



# Policy briefing:

## Child poverty

Immediate policy options to tackle child poverty and barriers to work

July 2024

## Recommendations

### Fixing the adequacy of social security:

- **Scrap the Two Child Limit and Benefit Cap policies** that are the key drivers of rising and deepening levels of child poverty.
- **Restore the social security system to an adequate baseline.** Eight in ten families on Universal Credit have fewer than three children, so will see no benefit from scrapping the Two-Child Limit alone. Policy must therefore go further to restore adequacy to the system. The government can ensure investment is highly targeted at low-income families with children by **increasing the child element of Universal Credit by at least £15 a week.**

### Stronger work incentives in the social security system:

- **Introduce a second earner's work allowance in Universal Credit** to improve the financial incentives for partners, mostly mothers, to return to work. This would lift family incomes and reduce child poverty while supporting employment outcomes.
- **Increase the earnings limit in Carer's Allowance to reflect 21 hours a week at the National Living Wage or scrap it entirely.** Scrapping it would reduce complexity, eliminate claimant anxiety around breaching the limit, resolve the earnings overpayments issue and send a clear message to carers that if they want to flexibly balance care with work they can do so.

### Good quality, secure work:

- **Increase the rate of Statutory Sick Pay to at least cover the National Living Wage** and allow SSP to be used more flexibly to support a phased return to work.
- **Build upon the Carers Leave Act 2023 by making the current provision for up to a week of unpaid carers leave a year a paid entitlement,** covering at least the National Living Wage.

### Better job-seeking support:

- **Invest in more specialist provision within jobcentres as part of the new Jobs and Careers Service,** with a focus on single parents, carers and disabled parents. This could involve upskilling and re-deploying existing work coach staff, but should also seek to match and recruit staff with lived experience.
- **Ease strict conditionality requirements that undermine trust and engagement between claimants and work coaches and creates unnecessary administration for employers.** The current requirement to evidence 35 hours of work search a week and to take any job after one month of job search in your preferred industry should be replaced with a more personalised and flexible approach. This should also apply to in-work conditionality.
- **Sanctions policy should be urgently reviewed, so that they are only used as an absolute last resort in exceptional circumstances.** For example, in response to a prolonged and repeated pattern of non-engagement without a reasonable explanation.

### More childcare and training support:

- The Department for Education **must ensure the rates paid to providers for the current and expanded entitlements are adequately funded at cost.** The DWP should prioritise help to support low-income families to enter and progress in work by **extending Universal Credit childcare support to those in training and education.** In the long-term, the government should **rationalise the complex and disjointed system of childcare subsidies by moving towards a single, universal scheme from the end of parental leave to the start of school.**

## Introduction

Poverty and extreme hardship is increasingly commonplace in our communities and is felt particularly acutely by families with children. This trend was intensified by the pandemic and cost of living crisis, but is the product of a broader and longer-term deterioration in living standards, public services and the social safety net that predates both and reflects political choices.

The government's commitment to a new child poverty strategy signals a welcome change of direction. Done right, it represents a once in a generation opportunity to transform the life chances of millions of children. In this briefing, we focus on two broad goals that should strongly inform it:

1. **Fixing social security:** Restoring the adequacy of the social security system is essential for the child poverty strategy to succeed. We cannot expect to make a serious dent in poverty levels without significant investment. But it is not the only lever we should look to pull.
2. **Supporting low-income families to overcome barriers to work:** We welcome the government's renewed emphasis on supporting people into good quality work. The child poverty strategy should have a specific focus on how it can support low-income families with children to break down barriers to work and lift their incomes through employment.

We make the case for 10 policy changes that would deliver on these two goals. Many of them could be enacted relatively quickly through regulations. The solutions to child poverty are well known, and there is no reason why the business of ending it need wait any longer. The government should strongly consider these proposals for its next Budget.

## Fixing the adequacy of social security

### Policy background

#### Too many families are experiencing severe hardship

The day-to-day reality for families and children struggling on low-incomes could not be starker:

- **Three in 10 children – 4.3 million – are now growing up in poverty.** In the ten years between 2012/13 and 2022/23, the number of children in poverty rose by 700,000, an increase of 3 percentage points (from 27% to 30%).<sup>1</sup>
- **The number of children experiencing destitution – the most extreme form of poverty – almost tripled in five years.** According to research from the Joseph Rowntree Foundation, 1 million children experienced destitution in 2022, an increase of 186% since 2017.<sup>2</sup>
- **Child homelessness has never been higher.** 152,000 children were living in temporary accommodation in March 2024, a 15% increase on 2023 and the highest number since records began. Compared to a decade ago, child homelessness numbers are up by 82%.<sup>3</sup>
- **Food insecurity and demand for food banks is at record levels.** The number of food parcels given out by the Trussell Trust passed 3 million in 2023/24, including 1.1 million provided for

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<sup>1</sup> Figures refer to the relative poverty after housing costs measure. DWP (March 2024) '[Households below average income: for financial years ending 1995 to 2023](#)'.

<sup>2</sup> Destitution is defined as either lacking two or more of six essentials (shelter, food, heating, lighting, clothing and basic toiletries) over the previous month, or having an extremely low income (£125 a week for a single parent of one child, or £205 a week for a couple with two children). Joseph Rowntree Foundation (October 2023) '[Destitution in the UK](#)'.

<sup>3</sup> There were 151,630 children in temporary accommodation (within 74,530 households) in March 2024. In March 2014, it was 83,370. DLUHC (August 2024) '[Statutory homelessness live tables](#)'.

children – a 133% increase since 2017/18.<sup>4</sup> Survey data from the Food Foundation shows that 20% of families with children experienced food insecurity in January 2024.<sup>5</sup>

- **Since 2020, the Action for Children Crisis Fund has distributed £2.2 million in emergency grants for food, appliances, utilities and other essentials to 16,000 families and 38,000 children.** Over two-thirds (69%) of Action for Children practitioners surveyed in winter 2023/24 were supporting someone experiencing poverty or extreme financial hardship.

