Action for Children

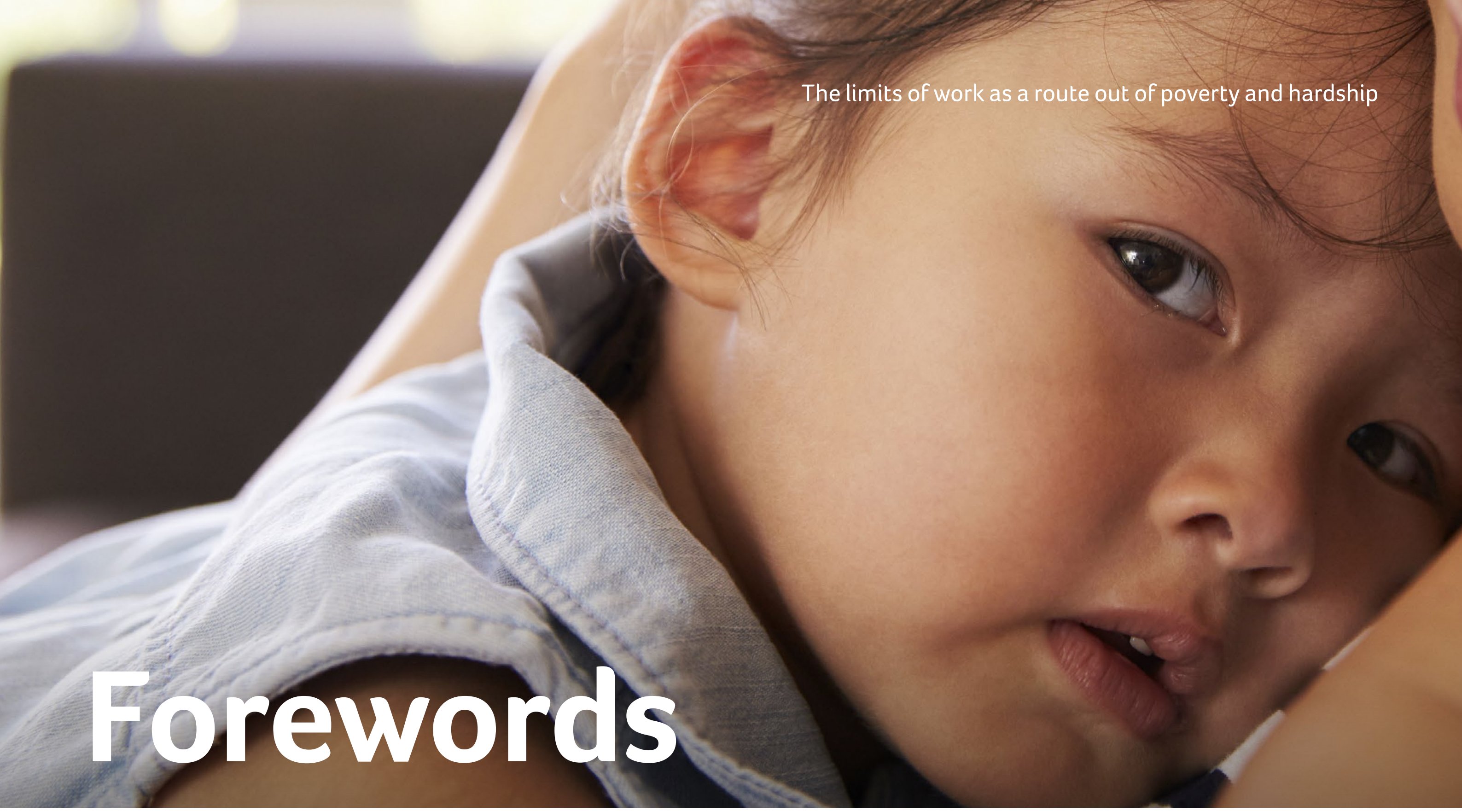
All worked out?

The limits of work as a route out of poverty and hardship

Contents

Safe and happy childhood

Action for Children protects and supports children and young people, providing practical and emotional care and support, ensuring their voices are heard, and campaigning to bring lasting improvements to their lives.



Forewords

As winter continues to bite, I know the children and families in our services are struggling. Those who can't afford to have their heating on to fight off the cold, who despair at soaring bills and who strove to give their children the Christmas they deserved.

We know that families with children tend to bear the brunt during times of crisis. Our frontline workers tell us they have never seen poverty and hardship like this among the families they support. As a society we accept that our number one priority must be to protect the most vulnerable. And we have welcomed several government interventions of help this past year. But this is not just about the current cost of living crisis. Over the years, some of the fundamental fabric of our social safety net has begun to unravel, placing many of the most vulnerable in society at increased risk.

We so often hear that the answer to poverty and hardship is work – but is it really? Our report shows that many families face serious barriers to lifting themselves out of poverty through work. It is vital that we foster a better understanding of the relationship between poverty and work, so we can design the right policies to ultimately lift more children out of hardship. We would urge the government to consider our recommendations carefully.

Melanie Armstrong

Melanie Armstrong
Chief Executive, Action for Children

There are nearly four million children in poverty in the UK. The biggest cost of living crisis for decades means that unless we act we will see more children in poverty, and their experience of poverty will be harsher, as the poor get poorer. All of us should look to see how we can make a difference.

At Iceland, we have sought to protect our customers by holding down the price of the basics and increasing our discounts for those who work in our stores. I am enormously proud that the Iceland Foods Charitable Foundation has supported Action for Children's Crisis Fund for the past two years to help families pay for food items and cooking utensils.

The government, too, must step up to the plate, as the Chancellor did when he announced that benefits would rise in line with inflation from April 2023. But it needs to go much further. This report helps to explain why the government needs a broad approach to poverty reduction, one which recognises that many poor children live in families where their parents are already working flat-out or face significant obstacles to working.

Work is a route out of poverty for many, but for the working poor, those coping with illness or disability or those with caring responsibilities, it's a mantra that can ring hollow. In calling for a poverty debate grounded in the realities faced by families and a safety net that gives every child the chance of a safe and happy childhood, this report performs a valuable public service and deserves consideration by policymakers.

Paul Dhaliwal

Paul Dhaliwal

Group Sales Director, Iceland Foods and
Trustee of Iceland Foods Charitable Foundation

Executive Summary

Child poverty ruins childhoods and damages children's life chances. Children who experience poverty and hardship do worse at school, earn less as adults, suffer poorer health and are more likely to need help from a social worker. Governments and politicians routinely point to work as being the answer to poverty. But weak labour market participation can't explain high and rising levels of hardship when unemployment is at its lowest level since the 1970s, and four in 10 Universal Credit claimants are in work.

"The absolute best way to ensure that children do not grow up in poverty…is to ensure that they do not grow up in a workless household."

Prime Minister Rishi Sunak, November 2022[i]

Our new analysis shows that most of the children in poverty live in families with significant barriers to raising their incomes through work. This report sets out the limits of work as a route out of poverty and hardship. We present four key findings.

1. The social security system isn't protecting children from poverty and hardship

- In 2020/21, **there were 400,000 more children in deep poverty compared to 2010/11**, meaning their family survives on less than 50% of average incomes. **One in 10 children - 1.4 million - were in very deep poverty in 2020/21** (less than 40% of average incomes).
- Around **one in six children - 2.3 million - experienced child material deprivation (16%),** meaning their parents were unable to afford basics like fresh food, warm clothes or social and leisure activities for them.
- Years of caps and freezes to benefits have left the social safety net seriously weakened and unable to prevent significant numbers of children from falling into poverty and hardship. Even after benefits rise by 10.1% in April 2023, **child-related benefits will have eroded by more than 5% in real terms since 2013/14.**
- If benefits had risen in line with inflation between 2013/14 and 2023/24, a couple over 25 with a child over the age of six **would be up to £755 a year better off.**

2. For many families, work does not offer a route out of poverty

Our analysis finds that up to:

50%

of the children in poverty (1.95 million) **are in families with at least one significant barrier to work or extra work.**

In our analysis, we identified the following potential barriers among these 'work-constrained families':

- **440,000 children** are in poverty despite their parent(s) **working full-time;**
- An **additional 641,000 children** are in poverty where **at least one parent is disabled;**
- A **further 232,000 children** are in poverty where **at least one child is disabled;**
- And **an extra 500,000 children** are in poverty where there is **at least one child aged under two;**
- There are also **a further 137,000 children** in single-parent families in poverty where the parent is **working part-time with a child aged three to 10.**

Other hardship measures show a similar pattern. We find that up to:

60%

of children in combined deprivation **live in families with at least one significant barrier to work or extra work.**

- Combined deprivation refers to families that experience a combination of child material deprivation, food insecurity, and/or financial difficulty around bills.

Many of the children in poverty live in families that experience more than one of these barriers. This means they're even less likely to be able to improve their situation by taking on work.

We estimate there are up to:

1.36m

children in poor families that have one barrier to work;

495,000

children in families with two barriers;

95,000

that face three barriers to work as a route out of poverty.

About our analysis

We analysed government income and poverty data for 2020/21 to produce estimates for the number of children in poverty and deprivation whose families face particularly obvious barriers to work or extra work.

The analysis is broken down by family type (couple-parent or single-parent) and work status (full-time, part-time, not working). We only include couple-parent families where at least one parent is already in work, but the family faces at least one barrier to working more. As single-parents are the main or sole carers for their children, our analysis includes both working single-parents and single-parents that are not in work. See Section 3 and the Methodology section for more details.

3. Certain groups are more likely to face barriers to work

- **Single-parent families are far more likely to face barriers to work** than children in couple-parent families.
- **Families with very young children are being pushed into hardship by the high cost and often limited provision of childcare.** The UK has some of the highest childcare costs in the developed world and current childcare schemes are not fit for purpose.
- If a parent is caring for a long-term sick or disabled child, or another close relative, it is likely to significantly restrict their ability to work. **There are 492,000 children living in poverty in work-constrained families with a disabled child. 170,000 are in very deep poverty**.
- In 2020/21, **740,000 children in poverty were in work-constrained families with at least one disabled parent.**

4. The social safety net must be strengthened

- We modelled the impact of various policy reforms on child poverty levels.
- **Increasing the Child Element of Universal Credit was the most-effective of the options modelled.** It would lift the most children out of poverty per £1 billion spent, and reflect the lowest cost per child lifted out of poverty.
- **The Benefit Cap pushes families deeper into poverty and makes it harder for them to get out of it.** Abolishing the Benefit Cap would lift over 80,000 children out of very deep poverty (below 40% of median income, after housing costs). Or 100,000 children out of deep poverty (below 50% of median income, after housing costs).

Our recommendations:

1. **Increase the Child Element of Universal Credit by at least £15 a week and abolish the Benefit Cap to lift nearly 320,000 children out of poverty while also eliminating a key driver of deepening poverty.** This would cost the government an estimated £4 billion a year.
2. **Overhaul the annual uprating of benefit levels so that rates always keep pace with prices and living standards.** In the short term, this means using a more up-to-date or forecast measure of inflation on a more regular cycle. Immediate attention must also be given to childcare support available within the Universal Credit and Tax Credit systems, which has not risen for many years. The longer term aim should be to shift responsibility to a new independent 'Living Standards Commission' to make recommendations on minimum benefit uprating levels.

i House of Commons (November 2022) Prime Minister's Questions, 9 November 2022. Available at: https://hansard.parliament.uk/commons/2022-11-14/debates/AB74AD4C-0039-4032-B15D-1CFF5242AD16/PrimeMinister#4MC

Introduction

This winter is exceptionally hard for low-income families with children. No child should ever go hungry or live in a cold home. But many of the families we help are experiencing just that. The highest inflation for a generation and an accelerating economic downturn has sent living standards plummeting. Our frontline workers have never seen levels of hardship like this among the families they support.

The government has rightly committed billions in financial support to help families through the cost of living crisis. But hardship was rising before the cost of living crisis and will not be solved by temporary one-off support measures. Child poverty already costs the country an estimated £38 billion a year.[1]

Despite party manifestos routinely committing to tackle child poverty, rates rose steadily over the last decade to reach almost a third of children by 2019/20. Child poverty fell back during the pandemic due to the government's temporary investments in social security, but is expected to rise further over the next few years.

To improve the lives and life chances of all children we need to be honest about why so many are growing up in poverty and hardship. And we must confront the myth that those who rely on the social security system to survive can simply work their way out of it.

In this report:

- We first present the latest available child poverty and hardship data for 2020/21 in **Section 1**.
- We then consider the policy context around the social security support available to families with children, the basic adequacy of benefit levels and the annual process for uprating them in **Section 2**.
- **Section 3** outlines new analysis of the number of children in poverty and hardship that live in 'work-constrained' families. These are families that face significant barriers to improving their circumstances through work, such as having maximised working hours, having a disabled child or parent, or those with very young children.
- **Section 4** draws on other data and findings from interviews with parents in our services, and considers in greater detail the various barriers to work that are faced by different family types.
- Finally, **Section 5** models the impact and cost-effectiveness of a range of policy changes on child poverty levels, before we conclude with a set of recommendations for change in **Section 6.**

1 Child poverty and hardship rates 2020/21

Despite the support available to low-income families through the social security system or locally, child poverty levels remain stubbornly high. In 2020/21, over a quarter of children were growing up in relative poverty (27%). T**here were 400,000 more children in deep poverty compared to 2010/11,** meaning their family survives on less than 50% of average incomes. **And one in 10 children - 1.4 million - were in very deep poverty** (less than 40% of average incomes).

Table 1 shows child poverty and hardship rates across seven different measures. This draws on data from the Department for Work and Pensions (DWP)'s annual Family Resources Survey and Households Below Average Income datasets.

Table 1: The number (millions) and percentage of children experiencing poverty and hardship, by various income measures

Measure	2020/21		2019/20		2018/19		2010/11	
Relative child poverty	27%	3.9m	31%	4.3m	29%	4m	27%	3.6m
Absolute child poverty	23%	3.3m	25%	3.4m	26%	3.6m	27%	3.6m
Deep child poverty	19%	2.7m	21%	2.9m	20%	2.8m	17%	2.3m
Very deep child poverty	10%	1.4m	12%	1.7m	13%	1.8m	-	-
Child material deprivation	16%	2.3m	18%	2.5m	18%	2.5m	-	-
Food insecure	9%	1.3m	7%	1m	N/A	N/A	-	-
In financial difficulty	6%	1m	8%	1.2m	9%	1.3m	-	-

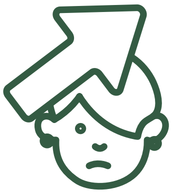
Note: The food insecurity measure was introduced in the 2019/20 edition of the Family Resources Survey. No data is available before then. Where possible, we have included figures for 2010/11 for comparison purposes.

