House of Commons

Work and Pensions Committee

The two-child limit: Government Response to the Committee's Third Report of Session 2019

Second Special Report of Session 2019–21

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Work and Pensions Committee

The Work and Pensions Committee is appointed by the House of Commons to examine the expenditure, administration, and policy of the Department for Work and Pensions and its associated public bodies.

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The Committee is one of the departmental select committees, the powers of which are set out in House of Commons Standing Orders, principally in SO No 152. These are available on the internet via www.parliament.uk.

Publication

Committee reports are published on the publications page of the Committee's website and in print by Order of the House.

Committee staff

The current staff of the Committee are Henry Ayi-Hyde (Committee Operations Officer), Christopher Barrett (Committee Specialist), Harrison Card (Assistant Policy Analyst), Oliver Florence (Senior Media and Communications Officer), Michelle Garratty (Committee Operations Manager), Anne-Marie Griffiths (Clerk), Ailish McAllister-Fisher (Second Clerk), Dr Libby McEnhill and James Mirza Davies (Senior Committee Specialists).

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Second Special Report

On 3 November 2019, the Work and Pensions Committee published its Third Report of Session 2019, *The two-child limit* (HC 51). On 2 December 2020 we received the Government Response to the Report, which is appended below.

Appendix: Government Response

The Government thanks the previous Work and Pensions Select Committee for its Third Report of Session 2019, published on 3 November 2019, following its inquiry into the policy to provide support for a maximum of two children.

The Committee recommended removing the two child limit on welfare benefits.

The Government disagrees with that recommendation.

The Committee came to four conclusions.

The Government's justification for providing support through tax credits and Universal Credit to only the first two children in a family is that it wants parents claiming benefits to face the same financial choices as those who are supporting themselves solely through work. It argues that this policy is necessary to achieve fairness. That argument may be initially attractive. But it simply does not stand up to scrutiny. (Report, par 39)

This policy puts families financially supported by the state in the same position as other families not supported by the state.

We do recognise that some claimants are not able to make the same choices about the number of children in their family. That is why exceptions have been put in place to protect certain groups. We also ensure that additional support is given for any disabled child.

Child Benefit and help for childcare costs continue to be provided for all children in a family.

Firstly, we stand by our earlier conclusion that this distinction is crude and unrealistic: someone supporting themselves through work today might well need help from the benefits system tomorrow. By the Government's logic, only a household wealthy enough to withstand all of life's misfortunes without recourse to the benefits system could responsibly decide to have more than two children. Such households will be few and far between. (Report, par 40)

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

The Government continues to take action to help all families with the cost of living. This includes:

- Raising the National Living Wage in April 2020 to £8.72 for workers aged 25 and over, increasing a full-time minimum wage worker's annual;

- Raising the Income Tax personal allowance to £12,500 this year, making basic rate tax payers over £1,200 better off, compared with 2010;
- The Universal Credit Work Allowance was increased by £1,000 from 8 April 2019. This means that 2.4m households will keep an extra £630 of income each year;
- Reducing the UC taper to 63% so people who progress in work can keep more of what they earn;
- Continuing to provide additional help for eligible childcare costs through Working Tax Credit and Universal Credit which is available regardless of the total number of children in the household;
- Introducing tax-free childcare; and
- The introduction of 30 hours a week of free childcare for 3- and 4-year-olds of working families, saving families up to £5000 a year per child.

Secondly, having children is not always a choice. Only a minority of third children result from planned pregnancies. Some are conceived as a result of rape or coercive control—and with only 510 survivors receiving the exemption for such cases, it is inevitable that some are being affected by the two-child limit, despite the Government's stated intentions. The two-child limit wrongly assumes either that pregnancies are always planned or that those who conceive as a result of rape or coercive control are in a position to leave their partner and disclose what has happened. (Report, par 41)

The exceptions to this policy are considered and compassionate. For those whose third or subsequent child is likely to have been born as a result of non-consensual conception (NCC), there is an exception available. This exception can apply in cases of rape, as well as in cases of coercive control, which can include domestic violence. We have always been clear that this exception will be delivered in the most effective, compassionate way, with the right safeguards in place. That has not changed.

We also recognise the sensitivities surrounding disclosure and have therefore set up procedures that are mindful of this. This process was designed following a public consultation. Claimants in this situation will be able to contact a third party professional, which includes GPs and other health care professionals they are likely to already be in contact with, as well as registered social workers and more specialist organisations who may be able to provide or signpost to further support. This third party professional will confirm that the claimant's circumstances, as described by them, are consistent with the criteria for this exception. The claimant will not need to produce any evidence to support their claim to the third party professional. The third party professional will not judge the credibility of the claimant's statement, only that it is consistent with the criteria for the exception. Once confirmation is received from the third party, the Department will apply the exception.

