



# “IT’S HEART-BREAKING THAT I FEEL I CANNOT FULLY PROVIDE FOR MY YOUNGEST WITHOUT STRUGGLING”

## The impact of five years of the two-child limit policy

April 2022

### Introduction

Under the two-child limit, parents are not entitled to any extra support through universal credit or child tax credit to help with raising a third or subsequent child born after 6 April 2017. This means they lose out on up to £2,935 a year, and puts families’ budgets under enormous strain.

Five years after the introduction of the two-child limit, an estimated 1.4 million children in 400,000 families are now affected by the policy. Unless it is abolished, the number of children affected will reach 3 million, as more children are born under the policy.<sup>1</sup>

The government says the policy means families receiving benefits face the same financial choices about having children as families supporting themselves solely through work. But this wrongly assumes that all children affected by the policy are the result of family planning and born while their parents are receiving benefits. Even if this premise were correct, it would still not justify government policy exposing children to a greater risk of poverty.

For the 56 per cent of parents affected by the policy who are in low-paid work, the two-child limit creates a huge hole in their budgets that simply can’t be plugged by working additional hours, in part due to the high cost of childcare.

Families can grow and circumstances can change for many different reasons. But regardless of each family’s situation, it is children who are ultimately paying the price for this policy. They are returning from school to cold homes, and missing out on key parts of childhood such as sports activities and school trips, while parents are skipping meals so their children can eat.

---

<sup>1</sup> Child Poverty Action Group, the Church of England, Women’s Aid, Turn2Us and the Refugee Council, *All kids count: the impact of the two-child limit after two years*, 2019

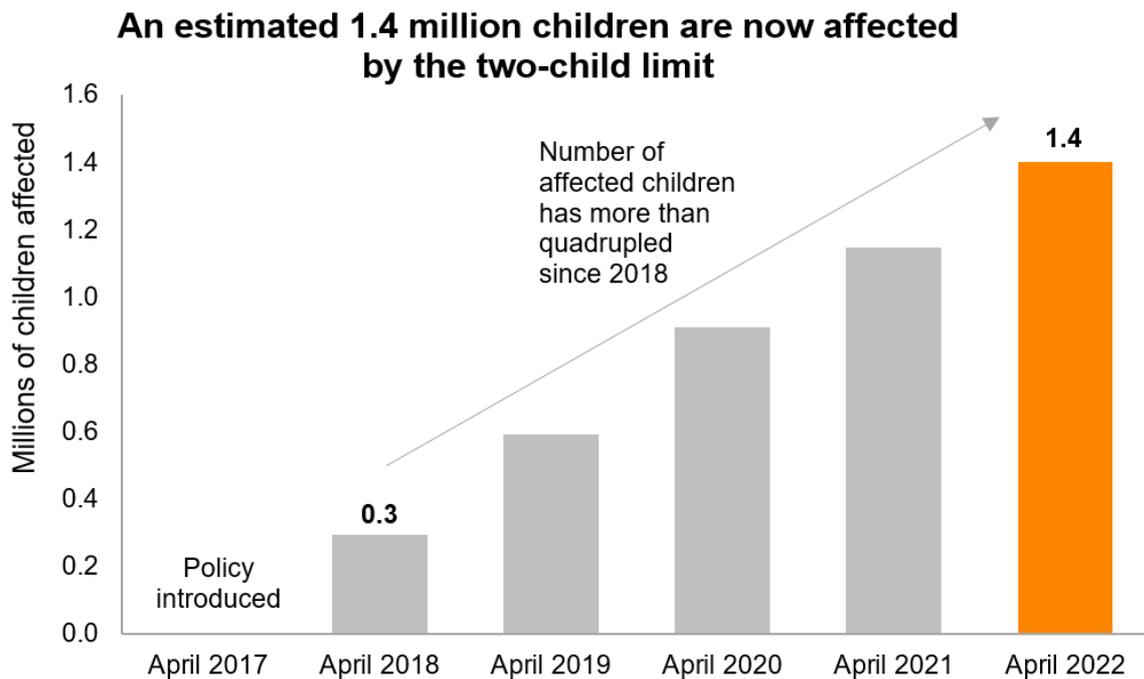
As inflation now pushes a thirty year high and energy bills soar by 54 per cent, the gap between what affected families need to get by and what they receive will widen even further. More parents will face extremely difficult choices as their families are pushed deeper into poverty.

