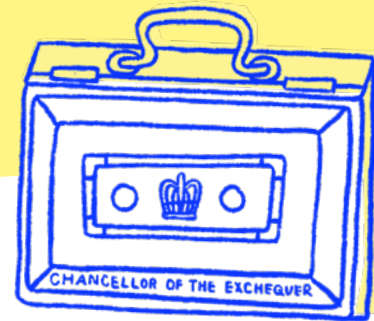


Capped in a crisis

Experiences of the two-child limit and the benefit cap during the ongoing cost of living crisis

BRIEFING FOR MPS IN ADVANCE OF
THE SPRING BUDGET 2024



Summary

- The latest research from the Benefit Changes and Larger Families project shows that families affected by the benefit cap and/or two-child limit are experiencing extreme hardship during the ongoing cost of living crisis.
- Families are unable to afford basic necessities and are rapidly incurring debt.
- This financial hardship is negatively affecting parents' mental health.
- The cost of living payments have been a welcome but inadequate support for protecting families during the crisis.
- The two-child limit and the benefit cap need to be abolished urgently.

Families affected by the two-child limit and the benefit cap are experiencing severe and increasing hardship during the ongoing cost of living crisis. Both policies reduce already very low levels of social security support in the UK and leave affected families particularly vulnerable to rising prices. These families were facing considerable hardship before the cost of living crisis took effect; it is now simply impossible for them to get by. The rate and pace of rises to prices may have slowed; but families are simply unable to cope with what is now a very high cost of daily living, especially for those with larger families, who have more mouths to feed and children to clothe. While the cost of living crisis is now receiving less media attention, food prices remain high and the end of government support for energy bills in March 2023 means many are having to spend more on energy this winter than last. The ending of the cost of living payments and the Household Support Fund in Spring 2024 creates a cliff edge of further hardship when these additional forms of support are withdrawn.

Introduced in 2013, the benefit cap sets a limit on the total amount a working-age household can receive in benefit payments if no-one in the household is working a minimum number of hours (there are exemptions for households in receipt of some disability benefits). The two-child limit was introduced in 2017 and restricts the child element of Universal Credit and tax credits to the first two children in a family.

Abolishing the benefit cap would substantially reduce the depth of poverty for the 300,000 children living in families affected by the cap, and cost £300 million. Scrapping the two-child limit would lift 300,000 children out of poverty and mean 800,000 children are in less deep poverty, at a cost of £1.8 billion.

This briefing provides new insight into how families affected by the benefit cap and the two-child limit are experiencing the cost of living crisis, reporting on findings from qualitative interviews. These interviews took place between November 2023 and January 2024 with a subsample of participants from the [Benefit Changes and Larger Families project](#), a three-year mixed-methods research programme which is investigating the impacts of the two-child limit and the benefit cap on families with three or more children (see Appendix A for methodology).

Financial harms: “Mum, it’s so cold, it’s so cold”

Before the cost of living crisis took hold, families affected by the two-child limit and the benefit cap struggled to afford basic necessities including food, clothing and heating. The collision of the cost of living crisis with inadequate social security support has significantly exacerbated this struggle leaving parents unable to pay for essential goods and services, as Lucy and Zauna told us respectively:



Now, because the weather is changing; now it’s getting colder - rainy season - so now I’m using food banks. I have to be asking people to help me with my gas and electric.

(affected by the benefit cap, interviewed November 2023)

Like yesterday, I didn’t [put] on the heating, and the little one and the other one, they were crying, ‘Mum, it’s so cold. It’s so cold,’...So, I don’t know what to do. The family, we need to live. We need to live.

(affected by the benefit cap, interviewed November 2023)

An inability to afford basic necessities results in families feeling they have no choice but to get into debt, including rent, gas and electricity, council tax, phone company, credit card and catalogue companies. Parents are also having to borrow from family and friends and take out Universal Credit budgeting loans, which subsequently further reduces their social security payments as repayments are automatically taken out from future payment.

Kalima explained how the previous winter had left her with £1200 debt to her gas and electricity provider. She is paying this off at a rate of £10 a week but is incurring further debt from her current electricity usage. Rachel also told us she can not afford her gas and electricity bill and so is accumulating arrears. She described her experience of being hounded to make repayments:

They keep sending threatening letters and I'm like, okay, what do you want me to do?...Knock at the doors worry me. If the dogs start barking, I'm like, who's that? Do I want to answer it? Apart from that, I just think keeping the kids fed, that is my priority. [Energy company] can wait their turn. Their children aren't going to go cold and hungry.
(affected by the two-child limit, interviewed December 2023)

The accrual of significant debts by families struggling to keep their heads above water means that the aftermath of the cost of living crisis will be felt for many years to come, as families face the prospect of high levels of, often completely unsustainable, debt.