### **The social security system isn't protecting children from poverty**

These alarming trends are a clear sign that the state is failing to adequately protect children from poverty. Two major features of the social security system in recent years help to explain this:

1. **The core value of benefits is below subsistence levels.** The basic rate of unemployment support in the UK is the lowest in the developed world, covering only 17% of previous earnings (the 'replacement rate') compared to an OECD average of 62%.<sup>6</sup> Evidence from the Joseph Rowntree Foundation has demonstrated how the standard allowance of Universal Credit falls significantly below what's needed to afford a basic basket of essentials.<sup>7</sup> Between 2013 and 2016, increases to most working-age benefits were capped at 1%. Benefits were then frozen entirely between 2016 and 2020. Consequently, benefits have lost 9% of their real terms value since 2012.<sup>8</sup> In recent years, the government has relied heavily on discretionary grants to local authorities – particularly through the Household Support Fund (HSF) – to plug the gaps in the safety net. By September 2024 when the latest tranche of funding comes to an end, local authorities will have disbursed £3 billion in local welfare assistance since October 2021, mostly to support families with children.<sup>9</sup>

Unprecedented demand for emergency help through the HSF, Action for Children Crisis Fund, food banks, advice services and other forms of crisis support strongly indicate that benefit rates are simply too low for families to meet their essential needs. The Resolution Foundation, Bright Blue and the cross-party Work and Pensions Select Committee have all called for action on benefit adequacy.<sup>10</sup> A key issue is that benefit levels have no empirical basis in what constitutes a minimally acceptable income. There is no calculation or framework guiding decisions around benefit levels, and no government since the 1960s has even attempted to review adequacy.<sup>11</sup>

2. **Key welfare changes since the 2010s have disproportionately disadvantaged families with children and are major drivers of rising child poverty.** Analysis from the IFS shows that families with children have borne the brunt of tax and benefit reforms since 2010, with lower income working families losing £3,100 a year on average.<sup>12</sup> The Benefit Cap overwhelmingly affects families with children (89%) – most of whom are single parents (71%). Over half of single parents affected by the Benefit Cap (54%) are supporting a child under five.<sup>13</sup> The Two-Child Limit is perhaps the single biggest driver of rising child poverty. Larger families represent a rapidly increasing share of the children in poverty: 50% in 2022/23, up from 32% in 2012/13. In

<sup>4</sup> Trussell Trust (April 2024) '[End of year stats](#)'.

<sup>5</sup> Food Foundation (January 2024) '[Food insecurity Tracking: Round 14](#)'.

<sup>6</sup> OECD (2024) '[Benefits in unemployment, share of previous income](#)'. Figures refer to the net replacement rate in unemployment benefits after two months for a single adult earning two-thirds (67%) of the average wage.

<sup>7</sup> Joseph Rowntree Foundation (February 2024) '[Guarantee our Essentials](#)'.

<sup>8</sup> Policy in Practice (November 2023) '[Autumn Statement 2023: Uprating benefits – the long view](#)'

<sup>9</sup> On average across the three allocations from October 2021 to March 2023, 63% of HSF funding was spent on children.

<sup>10</sup> Resolution Foundation (December 2023) '[Ending Stagnation: A New Economic Strategy for Britain](#)', Bright Blue (January 2023) '[Building Up: The future of social security](#)', Work and Pensions Select Committee (March 2024) '[Benefit levels in the UK](#)'.

<sup>11</sup> House of Commons Library (April 2022) '[How benefit levels are set](#)'

<sup>12</sup> Institute for Fiscal Studies (June 2024) '[The distributional impact of tax and benefit reforms since 2010](#)'.

<sup>13</sup> DWP (June 2024) '[Benefit cap: number of households capped to February 2024](#)'

contrast, poverty levels within families with two children has barely changed.<sup>14</sup> The Resolution Foundation projects that child poverty will rise to levels not seen since the 1990s due largely to the impact of the Two-Child Limit.<sup>15</sup>

The reduction of Local Housing Allowance rates from the 50<sup>th</sup> to the 30<sup>th</sup> percentile of local rents from 2011 and the subsequent freezing of rates entirely for most of the last decade has further broken the link between need and support within the social security system and contributed sharply to rising child poverty and homelessness. The restoration of LHA rates to the 30<sup>th</sup> percentile in April 2024 will have provided some relief, but families with children were particularly disadvantaged by the decision not to also increase the Benefit Cap, limiting or depriving them of the additional housing support they would have otherwise been entitled to.<sup>16</sup>

### **We already have the solutions to rising child poverty and hardship**

The social security system is the fastest, simplest and most targeted means of lifting the incomes of the poorest; it is precisely what it was designed to do. That is particularly true for families with children who – by their nature – face higher costs and inevitably find it more difficult to boost their incomes through work. During the pandemic, and more recently with the Cost of Living payments, we have seen how the move to Universal Credit has enabled levers to be pulled at a pace that was not previously possible under the legacy system.

**Past experience also shows that poverty levels are highly policy responsive.** Child poverty rates fell markedly during the 1990s and early 2000s, a period when the New Labour government committed significant resources to delivering its pledge to end child poverty within a generation, including billions invested in social security. Pensioner poverty fell even more dramatically over this period. Child poverty rates steadily increased again from 2012/13, but the first year of the pandemic saw levels fall back following the temporary £20 a week increase to Universal Credit. The withdrawal of that support, and the subsequent income shock caused by the cost of living crisis, have pushed child poverty levels up once again. The lesson here is clear: investment in social security reduces child poverty, while cuts drive it back up.