Our social security system should support families and give children the best start in life, regardless of how many siblings they have. The government must remove the two-child limit to allow all children to thrive.

This joint report by Child Poverty Action Group (CPAG), the Church of England and the Benefit Changes & Larger Families research project presents new estimates of the number of families affected by the two-child limit, and provides an insight into the impact of the policy using direct quotes from a survey of over 2,500 families affected by it.<sup>2</sup>

### Over 1 million children are now affected by the two-child limit

Government figures show that last year 1.1 million children in 310,000 families were affected by the policy - most (56%) of those families were in work.<sup>3</sup> In April 2022, **five years after the introduction of the two-child limit, we estimate that 1.4 million children in 400,000 families are now affected by the policy.**<sup>4</sup>



<sup>2</sup> Since February 2019, users of the Entitledto benefits calculator who are likely to be subject to the two-child limit have been invited to participate in an online survey. By March 2022, the survey had received 2,510 responses, including 403 responses in the last six months.

<sup>3</sup> Department for Work and Pensions, *Universal Credit and Child Tax Credit claimants: statistics related to the policy to provide support for a maximum of 2 children, April 2021, 2021*

<sup>4</sup> Author’s calculations using Family Resources Survey 2019-20, UKMOD.

The number of families affected by the two-child limit will continue to grow the longer it remains in place, as nearly all low-income families with three or more children become subject to the policy.<sup>5</sup> The number of affected children has more than quadrupled<sup>6</sup> since the limit was introduced and, once fully rolled out, will double again to reach 3 million.<sup>7</sup>

## The gap between what families need and receive

The two-child limit breaks the historic link between need and entitlement, a founding principle of our social security system. It means that a family with a third child aged six, and another family with a third child aged four, are treated very differently by our social security system, merely on the basis of when their third child was born. If both families experienced job loss and sought help through the social security system, the family with the younger child would receive £2,953 less a year.

*“We were unaware of the 2 child limit when we had our third child. I think it’s very unfair that parents get money for their 3rd child if they were born before the cut-off date. How is that fair to other families with 3 children? My partner works full time and even has to put in overtime at weekends so we can get by. We struggle to buy clothes, food and just basic necessities.”*

A family affected by the two-child limit is left with just £750 a year in child benefit to help with raising their third child.<sup>8</sup> At the start of 2022, a couple with two children (aged 11 and 5) could cover 85 per cent of the basic costs of raising their children to an acceptable standard of living with the children’s benefits they receive.<sup>9</sup> Having a third child would mean they could cover just 64 per cent.

Even before the recent spike in inflation, the cost of providing a socially-acceptable minimum standard of living for a third child was estimated to be around £4,000 a year.<sup>10</sup> With no additional support, families’ budgets are severely stretched trying to accommodate the increase in costs having another child brings.

## Children miss key childhood moments and families experience hardship

The two-child limit has a severe impact on the day-to-day lives of affected families. Over the past three years, we have surveyed 2,510 families across the country who are affected by the policy, hearing directly about how it affects their lives.<sup>11</sup>

Many parents say they are forced to cut back on essentials, such as not putting on the heating or skipping meals so that their children don’t go without.

<sup>5</sup> The policy affects a family’s third or subsequent child born after the policy was implemented in 2017.

<sup>6</sup> Official statistics on the number of children affected by the limit were produced for 2019 onwards. We estimate the number of children affected by the policy in 2018 at just under 300,000.

<sup>7</sup> See note 1

<sup>8</sup> Child benefit in 2022/23 is worth £14.45 a week, the equivalent of £751.4 a year.