The parents who borrowed from friends and family also faced repercussions. Bushra explained how borrowing from friends was leading to isolation:

Friends sometimes I feel more ashamed, like how can I ask them again? Even though they know my situation...It makes me even a bit isolated. I won't be able to mix with them again...Seeing them, it just reminds me, I'm quite vulnerable.
(affected by the two-child limit and the benefit cap, interviewed November 2023)

Bushra's experiences hints at the far-reaching impacts of the harms caused by the collision of the cost of living crisis with the two-child limit and benefit cap.

Mental health harms: “I don’t even know how to get out of it”

The strain of trying to get by on an inadequate income in the context of a high cost of living is directly causing stress, anxiety and insomnia. Parents describe an acute distress when their low-incomes make it almost impossible for them to meet their children’s needs.



Ifemelu told us how this affected her:

Sleepless nights, anxiety. They [my GP] are saying it’s because of the stress I’m going through and all of that. My blood pressure was high. (affected by the two-child limit and the benefit cap, interviewed December 2023)

Similarly, Zauna, who is affected by the benefit cap, has accumulated £3000 in rent arrears which has led to high levels of stress and elevated blood pressure:

Yes, I went to the doctor last time and they checked my BP, and they said, ‘Oh, you are too young for this. Why is your BP just on the rise and look at the way it is now. It’s not okay for me, it might affect me a lot.’ Then I said, ‘Oh, how am I going to manage it when I have a lot on my head? I have arrears. I don’t even know how to go out of it. I don’t have a job, but they are asking me to pay arrears,’ so that was when I sit down, I think about it. ‘Oh, talk to the council.’ Well, I talked to the council. They said I should pay, and they are still telling me they want to kick me out from the house if I don’t pay the arrears, so what am I going to do?...it’s so stressful...I don’t have the BP before, it’s just this situation that is making me to have BP. (affected by the benefit cap, interviewed November 2023)

Research from the wider Benefit Changes and Larger Families project shows that the mental health impacts of the benefit cap not only cause significant harm to individual’s wellbeing, but also suggest that the policy could have the unintended consequence of pushing people further away from the labour market, contrary to the policy’s key aim.

Going without every day : “it’s just become the normal thing now.”

Concerningly, going without basic necessities including food is becoming normal for some families affected by the two-child limit and/or the benefit cap. Kalima told us that she drinks tea in the day, eats the children’s leftovers and then has one meal after the children go to bed. She explained that she is so used to this now that if she does try to eat lunch, she feels unwell. Angela also reduces her food intake so that there is enough food for her children. She said:

Because they’re more important, I often find myself having two slices of toast for lunch rather than soup or a sandwich or something like that. I don’t know, it’s just become the normal thing now. I don’t know, it’s weird really.
(affected by the two-child limit, interviewed November 2023)

Despite Angela’s efforts to protect her children from the impacts of inadequate income, she still cannot afford anything other than basic food items. Especially distressingly, her children have also got used to going without:

They’re used to it, which is heartbreaking in a sense...It’s like when we walk home from school and they’ll be like, ‘Can we go to the shop?’ Before I get to answer, one of them will say to [youngest child], ‘No, not today.’ Sometimes I don’t even have to say anything. It’s quite sad really that we can’t go in the shop and buy a bar of chocolate or a few sweets or whatever on the way home from school.
(affected by the two-child limit, interviewed November 2023)

We see here Angela’s children adapting to life on a very low income. Christina told us that her middle child now does not say when he needs new clothes and shoes:

He won’t say he needs new clothes and he won’t say his shoes don’t fit anymore. You have to push him to be honest with you.
(affected by the two-child limit, interviewed December 2023)



These findings raise significant concerns not only for the hardship children are facing, but also for their future selves given this early adaptation to life on a very low income, which is likely to have ramifications for their future life chances and aspirations. The emotional distress caused to parents having to bring up children with this level of hardship is also a significant harm, with longer-term repercussions.

Cost of living payments: “It’s all gone, straightaway”

In 2023, cost of living payments of £301 and £300 were made in the spring and the autumn respectively. At the time of the interviews, most of the parents had recently received the £300 cost of living payment issued in autumn 2023. These payments were welcome and for some parents, made a considerable difference to everyday life, as Ifemelu explained:

It made a huge difference, it’s not just something, it’s a lot...I went to Aldi and did the food shopping, I went to Iceland, I went to Morrisons, that’s how I spent the money...it all went on food. You have to, when you are broke, you can keep them still eating as much as there is food in the house...It lasted for about a month.

