



# CPAG BRIEFING

## UNDERSTANDING THE JUMP IN FAMILIES AFFECTED BY THE BENEFIT CAP

22 June 2021

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Today, the Department for Work and Pensions (DWP) has published the latest statistics on the number of households affected by the benefit cap in February 2021.<sup>1</sup> This briefing summarises those statistics, explains how the benefit cap works and provides examples of how it affects real families using evidence from our Early Warning System.<sup>2</sup>

### What is the benefit cap?

The benefit cap is a limit to the amount of money certain families can receive in benefits. The cap is £20,000 a year for a family and £13,400 for a single adult, except in Greater London where it is £23,000 for families and £15,410 for single adults.

When the cap was introduced in April 2013, the level was higher at £26,000 for a family and £18,200 for a single adult nationwide. It was lowered to the current levels in November 2016.

The benefit cap only affects working-age people and families who earn less than £617 a month (equivalent to working 16 hours a week at the minimum wage).<sup>3</sup> Families who begin a universal credit (UC) claim may be exempt from the benefit cap for nine months if, in each of the previous 12 months, they earned £617. This is referred to as the 'grace period'.

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<sup>1</sup> Department for Work and Pensions, [Benefit cap: number of households capped to February 2021](#), Department for Work and Pensions, June 2021

<sup>2</sup> CPAG's Early Warning System collects case studies from frontline practitioners working directly with families on the problems they are seeing with the social security system.

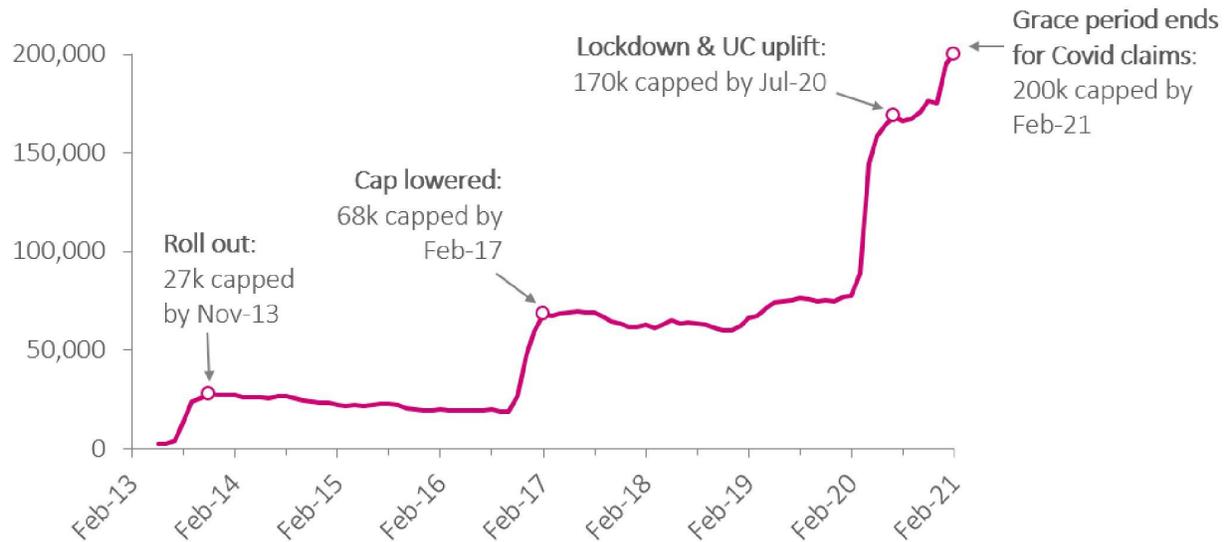
<sup>3</sup> Except for some families in receipt of legacy benefits: couples need to work a combined 24 hours a week to be exempt from the cap and single people with no children need to work 30 hours a week.



## How many families are affected by the benefit cap?

The data out today shows that, **in February 2021, when there was a nationwide lockdown, 200,000 families were subject to the benefit cap – 24,000 higher than three months earlier** and 122,000 higher than the previous year.

**Figure 1: Number of households capped**



In the quarter to February 2021, 43,000 households became capped for the first time. This is likely to be driven by families who started to claim UC at the beginning of the COVID-19 pandemic reaching the end of the nine-month grace period. They would therefore be subject to the cap if their monthly earnings were below £617 (at a time of a nationwide lockdown), and they had not consistently earned more than £617 a month in the previous year (during which various restrictions were in place).

“The main driver of the rise is that people who lost work at the start of pandemic reached the end of the grace period.”

The latest jump follows a doubling in the number of capped families at the beginning of the pandemic. This was partly due to the UC uplift and local housing allowance increases, which increased the benefit levels of some families above the cap and meant they only received a partial uplift. It was also partly because some of those who lost their jobs at the start of the pandemic could not evidence the required earnings history to benefit from the grace period, and were subject to the cap instantly. This is particularly true of those working in low-paid jobs where zero-hour contracts and insecure hours are more common, and workers have limited control over how many hours they work over the course of a week or a month. Parents and carers of children may also struggle to demonstrate their earnings history if they work part-time hours, for example a term-time job, in order to care for children.

## Who is affected by the benefit cap?

The vast majority of those affected by the cap are families with children (83 per cent, 166,000 families). The benefit cap doesn't recognise that families with children face higher living costs – larger families are instead subject to the same cap as couples without children, making it harder for them not to reach the cap threshold.