<sup>9</sup> CPAG analysis drawing on the Minimum Income Standard (MIS) methodology developed by Donald Hirsch - see Child Poverty Action Group, *Cost of a child in 2021*, 2021. Children’s benefits include the child element of universal credit and child benefit. ‘Basic cost’ is the cost of raising a child not including rent, childcare, and council tax.

<sup>10</sup> Child Poverty Action Group, *Cost of a child in 2021*, 2021. The yearly basic cost (excluding rent, childcare and council tax) of raising a third child aged 0-4 is £4,094.

<sup>11</sup> See note 2

*“Having four children is hard as two was not planned (failed implant). I struggle buying day to day things for my children and I go without food most days just so my children can eat and be clothed.”*

*“I find that I just do not have enough to cover the essentials every month and there is always something that I am behind on. I struggle with affording food every week especially as the cost of that seem to be going up constantly.”*

*“We wear extra layers of clothes as I cannot afford to put the heating on. We shower on a Wednesday and Saturday to reduced energy bills but we shouldn’t have to live like this.”*

Despite cutting back essential spending, many families say they are falling behind on bills and rent and are forced to take on debt to pay for the essentials, which risks spiralling into unmanageable amounts.

*“Sometimes I struggle to pay rent and bills because I don’t always have enough money to buy food and get gas and electricity. So I’m now in a lot of debt. I also don’t believe in abortions so that was not an option. I fell pregnant while using contraception.”*

*“Having 4 children it’s a struggle to buy electric and food and clothing etc my money is meant to last a month but is gone within 2-3 days because I’m in a vicious circle of having to borrow or use debt to get by.”*

Parents are trying their best to shield their children from the worst effects of living on a reduced income. But the impact on children is often unavoidable, restricting children’s ability to take part in extracurricular activities, school trips, and socialise with their friends.

Many parents tell us about the toll not being able to provide for their children takes on their mental health and their children’s wellbeing.

*“My children have been affected socially and emotionally [and] have to give up their sports and extra educational programs. They lost close friends, confidence and I have been affected mentally with the guilt I cannot give my younger children the opportunities I used to afford the older kids.”*

*“I dread when the children come home with a letter for a school trip/scouts trip etc. as I know I am going to struggle to find the money to pay for it. I know it was my choice to have 4 children but it wasn’t my plan to become a single parent. I feel like [I] fail my children. I want them to have all of the opportunities possible to become successful in their lives but it feels that in order to do this you need money.”*

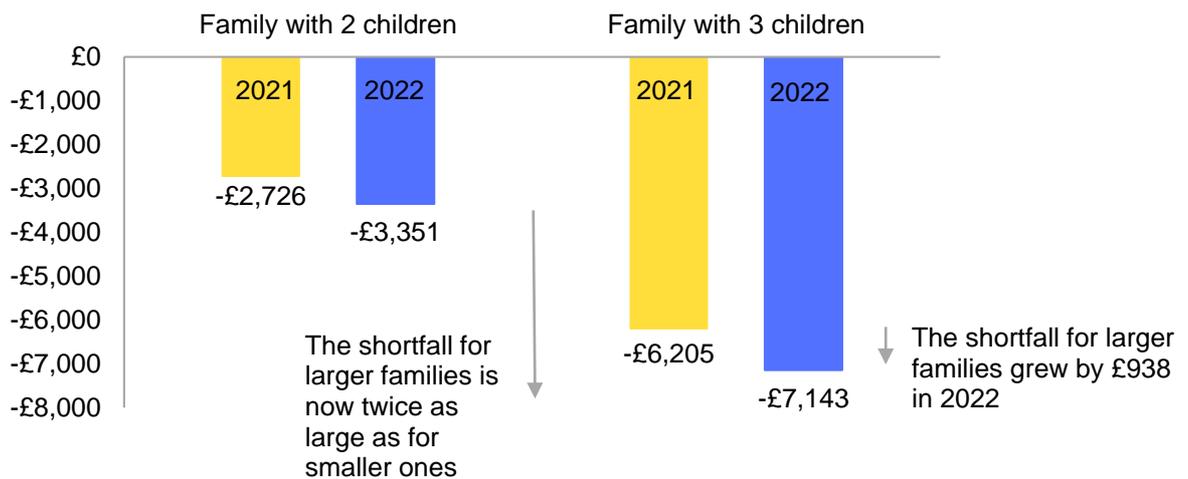
*“The two-child limit makes me feel like my third child is non-existent and or [not] considered in this world, and it’s heart-breaking that I feel I cannot fully provide for my youngest without struggling.”*