Alongside these trends, there has been a **long-term shift in public attitudes toward benefits and poverty.** The British Social Attitudes Survey has been tracking public sentiment toward welfare for decades. According to its most recent edition, 69% of the public think there is a lot of poverty in Britain, compared with 52% in 2006, and 78% say that poverty has risen in the last decade.<sup>17</sup> Attitudes to welfare are also softening: 37% of the public think the government should spend more on benefits even if that leads to higher taxes, up from 29% in 2010. A separate poll from the Joseph Rowntree Foundation found that 66% of the public think the basic rate of Universal Credit is too low.<sup>18</sup> The public also routinely overestimates the generosity of benefits. Recent polling by the New Economics Foundation shows that, on average, the public thinks that unemployment benefit provides 48% of a full-time salary at the National Living Wage, and think it should be 53% – twice as high as it actually is (23%).<sup>19</sup>

Child poverty and hardship have reached heights that have not been seen in this country for at least a generation. Not only does this damage children's lives and life chances, it is having a direct impact

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<sup>14</sup> DWP (March 2024) '[Households below average income: for financial years ending 1995 to 2023](#)'. Table 4.8ts. See also Stewart, K., Patrick, R. & Reeves, A. (July 2021) '[A time of need: Exploring the changing poverty risk facing larger families in the UK](#)'. London School of Economics and Political Science.

<sup>15</sup> Resolution Foundation (August 2024) '[Living Standards Outlook 2024](#)'

<sup>16</sup> Resolution Foundation (December 2023) '[A temporary thaw: analysis of Local Housing Allowance uprating over time](#)'

<sup>17</sup> NatCen (September 2023) '[British Social Attitudes Survey 40: Poverty](#)'

<sup>18</sup> Joseph Rowntree Foundation (February 2024) '[Guarantee our Essentials](#)'

<sup>19</sup> New Economics Foundation (June 2024) '[The politics of "welfare" has distorted public perceptions of social security](#)'

on crucial frontline services like schools and healthcare.<sup>20</sup> Almost one in five Action for Children practitioners (18%) report spending so much time helping families to meet their basic needs that it significantly impacts the day-to-day delivery of their service, meaning fewer families getting timely access to the support and interventions they were referred to us for. The total impact of child poverty to the economy has been estimated at £40 billion a year in spending on services, benefits and lost potential.<sup>21</sup> The government has clear levers it can pull, and the political space, to act decisively. The next section will explore these policy options in more detail.

## Policy options

### **Scrap the Two-Child Limit and Benefit Cap policies**

The Benefit Cap and Two-Child Limit policies were designed to deliver savings by imposing limits on the amount of benefit income that a household can receive. In practice, the Two-Child Limit is a major driver of the overall rise in child poverty, while the Benefit Cap pushes affected families deeper into hardship and makes it more difficult to escape the poverty line. The combination of both policies creates particular misery for families with children, who miss out on vital income to meet their children's basic needs. Scrapping both is essential to getting child poverty levels under control and moving in the right direction.

Importantly, neither policy is delivering on its original objectives. A three-year academic study comprehensively assessed the impact of both policies on larger families, and found no evidence that the Two-Child Limit had improved employment outcomes, and only negligible effects on fertility – the two principal aims of the policy. The Benefit Cap was found to have harmed mental health and increased economic inactivity, with some evidence this was due to more people claiming disability benefits in order to become exempt from the cap.<sup>22</sup> DWP analysis shows that the lowering of the Benefit Cap level in 2016 resulted in only a small number of additional families moving into paid work, moving house or claiming exempting benefits to escape the cap. Rather than delivering on the policy's stated aims, families reported reducing their spending on essentials, higher borrowing and debt and negative consequences for their health and wellbeing.<sup>23</sup>

### **The government should:**

- **Scrap the Two-Child Limit and Benefit Cap.** Estimates for the cost of scrapping the Two-Child Limit range from **£1.8 billion to £2.5 billion** in 2024/25, which would lift between **300,000** and **490,000 children** out of poverty.<sup>24</sup> It is the single most cost-effective measure for a government looking to make a substantial impact on child poverty quickly.
- Scrapping the Benefit Cap would cost **£300 million**. Because affected families are in such deep poverty, abolishing the cap by itself does not pull many families above the 60% poverty line. However, it would significantly reduce the depth of poverty experienced by more than 300,000 children in affected families. It is necessary to scrap the Benefit Cap and

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<sup>20</sup> Joseph Rowntree Foundation (June 2024) '[The impact of hardship on primary schools and primary and community healthcare](#)'.

<sup>21</sup> Hirsch, D. (March 2023) '[The cost of child poverty in 2023](#)'.

<sup>22</sup> Patrick, R., Andersen, K., Reader, M., Reeves, A & Stewart, K. (July 2023) '[Needs and entitlements: welfare reform and larger families. Final report](#)'.

<sup>23</sup> Institute for Fiscal Studies (April 2023) '[What impact did lowering the benefit cap have?](#)'.

<sup>24</sup> The [Child Poverty Action Group](#) estimates that scrapping the policy as it currently stands would cost £1.8 billion and lift 300,000 children out of poverty and 800,000 children out of deep poverty. The [Resolution Foundation](#) estimates a higher cost of £2.5 billion, rising to £3.6 billion once the policy is at full coverage in the 2030s, but predicts child poverty would fall by almost 500,000 if it were scrapped today.

Two-Child Limit together to ensure the full gains from the latter are realised. Without doing so, many families with three or more children will just hit the overall cap instead, denying them the additional income they need to support all children in the family.

### **Increase the child element of Universal Credit**

The child element, paid to all families with children in receipt of Universal Credit to support with the additional costs of having children, is currently £288 a month per child (for children born after April 2017, payable for the first two children only). Scrapping the Two-Child Limit would make a substantial difference to the poverty risk for larger families, but it would not fundamentally address the basic inadequacy of benefit rates nor provide any material support to the two million families on Universal Credit with one or two children.<sup>25</sup> Action for Children analysis has previously shown that increasing the child element of Universal Credit by £15 a week is almost as cost effective as scrapping the Two-Child Limit in terms of poverty reduction.<sup>26</sup> It would also support poverty relief for a wider range of families in the social security system, most of whom are not affected by the Two-Child Limit or Benefit Cap. Increasing the child element of Universal Credit offers a targeted and affordable means of providing a more adequate baseline in the social security system for families with children who have the highest poverty risk and are most exposed to financial shocks.<sup>27</sup>

### **The government should:**

- **Increase the child element of Universal Credit by at least £15 a week.** We estimate this would cost **£3.3 billion** a year and lift **250,000 children** out of poverty.<sup>28</sup>

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<sup>25</sup> There were 5.5 million households on Universal Credit in February 2024, including 2.7 million households with children. Of those, 2 million (78%) had one or two children. Data obtained from [Stat-Xplore](#).