- **Relative child poverty** is measured as the proportion of children living in families with incomes below 60% of the median for that year.[2]
- **Absolute child poverty** is measured as the proportion of children in households with incomes below 60% of median income as it was in 2010/11, adjusted in real terms.
- **Deep child poverty and very deep child poverty** measure the proportion of children in families on less than 50% and 40% of median income respectively.
- **Child material deprivation** is based on the child deprivation questions included in the Family Resources Survey. Each question asks whether or not the family is able to afford a particular item – like fresh food, warm clothes or social and leisure activities. They are then allocated a score based on what they can't afford. The material deprivation measure included here is based on households that have a child deprivation score of more than 25 points.
- **Food insecurity** (household food security is low or very low) and **in financial difficulty** (families that can't keep up with bills) are alternative measures that are useful in tracking specific types of hardship faced by children, as recorded in the Family Resources Survey.

Recent trends

The 2020/21 poverty statistics are less reliable than usual due to the impact of the COVID-19 pandemic on data collection and more care should be taken in comparing figures to previous years.

But some general trends are evident:



Relative child poverty increased steadily over the last decade, rising from 27% in 2010/11 to

31%

of children in 2019/20

Deep child poverty similarly rose during this period, from 17% of children to more than

1 in 5

of children in 2019/20

It does appear there was a significant fall in child poverty in 2020/21. Around 400,000 children were pulled out of poverty that year, reversing the upward trend since 2010. This can largely be attributed to the government's decision to temporarily increase Universal Credit by £20 a week in the early days of the pandemic. The withdrawal of this increase in October 2021, alongside soaring costs for families throughout 2022/23, has undoubtedly pushed this progress firmly into reverse. Yet it offers clear evidence that investment in social security can reduce child poverty, while failing to do so can make poverty worse.

Looking ahead

Because of the significant lag in producing these statistics, the latest available data predates the current cost of living squeeze. Over the past year, families have endured the worst inflation since the 1980s and face the biggest fall in living standards since records began. Household incomes are projected to fall by 7% between 2022/23 and 2023/24.[3]

Consequently, rates of child poverty and material deprivation are expected to rise substantially in the coming years. Another measure of food insecurity produced by the Food Foundation estimates that the proportion of families with children who had experienced food insecurity in the past month increased from 10% in January 2021 to 26% in September 2022 – meaning 4 million children now struggle to get fed.[4] Absolute child poverty is forecast to soar to 34% of children by 2026/27. And the Institute for Fiscal Studies expects material deprivation to rise as inflation and higher energy costs make it harder for families to afford the essentials.[5] This worsening outlook makes the case for concerted, coordinated government action on child poverty and hardship even more pressing.

2 Social security support for families with children

All political parties recognise that low-income families with children will generally have higher needs and require more financial support compared to those without children. Families with children have both higher costs on average and are more likely to face barriers to work due to caring responsibilities.

There are a number of well-established mechanisms to provide that support. In particular, there are three main child-related benefits that families with children can access:

– **Universal Credit:** low-income families with children receive higher payments through an additional Child Element in their entitlement;

– **Child Tax Credits:** these support families with the costs of raising a child, but are gradually being phased out and replaced by Universal Credit;

– **Child Benefit:** an amount paid to parents or carers responsible for a child from birth until they turn 16 (or older in certain circumstances). Child Benefit is paid to a much wider distribution of families than Universal Credit or Tax Credits – 7.7 million in 2021. Either parent is able to earn up to £60,000 a year before they must repay their Child Benefit in full through a tax charge.[6]

In addition to the main child-related benefits, some eligible families can access other benefits or schemes to help meet certain costs,[7] including:

– Free School Meals and the Holiday Food and Activities Programme;

– Healthy Start vouchers;

– The £500 Sure Start Maternity Grant;

– Support with childcare costs;

– Support with school transport and uniform costs.

Other support may also be available to parents in the devolved nations, particularly in Scotland and Northern Ireland where social security powers are devolved to varying degrees. For instance, the Scottish Child Payment provides a weekly £25 payment for parents with a child under 16 who are receiving qualifying benefits. In Northern Ireland, Welfare Supplementary Payments were introduced in 2016 to support those who lose out under UK-wide welfare reforms like the Benefit Cap.

Fundamentally, the financial security of low-income families is dependent on the overall adequacy of the social security system as a whole. The value of social security payments – whether through Universal Credit or legacy benefits – is a key policy lever for determining the number of children growing up in poverty.[8]

How is the value of benefits decided?

The value of social security payments for families is not measured against families' needs for a minimum standard of living.[9] Instead the Secretary of State for Work and Pensions reviews benefit rates each year. Historically, most benefits are uprated each April by the rate of inflation in the 12 months to the previous September.[10] This lagged approach to setting benefit levels means that during periods of rapidly rising prices, rates can fall wildly out of step with families' essential costs. Benefits were increased by only 3.1% in April 2022 when the rate of inflation was 9%.

What has happened to the value of social security payments?

A major feature of household finances in the last decade has been the falling value of social security benefits. Welfare cuts were a key plank of the government's deficit reduction programme from 2010-2020, and the normal benefits uprating process did not apply during this period. Between 2013 and 2016, increases to most working-age benefits were capped at 1%. Benefits were then frozen entirely between 2016 and 2020.

Consequently, the real-terms value of working-age benefits has declined significantly, contributing to a broader weakening of the social safety net.

Analysis from the Joseph Rowntree Foundation shows that:

The value of the **basic rate of unemployment benefit** is at a

35-year low

having fallen in real terms in eight out of the 10 years between 2013 and 2022.[11]

Benefit levels from 2023/24

It was confirmed at the Autumn Statement 2022 that benefits would rise in line with inflation in the usual way in 2023/24 – by 10.1%. Child-related benefits increased by only 7.5% on average in cash terms between 2013/14 and 2022/23, so this is a significant boost. It is the largest nominal rise since 1991 when benefits increased up by 10.8%.[12]

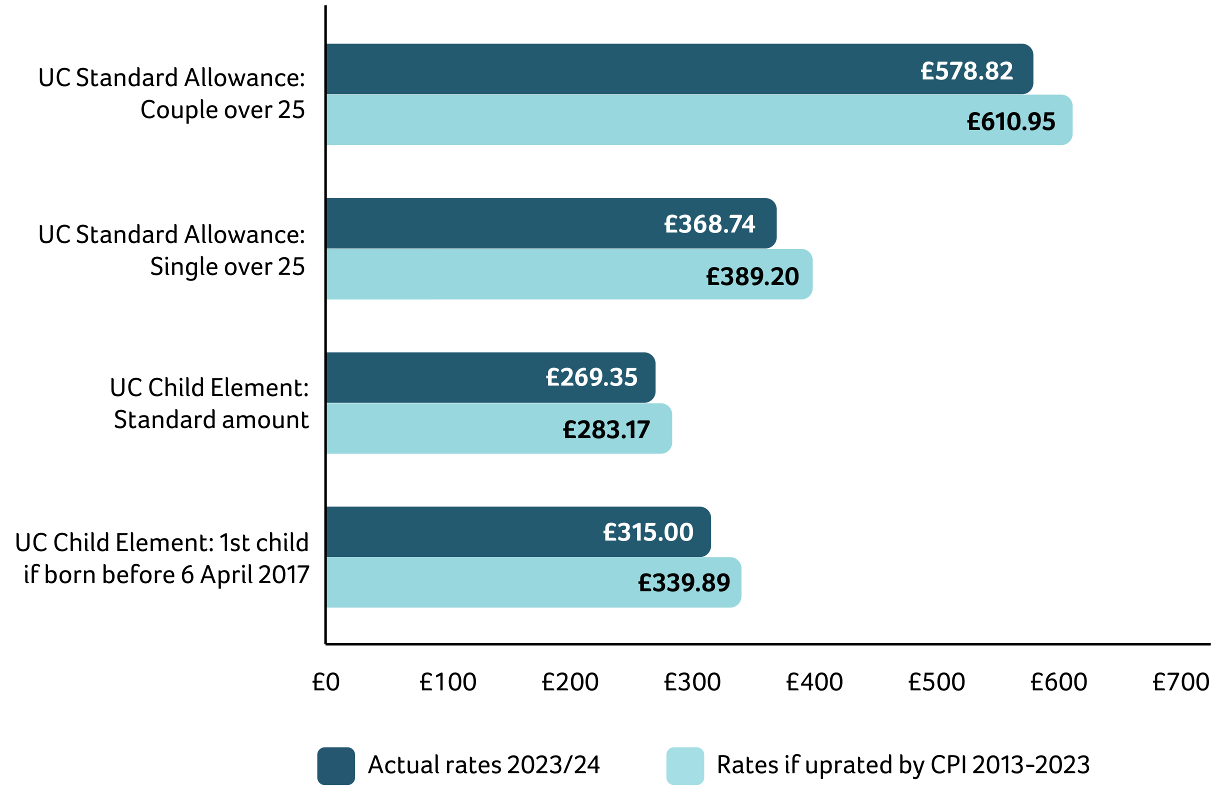
While many struggling families will be relieved to see their benefits get a decent rise in April 2023, the legacy of cuts throughout the 2010s casts a long shadow.

If benefits uprating had followed the historical process and increased by Consumer Price Index (CPI) inflation from 2013, the Standard Allowance of Universal Credit for a couple over 25 would be £32 a month higher in 2023/24. The Child Element would be around £14 to £25 a month higher, depending on when the first child was born. And families would also gain an extra £6 a month in Child Benefit for their first child. This amounts to a maximum potential £755 a year in additional income for a couple over 25 with one child over the age of six (before accounting for earnings or other sources of income).

Table 2: Key benefit rates 2023/24, actual and adjusted[13]

Benefit type	Actual rates 2023/24	If uprated as normal 2013-2023	Monthly Difference	Real terms cut 2013-2023 (%)
UC Standard Allowance: Couple over 25	£578.82 per month	£610.95 per month	+£32.13	-5.3%
UC Standard Allowance: Single over 25	£368.74 per month	£389.20 per month	+£20.46	-5.3%
UC Child Element: Standard amount	£269.58 per month	£283.17 per month	+£13.59	-4.8%
UC Child Element: 1st child if born before 6 April 2017	£315 per month	£339.89 per month	+£24.89	-7.3%
Child Tax Credit: Child Element	£3,235 per year	£3,398 per year	+£13.58	-4.8%
Child Benefit: 1st child	£24 per week	£25.36 per week	+£5.91	-5.4%
Child Benefit: Additional child	£24 per week	£16.74 per week	+£3.65	-5%

Figure 1: Key benefit rates 2023/24 in cash terms and adjusted for September CPI inflation



It was also announced at the Autumn Statement that the Benefit Cap will be increased for the first time since it was introduced in 2013 – rising by 10.1% in line with CPI inflation. Without it, 130,000 families would not have gained anything from benefits being uprated, and many others close to the cap would have seen only a partial gain.[14] This is long overdue, but must happen annually. There is no justification for not raising the cap every year in the same way.

Household Support Fund and local welfare assistance schemes

As well as the national benefits system, low-income families with children can often access some financial support locally. The key scheme delivered by local government is the Household Support Fund (HSF). The fund was established in September 2021 to support vulnerable household to meet their daily needs such as food, clothing and utilities. It is paid to local authorities to distribute on a discretionary basis through their own local welfare assistance schemes. These local schemes are not a new innovation but date back to the abolition of the Discretionary Social Fund in 2012. During the pandemic, the government began providing ring-fenced grants specifically for the provision of local crisis support to the vulnerable.

In total, £2.5 billion has been committed to the HSF to date, with funding currently provided through 2023/24.[15] Department for Work and Pensions (DWP) management information for the initial October 2021 to March 2022 period showed that councils **spent 80% of the funding on families with children,** and one in six had spent 90% or more.[16]

Local welfare assistance schemes took on new urgency during the pandemic, and in the last few years have played a vital and reinvigorated role in supporting local residents who have fallen through the cracks of the wider social security system. Nevertheless, the HSF's existence and the considerable resources it has been invested with is an explicit recognition that Universal Credit and the wider benefits system is failing to provide adequate support for families with children to meet their basic needs.

This is supported by analysis of Action for Children's own Crisis Fund, which provides emergency grants to parents and young adults using our services. Our report *Families in crisis: insights from the Action for Children Crisis Fund* found that 54% of those supported over winter 2021/22 were claiming Universal Credit – providing further evidence that benefits are not protecting families with children from severe financial hardship.[17]

3 Data analysis: 'Work-constrained' families

Work is not always the answer to poverty and hardship

Falling worklessness and the rise of in-work poverty

Having both parents in work significantly reduces the risk of child poverty. In 2020/21, only 7% of children in couple families where both parents were in full-time work were in relative poverty, compared to 80% of children in families where both parents were not in work.[18]

However, because working families are a much larger group, three quarters of the children in poverty (75%) in 2019/20 were in families with at least one adult in work. This also reflects how rates of worklessness in families have fallen significantly over the last 25 years, while in-work poverty has risen. The proportion of children in workless families fell from 23% in 1996/97 to 12% in 2019/20. Over the same period, the child poverty rate for working families (with at least one adult in work) rose from 19% to 26%.[19] Weak labour market participation offers little explanatory power for high and rising levels of hardship in 2023 when unemployment is at its lowest level since the 1970s and 41% of Universal Credit claimants are in work.[20]

The limits of work as a route out of poverty

The government's longstanding position is that the best way to tackle poverty and financial hardship is through work. But this obscures a far more complex reality.

For many families, their capacity to work more hours to escape poverty and deprivation is severely constrained. Some are already working full-time, often in low-paid jobs. Others are unable to work more hours due to parental disability or ill-health or because they're caring for a disabled child. Others, particularly single parents, are limited in the amount of work they can do if their child is very young. The extremely high cost and limited availability of childcare can make work unaffordable for many.

