit, Rachel's household was facing extreme financial hardship, which gave rise to considerable harm to her children. Rachel was no longer able to afford to put the heating on and had to reduce the nutritional value of the food the family consumed:

*We've all been really poorly and apparently it's my fault because I refused to put the heating on. So I've had pneumonia, our eldest daughter is upstairs with pleurisy, everybody's had a cough and cold ... So yeah, horrendous ... the kids moan that they're cold all the time.*

*We've actually even started doing less meat dishes; so like last night we just did like a fried rice, cos rice is still relatively cheap.*

These experiences demonstrate the immediate and long lasting harms the two-child limit can have on children and show how the cost of living crisis has exacerbated the harms inflicted on the millions of children affected by the policy.

The findings from the three waves of qualitative interviews show that the two-child limit and the benefit cap are causing very real and significant harms to children living in households affected by these policies. Both policies make it almost impossible for families to meet their basic needs, and this inevitably has negative effects on children, which could be long lasting and difficult to remedy.



This chapter details the material, social, emotional and relational harms these policies cause to children. It highlights how children are often keenly aware of the hardship their family faces and sometimes try to protect their parents from the consequences of poverty.

## Material harms

The reduction in social security entitlement resulting from the two-child limit and the benefit cap mean that parents do not have adequate benefit payments to meet their children's basic needs. The parents and carers we spoke to highlighted a wide range of basic items that they struggle to afford for their children, including food, clothes and heating. Lucy and Noor explained:

*Everything was going wrong for me because when you can't feed your children and you keep going to the food bank it's not so easy; because in the food bank it's not like you can do an actual shopping, it's what they give you and like mostly it's tinned food, and, you know, living on tinned food constantly can get kind of like boring and frustrating for the children. – Lucy, three children, benefit cap, London, wave two*

*It was the winter-time and we had to kinda go a bit economical on winter heating to the point where we didn't put on the heating ... in terms of clothing, school uniform, for example the shoes and school uniform, blazers and all that; [son] spent all year in one pair of trousers, he goes to [secondary school] and the whole year he was in one pair of trousers. – Noor, three children, benefit cap, Yorkshire, wave one*

The policies also negatively affect the quality of food that parents were able to afford. Getting by without enough also left parents with nothing spare for emergency expenses, with several parents mentioning the struggle to replace broken white goods and furniture. Parents could not always afford to buy new items when needed because they simply did not have any financial buffer. Asma told us:

*The end of the bed it just broke. So we tried to fix it for the time being because we couldn't buy a bed immediately, so we tried to see, right, if we can put something on it, like a piece of wood, we'll see if it stays the*

*same but it didn't, so we knew it were ready to go out to the tip. But it took a few weeks and, as I said, it's not good for their health because the way they're sleeping is not right, it's not good. I can't explain it; it's a bit like when you're going down a slide, that's how you sleep.*

**- Asma, five children, two-child limit, Yorkshire, wave two**

Concerningly, parents with very young children explained that they found it particularly difficult to buy essentials. Parents affected by the two-child limit highlighted that it was especially unjust that they did not get the child element for the youngest child, given the extra spending needed for young children (e.g., on nappies and new clothes as they grow rapidly). Alisha explained that she felt she had no choice but to potty train her youngest child before he was ready:

*It's put me under pressure to try and rush my younger one's potty training which he's clearly not ready [for], he's not getting there but I can't afford nappies, so it is stressing me out ... I don't have money at the end of the month. I have to make ends meet, I have to sell things, I have to do whatever I can.*

**- Alisha, five children, two-child limit and the benefit cap, Yorkshire, wave one**

Rachel struggled to afford new shoes for her one-year-old:

*[One-year-old daughter] was in size four shoes and she had her feet measured the other day and she's a six, so for the last two months she's been wearing shoes that are two sizes too small, but I couldn't do anything about it ... it's not even Clarks shoes she's getting, it's Asda's, you know, cheap and cheerful.*

**- Rachel, eight children, two-child limit, Yorkshire, wave one**

Evidently, and inevitably, the material impacts on the children can have knock-on impacts on their emotional and physical development. This points to the long-term detrimental effects these policies have. There is a wealth of evidence of the ways in which experiencing poverty as a child can lead to adverse outcomes later in life (Cooper and Stewart, 2017; Wickham et al., 2016; Hair et al., 2015). Both policies increase child poverty and so are inherently harmful in both the immediate and long-term.