## Rising living costs are putting even more pressure on families’ budgets

As inflation now hits a thirty year high and energy bills soar, low-income families will feel significantly more pressure bearing down on their budgets. On 11 April 2022, benefits will be increased by just 3.1 per cent, less than half the expected rate of inflation, meaning families are experiencing a significant real-terms cut in their benefit income.<sup>12</sup>

The squeeze will be even greater for families affected by the two-child limit. Assuming that the cost of raising a child increases in line with inflation this year,<sup>13</sup> the cost of raising three children (aged 11, 5, and under 1) will increase by around £23 a week, but a family with three children will see their income from children’s benefits increase by just £5. On top of the budgetary constraints that families are already facing, families with three children affected by the two-child limit will see the shortfall between what their children need and the support they can get through children’s benefits grow by a further £940 to over £7,000 a year.

### Yearly shortfall between children's benefits and the basic cost of a child in 2021 and 2022



## Some children face a disproportionate risk of poverty as a result of the two child limit

We calculate that 55 per cent of those affected by the two-child limit are couple families, 40 per cent are single-parent families headed by women, and 5 per cent are single-parent families headed by men.<sup>14</sup> With women much more likely to be single parents than men, the policy disproportionately affects women. Single parents are more likely to need support from the social security system, particularly

<sup>12</sup> Child Poverty Action Group, *Pushed deeper into poverty: the impact of the benefit cap on families amid rising prices, 2022*

<sup>13</sup> The Office for Budget Responsibility (OBR) forecasts inflation to reach 8 per cent this year. See OBR, *Economic and fiscal outlook – March 2022, 2022*

<sup>14</sup> See note 4

when their children are young. As sole carers, they face additional challenges balancing work and parenting, and have to cover childcare costs single-handedly.

While there are no official statistics looking at the ethnicity of families affected by the two-child limit, it’s likely that certain ethnic groups face a greater risk of being hit by the policy. Pakistani, Bangladeshi and Black families are all more likely to have three or more children than the national average and are therefore likely to be disproportionately affected.<sup>15</sup>

Black and minority ethnic families also face structural barriers in the labour market, and are more likely to receive income-related support from our social security system.<sup>16</sup> As a result, in 2018, the Equality and Human Rights Commission warned that the two-child limit risks “widening the income disparities identified in the government’s race disparity audit”.<sup>17</sup> Certain religious groups, such as Jewish and Muslim communities in particular, are also more likely to have larger families.<sup>18</sup>

The two-child limit, along with the benefit cap, increases the risk of poverty among larger families. With certain ethnic and religious groups more likely to have larger families, some children can face a disproportionate risk of poverty due to their family’s background. This has longer-term implications for exacerbating existing inequalities.<sup>19</sup>

## **Child poverty will continue to rise unless the two-child limit is removed**

Poverty rates have always been higher among larger families than smaller ones. While child poverty among larger families was rising before the introduction of the two-child limit, the policy has made the situation substantially worse, widening the gap in poverty rates even further.<sup>20</sup> In 2019/20, 46 per cent of children in families with three or more children were in poverty (after housing costs), compared to 23 per cent of children in families with two children.<sup>21</sup>

Child poverty in smaller families has remained high but relatively stable over the past decade, but has risen dramatically for families with three or more children. Between 2016/17 and 2019/20, the number of children in poverty in families with more than two children increased by almost 500,000, while the number of children in poverty living in families with two children fell by just over 100,000.<sup>22</sup> Child poverty is the result of interacting economic forces and political choices, but the two-child limit plays a central role in concentrating it among larger families.