DWP policy itself explicitly recognises, through its 'limited capability for work' designation, that lots of those on Universal Credit cannot and should not be expected to work. This speaks to a contradiction in the government's rhetoric around poverty reduction and government policy in practice. The end result is that for many families facing barriers to work and looking for a way out of poverty and hardship, the government currently has no answer.

Estimating the number of children in 'work-constrained' families

We analysed government data on families in low-income households from the 2020/21 Family Resources Survey and the 2020/21 Households Below Average Income (HBAI) datasets. To estimate the number of children in poverty or deprivation that live in families that are very obviously constrained from boosting their income through work.

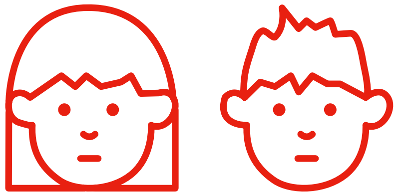
To quantify this, we identified a set of barriers that make it harder for families on low incomes to take on work.

This includes where:

- They are already maximising their hours by working full-time;
- A parent is long-term sick or disabled;
- A child is disabled;
- They are caring for a child under two;
- Single parents only: they are working part-time and caring for a child of primary school age (3 - 10).

We then broke these categories down further by family type (couple-parent or single-parent) and work status (see Table 3 for a full breakdown of the categories). We only include couple-parent families where at least one parent is already in work, but the family faces a barrier to working more.

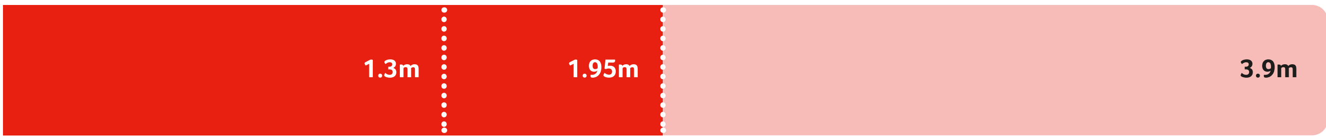
As single-parents are the main or sole carers for their children, our analysis includes both working single-parents and single-parents that are not in work. We recognise that this is not an exhaustive list of possible barriers to work, as our analysis was limited to what could be determined from the government data (see 'Caveats on the data' below).



We estimate that there are between 1.3 and 1.95 million children in poverty and living in families that face at least one significant barrier to taking on extra work.

This represents between a third (34%) and a half (50%) of the 3.9 million children in poverty.

Figure 2: Number of children in work-constrained families as a proportion of total children in poverty



We provide a ranged figure because the estimate varies depending on which categories of parents we include in our calculations. The key factor is the work status of couple-parent families.

- 1.3 million children: based on a **narrow definition** of couple-parent families, where both parents are working to some extent – either both full-time, or one full-time and the other working part-time.
- 1.95 million children: also includes a **wider definition** of couple-parent families, where one is working full-time and one is not working, or where both parents are only working part-time.

The barriers to work faced by couple-parent families are distinct from those faced by single-parent families, and are defined slightly differently in our calculations.

Table 3 sets out how the barriers to work are defined for all three family types, and shows the number of additional children affected by each subsequent barrier. This is to avoid double or triple counting where children are affected by more than one barrier.

Table 3: Breakdown of the number of children in relative poverty and in work-constrained families

	No. of additional children	Cumulative total
Couple parents (Narrow definition)		
Both parents working full-time	266,000	266,000
One full-time, one part-time – with a disabled parent	46,000	312,000
One full-time, one part-time – with a disabled child	84,000	396,000
One full-time, one part-time – with a child under two	40,000	436,000
Total children in couple-parent families (Narrow definition) with at least one barrier to work	**436,000**	
Couple parents (Wider definition)		
Both parents working full-time	266,000	266,000
One full-time, one-part-time, ***and*** One full-time, one not working or both part-time – with a disabled parent	347,000	613,000
One full-time, one part-time, ***and*** One full-time, one not working or both part-time – with a disabled child	156,000	769,000
One full-time, one part-time, ***and*** One full-time, one not working or both part-time – with a child under two	295,000	1,064,000
Total children in couple-parent families (Wider definition) with at least one barrier to work	**1,064,000**	
Single parents		
Already working full-time	174,000	174,000
Working part-time or not working – with a disabled parent	294,000	468,000
Working part-time or not working – with a disabled child	76,000	544,000
Working part-time or not working – with a child under two	205,000	749,000
Working part-time with a child aged 3-10	137,000	886,000
Total children in single-parent families with at least one barrier to work	**886,000**	
Total children with at least one barrier to work	1.3 million – 1.95 million	
Total children in poverty	3.9 million	
Proportion of all children in poverty with at least one barrier to work	34%-50%	

Figure 3: Composition of children in relative poverty and in 'work-constrained' families, across both narrow and wider definitions of couple families

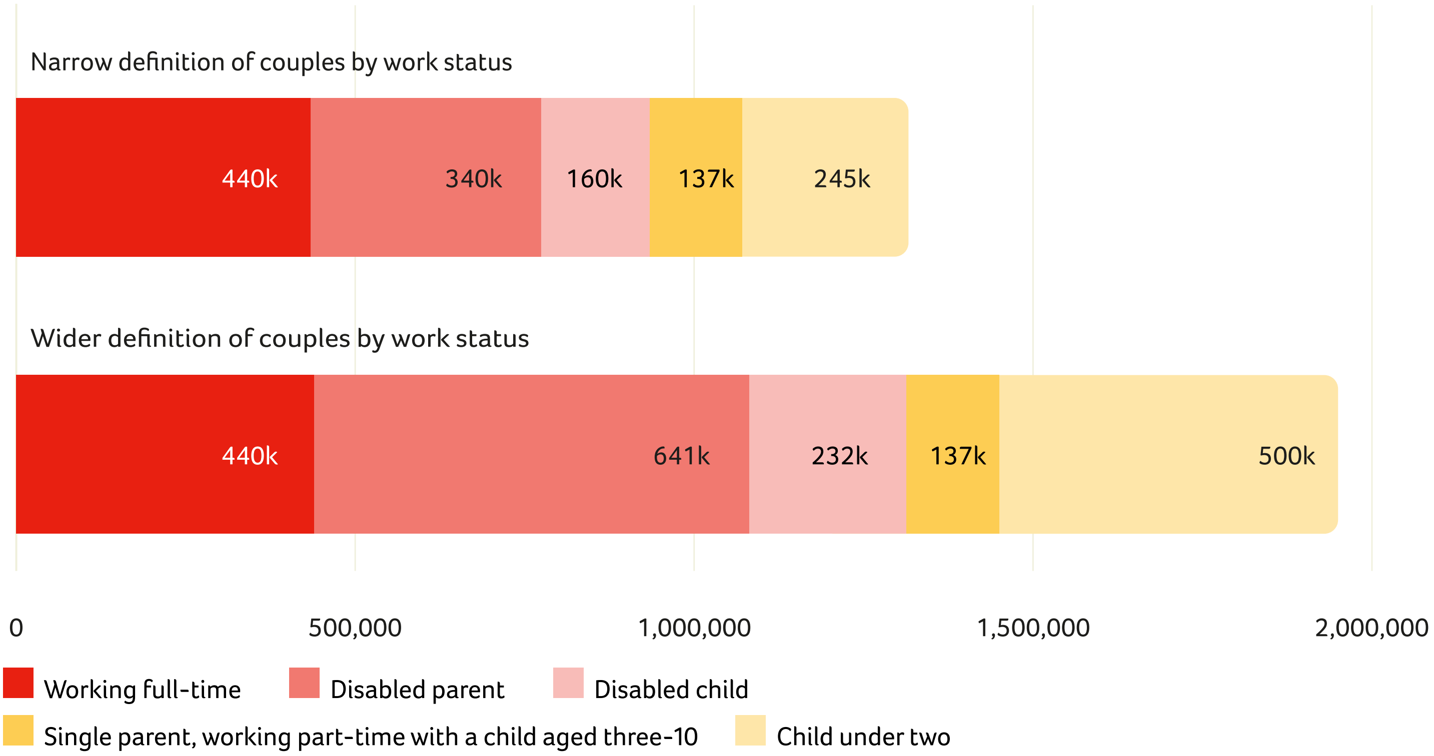
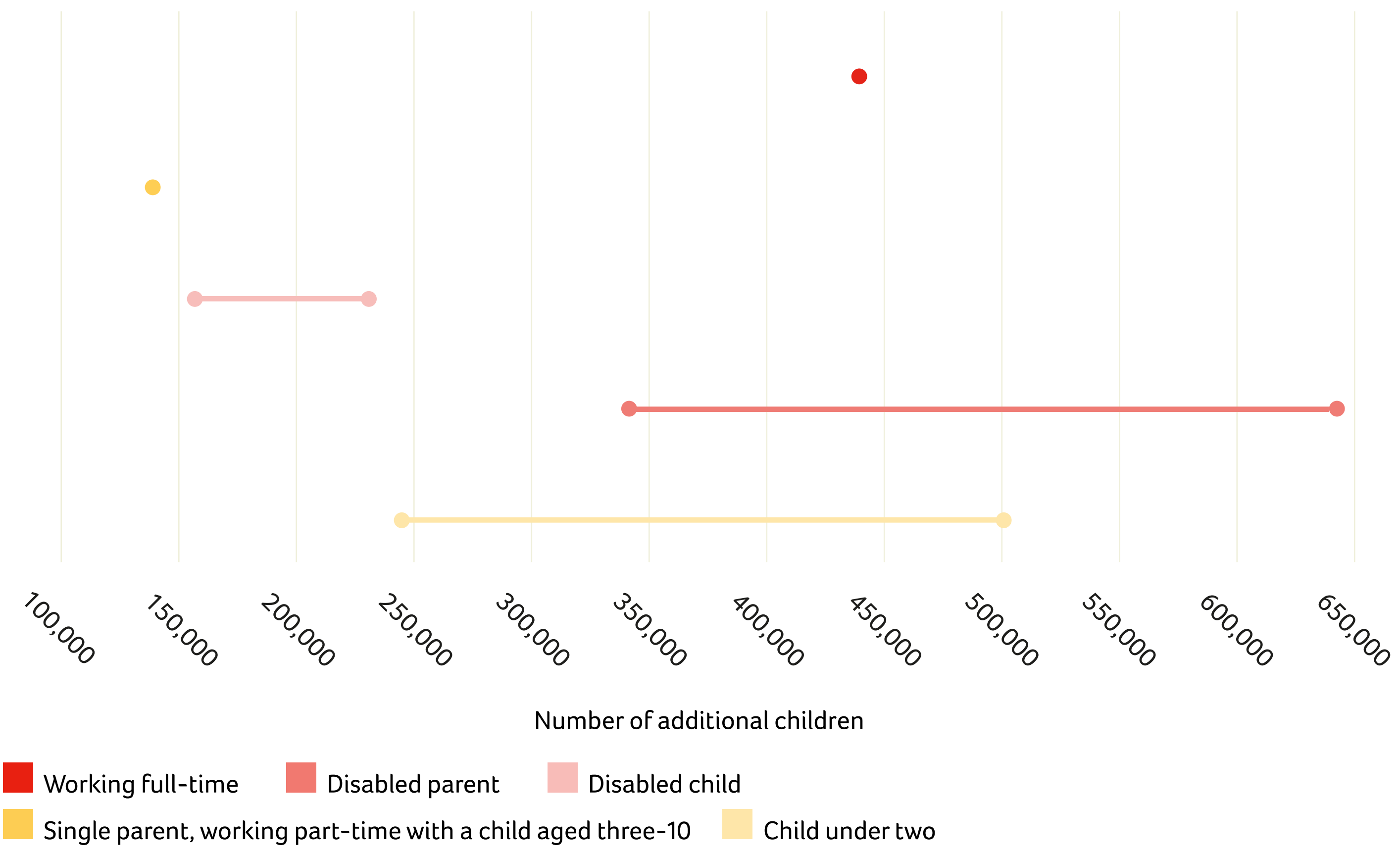


Figure 3 shows the proportion of children affected by each barrier. When using the narrow definition for couples - where both are in work – it is children of full-time workers who are the most numerous group, followed by those with a disabled parent. On the wider definition for couples, the overall pattern is broadly similar. But there are many more children in families with a disabled parent, which is the biggest group, and of children in a family with a child under two – the second largest group.

Figure 4 shows the total number of additional children by each barrier to work, represented as a range. Two of the barriers are the same figure regardless of whether you use the narrow or wider definition of couple families. For the remaining categories, we can see the range between the lower and upper estimates, which is particularly wide for children in families with disabled parents and those with children under two.

One explanation for this is that many low-income families with a disabled parent, or with a child under two, will be severely limited in their ability to work. Consequently, it is not surprising that we see much greater numbers of children in these categories when you include couples where only one parent works, or where both work only part-time.

Figure 4: Total number of additional children in relative poverty (after housing costs) and work-constrained by barrier, ranged figures



Families experiencing more than one barrier

The estimates above provide a total, cumulative figure for the number of children in poverty and in families that are experiencing at least one barrier to work.

However, a significant proportion of the children in poverty live in families that experience more than one of these barriers. Making them even less likely to be able to improve their situation by taking on work.

Table 4: Number of children in relative poverty (after housing costs) and in work-constrained families, by number of barriers and family type

No. of barriers	Single parents	Couples (Narrow definition)	Couples (Wide definition)	Total
1	632,000	265,000	728,000	897,000 - 1.36 million
2	209,000	149,000	286,000	358,000 - 495,000
3	46,000	21,000	49,000	67,000 - 95,000

In total there are up to:

1.36m
children in poor families that have one barrier to work

495,000
children in families with two barriers

95,000
that face three barriers to work as a route out of poverty

Estimates of 'work-constrained' families by alternative income measures

It is evident that large numbers of children facing poverty and hardship live in families constrained from boosting their income through work.

In addition to the central estimate for children in relative poverty, Table 5 shows the number of children in 'work-constrained' families for various other income-based measures.