Over 80,000 of those capped were parents with a child under the age of 5, including 55,000 single parent families. Single parents with young children are systematically disadvantaged by the cap as, in order to avoid it, they must cover all childcare responsibilities and reach the required earnings threshold singlehandedly. The Resolution Foundation has also highlighted that working single parents with young children were more like to be working in sectors most affected by the lockdowns.<sup>4</sup>

**FF** 55,000 of those capped were single parents with young children, a group more likely to be working in shutdown sectors.

## How has the benefit cap impacted families during the pandemic?

Families affected by the cap lose, on average, £238 a month in benefit income. However, some families lose much more – 31,000 families lost more than £400 a month including 1,900 families who lost more than £1,000 a month.

The *Benefit Changes and Larger Families* research project, funded by the Nuffield Foundation, explores how these financial losses impact people's day-to-day lives. They have undertaken interviews with capped families, and the quotes from participants below highlight how, despite careful budgeting, families go without essentials and sometimes fall into debt.

*"I started getting into debt, and I'd never been in debt before. I never had to think about whether to feed the kids or pay the rent and so at one point I was literally like, I remember telling that to my best friend, I said: "They either eat this week or they have a roof over their head this week.""*

I&S

subject to the benefit cap and two-child limit

*"Shopping, you know, can't get them treats very often and, yeah, if you do, you know, you go behind on something if you want to pay for something else, you fall behind on other things like bills and, you know, and, well, you know, nowadays most kids have everything, it's not nice for your kids to look at other people and not have similar things."*

I&S

subject to the benefit cap and two-child limit

*"I have to manage for the food, it's very important... the kids have to eat, yeah, and then I have to manage the clothes, what they're wearing, because they're growing up, yeah, and the shoes, yeah, not every month but I have to borrow, you know."*

I&S

subject to the benefit cap

Research from Shelter echoes these experiences. It shows that the benefit cap often means that families often don't have enough money to pay their rent or, as a result of paying their rent, would have to go without food,

<sup>4</sup> M Gustafsson and C McCurdy, *Risky Business: Economic impacts of the coronavirus crisis on different groups of workers*, Resolution Foundation, April 2020

heating, clothing or personal care items.<sup>5</sup> It also shows that few families are able to avoid the cap by moving to lower-cost housing.<sup>6</sup>

Women's Aid has also highlighted that the benefit cap makes it harder for women to leave an abusive relationship and that two thirds of women experiencing abuse reported that it had got worse since the pandemic.<sup>7</sup>

This research aligns with the evidence in CPAG's Early Warning System, which collects case studies from frontline practitioners working directly with families on the problems they are seeing with the social security system. Since the start of the pandemic we have seen multiple cases of families, mostly single parents, often with current or recent work experience, being subject to the cap. Most of the UC received by capped families goes towards the rent and there is little they can do to lower their living costs. The following are case studies from the Early Warning System.

*A single parent with two children aged under five had her UC capped when she came to the end of the nine-month grace period. Her rent is high due to the area where she lives, and she has limited choice about where to live, as landlords often refuse to accept a lone parent in receipt of benefits as a tenant. She did not benefit from the £20 UC uplift as this only increased the amount that was deducted for the benefit cap.*

*A single parent with three children had to reduce her working hours due to temporary illness, and made a claim for UC. She has consistently worked 16 hours a week in the past year but, because she is paid weekly, she will be capped. In some months she received five pay cheques and in others she received four. In the months she received four, her earnings will appear to be below the threshold to benefit from the grace period.*

*A widow with six children applied for UC following the death of her husband. She was incorrectly subject to the cap when the grace period should have applied. She receives little to no UC as it goes to her landlord to pay the rent.*

*A couple with four children receive UC and are subject to the benefit cap. Although one of them is in work, her monthly earnings are below the threshold to be exempt from the cap.*

### What can be done?

Today's statistics reveal the extent to which the benefit cap has undermined the government's own efforts to help low-income families through the pandemic. The cap has prevented some families from benefiting from the UC uplift, it has restricted the support that insecure workers could access throughout the pandemic and it has now cut benefits to those who lost their jobs at the start of the pandemic while we are still in lockdown.

Even prior to the pandemic, there was strong evidence of the severe financial hardship that the cap was placing on families.<sup>8</sup> Now the number of families affected is far higher. Removing the benefit cap would only cost £575 million and have a large effect on deep poverty – 170,000 fewer children would be living in families with an

<sup>5</sup> Even with conservative assumptions, a capped lone-parent family with three children would be unable to cover essential costs in a third of areas in England. J Pennington and S Kleynhans, *Renters at risk: Getting through the coronavirus crisis*, Shelter September 2020

<sup>6</sup> A couple with two children in a modest two-bed private rented home would be affected by the cap in 82 per cent of areas in England

<sup>7</sup> S Kleynhans and L Hadley, *Joint Briefing with Women's Aid: The Benefit Cap and Domestic Abuse*, Shelter and Women's Aid, May 2021

<sup>8</sup> G Tonutti, *How has the benefit cap affected Londoners?*, Policy in Practice, March 2018

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income below 40 per cent of median. The government must abolish the benefit cap to ensure that low-income families who are struggling financially as a result of the pandemic are supported.

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### About CPAG

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

### About the Benefit Changes and Larger Families research project

The Benefit Changes and Larger Families research project examines how the risk of poverty for larger families has changed as a result of recent benefit reforms which have broken the link between needs and entitlement in the social security system. The multi-method project will enable better understanding of welfare reform's impact on larger families and contribute to the evidence base on the impact of separating benefit from need. The project has been funded by the [Nuffield Foundation](#), but the views expressed are those of the authors and not necessarily the Foundation.