There are no circumstances in which a claimant has been refused an exception where they meet the criteria and have supplied a correctly completed document to that effect. Where this exception is granted, the award notices will not state the reason for the exception, nor will this be disclosed.

The Government's position for victims of domestic abuse acknowledges there are different routes for victims and not all will feel able to leave the perpetrator and that victims may return to the perpetrator at a later time. The government believes that, rather than increased financial support, other forms of victim support are more appropriate in this instance which can ensure that the additional support is going to those for whom it is intended.

Thirdly, the policy disproportionately impacts some groups in society—including those who are already experiencing higher levels of poverty and deprivation. It is predicted to increase poverty to a greater extent in Northern Ireland than in the rest of the UK; to push more Muslim and Jewish communities into poverty; and to have a greater impact on Pakistani, Bangladeshi and Gypsy, Roma and Traveller families. (Report, par 42)

This policy does not attempt to limit the number of children people have. Claimants are able to have as many children as they choose, in the knowledge of the support available.

The policy has been implemented in Northern Ireland by the Department for Communities. Any decision to change would be for a Northern Ireland Executive and Assembly to take.

The Government argues that the two child limit will not increase child poverty, because it will encourage families to increase their incomes from work. That may be possible for some. But for many, especially lone parents, the difficulty of accessing affordable childcare means that working more hours simply isn't an option. Those families are left with no choice but to make their already frozen and capped incomes stretch ever further—sometimes to breaking point. All too often it will be children themselves who bear the impact. Expert organisations, including the Institute for Fiscal Studies, have forecast significant increases to child poverty, and the Government has provided no evidence to prove them wrong. (Report, par 43)

The Government has a range of policies which support children and families across the tax and benefits system and public services.

This Government is committed to tackling poverty in all its forms and remains convinced that the only sustainable long-term solution is to build a strong economy and welfare system, so that it works with the tax system and the labour market to support employment and higher pay. Supporting employment is also key to ensuring better long-term outcomes for children because we know that children in working households do better at every stage of their education; children growing up in workless families are almost twice as likely as children in working families to fail at all stages of their education.

The Government increased benefits by 1.7% from April 2020. The Government also made changes from 8 April 2019 to allow those that qualify for a work allowance (including those with dependent children) to keep more of their earnings before it begins to affect their UC award.

Providing help with the costs of childcare is essential to support parents to move into and remain in work. In Universal Credit, working families can claim up to 85% of their eligible childcare costs each month up to a cap. This equates to a maximum support of £646.35 per month for one child and £1,108.04 per month for two or more children.

We work with HMRC and the Department for Education on promoting the UC childcare offer and the wider government childcare offers, including the Free childcare offers and Tax Free Childcare. This has been made available within DWP via the intranet and as posters in Jobcentres and can be given to claimants as a leaflet. Work coaches can explain to claimants the different childcare offers.

We have made changes to the Flexible Support Fund (FSF) guidance to align it more closely with Universal Credit. This included removal of the 16 hours of employment restriction to enable claimants starting work of less than 16 hours to get help with upfront childcare costs and raising the age of dependent children to 16. Guidance and L&D products have been refreshed to increase work coaches understanding of how FSF can be used to help eligible claimants entering employment with their first set of childcare costs. Also work coaches have been advised to use FSF funding before any budgeting advance is considered (where appropriate).

We have increased flexibility in UC for parents to report their childcare costs by giving them an additional assessment period. We have also developed a UC childcare social media toolkit for our local Jobcentres so that they can communicate the UC childcare offer to existing and potential claimants. Furthermore, the Government is helping to reduce the cost of living and we have highlighted examples of how we are doing this above.

We do not recommend the reversal of a significant policy lightly. But on the evidence, the two child limit not only fails to achieve the Government's own objectives, but has unintended consequences that no Government should be willing to accept. The Government must return to providing support for all children through the benefits system. (Report, par 44)

The Government is committed to providing a benefit system which is sustainable and fair to claimants, as well as those who support themselves solely through work. The Government feels it is fair and proportionate to provide support for a maximum of two children. Statistics from the Office for National Statistics show that in 2019, of all families with dependent children, 85% had a maximum of two in their family. For lone parent families, this was 86%. Furthermore, the Government has put in place exceptions for certain claimants.

As outlined above, the Government continues to take action to help families with the cost of living. It is committed to tackling poverty in all its forms and remains convinced that the only sustainable long-term solution is to build a strong economy and reform the welfare system, so that it works with the tax system and the labour market to support employment and higher pay.

After considering the points raised by the committee, the Government does not accept the recommendation to reverse the policy.