---

<sup>15</sup> In 2019, 16.2 per cent of families in the UK contained three or more children. This rises to 42 per cent among families with a Pakistani head of households, 38 per cent among Bangladeshi households and 28 per cent among Black households. See Child Poverty Action Group, the Church of England and the Benefit Changes and Larger Families project, *It feels as though my third child doesn’t matter: the impact of the two-child limit after four years*, 2021

<sup>16</sup> The ethnicity employment penalty is a well-documented feature of the UK’s labour market – see [this blog](#) by the London School of Economics on the role employer discrimination plays in contributing to the penalty. Official statistics show higher rates of income-related benefits claims by certain ethnic groups – see Ethnicity facts and figures, [State Support](#), 2021

<sup>17</sup> Work and Pensions Select Committee, *The two-child limit: Third report of Session 2019*, 2019

<sup>18</sup> Child Poverty Action Group, the Church of England and the Benefit Changes and Larger Families project, *It feels as though my third child doesn’t matter: the impact of the two-child limit after four years*, 2021

<sup>19</sup> Benefit Changes & Larger Families project, *Policy Briefing: why reducing child poverty requires support for larger families*, 2021

<sup>20</sup> See note 17

<sup>21</sup> Department for Work and Pensions, *Households below average income data series*, Stat-Xplore. Please note that after a methodological change in how child maintenance payments are accounted for, the DWP has revised child poverty estimates for 2019/20 and the preceding years. This data is not available for 2020/21.

<sup>22</sup> See note 12

While the emergency income support measures brought in during the pandemic – the £20 a week increase to universal credit in particular – reduced child poverty in 2020/21,<sup>23</sup> this will be entirely reversed as universal credit was subsequently cut by £20 a week and benefits are failing to keep up with the rising cost of living.<sup>24</sup>

Looking ahead, the recent trend of rising poverty among larger families is set to continue as the roll out of the two-child limit affects even more families. From 2023/24 onwards, overall child poverty is predicted to rise – driven almost entirely by increasing poverty among larger families.<sup>25</sup> By 2026/27, over 50 per cent of children in larger families are predicted to be in poverty.<sup>26</sup>

## **The rationale for the policy doesn’t match up to reality and families are suffering the consequences**

The government says the policy means families receiving benefits face the same financial considerations as families supporting themselves solely through work when planning a family. But this wrongly assumes that all children affected by the policy are planned for and born while their parents are receiving benefits.

No family can predict when they might need financial support from our social security system. When that help is needed, their children do not simply disappear or need less. An estimated 15,000 families were affected by the two-child limit for the first time when they lost work during the pandemic and turned to social security.<sup>27</sup> Fortunately, a nationwide economic or health crisis is a rare occurrence. But redundancies, relationship breakdown and spells of ill-health occur regularly, and our social security system should be there to help families make ends meet during those difficult periods.

Families who are forced to seek help from the social security system after such a financial crisis report being shocked by the rules that govern support for their children.

*“People do not have children for money, people have children out of love. When we had our children we didn’t do it to claim extra benefits [and] we were both in work. Since having our extra 2 children that do not qualify in a home of 5 children we are struggling beyond belief. Basic needs like shampoo and toilet paper we are going without.”*

Not all children are the result of considered family planning, as contraception is not always effective. In these situations, the two-child limit (where parents are aware of it) can put parents into extremely difficult circumstances, forced to weigh up financial considerations against their pregnancy.