Getting by without enough financial support often means making difficult daily decisions about competing essentials. It also means that affected households struggle to afford extracurricular and leisure activities. The majority of the participants explained that their children either could not take part in extracurricular activities or had to stop on account of the cost. Laura said:

*I mean my oldest, since [youngest child]'s come along he's had to stop doing things ... like after school clubs and stuff, and things like that. I just can't afford any extras; so he's had to stop going to his Jujitsu classes which he really loved. – Laura, three children, two-child limit and the benefit cap, London, round one*

Parents also commonly reported that they could not take their children out for the day or do any leisure activities that cost money. Many parents, like Melissa, felt their children were missing out as a result.

*They just don't get many days out or owt like that, cos it just costs like a lot and obviously with me not getting nothing for her and paying all that rent like it's just literally week-to-week, pay yer bills and buy yer bit of shopping and then that's it really. It's sad really, in a way, for kids, you know, it's the kids that suffer more than anybody ... it's them that miss out and you know, you feel for. – Melissa, four children, two-child limit and the benefit cap, Yorkshire, wave one*

Material harms also gave rise to social harms: for example, when children were socially excluded by their peers because they were unable to take part in extracurricular and leisure activities.

## Social harms

Parents talked about how their children felt left out because they could not take part in activities. Ashley, explained the impact this had on her daughter (aged 12):

*She asked if she can go cinema; I can't afford to just give her the money to go cinema. And all her other little friends, she's watching her other little friends going out. – Ashley, four children, benefit cap, London, wave one*



Similarly, Alisha was fearful about letting her children attend birthday parties because of the costs involved:

*I mean God forbid when it comes to the kids having parties again cos obviously when you send the child to a party, you've got to pay for a present; I can't do it. I get presents for my kids on the catalogues, I can't just go to the shop and buy a £10 Lego thing and a birthday card and wrapping paper, but if you don't do that then he's excluded, he's not like the other children. So yeah, he either can't go or he's gonna be embarrassed. – Alisha, five children, two-child limit and the benefit cap, Yorkshire, wave one*

Parents frequently commented on the peer pressure their children faced regarding the clothes and devices they did – or more often did not – have. Jessica explained how difficult it was for her daughter when she did not have the 'right' school shoes:

*One of my children has been wearing trainers that she's not actually allowed to wear at school because I can't afford her a new pair of school shoes ... so things like not being able to wear the school uniform properly is affecting her wanting to go to school ... my child's going to school and getting picked on cos she can't wear the right school shoes because I don't have £10. – Jessica, four children, two-child limit and the benefit cap, Yorkshire, wave one*

This again points to the significance of the harms done by these policies; the negative comments from peers not only had social and emotional effects, but also had the potential to hinder Jessica's child's education.

## **Emotional harms**

Findings from the project show that the two-child limit and the benefit cap negatively affect children's mental health. The peer pressure the children experienced and comparisons the children made with those around them inevitably led to feelings of anxiety, sadness and embarrassment. Alisha explained:

*My nine-year-old, a huge impact on him; things like school photos, when school photos come round, he starts to panic because he wants a haircut, he daren't ask me. Cheapest haircut I can get for him is about £10 or £11. I've tried doing clippers and stuff at my home; no, it don't work, he's got very thick hair and he's nine, he wants to look nice. Things like their school uniform, if it wasn't for his school actually buying it this year; again he's got quite anxious. He is a more shy child than my oldest but he didn't have anxiety issues before. – Alisha, five children, two-child limit and the benefit cap, Yorkshire, wave one*

The children were also affected by their parents' distress. As discussed above, the benefit cap and the two-child limit directly cause parents stress, worry, depression, insomnia and tiredness. Although parents try hard to shield their children from the extent of their financial concerns, the negative impacts on their mental health can in turn affect the children. Kalima told us:

*All of this is having a strain on them, which is bad ... they shouldn't really be stressing at their age but they are because when they see mummy stressing so that's why they're stressed. – Kalima, single mum, five children, two-child limit and the benefit cap, London, wave three*

Several of the parents explained that they wished their children could be free from financial worry and able to enjoy their childhood. This is not always possible given the severity of the financial hardship the policies cause. Instead, children can suffer from considerable anxiety on account of the acute financial pressure their families are facing daily.