<sup>26</sup> Action for Children (February 2023) '[All worked out? The limits of work as a route out of poverty and hardship](#)'

<sup>27</sup> Action for Children (October 2023) '[A cost of children crisis?](#)'

<sup>28</sup> Action for Children (February 2023) '[All worked out? The limits of work as a route out of poverty and hardship](#)'

# Supporting low-income families to overcome barriers to work

## Policy background

### Work does not offer a reliable route out of poverty

- **Child poverty is increasingly a story of working poverty.** Over the last 25 years, we have seen dramatic falls in worklessness among families with children, and a corresponding rise in working poverty: 69% of children in poverty now live in families with at least one adult in work, up from 44% in 1997. The percentage of children in working households that are in poverty increased from 33% in 2005 to 50% of children in 2022/23.<sup>29</sup>
- **Action for Children analysis estimates that almost two-thirds of the children in poverty – or 2.7 million – are in families with at least one significant potential barrier to work.** This includes almost 600,000 children who are in poverty despite all parent(s) working full-time – and over 300,000 children in couple families where both parents are in full-time work.<sup>30</sup>
- **Lots of factors are likely to be contributing to rising rates of working poverty, including inadequate pay, poor job quality and security, lower benefit levels and high inescapable costs like housing and disability.** Among the 300,000 families with children that are in full-time working poverty, nearly one in five live in London (18%) and almost half are single parents (46%). Low-income parents in full-time work are disproportionately more likely to be from a Black and minority ethnic background, to be self-employed, and to work in in caring, leisure and other service occupations. Around a quarter are employed in the health and social care sector.<sup>31</sup>

### The UK faces significant labour market challenges among key disadvantaged groups

- **The number of people economically inactive due to long-term ill-health has risen by a third since early 2020**, and now stands at more than 2.8 million people. A further 1.7 million people are out of the workforce due to looking after the family or home.<sup>32</sup>
- **The disability employment gap – the gap between the employment rate of disabled and non-disabled people – is 30 percentage points.** Only 54% of disabled people are in employment compared to 83% of non-disabled people.<sup>33</sup>
- **Single parents are twice as likely to be unemployed and underemployed** (wanting to work more hours) compared to couple parents.<sup>34</sup>
- **Only half of unpaid carers are in employment.**<sup>35</sup> Unpaid carers play a vital and undervalued role in society while facing a substantial financial penalty from having to reduce work and rely on insufficient state support.<sup>36</sup> Among parent carers surveyed by the Disabled Children's Partnership, three quarters had given up their career to care for their disabled child and almost half reported being in poverty.<sup>37</sup>

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<sup>29</sup> DWP (March 2024) '[Households below average income: for financial years ending 1995 to 2023](#)'. Tables 4.6ts and 4.15ts. Working households refers here to at least one adult being in work, but not necessarily all.

<sup>30</sup> Action for Children (February 2024) '[Child poverty and barriers to work](#)'

<sup>31</sup> Action for Children (February 2024) '[Low-income families in full-time work](#)' and Joseph Rowntree Foundation (February 2020) '[What has driven the rise of in-work poverty?](#)'

<sup>32</sup> ONS (June 2024) '[A01: Summary of labour market statistics](#)'

<sup>33</sup> DWP (October 2023) '[Employment of disabled people 2023](#)'

<sup>34</sup> Gingerbread (January 2023) '[The single parent employment challenge](#)'

<sup>35</sup> DWP (March 2024) '[Family Resources Survey: financial year 2022 to 2023](#)'

<sup>36</sup> JRF (July 2023) '[The caring penalty](#)'

<sup>37</sup> Disabled Children's Partnership (February 2023) '[Failed and Forgotten](#)'

## **Supporting families to lift incomes through employment**

Alongside much needed reform of the social security system, policymakers should also consider how they can best support parents in poverty to lift their incomes through employment. One million people who are economically inactive for long-term ill-health or family care reasons say that they want a job, while many more expect to work again in the future.<sup>38</sup> Frontline providers like Action for Children, the disability charities Scope and Sense, the single parent charity Gingerbread, and the Carers Trust have highlighted the opportunities to increase work participation among the groups they represent, with the right support from government and employers.<sup>39</sup>

## **Incapacity benefits and the myth of a 'sick note culture'**

Much of the recent political debate has focused on rising demand for incapacity and disability benefits, where spending has risen from £28 billion in 2013/14 to £43 billion in 2022/23. Policymakers are understandably concerned about the fiscal implications of rising caseloads, but there is no evidence that this is being driven by a 'sick note culture', and ample reason to believe it reflects a real and substantive deterioration in the health of the working-age population.<sup>40</sup>

Cutting spending by tightening eligibility and assessment criteria is much easier than moving existing incapacity claimants into work, but the likely result is higher destitution and further pressure on public services. Policymakers should be realistic about what can be achieved in either case. Three-quarters of incapacity benefit claimants are in the ESA Support Group or UC Limited Capability for Work and Work-Related Activity group.<sup>41</sup> In practice, this means they have provided extensive medical evidence and undergone a rigorous assessment by independent contractors that determined they have the highest level of support needs and are unable to support themselves through paid work. DWP research with these claimants published in 2020 found that 20% think they could work at some point in the future, but most (67%) do not see it as a realistic prospect at all.<sup>42</sup>