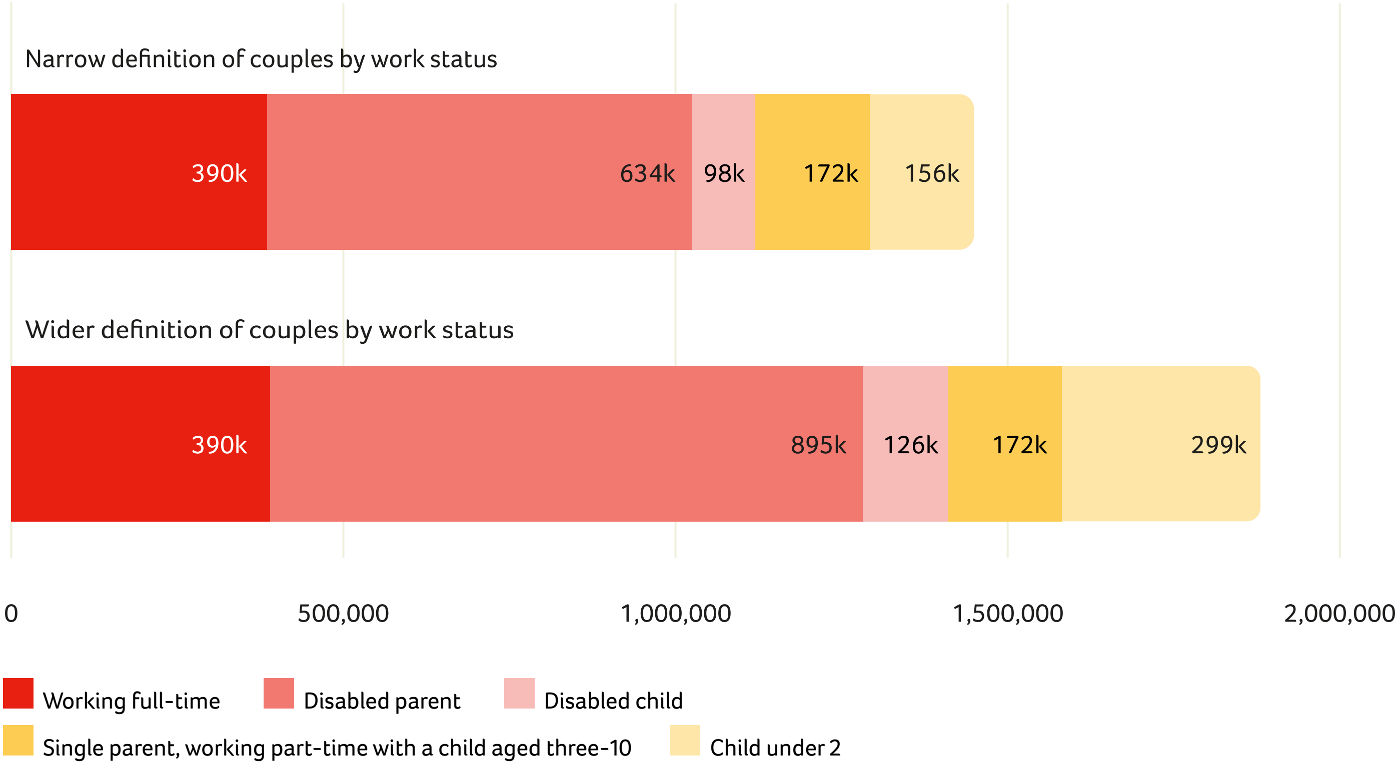
The 'combined deprivation' measure refers to families that are suffering from at least one of the following: child material deprivation, food insecurity, or financial difficulties (meaning they can't keep to date with bills).

We estimate that there are between 1.5 and 1.9 million children in deprived families that face at least one barrier to taking on work. This is between almost half (48%) and two-thirds (63%) of the 3 million children in combined deprivation.

Table 5: The number of children in 'work-constrained' families by income measure

Measure	Number of children	Percentage of children (Upper estimate)
Relative poverty Below 60% of median income after housing costs	1.3 – 1.95 million	50%
Deep poverty Below 50% of median income after housing costs	861,000 – 1.2 million	36%
Very deep poverty Below 40% of median income after housing costs	407,000 - 629,000	44%
Combined deprivation Materially deprived, food insecure and/or in financial difficulty	1.5 – 1.9 million	63%

Figure 5: Composition of children in 'combined deprivation' and in 'work-constrained' families, across both narrow and wider definitions of couple families



Caveats on the data

These estimates represent our current best estimate of the proportion of children in poverty and deprivation that are in 'work-constrained' families. However, it's important to emphasise that our estimated range is likely to be an underestimate of the true number of children that live in families that face barriers to taking on more work.

Families can and do face other potential barriers that are not included in our analysis. For example, it does not include children in families where a parent is caring for a disabled relative other than their child. It also does not take into account local labour market conditions or job availability, which can also hinder access to work. conditions or job availability that can also hinder access to work.

Low pay also represents a significant barrier and driver of in-work poverty that can be very difficult to overcome. It is not as simple as just taking on more hours or finding a better paid job. One in six workers earn below the Real Living Wage.[21] As these figures show, there are 440,000 children in poverty living in families where both parents, or the sole parent, is working full-time. With the economy now moving into recession, pay and labour market conditions are likely to become increasingly prominent barriers to work for families experiencing poverty and hardship.

4 Barriers to work: an in-depth look

The following sections will draw on new and existing data alongside findings from ten interviews we conducted with parents from Action for Children services to take a more in-depth look at some of the most significant barriers to work that families in poverty and hardship contend with.

Single-parent families

Single-parent families are at a particularly high risk of poverty and hardship due to the uniquely challenging barriers they face. In 2020/21, 39% of children in single-parent families were in poverty, nearly twice the rate of those in couple-parent families. Across any income-based measure, single-parent families fare markedly worse. Children in single-parent families are almost **twice as likely** to be in relative poverty and persistent poverty, and **three times more likely** to be in material deprivation and food insecurity.

There's nothing inherent about being a single-parent that means you're condemned to a life of poverty – the policy environment matters. In 1996/97, four in 10 children from single-parent families that were in part-time work were in poverty. By 2011 this had halved to only two in 10. But this progress was entirely undone by 2019/20, when the poverty rate for this group stood at 54%.[22]

Table 6: Comparison of poverty and hardship rates for single-parent and couple-parent families, by various income measures:

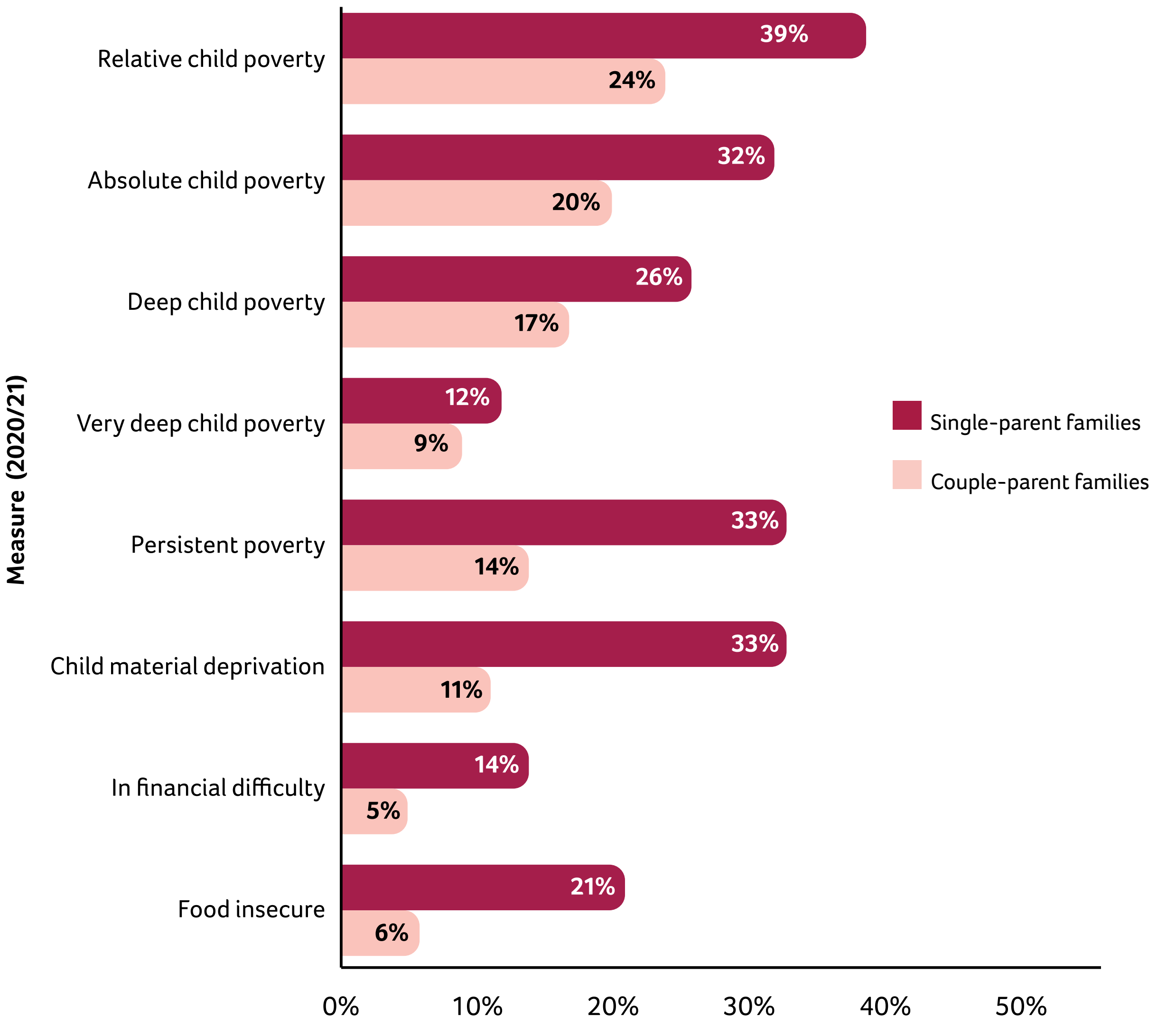


Table 7: Proportion of children in poverty and work-constrained, by family type

Parent type	No. of children in poverty (2020/21)	No. of children in poverty and work constrained (2020/21)	Percentage of children in poverty and work constrained (2020/21)
Couple parent	2.6 million	436,000 - 1 million	16% - 40%
Single parent	1.2 million	886,000	74%

Table 7 shows that children in single-parent families are far more likely to face barriers to work than children in couple-parent families.

There are **1.9 million single-parent families with dependent children**, representing just under a quarter (23%) of families with dependents. Nine in 10 single parents are women.[23] As the main carer for a child, and often the sole source of income, single parents face many practical and financial difficulties. It can be much harder for a single-parent to enter and progress in work, to afford childcare, or pay for essential living costs.

A majority of the parents we interviewed for this report were single parents. Each had their own story. Half of the single parents we spoke to were in work, but none were yet in a position to work full-time hours. Others had left the workforce to care full-time for their children with additional needs.

Looking after a child with complex or additional needs can be financially, physically and emotionally challenging, but especially so for single parents. Disabled children are more likely to live in a single-parent household than non-disabled children.[24]

Depending on their child's condition, holding down a job can be next to impossible. The charity Gingerbread has long highlighted the failures of the child maintenance system, which leaves children of single parents missing out on vital financial support that they're owed.[25] If the main carer cannot work, they may be completely reliant on the social security system and the support of friends, family and charities. Many will have no choice but to get into debt in order to pay the bills.

Case study

Alice* is the mother of 11-year-old twin girls. When we spoke, she was still dealing with the loss of her husband to complications from COVID-19. One of her girls was receiving mental health treatment and undergoing assessment for autism and ADHD, and had not been back to school since her father's death 18 months earlier.

Her daughter's needs meant that Alice had to give up her job as a full-time support worker for the elderly:

"I had to give that up because I couldn't find any childcare, I was having a lot of issues with my daughter's behaviour and things like that. So, I had to end up giving up my work. So, I'm now the main carer, I stay at home. So, it's a big financial change there."

Alice relies on benefits to survive. Since going onto Universal Credit, she's had to cut back a lot financially. In addition to the monthly Universal Credit payments, she also receives a child disability payment for her daughter and £69 a week in Carer's Allowance. Alice's mental health has also been affected by the big changes in her life. She is keen to return to a career once her daughter is back in school and is looking into Open University courses.

*Name has been changed to protect anonymity.

One of the greatest barriers faced by single parent families is how to balance employment with childcare needs. Most single parents are in work, but a lack of affordable and flexible childcare presents a significant barrier to entry, particularly for those with very young children.

Over six in 10 (65%) single parents are in employment, but this falls to less than half (43%) for parents of children below the age of three.[26]

One single mother we spoke to works 15 hours a week assembling air conditioning units. She would like to go back to working full-time, but is held back by the cost of childcare. If she was working full-time she would be earning around £1,300 a month, but has calculated that nursery would cost her £1,200 a month:

"I would be left per month with £100. I wouldn't see [my daughter] because I would be working all week."

Many jobs do not suit childcare hours and are not flexible enough for a single parent to do full-time. All of the working single parents that we interviewed could only do part-time hours. Consequently, single parents are more likely to be 'underemployed' – working fewer hours than they want to be – often in low-paid, part-time jobs with limited career progression.[27] Childcare as a barrier to work is explored in more depth in the next section.

Cost and availability of childcare

The child poverty rate in families with children under two was 29% in 2020/21. In part, hardship in families with very young children is driven by the high cost and often limited provision of childcare. Access to affordable childcare is vital for supporting low-income parents to move into and progress in paid work. But many parents are not able to make genuine choices about re-entering the workplace after having a child.

The UK has some of the highest childcare costs in the developed world according to the Organisation for Economic Cooperation and Development (OECD).[28] Analysis from the Trades Union Congress (TUC) and Coram Family and Childcare shows that average full-time childcare fees for parents with children under two has increased by nearly £3,000 a year since 2013 – a 26% rise. Costs also vary considerably in different parts of the country, with average costs now over £19,000 a year in Inner London compared to £12,000 in the North East.[29]

Current childcare schemes are not fit for purpose

Government funding for free childcare has increased markedly from £1 billion in 2001 to £3.8 billion in 2020/21, with spending more than doubling through the 2010s. Additional spending on childcare support through the benefit and tax systems took total public expenditure to support families with childcare costs to £5.3 billion in 2020/21.[30]

The increased generosity of free childcare support since 2010 is commendable. Yet analysis from the Institute for Fiscal Studies demonstrates how this spending has become increasingly targeted towards middle and higher income families over time.[31] Much of this shift is traceable to the introduction of the 30 free hours entitlement, which predominantly benefits better off families.[32]

Current government schemes – including the free childcare offers and the childcare element within Universal Credit – face numerous serious challenges that mean wide-ranging reform of the childcare system is now widely supported.[33] There are a number of reasons why support for childcare doesn't work for low-income families.