## **Relational harms**

The harms these policies cause are cumulative and interlocking. As well as the material, social and mental health harms, the policies can negatively affect family dynamics. Because families affected by the benefit cap and two-child limit are often not able to meet all of their children's basic needs, they face stressful and difficult decisions when they have to choose which of their children's needs to meet. Amanda explained:

*I have to choose like, oh it sounds awful, like if one kid has no undies and one kid doesn't have t-shirts I'll choose the undie kid, I'd be like, well you need undies this month, sorry kid without no t-shirts ... [other people] don't have to think about which kid they love the most that month.* – **Amanda, four children, two-child limit and the benefit cap, Yorkshire, wave one**

The inability to meet the needs of every child in the household can lead to siblings feeling resentful of one another and can also cause increased conflict between children and their parents. Rez said:

*The eldest feels now kinda left out, cos everything for the little ones and nothing for her because she is older. She's like "You always get them something, you always get them something and you kinda leave me out."* – **Rez, four children, two-child limit, London, wave one**

These impacts highlight that the two-child limit restricts a family's total household income, and this inevitably means that all children in the family are negatively affected, not just those for whom means-tested support is unavailable.

## **Children trying to shield their parents from the harm of poverty**

Although children sometimes expressed resentment towards their parents, at other times they tried to protect their parents from the emotional distress caused by the financial fallout from the policies. Some children stopped asking for things. Christina explained how her 12-year-old son held off asking her for a new pair of shoes when his current pair was too small:

*He does worry ... I think that's why he didn't say about his shoes for so long as well, and I had to [say] "No, no, no, no, they're not that bad, we can manage, if you need something, you know, don't stress it."*  
– **Christina, three children, two-child limit, Yorkshire, wave three**

Several of the parents also reported that their older children tried to stop younger siblings from asking their parents to buy things for them. Laura said:

*You'll hear him [oldest child] say things when he will be in the shopping, his sister will say that she wants a magazine, he'll say "Don't ask mummy, don't ask mummy, you know mummy hasn't got money." You know, and you can see that he's trying to be really like protective and he knows like, all right, I don't want you to ask mum because it's gonna stress her out, she's gonna feel guilty about saying no. And, you know, he'll just say things, like if his friends want to go and do something, he'll say "Oh, you know, my friends are doing this on the weekend can we go with them? I know if we can't if it's going to cost lots of money, mum, then it's fine, I understand." And, you know, he's too grown up for his age really. – Laura, single mum, three children, two-child limit, London, wave one*

So while parents are trying to protect their children from the negative effects of the policies, at times, older children are trying to protect their parents from further emotional distress. This adds to the burden the policies place on growing children, and points to the significant and lasting harms that are likely to have been caused.

## Summary

Despite parents' best efforts to protect their children from the negative impacts of the two-child limit and the benefit cap, both policies mean that families face a struggle to meet basic needs. This directly causes material harms that affect the whole household, and generates specific social and emotional harms for children. The financial hardship that these policies create also increases tensions in households and can result in children trying to protect their parents from further distress. Previous research has shown that poverty has lifelong consequences for children in terms of their physical health, social, behavioural and emotional development, cognitive development and school achievement (Cooper and Stewart, 2017). This is reinforced by the findings from this study, which provides evidence for the range of severe harms caused by the benefit cap and two-child limit. At the same time, our data highlight how everyday experiences of childhood; harms that matter in and of themselves, and not just because of their long-term consequences. By itself, this evidence of harm to children should provide the impetus for urgently needed reforms to the social security system, which should enable children to experience their childhood free from financial hardship and its consequences.

