Introduction

The Children’s Society supports nearly 50,000 children and young people every year through our specialist services and children’s centres. We believe in achieving a better childhood for every child but have a particular focus on children who have nowhere else to turn, such as children living in poverty, young refugees, children at risk on the streets, disabled children and children in trouble with the law. We seek to give a voice to children and young people and influence policy and practice so they have a better chance in life.

Whilst we welcome the intention of the Government’s welfare reforms to simplify the welfare system and improve work incentives, this briefing highlights our concerns about the impact on children of the Government’s proposed cap on household benefit. We are keen to see a system in place that works in a way which supports children and families, and enables parents to move away from poverty.

Summary

• The Government plans to introduce a cap on household benefits for out of work households. This is expected to be set at around £500 per week per household for couples and lone parents.
• The cap is intended to promote income fairness between those in work and those receiving benefits and provide incentives to move into work.
• The Government estimates that approximately 56,000 households will be affected by the cap, losing £93 per week on average in benefit receipt.
• Children are disproportionately affected by these proposals. 190,000 children will be affected by the cap, compared to 80,000 adults.
• This means that 70% of those affected are children, making them seven times more likely than adults to be affected. Only one in 476 adults are affected, and one in 69 children stand to lose out.
• As a consequence of this proposed cap more children will be forced to live in severe poverty, and children’s subjective well-being is likely to fall as a result of a fall in their household income.

The disproportionate impact of the benefit cap on children

The Government plans to cap household benefit entitlement for out of work households so that the amount received in benefits cannot exceed average weekly wages for working households. The cap is expected to be set at around £500 per week for couples and lone parent households.

The Government’s equality impact assessment\(^1\) estimates that 56,000 households will be affected by the planned cap on household benefit entitlement.

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\(^1\) Revised version - March 2013
The average loss resulting from the cap will be around £93 per week of household income, and 11,000 households will lose more than £150 per week. The analysis in table 1\(^3\), shows the distributional impact of the benefit cap across different household types.

**Table 1: Composition of households affected by the cap on household benefit receipt\(^4\)**

<table>
<thead>
<tr>
<th>Number of children in household</th>
<th>Couples</th>
<th>Singles/ Lone parent</th>
</tr>
</thead>
<tbody>
<tr>
<td>0</td>
<td>1%</td>
<td>10%</td>
</tr>
<tr>
<td>1 or 2</td>
<td>5%</td>
<td>11%</td>
</tr>
<tr>
<td>3</td>
<td>9%</td>
<td>13%</td>
</tr>
<tr>
<td>4</td>
<td>12%</td>
<td>11%</td>
</tr>
<tr>
<td>5 or more</td>
<td>13%</td>
<td>15%</td>
</tr>
</tbody>
</table>

(N.B. Percentages in published Equality Impact Assessment table 1 sum to 105% due to rounding)

The published impact assessment did not break down the impact of the cap to the individual level. However, the tables above can be broken down to show the number of individual adults and children affected by the changes.

**Table 3: Households and individuals affected by benefit cap by relationship status**

<table>
<thead>
<tr>
<th>Number of children in household</th>
<th>Number households</th>
<th>Total adults</th>
</tr>
</thead>
<tbody>
<tr>
<td>Couples</td>
<td>22,400</td>
<td>44,800</td>
</tr>
<tr>
<td>Singles/ Lone Parents</td>
<td>33,600</td>
<td>33,600</td>
</tr>
</tbody>
</table>

**Table 4: Households and individuals affected by the benefit cap by number of children in household**

<table>
<thead>
<tr>
<th>Number children in household</th>
<th>Number households</th>
<th>Total children(^5)</th>
</tr>
</thead>
<tbody>
<tr>
<td>0</td>
<td>6160</td>
<td>0</td>
</tr>
<tr>
<td>1</td>
<td>2240</td>
<td>2240</td>
</tr>
<tr>
<td>2</td>
<td>6720</td>
<td>13440</td>
</tr>
<tr>
<td>3</td>
<td>12320</td>
<td>36960</td>
</tr>
</tbody>
</table>

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\(^4\) Percentages in published Equality Impact Assessment table 1 do not add up to 100% because of the impact of rounding.