Most incapacity benefit claims are of a very long duration, with fewer than 1% of ESA claimants leaving the benefit each month.<sup>43</sup> There is evidence that poor benefit design is contributing to this, with claimants put off from trying work due to the perceived risk that they could lose their entitlements and be exposed to the hard edges of the conditionality and sanctions regime.<sup>44</sup> The increasingly threadbare and inadequate nature of the wider social security system has also played an important role. There is emerging evidence that one of the unintentional features of tougher conditionality and the squeeze on benefits since 2010 is that it strengthened the incentive for claimants to seek out the more generous incapacity and disability parts of the system in order to top up inadequate benefit levels and escape the reach of policies like the Benefit Cap and strict work search requirements.<sup>45</sup> This is not a question of fraud or deception, but of claimants being

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<sup>38</sup> ONS (June 2024) '[A01: Summary of labour market statistics](#)'

<sup>39</sup> Action for Children and others (November 2023) '[Breaking through the barriers](#)'

<sup>40</sup> See Resolution Foundation (June 2024) '[Under Strain](#)' and Financial Times (April 2024) '[Is Britain suffering from a "sick note culture"?](#)'

<sup>41</sup> Action for Children analysis of ESA and Universal Credit health data by phase of claim, via [Stat-Xplore](#). 75% of total claimants across ESA and Universal Credit health are in the ESA Support Group and UC LCWRA group.

<sup>42</sup> DWP (February 2020) '[The work aspirations and support needs of claimants in the ESA Support Group and Universal Credit equivalent](#)'

<sup>43</sup> DWP (July 2021) '[Shaping Future Support: The Health and Disability Green Paper, evidence pack. Chapter 4: Re-thinking Future Assessments to Support Better Outcomes](#)'.

<sup>44</sup> Social Security Advisory Committee (November 2022) '[Out of work disability benefit reform](#)'.

<sup>45</sup> See discussion in OBR (July 2023) '[Fiscal risks and sustainability – July 2023](#)', Resolution Foundation (June 2024) '[Under Strain](#)', IFS (April 2024) '[Recent trends in and the outlook for health-related benefits](#)', and IFS (February 2023) '[Do work search requirements work? Evidence from a UK reform targeting single parents](#)'.

more incentivised to go to the considerable effort of undergoing assessments and taking up their entitlements to boost their incomes and avoid destitution.

The broader problem, however, is an economic one. It is no coincidence that the incapacity benefit caseload is disproportionately concentrated in the older industrial heartlands and coastal towns of Britain. In contrast to areas with more dynamic local economies, the legacy of deindustrialisation and weaker local labour markets in these areas mean that the jobs available are not well matched to the capabilities of claimants with health impairments or disabilities.<sup>46</sup> This does not lend itself to easy answers from Whitehall or one government department. Ultimately, a large part of the answer to what happens with the incapacity caseload in the coming years will turn on two hugely complex public policy challenges. How to forestall the declining health of the working-age population and address wide inequalities across local populations and places. And how government – central, regional, local – can work with employers to create the right jobs in the right places and better distribute economic prosperity across the country.

### **Opportunities for change**

Despite the considerable challenges of increasing work participation among ill and disabled benefit claimants, there are many things the government could do more immediately to support families to overcome work barriers. A November 2023 policy paper published by Action for Children and other leading charities explored some of the key labour market challenges faced by disadvantaged groups and presented various proposals for mitigating them.<sup>47</sup> The following section considers several policy options the new government could implement to start having an impact now and to signal intent for wider change in the years to come.

## **Policy options**

### **Stronger work incentives in the social security system**

#### **Work allowances in Universal Credit**

Work allowances mean that claimants with children or a limited capability for work due to health or disability can earn a certain amount before their Universal Credit begins to taper away as their earnings increase. In 2023/24, this is £404 a month if the household is receiving housing support as part of their claim, and £673 a month if it is not claiming for housing costs. Their Universal Credit award will then be reduced by 55 pence for every pound that is earned above this allowance. Universal Credit is a household benefit and couples must submit a joint claim, but only the ‘primary earner’ is eligible for a work allowance.

**Having two earners in a family is increasingly necessary for raising living standards and reducing poverty.** The rollout of Universal Credit weakened work incentives for second earners in couples relative to the previous tax credits system.<sup>48</sup> This was a conscious choice. The key objective of Universal Credit since its initial design has been to target resources and incentives towards workless families.<sup>49</sup> Worklessness is a very strong predictor of poverty risk, but the current design of Universal Credit does not reflect contemporary trends. For example, the proportion of children living in workless households has been on a long-term downward trajectory, from 17% in 2010 to

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<sup>46</sup> Beatty, C. & Fothergill, S. (2023) [‘The persistence of hidden unemployment among incapacity claimants in large parts of Britain’](#) Local Economy, 38, 42-60.

<sup>47</sup> Action for Children and others (November 2023) [‘Breaking through the barriers’](#)

<sup>48</sup> Institute for Fiscal Studies (January 2011) [‘Universal Credit: A Preliminary Analysis’](#)

<sup>49</sup> DWP (December 2012) [‘Universal Credit impact assessment’](#)

10.5% in 2022.<sup>50</sup> While most of the children in poverty are in working households, having both parents in work substantially reduces your poverty risk. Only 12% of children in couple families where one parent is in full-time work and the other is working part-time are in poverty. This falls to 7% if both are working full-time. Conversely, half of children where one parent is in full-time work and the other is not working are in poverty (47%).<sup>51</sup>

Of the 2.5 million households with children on Universal Credit, three-quarters are headed by single parents. The remaining quarter – or 670,000 households – are couple parent families. The lack of a work allowance for second earners or potential second earners in these households, when considered alongside the impact of the taper rate and other costs like childcare and transport, means that there can be very little financial benefit to be gained from working. In practice, this burden largely falls on women. In many cases, a mother returning to work after a couple of years spent childrearing could end up actually costing the family money. Evidence collected by the Child Poverty Action Group from an employment support scheme aimed at potential second earners highlights the high barriers they face.<sup>52</sup> Its findings – with half of participants moved into sustained work – suggest there is real opportunity to promote strong outcomes among potential second earners, with the right support. Improving financial incentives for this cohort through the benefits system would be a sensible first step.