# Chapter 10

## Lessons from this work

### Case study: Alisha's experiences of the benefit cap and the two-child limit

Alisha is a single mum with five children aged 16, 9, 3, 2 and 0. At the first round of interviews, Alisha was subject to the two-child limit and the benefit cap. The two-child limit initially applied to the three youngest children, who were all born into a situation of domestic abuse. After the birth of her third child, Alisha left the relationship and successfully applied for an exemption to the two-child limit on the grounds of coercion. But because she was now also receiving support for housing costs, the extra money for her third child pushed her into the benefit cap. Instead of the full £237 per month, she therefore ended up receiving only £30. Partly in order to meet her children's material needs, Alisha got re-involved with her ex-partner. That led to the birth of two more children.

At the first interview, Alisha had ended the relationship again and had applied for exemptions from the two-child limit for these two children, although she knew she wouldn't get any additional money while she wasn't working because of the benefit cap. She had worked up until the birth of her third child, sometimes in two jobs. But with five children, including three aged under five, and after the trauma of her relationship, she said:

*I've got a lot of work to do since the abuse ... I want to get myself physically and emotionally better. I don't want to throw myself straight back into work, I want to do that probably around the time when [youngest] is two, so we get the funding for the childcare. I want to be allowed to concentrate on us all feeling safe and happy again.*

Meanwhile, life was really difficult. Alisha talked about anxiety and low mood. The family frequently relied on food banks, and obtained clothing from charities. Alisha often went without in an attempt to meet her children's needs:

*People say to me now “Oh aren’t you so skinny for five kids? Oh in’t your hair lovely and long.” I can’t afford an hairdresser and I don’t eat right a lot cos I can’t afford to, my kids come first.*

We spoke to Alisha a second time 12 months later. Despite the worsening cost of living crisis, things had improved dramatically because Alisha had been awarded Personal Independence Payment (PIP) because of her mental health. That meant she was no longer benefit capped. She had also been granted the additional exemptions to the two-child limit. The family was now £800 per month better off, and it was making a huge difference. However, she was frustrated by the fact that it had needed things to get really bad before the family received the support it needed. She explained that she was only getting adequate financial support because

*...they’ve pushed me to the point of cracking up, which doesn’t make any sense, it’s not fair.*

Alisha’s story underlines the cumulative effect of the two-child limit and the benefit cap. It also illustrates the way the policies interact. As long as Alisha was benefit capped, the exemptions to the two-child limit made no material difference. But if she hadn’t had the exemptions, having the cap lifted due to her disability award would have only led to a small increase in entitlement. Her family ended up receiving the full support the system calculates they need only because her particular and traumatic circumstances led to both policies being lifted.

This report shares the evidence from our three-year investigation into the impacts of the two-child limit and the benefit cap on families with three or more children. It is the first research study to comprehensively assess both policies. We have illustrated how the policies simply do not work: they fail both against their own stated (and implicit) objectives and cause severe and significant harm to both the adults and children in affected households.

## Where is more research needed?

Our research has provided a comprehensive and detailed account of the impact of the two policies, but we identify four areas where more research is required. These are summarised below.

### 1. Housing and the benefit cap

Our analysis has revealed the importance of housing, both in the accounts of individuals affected by the benefit cap, but also in policymakers' narratives about the changes they expect individuals to make in response to the policy. Our qualitative evidence shows how households are routinely living in incredibly substandard accommodation, which is often damp, rodent infested and overcrowded, yet they are paying high rents that lead to them being capped, and thus left with less than they need to get by on. This is a problem bound up with the private rented sector itself, and the incredibly high rents often charged for inadequate accommodation. There is a need to do more to understand the protective role that social housing can play here, as well as to fully document and understand the housing circumstances and experiences of capped households.

In relation to this, the government expects individuals to respond to the cap by moving to cheaper accommodation. It is important to submit this pathway to proper investigation, exploring, as others have started to, whether it is actually a feasible and practical course of action for capped households (see Mills, 2022). This research needs to include both an investigation of the availability of more affordable housing and also a broader exploration of the barriers to moving that households might face, including factors such as the location of familial support and additional services.

### 2. Mitigations to the policies

As set out earlier, the benefit cap does not apply in the same way across the United Kingdom, with both Scotland and Northern Ireland having taken steps to mitigate the cap (Scottish Government, 2023; House of Commons Library, 2023). There are growing differences in social security policy in the devolved nations, and more must be done to track and understand how these differences play out, using both quantitative and qualitative data sources.