Government help with childcare costs

The government currently provides various schemes to support families with childcare costs.

The main programmes in England are:

- **Universal 15 hours free entitlement for three and four year olds**: open to all families, offering 15 free hours a week for 38 weeks until the child starts reception year at school – introduced in 2010;
- **Extended 30 hours free entitlement for three and four year olds**: if both partners are working at least 16 hours a week at the minimum wage, they can get a further 15 hours free childcare if neither earns more than £100,000 a year – introduced in 2017;
- **15 hours free entitlement for disadvantaged two-year-olds**: provided for the roughly 40% most disadvantaged families, including those receiving qualifying benefits, those with a child with Special Educational Needs or a disability, and children in care – introduced in 2013;

There are similar schemes in Scotland and Wales run by the devolved administrations, with some key differences around eligibility and the amount of funded hours.

The following are UK-wide offers:

- **Universal Credit childcare element:** Under Universal Credit, parents can also claim back up to 85% of their childcare costs, up to a maximum of £646 a month for one child or £1,108 a month for two or more children. Families on legacy Tax Credits can similarly claim for childcare costs, but this is set at a lower maximum reimbursement rate of 70%.
- **Tax-free childcare:** For working parents not on Universal Credit or Tax Credits. The government will contribute 20% towards childcare costs paid into an online account, up to a maximum of £2,000 a year per child. For example, for every £80 paid in the government will contribute a further £20. Both parents are able to earn up to £100,000 a year before losing eligibility for the scheme.

Support provided through Universal Credit is underfunded

The maximum monthly cap for the childcare element has not risen since April 2016, when it rose to match the increase in the amount that could be reimbursed from 70% to 85%. If it had risen in line with CPI inflation – the usual mechanism for uprating welfare benefits – the maximum childcare costs cap would be 22% higher in 2023/24. This equates to £145 more a month for one child and £249 extra for two or more children.[34] From 2016-2022, the cost of a part-time nursery place for a child under two increased by 19%.[35] The current maximum cap per child does not cover the cost of a full-time place in 99% of local authorities.[36]

These aspects of the system, coupled with the high cost of childcare generally, can leave parents on Universal Credit feeling trapped and confused. Wanting to work more hours, but worried it wouldn't make financial sense, and could even leave them worse off. This directly undermines the guiding principle of the government's welfare reform agenda that 'work should always pay'.

Upfront payments

As well as being underfunded, childcare support through Universal Credit needs to be paid upfront, with the parent then reimbursed in arrears through their Universal Credit payment. This policy can reduce work incentives and prevent parents from accepting job offers or lead them to take on debt.[37] Citizens Advice estimates that over 300,000 parents on Universal Credit are potentially prevented from working or taking on additional hours because of the need to pay childcare costs upfront. A survey of Citizens Advice advisers found that one in three had supported clients who were unable to accept a job offer because they couldn't afford the upfront costs of childcare.[38]

Lack of childcare availability

A lack of available childcare is a key limiting factor that can influence parents' ability to enter work or increase their hours. The number of Ofsted-registered childcare providers fell by 4,000 between March 2021 and March 2022, the largest decline since 2015/16. The sector is particularly affected by a downward trend in childminder numbers, which has fallen by 35% since 2015.[39]

Only 57% of local authorities in England report having sufficient childcare provision in all areas for children under two, and two thirds (63%) have adequate availability for the 15 hours free entitlement for disadvantaged two-year-olds. Only 19% of local authorities report adequate provision for parents working atypical hours –common among low and single earners.[40]

Several of the parents we spoke to for this report highlighted the difficulty of finding appropriate childcare in their area which suited their work patterns: ***"As much as I desperately want a full time contract for job security…there's not even childminders in this area. There's not much out of school provision. And I don't live near family. So if I was on a full-time contract, I wouldn't be able to take it. Because the hours don't suit childcare hours. And there's not enough provision in the area."***

Case study

Clara* is a single parent to her five-year-old daughter. She works part-time as a healthcare assistant at the local hospital on minimum wage.

Clara is keen to build a career in the healthcare sector, but feels like she's unable to put in more hours currently. A full-time contract at her employer runs from 7am to 7pm or 7pm to 7am, including weekends, which she wouldn't be able to do.

"It's frustrating, because I want to make this career for myself. And I want to put in more hours. But in a money sense, it just doesn't really seem to make sense to me."

In her current role, she is allowed to earn £344 a month before her Universal Credit is tapered away. Clara feels that the 55% taper rate, alongside the high cost of childcare, actively disincentivises her from taking on more hours:

"Because they take 55 pence off every pound, your hourly pay after that is essentially halved. So I'm working at the hospital, I'm doing long shifts, really hard work. It's emotionally and physically and mentally quite hard work up at the hospital. Especially with the strain on the NHS. And then after 12 hours of work a week, my hourly pay then gets cut down to, what, £4.50 an hour. And then you add on top of that, if I work outside of school hours, I have to look at childcare. It just takes your pay to nothing."

*Name has been changed to protect anonymity.

Underfunding of places

One of the reasons for poor availability is the underfunding of childcare places. The sector has long warned of the chronic underfunding in the system. These voices have become increasingly louder through the pandemic and cost of living crisis, with widespread closures of childcare settings and ongoing recruitment difficulties.[41]

In a March 2022 survey of early years providers, 88% said that the funding they receive from the government for the 15 and 30 free hour childcare provision doesn't cover the cost of delivering childcare places. This drives up costs elsewhere as providers increase rates on other provision, such as non-funded places for the youngest children.[42]

Early years funding is calculated using a national formula and paid to local authorities to distribute to providers using their own locally determined formula. Data obtained under a Freedom of Information request by the Early Years Alliance in 2021 found that the Department for Education had privately estimated that a funded place for a three and four-year-old would cost an average of £7.49 per hour by 2020/21, when actual rates paid to providers were only £4.89.[43] An already tight funding environment is being squeezed even further by inflation, with total funding for the free childcare entitlements expected to be 8% lower in real terms in 2024/25 than in 2021/22.[44]

Case study

Lucy* is a single mother of two children – a three-year-old and a one-year-old. Before having children Lucy was working five days a week at a bank and a further sixth day at a supermarket.

After her first child was born, she reduced her hours to three days at the bank and one day at the supermarket. With the birth of her second child however, Lucy's childcare costs meant it no longer made financial sense. Daycare costs for both children were £100 a day, more than she was earning.

Because her role involved working in a retail bank, there were times she would not get out until 6 or 7pm, which would have meant incurring even higher costs: ***"I would have just ended up getting myself into a lot of debt, trying to work."*** Lucy is on a career break from her job at a bank, but started doing one day a week at the supermarket last year.

Between Universal Credit and the income from her one day a week at Tesco, Lucy receives around £1,000 a month. Around £400 of that goes on her mortgage and rates, and food shopping is around £100 a week.

She doesn't feel financially stable right now, and is certain that the amount she receives in Universal Credit would not be enough by itself.

"For me personally, the £799 a month, I couldn't live on that; no chance. I know that people always say that people on benefits get loads, but I don't think many people can live on £800 a month. It's not very much when you have kids to pay for."

Lucy has also recently started receiving Disability Living Allowance for her autistic son – £247 a month. It wasn't until she started receiving this that she felt she was able to just about afford the essentials. She uses it to support her son's needs by providing him with a sensory diet with lots of fruit, sensory objects at home, a soft play membership and occasional trips out.

Lucy did place her son into a nursery setting initially, but found it difficult to make it work with his extra needs. She was able to claim 85% of the costs back, but had to pay it upfront, and found it difficult having to wait a full month for the refunded amount. Lucy thinks the government should prioritise changes to childcare:

"I think a lot of my friends that would claim benefits are just because of the price of childcare. It's not worth going to work and having to pay that. So if there was something in place, that was a lot cheaper for childcare, I think people would get back to work."

*Name has been changed to protect anonymity.

Parent carers

If a parent is caring for a long-term sick or disabled child, or another close relative, it is likely to significantly restrict their ability to work. According to survey data from Carers UK, only two in 10 carers (21%) are in full-time employment, 16% are in part-time work, and 4% are self-employed. When you consider that almost half of carers (45%) provide care for 90 or more hours each week, low employment rates are to be expected.[45]

Many parent carers will therefore be caring full-time with little to no capacity for work. This is explicitly understood by the Department for Work and Pensions, as people who claim Universal Credit who satisfy the conditions for Carer's Allowance or the carer element of Universal Credit are not expected to look for work. But there are still significant gaps. Parent carers who don't meet these conditions may be subject to work conditionality rules. In couples, the circumstances of the other parent who is not recorded as the main carer won't necessarily be taken into account, even though they may also face limits on their ability to work.

There are almost half a million children living in poverty in work-constrained families with a disabled child. Over 170,000 are in very deep poverty, meaning their family survives on less than 40% of average incomes. This represents a huge number of families in financial hardship that may find it particularly challenging to raise their incomes through work.

Table 8: Number of children in work-constrained families with a disabled child, by various income measures
Figures have been rounded to the nearest thousand.

Measure (2020/21)	Number of children in work-constrained families with a disabled child	As a proportion of total children in poverty or deprivation
Relative poverty	492,000	13%
Deep poverty	306,000	11%
Very deep poverty	176,000	12%
Combined deprivation	579,000	19%

Reduced work capacity

Many parents who become carers have to cut back on working hours or stop working altogether. Often, this means learning to survive on a significantly lower income. It can also take an emotional toll. Among the single parent carers we interviewed, two were currently unable to work at all, and one had recently returned to working one day a week to top up their income. For couple families, one parent may take the primary carer role while the other partner works. In practice however, it can be difficult for the second partner to work more than on a part-time basis.

One father we spoke to was living with his wife and two children in his parents' three-bedroom house. His son was undergoing the long process of being assessed for autism, and his elderly mother was suffering from mental health problems and also needed extra care and support at home. His wife was unable to work as she cared for their children and mother-in-law, and was receiving Carer's Allowance. Until around three years ago, the father was working full-time in the NHS, but had to take another position working three days a week due to the strain that caring for his son and mother was placing on his wife:

"I work in mental health, so after a shift or a day at work I couldn't really help [my wife], mentally or physically, because I was so drained. Working on acute wards, it's very hard. So, then, coming home, it was just physically exhausting, so I had to reduce the hours, because it's unfair for me to expect her to look after two people that need the support"

The drop in income after a parent becomes a carer can be a shock for families that had previously been in full-time employment. Another parent told us:

"I've had to cut a lot back...and really cut down on the food shopping as well. I've changed my provider for internet as well…It's just really tightening the belt and just hoping to just do without some things, cut back and just try and plod on every day as best you can."

Parents we spoke to also highlighted the impact that reducing work has on their emotional wellbeing. They talked about missing their old job, their work friends and the camaraderie of the workplace, and of feeling lonely or even guilty at times.

"My mental health has been affected by it as well. Because I lost my job and I lost all of my colleagues. We used to have a good laugh, fun times, that's what would keep you going in hard days. So, I do feel a bit lonely in that way."

Higher costs

Families of children with disabilities and special needs typically face higher household costs than other families. On average, a family with a disabled child will pay hundreds of pounds more a month to have the same standard of living as a family with a non-disabled child.[46]

"There are a lot of things that people don't consider that you do have to do as extra care for your child when they have special needs."

Parents in our interviews highlighted higher energy bills from running the washing machine and tumble dryer a lot, frequently needing to replace household goods, the cost of special toys, sensory items and foods. High fuel costs from regular trips to the hospital or trips away from home to get out of the house.

Cost pressures have become particularly acute for carer families in the context of a cost of living crisis and the worst inflation in decades. Parents of disabled children surveyed by Family Fund reported in June 2022 that their household bills had increased by an average of £1,500 a year. And over half had cut back on or skipped meals to provide enough food for their children.[47]

This is further compounded by the general inadequacy of financial support available to low-income carer families through the benefit system.

Case study

Jack* is the father of three girls, and works 17 hours a week as a supermarket delivery driver while his partner is a full-time carer for their children. His youngest has spina bifida and his oldest is autistic. They both worked full-time previously, but when their youngest was born "it changed everything".

Jack takes home around £600 a month from his job, and the family gets around £1,200 a month in Universal Credit. They also receive £360 Disability Living Allowance (DLA) for the youngest child, child benefit, and his partner gets £63 a week Carer's Allowance.

Most of the DLA money goes on fuel to take their youngest to her hospital and physio appointments, over 100 miles away. They're able to claim some of the costs back, but not all of it.

Energy costs are a big worry for them. Their electric was on a fixed rate when we spoke to them, but still cost £130 a month - partly due to all the washing they have to do. The biggest cost pressure they're facing is food.

"It's a struggle. Obviously it comes in and then goes out very fast because the kids eat a lot. We've just found out that they can have the free school dinners so we've put them on to that. Which has helped a little bit, but it just kind of, you do your shopping and they've eaten out the cupboards before you've even got chance and then you get to the end of the month and you're thinking, 'What are we going to give them?'"

Every month they have to borrow money they may not be able to pay back from family to buy food or pay for the fuel to get to their daughter's appointments. They received the £326 Cost of Living payment in July 2022, but had to spend it all on fixing the car: ***"It was lucky it came in because we needed it but it's not really going to help out with how expensive everything's going".***

Their experience of navigating the benefits system has been challenging, and they have had to rely on charities for information on their entitlements to things like Free School Meals and Council Tax support.