(affected by the two-child limit and the benefit cap, interviewed December 2023)

As Ifemelu’s words show, while welcome and helpful, the cost of living payments were insufficient as they only made one month easier. Asma similarly told us that she was grateful for the help but it only covered her gas and electric bill for one month.

While some parents like Ifemelu and Asma spent the cost of living payments on meeting rising costs, other parents were not able to do so due to existing debt. Bushra told us:

I start then paying back the rent, the debt to my friends...because I know that when I run out, I’ll have to hand to them...it’s all gone, straightaway. The first thing came to my head, like pay them now.

(affected by the two-child limit and the benefit cap, interviewed November 2023)

For Zauna, using the cost of living payment to repay debt does not appear to have been an option. She explained that she was told by her local council that she needed to put the £300 towards her rent arrears:

That £300, when you get it, it's gone. You have to pay your debt. I was talking to the council yesterday, 'I cannot afford this.' They are telling me, 'Oh, you will need to pay this towards it.' ...I have to do that because they are telling me now that I need to pay something towards the rent, but they are not thinking about how am I going to live with the kids if I don't have money.

(affected by the benefit cap, interviewed November 2023)

While for some the cost of living payments made a difference, others were unable to use the extra income to cover rising prices. Overall, as the payments were one-off and paid at a flat rate (and therefore did not take into account family size), they did not succeed in protecting larger families from the cost of living crisis. These temporary payments are coming to an end, and there is an urgent need for action to more effectively protect families from poverty.

Moving out of crisis: the urgent need for change

The continuation of the two-child limit and the benefit cap during the prolonged cost of living crisis has left families facing extreme financial hardship, to the extent that parents are going without food on a daily basis so that they can feed their children. Despite these best efforts on the parents' part to protect their children, children themselves are getting used to going without. Households are rapidly incurring debt to try to cover basic necessities, debt that is likely to remain with them if the two-child limit and the benefit cap - which reduce entitlement to amounts below the very basic levels of social security provided in the UK - continue.

The economic situation for families is deteriorating further, particularly in the context of lesser government support this year than last. The coming year looks bleak: the final cost of living payment will be made in the Spring, with no further payments announced. The Household Support Fund will also come to an end in the Spring. The benefit cap has not been updated with inflation and so affected households will not see a penny more in their income when benefits are updated in April.

The answer to this hardship is clear. Both the Benefit Cap and Two-Child Limit need to go, and urgently. This is just the first step to investing in a social security system that makes addressing child poverty a central goal. We end this briefing with a quote from Daneen, who powerfully articulates why change is needed:

I just hope that...[the government] see something and they think that, yes, this is actually affecting people a lot, because it's not just the fact that we can't buy something. It's the fact that we can't do something with that money, something productive that we need to do, something important... Then they need to understand that that future generation is being traumatised. My kids, I wish I could give them everything so I could just let them think that everything will be okay...We just need the basics so we can get through. That's all. Then hopefully when we're in better mental health, then we can do something with ourselves and start giving back to the country. When you give out goodness, you receive goodness. If you're going to give out crap, you're going to receive crap in return.
(affected by the two-child limit, interviewed November 2023)

Appendix A: Benefit Changes and Larger Families Research Methods

The Benefit Changes and Larger Families research project is a collaboration between researchers at the University of York, the University of Oxford and the LSE, with the Child Poverty Action Group as project partner. To investigate the impacts of the two-child limit and benefit cap on larger families (classified as those with three or more children), the Benefit Changes and Larger Families project is using both quasi-experimental quantitative methods and qualitative longitudinal research. Qualitative longitudinal research involves repeat interviews, with time becoming both a tool and a focus of study. Four waves of interviews have been conducted between April 2021 and January 2024.

The main aim of the qualitative longitudinal work is to find out how larger families are experiencing and responding to the changing policy context. We have followed 45 larger families in Yorkshire and London. We had initially planned to do face-to-face interviews, but due to Covid-19 we have done most of the interviews over the phone.

We conducted the first round of interviews in 2021. The second round of interviews took place between January and June 2022 and the third round of interviews took place between September 2022 and January 2023. The fourth round of interviews took place with a subsample of 15 participants between November 2023 and January 2023. At the first round of interviews, 21 participants were affected by the two-child limit, 12 were affected by the benefit cap and 12 were affected by both policies. Reflecting the national picture, families with three children were most common in the sample. We intentionally have participants from a mix of ethnic backgrounds due to concerns raised about the disproportionate effects these policies could have on families from certain ethnic minority backgrounds. The research is underpinned by an ethics of care and reciprocity, and principles of anonymity and confidentiality mean that all names have been changed in this briefing.

The Benefit Changes and Larger Families Final Report is available at:
<https://largerfamilies.study/publications>

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