In similar vein, whereas the Westminster government continues to defend

the two-child limit, the Scottish government has introduced a Scottish Child Payment, which is a means-tested payment to children set at £25 per week per child for eligible children under 16 (Social Security Scotland, 2023). A family with three children in their household could receive £300 a month through this support. It will be vital to track what difference this makes to children's experiences and outcomes, especially when compared to experiences of households outside Scotland that are not in receipt of this support.

### **3. Exploring the impacts on children by centring them as experts**

Our research highlights the multiple, damaging impacts the two-child limit and the benefit cap have on children, in both the immediate and long term. To properly understand the severity and significance of these impacts, research should be undertaken with children. We need to centre children as experts from whom we can learn directly. Doing so recognises children as social actors in their own right, who are best informed about their own experiences and attitudes (Ridge, 2002).

### **4. Continuing to track the impact of both the benefit cap and the two-child limit**

Finally, it is of paramount importance that researchers continue to investigate the impact of both policies in the longer term. Our quantitative analysis was sometimes frustrated by the small sample sizes of households affected by the two-child limit, but this will inevitably change over time as more children are born under the policy. Relatedly, the timing of our research meant it was too early to assess the impact of both policies on longer-term outcomes for affected children, but it will be vital to attempt this when sufficient time has passed for the relevant data to be available.

Because these policies are distinctive internationally (Stewart et al., 2023), and also mark a new departure for the United Kingdom in terms of both their punitive nature and their refusal to link household need to benefits entitlement, it is especially important to continue to understand their impact. We hope to contribute to this effort, and encourage others to also do so.



## Policy recommendations

Our evidence paints a clear picture of the impact of the two-child limit and the benefit cap on families, and we can confidently conclude that neither policy meets its aims and that both cause extreme hardship. These policies should end.

Both the two-child limit and the benefit cap sever the link between need and entitlement. This severely undermines the ability of the UK's benefit system to support those with greater needs and at certain crunch points of the life cycle – key purposes of effective social security systems. These policies often affect children when they are very young, a time of great importance given the significance of the early years for subsequent growth and development.

Rather than withdraw support from families with children, there is a clear case for investing more in children during this formative life stage when households have higher needs. A positive case can and should be made for providing adequate support for children through the social security system.

Both policies have been routinely defended on the grounds that they encourage people to make 'better' choices about family size and to work more hours. We invite policymakers to engage with the evidence shared across this report, which demonstrates that such assumptions are incorrect. The two-child limit has not affected the number of children that families have, while both policies are pushing people further away from, rather than closer to, the paid labour market. We call on policymakers to restore the link between entitlement and need, and to make long-term investments in social security for families with children.

In our interviews with parents affected by both policies, we asked them what one thing they would like to say to politicians about the two-child limit and the benefit cap. We conclude this report with the responses of Kalima and Khadra, who together, and in conjunction with the evidence shared across this report, make an unassailable case for why both policies need to go.

*It's not fair on the kids. I think, you know, the kids, being a single parent it affects the kids anyway and then having that financial burden on top, it's not nice and our kids are our future. – Kalima, single mum, five children, two-child limit and the benefit cap, London, wave two*

*If they could look into this, the decision again and change it, make change to that decision, because it does really affect a lot of families, I mean not only me, like there's a lot of family same as my situation that are affected financially; I know some people that are lot like mentally depressed, you know. I'm sure everyone would, would, would want to work and do something with their life. Yeah, that's all I can say really, if they could look into the decision and change it. – Khadra, six children, two-child limit, Yorkshire, wave two*



# Project publications

## Research papers

Andersen, K., Redman, J., Stewart, K. and Patrick, R. “It’s the kids that suffer”: Exploring how the UK’s benefit cap and two-child limit harm children (Unpublished working paper).

Andersen, K. (2023) Promoting Fairness? Exploring the Gendered Impacts of the Benefit Cap and the Two-Child Limit. *Journal of Poverty and Social Justice* 31(2):174–90.

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Stewart, K., Reader M., Aldridge, H., & Patrick, R. (2022) How do the benefit cap and the two-child limit interact? Available at: <https://largerfamilies.study/publications/benefit-cap-two-child-limit-interact>

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