*“I got pregnant despite having implant. When I found out it was too late for [an] abortion. I’m struggling since then as I had to give up my work”*

*“I accidentally fell pregnant and in my religion can’t have an abortion so I kept the baby but getting by without the essentials it’s so hard.”*

---

<sup>23</sup> The number of children in poverty in the UK decreased by an estimated 400,000 in 2020/21, although caution is required in interpreting the data due to the impact of the pandemic on data collection. See Department for Work and Pensions, *Households below average income 2020/21*, 2022

<sup>24</sup> Resolution Foundation, *Living Standards Outlook 2022*, 2022

<sup>25</sup> See note 16

<sup>26</sup> See note 16

<sup>27</sup> See note 17

The government has also suggested the policy encourages people to work,<sup>28</sup> but the majority (56 per cent) of families affected by the two-child limit are already working and receive in-work benefits to top up their income.<sup>29</sup> Many non-working families affected by the policy will be unable to work because they have very young children or a health condition.

The reality is that the two-child limit creates a significant hole in families’ budgets that often can’t be plugged by taking on additional hours of paid work. Parents, particularly of younger children, face disadvantages in the labour market because of their caring responsibilities, which can make it harder to enter work or take on additional hours.<sup>30</sup> Even for those who are able to, as highlighted by the Work and Pensions Select Committee, the high cost of childcare means many families will never be able to make up the loss by working additional hours.<sup>31</sup>

These inconsistencies in the rationale for the policy have so far gone unanswered while the two-child limit continues to push families across the UK deeper into poverty. Even if the government was starting from the correct premise, the consequences would be to punish children and leave them and their siblings exposed to a greater risk of poverty. That cannot be right.

## Conclusion

Five years of the two-child limit, along with the benefit cap, have driven a rise in poverty among larger families.<sup>32</sup> An estimated 1.4 million children are now affected by the limit and, unless it is abolished, that number will reach 3 million as more children are born under the policy.

The policy breaks the link between what families need and what they receive, and the impact on families can be devastating. Parents do their best to shield their children, but the effect of the financial strain on families’ ability to make ends meet is unavoidable.

Children should not be treated differently depending on the number of siblings they have. Yet ultimately, they are paying the price for this policy as it pushes them and their families deeper into poverty.

With the worst of the cost of living crisis yet to hit, we can only expect this to get worse. Inflation is set to remain high throughout the year, and energy bills are expected to rise again by over £800 a year just before winter.<sup>33</sup>

Our social security system should support families and give children the best start in life. The government must remove the two-child limit to allow all children to thrive.

---

<sup>28</sup> See note 16

<sup>29</sup> See note 3

<sup>30</sup> See note 18

<sup>31</sup> See note 16

<sup>32</sup> K Stewart, A Reeves and R Patrick. *A time of need: Exploring the changing poverty risk facing larger families in the UK*, 2021

<sup>33</sup> The OBR’s central forecast scenario assumes the energy price cap will rise by a further £830 in October 2022. See OBR, *Economic and fiscal outlook - March 2022*, 2022

## About this report

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

Child Poverty Action Group (CPAG) works on behalf of the more than one in four children in the UK growing up in poverty. It doesn’t have to be like this. We use our understanding of what causes poverty and the impact it has on children’s lives to campaign for policies that will prevent and solve poverty – for good. We provide training, advice and information to make sure hard-up families get the financial support they need. We also carry out high-profile legal work to establish and protect families’ rights. CPAG is a charity registered in England and Wales (registration number 294841) and in Scotland (registration number SC039339).

The quotes in this briefing are taken from an ongoing survey of families affected by the two-child limit. The survey has been running since February 2019. Users of the Entitledto benefits calculator who are likely to be subject to the two-child limit are invited to participate. By March 2022, the survey had received 2,510 responses, including 403 responses in the last six months.

The Benefit Changes and Larger Families research project is a Nuffield Foundation-funded research project with the University of York, the London School of Economics, the University of Oxford and CPAG. It examines how the risk of poverty for larger families has changed as a result of recent welfare reforms. The project specifically focuses on the benefit cap (which limits the benefits an out-of-work or low-earning household can receive) and the two-child limit. This multi-method project will enable better understanding of welfare reform’s impact on larger families and contribute to the evidence base on the impact of separating benefit from need, for future social welfare policy. The Benefit Changes and Larger Families project has been funded by the Nuffield Foundation, but the views expressed are those of the authors and not necessarily the Foundation.