### **The government should:**

- **Introduce a second earner's work allowance for couples in Universal Credit** to improve the financial incentives for partners, mostly mothers, so that returning to work always pays. This would lift family incomes and reduce child poverty while supporting employment outcomes.

### **Carer's Allowance**

Carer's Allowance is overly complex, insufficient and out of date. At £82 a week, it offers very low replacement earnings for carers who give up work to provide care, equivalent to £2.34 an hour or one fifth of the national living wage.<sup>53</sup> Wide-ranging reform of Carer's Allowance is long overdue, and the government should bring forward a consultation early within this Parliament to make the necessary changes. In the interim, there are two pressing issues that the government should address urgently. The earnings limit cliff-edge, which acts as a clear disincentive to work, and the growing scandal of overpayments that is burdening vulnerable claimants with large debts – in many cases due to administrative failings.

In 2022/23, there were 861,000 people of working-age receiving Carer's Allowance payments, at a cost of £3.2 billion a year.<sup>54</sup> The current earnings limit of £151 a week (after deductions) is equivalent to only 13 hours a week at the National Living Wage. DWP research with carers shows that, while there is a natural limit to the amount of hours many carers feel they could balance alongside their caring responsibilities, the earnings threshold is seen as a barrier to increasing their work participation.<sup>55</sup>

This is further compounded by the earnings limit not keeping pace with the minimum wage. DWP policy is to uprate the earnings limit in line with ONS average weekly wages, which in recent years has been significantly below the rate of increase in the National Living Wage. One consequence of

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<sup>50</sup> ONS (October 2023) '[Children living in long-term workless households \(Table A1\)](#)'

<sup>51</sup> DWP (March 2024) '[Households below average income: for financial years ending 1995 to 2023](#)'. Table 4.5db.

<sup>52</sup> CPAG (November 2023) '[Your work your way](#)'

<sup>53</sup> For someone providing 35 hours of care a week.

<sup>54</sup> DWP (April 2024) '[Benefit expenditure and caseload tables 2024](#)'

<sup>55</sup> DWP (May 2024) '[Experiences of claiming and receiving Carer's Allowance](#)'

this lack of harmony is that a worker on the minimum wage receiving a statutory pay increase can be pushed over the earnings limit and no longer qualify for Carer's Allowance. The DWP's position is that it is the claimant's responsibility to notify the DWP of a change in circumstances, but it is easy to see how a claimant could slip over the earnings threshold without their knowledge. The impact of this cliff-edge has contributed to an overpayments crisis, with tens of thousands of claimants accruing debts each year despite a system of automatic alerts that notifies the DWP when a claimant exceeds the earnings limit.<sup>56</sup> Some of these debts are very large and have built up over years, with recent media coverage revealing many individual injustices.<sup>57</sup>

**A positive step to improve work incentives would be to significantly increase the earnings limit.**

An estimated 16% of carers allowance claimants are in paid work, of which 81% are working 20 hours or less a week. Three quarters (74%) earn below the earnings threshold.<sup>58</sup> Increasing the earnings limit so that it covers at least 21 hours a week at the National Living Wage would better account for the fuller range of carer working patterns and bring it into coherence with the 21-hours eligibility rule for carers in education or training. However, a higher earnings limit just moves the cliff-edge somewhere else. Other options include introducing a taper, where Carers Allowance is withdrawn as earnings increase, or a simpler 'run on' grace period where payments could continue for a few weeks after earnings exceed the limit.<sup>59</sup> Both approaches would help to smooth the effects of the cliff-edge, but risk introducing even further complexity and administration into an already labyrinthine system.

**Consequently, we believe there is a strong case for abolishing the earnings limit entirely.** This would substantially reduce the complexity of the benefit, eliminate claimant stress and anxiety around breaching the limit and send a clear and decisive pro-work message to carers looking to balance their caring role with a more flexible approach to paid work. It would also largely resolve the issue of overpayments due to earnings and deliver significant savings through reduced monitoring. Over the past five years, the DWP has allocated on average 58 members of full-time staff to the investigation of earnings alerts for Carer's Allowance overpayments.<sup>60</sup> DWP Permanent Secretary, Peter Schofield, told the Work and Pensions Committee in May 2024: *"We received 107,000 VEP Alerts in 2022/23...we looked at 50,000 of them. Only 12,500 of those turned out to lead to an overpayment...it is incredibly time consuming, and you need quite a lot of skilled resource to do the work."* Removing the earnings cliff-edge would free up more than 100,000 hours of staff time annually, while delivering wider benefits to carers and encouraging work.

**The government should:**

- At a minimum, **increase the earnings limit to reflect 21 hours a week at the National Living Wage**, which in 2023/24 is £240. The earnings limit should then be pegged permanently to rise in line with the NLW. However, **we think the government should consider going further by abolishing the earnings limit entirely.**

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<sup>56</sup> House of Commons (May 2024) '[DWP response to parliamentary question UIN23251](#)'.

<sup>57</sup> BBC News (April 2024) '[Unpaid carers shocked at having to repay thousands](#)' and The Guardian '[Carers allowance crisis](#)'.

<sup>58</sup> DWP (May 2024) '[Experiences of claiming and receiving Carer's Allowance](#)'

<sup>59</sup> The Scottish Government consulted on introducing a 'run-on' period to address the earnings cliff-edge in the new 'Carer Support Payment' currently rolling out in Scotland. See Scottish Government (March 2023) '[Social security - Scottish Carer's Assistance consultation: Scottish Government response](#)'.