When he first started claiming Universal Credit, they had to wait five weeks for the first payment and take out an advance loan which was deducted from their payments each month. It took over a year for it be paid back. Their benefit entitlements are also restricted by the Two-Child Limit, which means they receive no extra child payment for their third child. Jack feels this is unfair and doesn't take their circumstances into account as parents of a disabled child:

"We were working when we had our third child, so it was our choice. We didn't expect to have a disabled child. We didn't expect her to be disabled or need extra care and we would have worked and paid for it, but the situation changed and that's where it leaves you. We weren't on benefits and then thought we'll have 3 kids or whatever else, it actually changed for us and we were working up until that point. And then not to get the help, it doesn't seem fair because it was a change…and it does happen to people, a lot of people."

*Name has been changed to protect anonymity.

Support through the benefits system

The key benefit to help with the extra costs of looking after a child with a disability is **Disability Living Allowance (DLA)**, which provides between £24 and £157 a week depending on the level of care the child needs (2022/23 rates). Low-income families on Universal Credit or Tax Credits may also receive an additional disabled child element in their monthly award.

DLA is meant to directly support the child's additional care needs. In practice, families in severe financial distress won't necessarily be able to divide up the different sources of their benefit income as government policy intended. We heard from families who were barely managing to afford the most basic essentials and relied on their child's DLA money to meet costs like food and fuel.

One parent we spoke to spent most of their daughter's DLA money on petrol taking her to hospital appointments, which cost between £60 and £80 each trip. Another parent who had been supported by Action for Children to claim DLA for his son told us:

"They said that because he's not severe, he's able to do things, it's a lower rate. But, even that gets used up on just the bills and the food because there's no way we could financially survive without it. It's just a shame because I would have liked to put that money towards his needs. But, then, as a family it's all our needs."

If families are so financially precarious they must rely on disability payments to meet their essential living costs rather than put it towards their child's care needs, it strongly suggests basic benefit levels are failing to provide a minimum standard of living.

Parent carers can claim **Carer's Allowance**, a non means-tested benefit paid to those who provide at least 35 hours of care a week to someone receiving a qualifying disability benefit (those on Universal Credit can benefit from an additional 'carer element' in their monthly payment instead). For 2022/23 it was set at £69.70 a week. Carer's Allowance is intended to support the incomes of those unable to do paid work because of their caring responsibilities, but rates are lower than most other income-replacement benefits.[48]

Carers UK has long called for the government to reform Carer's Allowance to better reflect the value of unpaid carers to society and provide a more adequate level of support.[49]

In 2018 the Scottish Government introduced the Carer's Allowance Supplement, an additional top-up payment for those claiming Carer's Allowance, in recognition of the benefit's low rate.

A further problem exists within the earnings threshold for Carer's Allowance. You cannot claim Carer's Allowance if you earn more than £132 a week, equivalent to 14 hours or less a week on the National Living Wage. As earning just £1 over this threshold will result in the loss of the whole award, it deters those able to balance care with some paid work from taking on extra hours that could push them over the earnings limit.[50] The unwelcome effects of such a 'cliff-edge' has been acknowledged by the DWP for some years, including in their evidence to a 2018 Work and Pensions Committee inquiry, but it appears steps have yet to be taken to address it.[51]

"If you've got a Carer's Allowance, you can go to work, you can work part time but you can only work a certain amount... You do become quite restricted when you become a full-time carer with what you can and can't do. And unfortunately, over the time, it does make you feel isolated and very alone on your own. And again, that has an onset onto your mental health and looking after yourself."

Parental ill-health and disability

Parents with disabilities or long-term health conditions face their own formidable set of barriers to raising their incomes through work. For some, work will simply not be an option. Others may just need the right support to better prepare and equip them for the workplace, but can face difficulties in finding, staying in and progressing in work. It is therefore vital that policies and systems are designed to enable disabled people to get the practical and financial support they require in order to meet their needs and lead fulfilling and dignified lives. This is the least we should expect, but current approaches often fall far short of it.

Around half of disabled people are in work. The disability employment gap – the difference in employment rates between disabled people and non-disabled people – is 30 percentage points and widening. Disabled people are more than 2.5 times more likely to be out of work than non-disabled people.[52] They are also paid less, with median hourly earnings for disabled employees is 14% lower than for non-disabled employees.[53]

In 2020/21, 740,000 children in poverty were in work-constrained families with at least one disabled parent. This alone offers a firm corrective to the notion that those trapped by poverty and hardship need only look to work to solve their troubles.

Several of the parents we spoke to for this report were unable to work due to their own disability or ill-health. All were claiming benefits but still struggled a lot financially. Several common themes emerged from our conversations, from their difficulties with claiming and navigating the benefits system, to the intense financial pressures they were experiencing due to the increased cost of living and benefit levels that do not reflect their essential living costs. Among those who felt they would be able to work again, there was a desire to return, but also trepidation that their circumstances may force them back into work before they were ready.

Financial support through the benefits system

The main benefit to support adults with the extra costs of disability is the **Personal Independence Payment (PIP)**, which is not means-tested. In 2022/23, the amount paid out ranges from £24 a week up to £157 a week for those with the very highest care needs – the same rates as Disability Living Allowance for children.[54] Parents who have a disability or health condition that prevents or limits their ability to work can also claim financial support through Universal Credit or Employment and Support Allowance (ESA) as an income replacement benefit.

However, disability campaigners have long voiced concerns about the DWP's approach to disability benefits, particularly in relation to the adequacy of benefit rates, fitness for work assessments and the use of private providers.[55] A DWP-commissioned report (released against the government's wishes by the Work and Pensions Committee) highlighted how low benefit rates can leave disabled people struggling to cover their essential costs like food and utilities while their health needs go unmet.[56]

Table 9: Number of children in work-constrained families with at least one disabled parent, by various income measures

Figures rounded to the nearest thousand.

Measure (2020/21)	Number of children in work-constrained families with a disabled parent	As a proportion of total children in poverty or deprivation
Relative poverty	740,000	19%
Deep poverty	416,000	15%
Very deep poverty	177,000	12%
Combined deprivation	993,000	33%

A 2015 academic study found that the Work Capability Assessment was associated with adverse mental health effects and may have led to hundreds of people to die by suicide.[57] When claimants are refused disability benefits, seven in 10 of those who appeal their assessment decision have it successfully overturned at a tribunal.[58] One parent we spoke to reflected:

"The PIP system is probably one of the most degrading benefits I think people have to claim, because they want to know the last time you went for a *. It's really that bad."***

It is for these reasons and more that trust between disabled people and the DWP has deteriorated badly over the last decade.[59] The Shaping Future Support: Health and Disability Green Paper was published in July 2021, and set out the DWP's determination to drive improvements to the benefit system and assessment processes. A new white paper is expected this year with concrete reforms.[60] But with over 400,000 children in poverty in work-constrained families with a disabled parent, it is clear the social security system is failing to protect the children of disabled parents from poverty and hardship. It is therefore vital that any reforms are accompanied by a broader re-strengthening of the social safety net.

Rise in chronic ill-health

The challenges that disabled people and those with long-term conditions face participating in the labour market aren't just bad for the individuals, it is bad for the country generally.

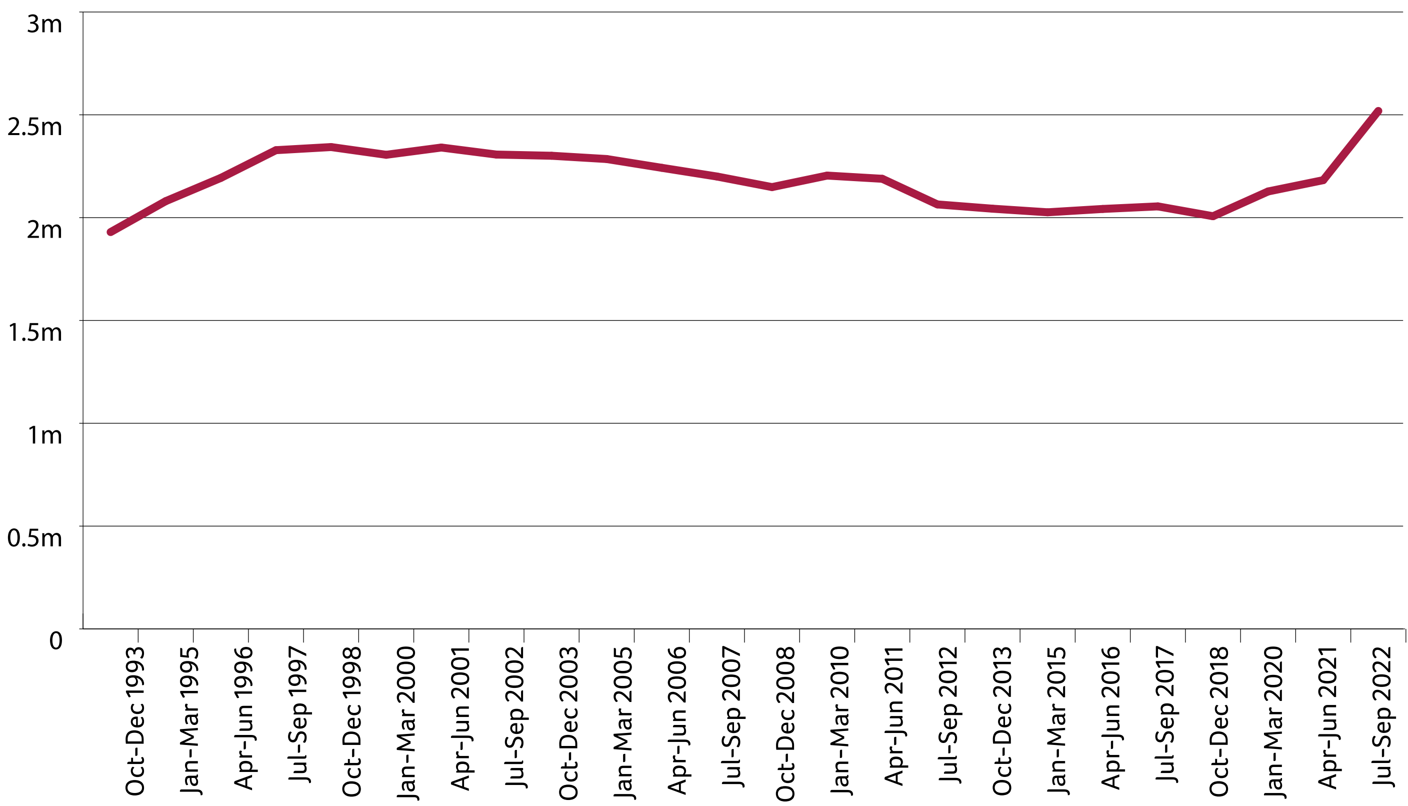
The number of working-age adults who are out of the labour market due to long-term ill-health has risen sharply in recent years and is increasingly recognised as a major policy problem. Between July and September 2022, 2.5 million people were economically inactive due to long-term sickness, up from 2 million in 2019 – the highest rate since records began in 1993. Most of this has occurred since the start of the COVID-19 pandemic, and has been linked to factors including the impact of NHS waiting times, long COVID, rising mental ill-health and an ageing workforce.[62]

One potential reason for rising inactivity due to ill-health is the severe mismatch between capacity and demand for NHS services, and mental health services in particular.[63] We spoke with one parent who has epilepsy and mental health problems. She is unable to work full-time as it can bring on epileptic seizures, but until last year she had always worked at least part-time hours. Her partner works full-time, but she has had to step back from work altogether for now after her mental health deteriorated to the point of feeling suicidal. She is hopeful that she'll be well enough this year to return to work and build a better career for herself, but has to keep stopping herself from applying for jobs before she's ready.

"So I have that conditioned into me that being on benefits is bad. But I need it. At the moment it's what I need. I don't judge personally people who are on benefits at all. But yes it's always in the back of my head that this is not a long-term thing."

Figure 7: Economic inactivity due to long-term sickness for people aged 16-64 (millions)

Data comes from the Office for National Statistics Labour Force Survey, November 2022.[61]



The government's one million target

In 2017 the government set out an ambitious 10-year strategy to get one million disabled people into work by 2027. The Improving Lives white paper called for transformational change across society to ensure "all disabled people and people with long-term health conditions are able to go as far as their talents will take them". It set out plans to invest in a more effective employment support system, change cultures and attitudes to promote more inclusive workplaces, and foster better joined up working across the welfare system, NHS and employers.[64] These are laudable and far-reaching aims, but in the half decade since, progress has been poor.

DWP data shows that only 1-2% of people move off Employment and Support Allowance and into work each month.[65] And yet, ministers routinely point to figures showing 1.3 million more disabled people are in work compared to 2017 as evidence that it has exceeded its one million target five years early.[66] While technically true, it would be misleading to suggest this is a function of government action to help disabled people move into work. The DWP's own official statistics show that the increasing number of disabled people in employment is largely a consequence of rising employment overall and the increased prevalence of disability in the working-age population.[67]

Employment support programmes

The government's flagship employment support scheme for disabled people, the Work and Health Programme, is both small in scale and modest in outcome. Just 230,000 people started on the programme between November 2017 and August 2022, and only a quarter of participants (24%) up to August 2020 had achieved a job outcome within 24 months.[68] The Intensive Personalised Employment Support programme was launched in 2019 to offer a more tailored experience, with dedicated support workers offering one-to-one support for up to 15 months, but was only funded to benefit 10,000 people. Only 16% of participants were moved into sustained employment.[69]

The National Disability Strategy, published in July 2021, was also notably thin on employment support. It included one limited commitment to expand trials of supported employment services in 20 local authorities, which it expected to support 1,200 people.[70] Overall, the DWP plans to spend £1.3 billion over three years between 2021/22 and 2024/25 on employment support for disabled people and those with long-term health conditions. This is considerably less than the £2 billion committed to the Kickstart job scheme for 16-to-24 year olds, that was open for only 15 months between September 2020 and December 2021.[71]

One parent we spoke to told us she is having to think about returning to work even though she's not necessarily ready for it. She's applied to 34 roles and had around 20 interviews, but feels her physical disabilities mean she is not taken seriously. She's limited in what sort of roles she can do, but is worried that she'll be forced to take a position that isn't right for her and could worsen her disabilities.

"I have to think about going back to work because I'm becoming so much more in debt with things, and the financial difficulties of everything going up is practically forcing me to go back to work. Because what other choice do I have? It doesn't matter how much pain I'm in, it doesn't matter how much mental state I'm in, it doesn't matter about any of that, I have to try and find a job to keep our heads above water, before we start drowning even further than we already have."