\(^5\) Where 6 or more children are in the household, calculation of total children in households affected is base on assumption of 6 children per household affected
As can be seen from the tables above, although around 56,000 households are affected by the benefit cap, this contains around 80,000 adults, and 190,000 children.

This means that around two and a half times as many children are affected by the cap on household benefit receipt as adults. Only 30% of the total number of individuals affected are adults and 70% are children.

In addition, these statistics allow us to calculate the proportion of all children and adults who are affected by the cap.

*Table 5: Proportion of adults and children affected by the cap*

<table>
<thead>
<tr>
<th></th>
<th>Total Population</th>
<th>Number affected by cap</th>
<th>Percentage of population affected</th>
</tr>
</thead>
<tbody>
<tr>
<td>Adults</td>
<td>38.8 million</td>
<td>80,000</td>
<td>1.45%</td>
</tr>
<tr>
<td>Children</td>
<td>13.1 million</td>
<td>190,000</td>
<td>0.21%</td>
</tr>
</tbody>
</table>

As table 5 shows, whilst around 1.45% of all children are estimated to be affected by the cap (around one in every 69) only 0.21% of adults are likely to be affected (around one in every 476) – as a result, children are around seven times more likely than adults to be affected.

**The consequences of the cap for children**

For the 190,000 children affected by the cap, an average loss of £93 per week from their family’s income will have significant consequences.

1. *Children will drop into the most severe poverty* – for example, an out of work couple with 4 children (all aged between 5 and 12) and with £250 per week rent and £20 council tax would currently typically have an income of around £373 after housing costs are deducted. Following the introduction of the benefit cap this would drop to £230. This family are already living below the poverty line; as a result of the cap they would be pushed into the most severe poverty, living on substantially less than 40% of median household income.

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2. *Children will experience lower levels of well-being* – the Children’s Society’s well-being research has shown that household income affects children’s subjective well-being. In our recent study of 4,000 children aged between 8 and 15, as household income fell, so did children’s subjective well-being. Children who lived in households where income had fallen over the past year (15%) were 1.5 times more likely to report low levels of well-being than children living in households where incomes had remained the same (10%).

**Conclusions and Recommendations**

The benefit cap is a proposal being introduced on the principle that it is unfair that some households receive more in out of work benefits than other households receive in work. It is intended to address those adults who are able to work but are unprepared to do so.

However, our analysis raises important questions that need to be answered for this policy to deliver these outcomes. **It shows that the primary impact of this benefit cap is not on adults but on children, with around 190,000 being affected - which is two and a half times more children than adults.** Children should not be punished for the choices made by their parents – yet it is children who are by far the largest group of losers as a result of this proposal.

We believe that the current proposal for a benefit cap fail to fulfil its aims. We urge the Government to rethink the benefit cap and consider alternative options,

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7 Poverty thresholds based on most recently available statistics (2009-10), but benefit rates based on entitlement for 2011-12. As such the impact may be slightly different once poverty thresholds for 2011-12 are calculated.

which will reduce the impact on children. These alternative options and their estimated impact are:

- **Using average income (including in-work benefits) for working families with children to calculate the cap level for families with children**, rather than average household wage (which includes income for households without children). This option increases the overall level at which the cap would be set.

  The impact depends on the type of “average” used in calculations. Based on using median earnings, we estimate that using families with children would increase the level of the cap to around £560 for families with children, and would remove around 25,000 families from the cap.

- **Removing Child Benefit from the cap.** A number of key benefits are included in the calculation of benefit receipt calculated against the benefit cap. Since child benefit is a non means tested benefit paid to both non-working and working families, it would be fair to ignore child benefit for the purpose of calculating benefit income against the benefit cap. The Government have suggested that removing Child Benefit from capped benefits, would remove 40-50% of households (20-25,000) from the benefit cap⁹.

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For more information about this briefing, please contact Sam Royston, poverty and early years policy adviser to The Children’s Society on sam.royston@childrenssociety.org.uk or on 07969 291251

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⁹ [http://www.theyworkforyou.com/wrans/?id=2011-05-23b.57078.h&s=benefit+cap+%22child+benefit%22#g57078.q0](http://www.theyworkforyou.com/wrans/?id=2011-05-23b.57078.h&s=benefit+cap+%22child+benefit%22#g57078.q0)