<sup>60</sup> House of Commons (April 2024) '[DWP response to parliamentary question UIN23249](#)'

- **Urgently get to grips with the issue of accidental overpayments due to earnings**, which has continued to worsen despite a previous Work and Pensions Committee inquiry and investigation by the National Audit Office five years ago.<sup>61</sup> Abolishing the earnings limit would prevent these problems from reoccurring in future. For the 132,000 claimants with existing debts to the DWP, there should be just resolution for those let down by administrative failings.

### **Good quality, secure work**

The government has set out proposals for a wide-ranging package of measures to improve working conditions and entitlements under its 'new deal for working people'. Many of these measures are aimed at improving job quality and security, such as:

- Giving workers on zero-hour contracts the right to a contract based on regular hours and advance notice of shifts.
- Protection from unfair dismissal, parental leave and sick pay from day one.
- Reforming Statutory Sick Pay.
- Making flexible working the default from day one for all workers.

This ambitious agenda is very welcome. According to the Work Foundation, 6.8 million people are in severely insecure work – including 55% of workers on Universal Credit.<sup>62</sup> Nevertheless, there is more that must be done to ensure employers are playing their part in breaking down work barriers. Two areas in particular were identified by frontline charities in Action for Children's November 2023 policy paper where current policy could go further; Statutory Sick Pay and paid Carer's Leave.<sup>63</sup>

### **Statutory Sick Pay**

The current Statutory Sick Pay (SSP) system is not working and presents many barriers for disabled people in particular. More than half of people who rely on it are in poverty. The lack of flexibility means that it cannot be used to support phased returns to work. The 28 week limit is too restrictive for workers with fluctuating conditions who may need to take several periods of sick leave.<sup>64</sup> The Labour party manifesto committed to removing the three-day waiting period before Statutory Sick Pay (SSP) is payable and abolishing the lower earnings limit, but did not explicitly address pay rates.

The UK has one of the lowest rates of sick pay in the developed world, covering only 11% of an average full-time wage for the first four weeks of sickness, compared to an OECD average replacement rate of 64%. Research from the CIPD in 2021 found that 62% of employers agreed statutory sick pay was too low and supported an increase.<sup>65</sup> A Work and Pensions Committee inquiry in 2024 found unanimous agreement among experts, industry bodies and frontline organisations that the current rate of SSP is too low.<sup>66</sup>

The Resolution Foundation has called for SSP to be paid at 65% of usual earnings, to bring it broadly in line with the OECD average replacement rate.<sup>67</sup> The Safe Sick Pay campaign and Trades Union Congress have recommended that it rise to £330 a week, equivalent to a week's pay at the Real

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<sup>61</sup> Work and Pensions Committee (July 2019) '[Overpayments of Carer's Allowance](#)'

<sup>62</sup> Work Foundation (February 2024) '[The UK Insecure Work Index 2024](#)'

<sup>63</sup> Action for Children and others (November 2023) '[Breaking through the barriers](#)'

<sup>64</sup> *ibid.*

<sup>65</sup> CIPD (December 2021) '[What should an effective sick pay system look like?](#)'

<sup>66</sup> Work and Pensions Committee (March 2024) '[Statutory Sick Pay](#)'

<sup>67</sup> Resolution Foundation (April 2023) '[Low Pay Britain 2023](#)'

Living Wage.<sup>68</sup> The disability charity Scope have called for it to be paid at an hourly rate equivalent to the living wage and available all year round to maximise flexibility.<sup>69</sup> In a 2023 report, WPI Economics modelled three scenarios for increasing the rate of sick pay; matching the equivalent hourly rate for the Real Living Wage (RLW), the National Living Wage, and 75% of the National Living Wage. They calculated that this would have a direct cost to businesses of between £550 and £900 million a year depending on the rate level, but that it would deliver up to £3.4 billion in benefits to businesses, government and the wider economy due to reduced sickness absence, increased productivity and fewer people flowing onto incapacity benefits.<sup>70</sup>

### **The government should:**

- **Increase the rate of Statutory Sick Pay so that it at least covers the equivalent hourly rate at the National Living Wage**, but the government should also consider the merits of a link to previous earnings.
- **Allow SSP to be used more flexibly to support a phased return to work.**<sup>71</sup> For example, workers who are initially working reduced hours or fewer days could be paid at their usual wage level for hours worked, which would then be topped up at the lower SSP rate for the hours they are not working. This could help to make the return to work more financially sustainable.

### **Carer's Leave**

There are more than five million unpaid carers in the UK.<sup>72</sup> Many carers, including parent carers, find their employers do not provide enough flexibility to balance work and care.

The Carer's Leave Act 2023 introduced the right for carers in Great Britain to one week of unpaid leave a year, which can be taken flexibly. This was a significant victory for carers organisations, who have long called for the introduction of carer leave to help carers more effectively balance care and work.<sup>73</sup>

Nevertheless, it is unpaid, meaning many carers will struggle to financially sustain this difficult balancing act. According to a 2023 survey by Carers UK, 40% of carers had given up work and 22% had reduced their hours to provide care. Over half of carers in work say they would like paid Carers Leave and a third of those who had given up work or reduced their hours said it would help them to increase their work participation.<sup>74</sup>

The 2024 Labour manifesto included a promise to consider the benefits of paid carers' leave, but did not commit to introducing it. It is understandable why the government may want to think carefully about the impact a paid entitlement could have on businesses, particularly as it has also committed to a wider review of family leave policies. However, a 2017 parliamentary inquiry

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<sup>68</sup> TUC (February 2021) '[Sick pay that works](#)' and The Centre for Progressive Change (2022) '[Safe Sick Pay: the case for change](#)'

<sup>69</sup> Scope (2024) '[Stuck: reform sick pay](#)'

<sup>70</sup> WPI Economics (July 2023) '[Making Statutory Sick Pay Work](#)'

<sup>71</sup> The previous Conservative government under Theresa May consulted in 2019 on amending SSP rules to allow for phased returns to work, but this was not taken forward under the subsequent administrations. See DWP (July 2019) '[Health is everyone's business: proposals to reduce ill-health related job loss](#)'.