"What I'm worried about is if I go back to work, and a job I end up doing, because it's the only job I can get, is going to make me lose what feeling I have left in my legs, to go completely. And that's a fear that I've got in the back of my head."

Devolving employment support

A 2021 Work and Pensions Committee inquiry called for a total reimagining of the DWP's approach to employment support for disabled people. In particular, it highlighted the government's preference for big national programmes that have simply not performed well for disabled people nor "produced the desired improvements in the disability employment gap". The report lamented the generic and untailored employment support delivered by staff within Jobcentres that can see disabled people pushed toward unsuitable work. In one instance cited, a wheelchair user was asked if she could do manual care work.

The committee recommended that funding for employment support be devolved to local authorities, on the basis that smaller, localised programmes are better placed to provide the sort of personalised experience from which disabled people say they would benefit.[72] Local government voices have also called for responsibility for disability employment support to be shifted away from DWP towards local areas using a community-led approach.[73]

Ultimately, disabled parents still face immense barriers to boosting their income through work. And too many children face poverty and hardship as a consequence.

The government's own research shows that only 20% of claimants receiving Employment and Support Allowance or Universal Credit and who are assessed as being unable to work think that they could work at some point in the future.[74] It's right that supporting those that want and are able to work into jobs should be a top priority for the DWP. But it is equally vital that the millions of disabled and chronically ill parents who cannot work are treated with dignity and fairness and are able to maintain a decent standard of living.

Case study

Sally* faces several health issues including incontinence, fibromyalgia, severe migraines and back and abdominal pains that prevent her from working. She also has depression and anxiety that are made worse by her financial struggles. She's not doing well financially at the moment, particularly with gas and electric bills.

Sally gets £850 a month Universal Credit and £334 from her PIP, but as a single parent to two daughters it doesn't stretch far enough:

"Because I get paid monthly I tend to write everything down that's got to go out. And it's just working it out every month and then halfway through a month I'm realising, 'I'm running out of this, I'm running out of that. What am I going to do?'"

Sally faces extra costs due to her health problems. Her incontinence means the washing machine and dryer are used every day. She regularly replaces bedding and travels to hospital visits. The family live in a council house, but Sally has fallen behind on her rent. She has £45 deducted from her Universal Credit payments each month to go towards her rent arrears.

Sally had a difficult experience with claiming PIP. She was never made aware that she had to reapply every four years. It came up for review in January 2020, but she was denied it after a five minute assessment that she felt didn't take into account her worsening illnesses. Sally appealed, but because of the pandemic it took two years to be granted.

Sally received the extra £20 a week Universal Credit uplift during the pandemic. Losing this extra amount was a struggle, and she thinks it should have been maintained by the government.

"…it was a struggle, because now I struggle for the weekly things, like milk and things like that. The essentials you need, it was helping to put extra in the electric…I found it a real struggle when we lost that money because I was relying on it."

*Name has been changed to protect anonymity.

5 How can the social safety net better protect children from poverty?

Alongside the barriers many families face to work, they must also contend with inadequate support from a social security system that is supposed to protect people from hardship.

The prolonged period of cuts to welfare spending that occurred throughout the 2010s, alongside measures like the Benefit Cap, Two-Child Limit and freezes to Local Housing Allowance rates, deeply weakened the social safety net and broke the link between need and support provided by the state. This has led unmistakably to an increase in child poverty and hardship. The most dramatic impact has been on larger families with three or more children and on single-parent families.[75] We frequently hear from the people we help, from frontline workers to parents, that benefit rates are simply too low for many families to survive on. A heavy reliance on borrowing and debt, the goodwill of friends or the kindness of strangers is a fact of life for many of the families we support in our services.

> ***"I'm struggling. Even though I'm working part-time, I'm still struggling. Of course now the bills go up and there are times I just have to skip my dinner and just have a bowl of cereal instead to just make sure [my daughter's] got everything she needs."***

Over the past year the government has provided tens of billions of pounds of financial support for families faced with soaring living costs. This was the right thing to do, and we strongly welcome the government's recent emphasis on supporting the most vulnerable. However, much of this financial support has been directed into one-off cash transfers and subsidies. The main mechanism of support targeted specifically at low-income families has been the Cost of Living payments.

Cost of Living payments

- Two £650 Cost of Living payments were paid in July and November 2022 to recipients of certain qualifying benefits, intended largely to support low-income families with high energy costs.
- Further Cost of Living payments totalling £900 are to be distributed from April 2023 when energy bills are expected to rise again.
- These payments have been flat-rate, despite the higher costs that families with children face.

We interviewed families who had received the first payment and frequently heard how they had to use it for other essential costs like paying down debt, buying clothes for their children or fixing the car. Survey data from the Trussell Trust found that 64% of Universal Credit claimants had put their July 2022 Cost of Living payment towards food.[76] Similar findings were reflected in a study from the University of Bath, who interviewed 40 working households on Universal Credit and concluded that the extra payments had not made a significant difference to their ability to pay ongoing living expenses.[77]

> ***"This money that they're paying in two halves, yes that's all very well, but we need something that's going to be a regular monthly thing as well. You know when we were in lockdown and they gave us that extra £20 but then they've taken it off us, I think they need to do something like that where they're supporting families who suffer hardship and who are struggling."***

Modelling the impact of policy reforms on child poverty levels

The Autumn Statement confirmed that benefits will also be uprated by 10.1% from April 2023. But with benefit levels already at historic lows prior to the current inflationary wave, it will barely help families to stand still. We cannot get serious about tackling child poverty and reducing hardship without significant and sustained improvements to the basic adequacy of the social security system.

The complexity of the system presents policymakers with a wide menu of possible options, both great and small, for a government looking to tackle and ultimately eradicate child poverty. The scale of suffering and hardship in our communities, especially among families with children, requires bold action. But in an era of tight fiscal discipline we must also be mindful of how policies will be judged by their cost to the public purse.

In order to assess possible policy options, we have modelled the impact of various policy reforms on child poverty levels in Table 10. We've also included two measures of cost effectiveness: the cost per child lifted out of poverty, and the number of children lifted out of poverty per £1 billion spent.

Finally, we have included an estimate of how each policy change would impact the poverty depth of those children still below the poverty line if the reform was implemented. This has been calculated as the change in average household income for households who are still below the 60% poverty line. It is shown as a percentage of the poverty line. A positive change in average income means they are closer to the poverty line and therefore their poverty depth is reduced.

This allows us to assess three effects for each reform:

i A simple headcount of the number of children lifted out of poverty

ii How cost-effective this would be

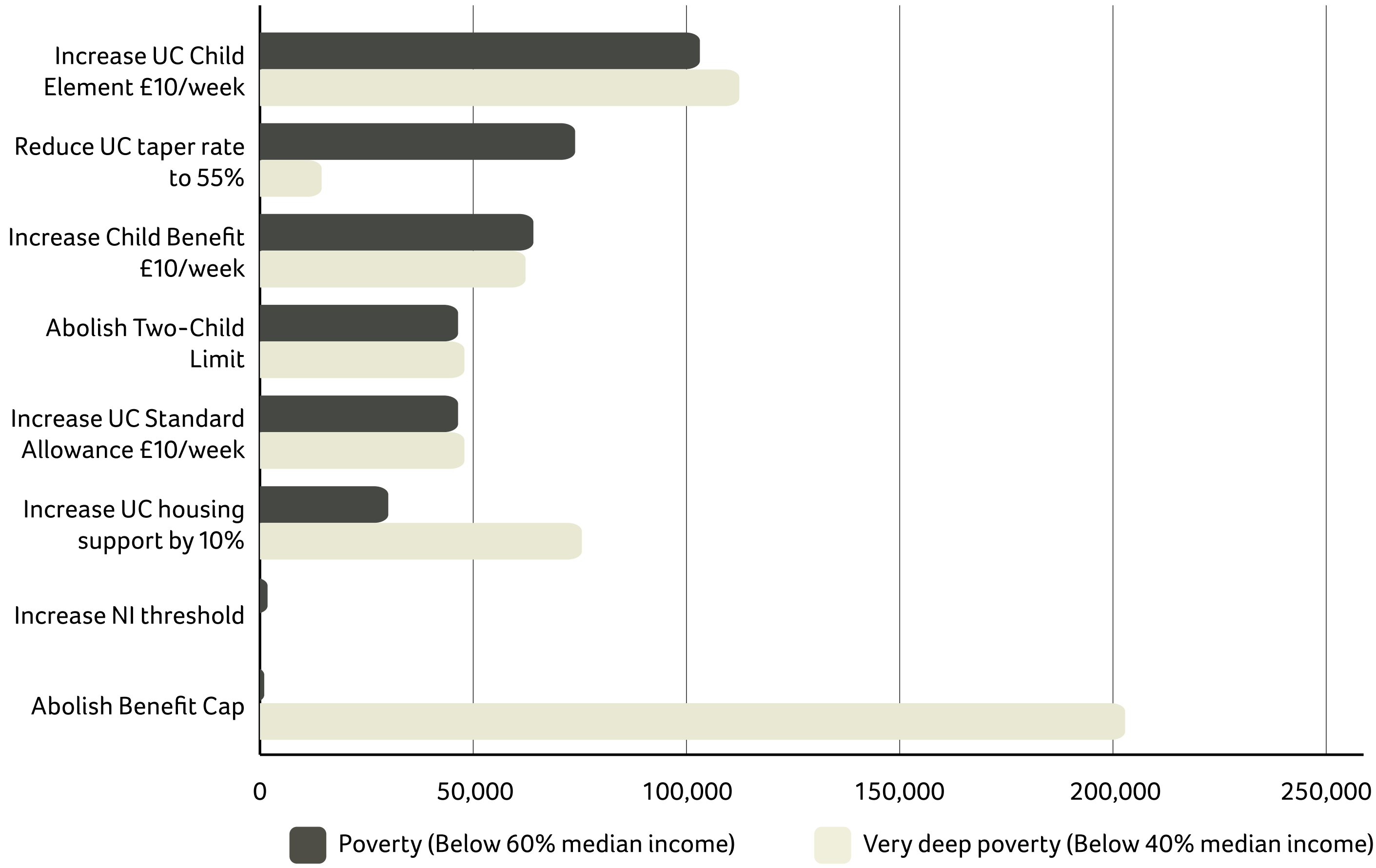
iii How far the incomes of those still in poverty would be improved, and therefore reduce the intensity of the poverty they experience

Table 10: Impact and cost effectiveness of policy reforms on child poverty

Costs are rounded to the nearest tenth. All other amounts have been rounded to the nearest hundred.

Policy reform	Cost	Number of children lifted out of poverty	Cost per child lifted out of poverty	Number of children lifted out of poverty per £1bn spent	Change in poverty depth for those still in poverty
Increase Child Element of Universal Credit					
By £5 a week	£1.1bn	92,200	£12,200	81,600	+0.2%
By £10 a week	£2.2bn	231,500	£9,600	103,600	-0.3%
By £15 a week	£3.3bn	248,400	£13,400	74,800	+0.4%
Increase Standard Allowance of Universal Credit					
By £5 a week	£1.6bn	33,700	£46,300	21,600	+0.4%
By £10 a week	£3.1bn	145,000	£21,500	46,600	0.0%
By £15 a week	£4.7bn	214,000	£21,800	46,000	0.0%
By £20 a week	£6.2bn	269,600	£23,000	43,500	0.0%
By £30 a week	£9.3bn	341,200	£27,100	36,900	+0.2%
Increase Child Benefit					
By £5 per week	£3.4bn	193,900	£17,800	56,400	+0.3%
By £10 per week	£6.8bn	441,300	£15,500	64,600	-0.1%
By £15 per week	£10.2bn	472,300	£21,600	46,300	+1.4%
Increase maximum housing support for renters in Universal Credit					
By 10%	£3.5bn	106,700	£33,000	30,300	+0.6%
By 20%	£7bn	195,000	£35,700	28,000	+0.9%
Welfare limits					
Abolish Two-Child Limit	£4bn	248,100	£16,100	62,100	+1.6%
Abolish Benefit Cap	£0.4bn	700	£541,500	1,800	+0.9%
Recent government policies					
Reduce UC taper rate from 63% to 55%	£2.7bn	202,300	£13,500	74,300	-0.9 %
Raising National Insurance threshold	£14.4bn	34,500	£419,000	2,400	-0.2%

Figure 8: Policy reforms ranked by reduction in child poverty per £1 billion spent



The most cost-effective policy reform of those modelled **is increasing the Child Element of Universal Credit by £10 a week. This would lift over 230,000 children out of poverty at a cost of only £2.2 billion a year.**

Increasing Child Benefit by £15 a week would have the biggest overall impact on poverty reduction, with nearly half a million children lifted out of poverty. Child Benefit plays an important function in helping parents with the cost of raising a child, preventing poverty and supporting the financial independence of the main carer. But increasing it by £15 a week also carries the heaviest cost at £10 billion a year.

The reduction in the Universal Credit taper rate from 63% to 55%, introduced by the government at the Autumn 2021 Budget, is also relatively effective at moving children above the 60% poverty line. However, it is much less cost-effective at moving families out of deeper poverty. This is because only working families benefited from the taper rate change, and they are much less likely to be on the very lowest incomes. Reducing the taper rate was a welcome and overdue change, but by definition did nothing for those who are unable to work.

The Benefit Cap

Table 10 shows that abolishing the Benefit Cap alone would lift very few children above the 60% relative poverty line. This is because most of the families affected by the cap are also affected by other policies - especially the Two-Child Limit - that push them into much deeper poverty.

Abolishing the cap by itself doesn't do much to get families above the 60% poverty line. However, it would significantly impact the depth of poverty that these families experience. For instance, removing the Benefit Cap would lift over 80,000 children out of very deep poverty (below 40% of median income, after housing costs). Or 100,000 children out of deep poverty (below 50% of median income).

As a driver of deepening poverty, there is a very strong case for abolishing the Benefit Cap, and at the relatively modest cost of around £400 million a year. Removing the cap is by far the most cost-effective measure for tackling poverty depth, raising average net incomes by around 2.2% per £1 billion spent. This is strengthened even further when combined with other changes to the welfare system.

The combination of lifting the Benefit Cap with other policy reforms can have a significant impact on overall child poverty reduction due to how those reforms interact with the number of capped families.

Table 11 shows the impact of the same policy reforms, combined with abolishing the Benefit Cap.

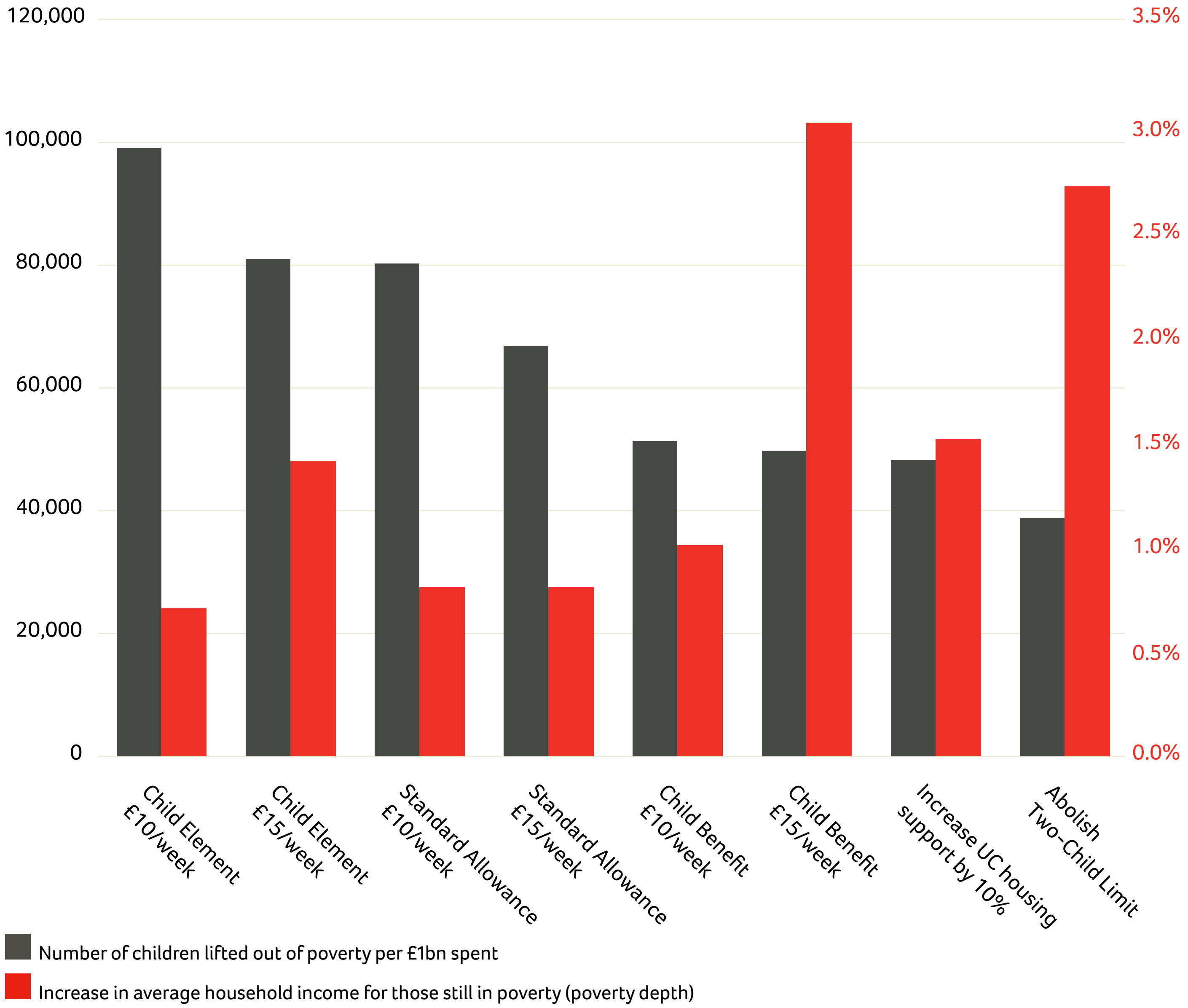
When combined with removing the Benefit Cap, raising the Child Element of Universal Credit by £10 a week remains the most cost-effective reform. This would lift 275,000 children out of poverty at a cost of £2.8 billion.

Abolishing the Benefit Cap *and* raising the Child Element by £15 a week would take nearly 320,000 children out of poverty, and is only slightly less cost effective than increasing it by £10 a week. But it would also have a significantly positive impact on poverty depth, pushing the incomes of those still in poverty an average of 1.4% closer to the poverty line.

Table 11: Impact and cost effectiveness of policy reforms on child poverty, combined with abolishing the Benefit Cap

Policy reform	Cost	Number of children lifted out of poverty	Cost per child lifted out of poverty	Number of children lifted out of poverty per £1bn spent	Change in poverty depth for those still in poverty
Increase Child Element of Universal Credit					
By £5 a week	£1.6bn	105,200	£15,000	66,500	+1.1%
By £10 a week	£2.8bn	275,200	£10,000	99,300	+0.7%
By £15 a week	£4bn	318,900	£12,400	80,500	+1.4%
Increase Standard Allowance of Universal Credit					
By £5 a week	£2bn	40,700	£48,700	20,500	+1.3%
By £10 a week	£3.6bn	182,600	19,600	51,100	+0.8%
By £15 a week	£5.2bn	257,600	£20,000	49,900	+0.8%
By £20 a week	£6.8bn	325,700	£20,700	48,200	+0.8%
By £30 a week	£9.9bn	422,500	£23,500	42,500	+1%
Increase Child Benefit					
By £5 per week	£3.9bn	237,600	£16,500	60,400	+1.1%
By £10 per week	£7.5bn	497,400	£15,000	66,600	+1%
By £15 per week	£11bn	528,400	£20,800	48,000	+3%
Increase maximum housing support for renters in Universal Credit					
By 10%	£4bn	156,700	£25,800	38,800	+1.5%
By 20%	£7.7bn	303,900	£25,300	39,500	+1.6%
Welfare limits					
Abolish Two-Child Limit	£5.1bn	409,800	£12,500	80,200	+2.7%

Figure 9: Policy reforms combined with abolishing the Benefit Cap, by cost effectiveness and change in poverty depth



Other reforms, such as raising Child Benefit by £15 a week, would have a particularly large impact on poverty depth. This is due to the non-take up of Universal Credit. There are some families in very deep poverty that do not take up their Universal Credit entitlement, but they do claim Child Benefit, which is more universal.

Increasing the Child Element of Universal Credit by £15 a week, combined with abolishing the Benefit Cap, represents the best policy option for a reform-minded government that is determined to reduce child poverty while also tackling poverty depth. At £4 billion a year, it is a bold yet realistic reform that is eminently affordable. It would help to lift hundreds of thousands of children out of poverty and hardship, and represent a big step towards building a system that guarantees a basic level of income security.

6
Conclusion and recommendations

In this report we have drawn on the latest available data to highlight the current state of child poverty and hardship in the UK. And we have explored why dominant narratives around welfare and work obscures a far more complex picture.

Our findings show that when it comes to supporting families in financial distress, work is simply not the silver bullet it is often presented as.

Most children in poverty are in families where at least one adult is working. Many will already be maximising their capacity for work. Our best estimate is that between a third and half of the children in poverty are in families that face at least one significant barrier to work or additional work. Hundreds of thousands experience more than one barrier.

In order to get serious about tackling and ultimately eradicating child poverty and hardship, two fundamental shifts in approach are required.

First, we need more realism and less rhetoric in considering the relationship between hardship and work. Fuelled in part by Treasury desire to limit social security spending, there is too great an emphasis in government on work as the only or primary route out of poverty and hardship.

It is an attractively simple proposition. If a family is struggling financially, the parents need only get a better job or increase their hours. With high numbers of job vacancies in the labour market, abundant opportunity awaits to transform your living standards through work. But for millions of households struggling to pay their bills or put food on the table this winter, this is clearly out of step with reality.

We must see greater acknowledgement and appreciation of the many varied barriers people face to raising their incomes through work. In some cases, these barriers will be insurmountable. Not everyone is well enough to work. For those who can, there must be a central focus on stripping away the practical and financial barriers they face.

This means creating high quality well-paid jobs that are open to all. It means changing cultures, shifting attitudes and fixing the cliff edges and flaws in our systems so that the machinery of government works with people and not against them. It means designing employment and skills programmes that effectively equip people with the knowledge and confidence to re-enter work. It means tackling discrimination and supporting employers to build inclusive workplaces. And it means fixing our broken childcare system so the mere act of having a child doesn't risk plunging you into hardship.

Second, we need a social safety net that ensures families are able to meet their essential costs and restores the link between assessed need and support. There is a clear disconnect in how the government talks about poverty in public and the actual practical application of its policies: we often hear that work is the best route out of poverty, and yet the benefits system itself accepts that many people it supports should not be expected to be available for work. The government tacitly accepts that large numbers of people depend on state support out of necessity, not by choice. But too often the accompanying safety net fails to give them the security and dignity they need and deserve. To address this, the threads of our social safety net must be revitalised and strengthened.

Our primary recommendations:

1.

Increase the child element of Universal Credit by at least £15 a week and abolish the Benefit Cap to lift more than 300,000 children out of poverty while also eliminating the single greatest driver of deepening poverty.

This would have a real impact for families with children, support them to better meet their essential needs and drive down poverty at an affordable cost for the government.

2.

Overhaul the annual uprating of benefit levels so that rates always keeps pace with prices and living standards.

In the short term, the government should build the necessary infrastructure to enable it – particularly in times of high economic volatility – to use a more up-to-date or forecast measure of inflation on a more regular cycle.

Immediate attention must also be given to childcare support in the benefits system, which has not risen for many years.

The government should increase the maximum amount that can be repaid under the childcare element of Universal Credit and Tax Credits so that is actually reflects market rates in each area of the country, and raise the limit from 85% of eligible costs to 100%.

The longer term aim should be to depoliticise the uprating process as much as possible by shifting responsibility to a new independent 'Living Standards Commission', modelled on the Low Pay Commission, to make recommendations on minimum benefit uprating levels. This could have a clear remit to ensure that uprating decisions are focused on covering essential costs and protecting living standards.

The body could also be charged with developing its own baseline level of basic adequacy, below which benefits cannot fall, and given a specific mandate to bring benefit levels up to a certain level over time. Such a mandate could be subject to particular conditions, such as the health of the economy and the government's fiscal position. This would be similar to the Low Pay Commission's mandate to raise the National Living Wage to two-thirds of median income by 2024. By creating an institutional focus on benefit adequacy and living standards through an independent and transparent process, it could also improve the public debate around benefit levels.

We also recognise that helping children out of poverty will require a wider set of reforms. That could include:

- **Establishing an independent review of the childcare system and how it is funded** and commit to implementing the wide-ranging reforms required to improve affordability, quality and access.
- **Ending the need for parents on Universal Credit to pay childcare costs upfront** by paying the providers directly or through an alternative mechanism, such as facilitating payments in advance.
- **Abolishing the other great driver of deepening poverty - the Two-Child Limit policy - to further restore the link between need and support.** By itself, this alone would lift nearly 250,000 children out of poverty.
- **Increasing rates for Carer's Allowance and fixing the earnings threshold cliff edge** so that it is more in line with other income-replacement benefits and does not act to disincentivise work among parent carers.
- **Committing to implementing the Social Security Advisory Committee's recommendations on disability benefits and assessment processes** in the forthcoming white paper. The Social Security Advisory Committee has made a number of recommendations aimed at mitigating flaws in the disability benefits system, particularly around making the prospect of paid work seem less risky for disabled people. It's also clear that trust needs to be rebuilt in the system by offering more tailored support that takes account of personal circumstances in a fairer way.[78]
- **Committing to greater devolution of funding and responsibility for disability employment programmes** to give local areas the resource and autonomy they need to innovate and create more meaningful connections between individuals and their community.

Methodology

Data analysis

We commissioned Landman Economics to produce the poverty and hardship statistics used in this report. This includes the latest estimates for various income-based poverty and hardship measures, and estimates for the number of children in families affected by barriers to work. Data is based on the 2020/21 Family Resources Survey (FRS) and the 2020/21 Households Below Average Income (HBAI) datasets. Statistics on persistent poverty are drawn from Understanding Society waves 8-11.

The 2020/21 Family Resources Survey data used for most of the analysis was impacted due to the COVID-19 pandemic. Interviews had to be conducted by telephone instead of in person and the achieved sample size was lower than normal. All of the poverty and hardship statistics used in this report have been subject to a robustness check, and are within 7.5 percentage points from the average of the two previous years of FRS data.

Landman Economics modelled the impact and cost-effectiveness of the policy reforms using their own model of the UK tax and benefit system, the Landman Economics Tax Transfer Model.

Interviews

We interviewed 10 parents (7 women, 3 men) who had used Action for Children services and considered themselves to be in poverty or financial hardship. Interviews took place online via Microsoft Teams or over the telephone throughout July and August 2022 and used a semi-structured approach. Participants came from all nations of the UK. Interviews were transcribed verbatim and analysed thematically. The qualitative findings in this report are not intended to be representative of the population at large, but of the views expressed by the participants. However, they provide meaningful insight as case studies into the variety of barriers to work and experiences of financial hardship faced by different family types.

Definitions

- Relative poverty – Below 60% of median income for that year, after housing costs.
- Absolute poverty - Below 60% of median income in 2011, after housing costs (adjusted in real terms).
- Deep poverty – Below 50% of median income for that year, after housing costs.
- Very deep poverty – Below 40% of median income for that year, after housing costs.
- Child material deprivation – Has a household child deprivation score of more than 25 as recorded in the Family Resources Survey.
- Food insecure – Has ‘low’ or ‘very low’ food security, as recorded in the Family Resources Survey.
- In financial difficulty – Household can’t keep up to date with bills, as recorded in the Family Resources Survey.
- Persistent poverty – Defined as living below 60% of median income for three or more of the last four years, as recorded in the Understanding Society survey. The most recent 4 waves are referred to, from 2016/17 to 2019/20.
- Combined deprivation – A combined category we developed for the ‘work-constrained’ analysis. It refers to families that are suffering from at least one of the following: child material deprivation, food insecurity or in financial difficulty.

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