<sup>72</sup> ONS (January 2023) '[Unpaid care, England and Wales: Census 2021](#)' and NISRA (December 2022) '[Census 2021 Main statistics for Northern Ireland](#)'.

<sup>73</sup> Carers UK (2024) '[Right to Carer's Leave](#)'

<sup>74</sup> Carers UK (November 2023) '[Carers' employment rights today, tomorrow and in the future](#)'

previously looked at the issue of carers leave. It concluded that it must be paid for it to be affordable to all carers.<sup>75</sup>

There is already precedent for a wider range of statutory leave entitlements. Parental Bereavement Leave came into force in 2020. It provides up to two weeks of leave following the death of a child, paid at a statutory rate of £184 a week or 90% of average weekly earnings, whichever is lower. As with other forms of statutory leave, employers can recoup most of these costs from the government. The government could similarly seek to address business concerns over a paid carer leave entitlement by providing for a degree of compensation.

### **The government should:**

- **Build upon the Carers Leave Act 2023 by making the current provision for up to a week of unpaid carers leave a year a paid entitlement, and extending it to 10 days.** This should be more generous than current statutory family leave entitlements, and could mirror a reformed Statutory Sick Pay system. This would mean paying at least the National Living Wage, but potentially going further by linking it to earnings. To address employer concerns, the government could partially compensate businesses.

### **Better job-seeking support**

Action for Children directly helped over 1,000 young people and parents through our employability projects in 2023/24. Our services support those who are some of the furthest away from the labour market, such as care-experienced young people. As a service provider, we know how vital high quality employment support is to reaching disadvantaged groups. Intensive one-to-one support tailored to the individual is often key to producing the best outcomes.

The department has recently announced plans to reform Jobcentre Plus into a new Jobs and Careers Service and to devolve some responsibilities for employment support to Mayors and local areas. A new youth guarantee will be introduced to better support 18-21 year olds into training, an apprenticeship or work.<sup>76</sup> These are encouraging developments. As these plans continue to develop, policymakers should consider how reform of the **conditionality and sanctions system** and improved **specialist provision within jobcentres** could also contribute to the department's core objective of maximising employment.

### **Reimagining the conditionality and sanctions system**

A tougher conditionality and sanctions regime was introduced with the Welfare Reform Act 2012 and has been repeatedly extended and intensified in the years since. Many frontline organisations have highlighted the negative impact the current approach to conditionality and sanctions has on service users.<sup>77</sup>

Action for Children practitioners frequently provide emergency financial support to parents and young people who have been sanctioned and pushed into extreme hardship. One parent supported through our Crisis Fund, a single mother of four children under the age of five, was sanctioned for missing an appointment while in hospital with sepsis. Many vulnerable young people in our

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<sup>75</sup> Work and Pensions Committee (May 2018) '[Employment support for carers](#)'.

<sup>76</sup> DWP (July 2024) '[Back to Work Plan will help drive economic growth in every region](#)'.

<sup>77</sup> Action for Children and others (November 2023) '[Breaking through the barriers](#)', Citizens Advice (July 2024) '[The sanctions spiral](#)', and Reeve, K. (2017) '[Welfare conditionality, benefit sanctions and homelessness in the UK: ending the "something for nothing culture" or punishing the poor?](#)', Journal of Poverty and Social Justice, 25 (1), 65-78. See also: Changing Realities (July 2023) '[Employment support that works: the importance of relationships, flexibility and removing barriers](#)'.

services, including care leavers living in temporary accommodation, have been sanctioned after missing appointments that they struggle to keep up with due to the chaotic nature of their lives and ongoing mental health challenges. Among our practitioners, there is a sense that too frequently, JCP decision makers give little consideration to claimants' vulnerabilities and the barriers they face. The current mitigations in place to challenge and rectify poor decision making often come too late to make a difference.

DWP policy emphasises the ABC approach to employment, that prioritises finding 'any job' first, on the premise that this could lead to a 'better job' and then a 'career'. Extensive evidence suggests that the 'any job' approach, underpinned by strict conditionality and enforced by punitive sanctions, is failing to deliver and often proves counterproductive:

- A major five-year academic study concluded that welfare conditionality is largely ineffective at helping people to enter or progress in work.<sup>78</sup>
- A review of the international evidence on sanctions determined that while they can have positive employment impacts in the short-term, they tend to drive people towards lower quality work, increased hardship and adverse health outcomes.<sup>79</sup>
- Research with employers has highlighted the detrimental impacts of conditionality and the 'any job' approach on workplace recruitment, with employers wading through hundreds of applications from jobseekers who have no interest or suitability for the role.<sup>80</sup>

There is wide agreement that a fresh approach is needed. Two major reviews, the Commission on the Future of Employment Support and the Pathways to Work Commission, have criticised the DWP's excessive focus on the administration of benefits and monitoring of compliance.<sup>81</sup> Too much staff time is spent enforcing conditionality requirements that could be better spent understanding a claimant's needs, aspirations and barriers and providing meaningful employment support. Research by the New Economics Foundation identified support among the public and providers for a new approach that would place conditionality as a 'backstop', only ratcheting up gradually in response to a lack of progress.<sup>82</sup> With reform of Jobcentre Plus soon to get underway, it is vital that this includes a serious look at the failed conditionality and sanctions regime.

### **The government should:**

- **Ease strict conditionality requirements that undermines trust and engagement between claimants and work coaches and creates unnecessary administration for employers.** The current requirement to evidence 35 hours of work search a week should end and be replaced with a more personalised and flexible approach. This should also apply to in-work conditionality, with a much stronger emphasis on progression over a mechanical fixation on the number of hours worked. The four week deadline to find a job in your preferred sector before widening your search to any job should also be removed. Jobseekers should have the freedom to find the right job for them and be trusted and supported to do so. Potentially

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<sup>78</sup> The Welfare Conditionality Project (July 2018) '[Final findings report: 2013-2018](#)'. See also Jones, K. et al. (January 2024) '[The Impact of Welfare Conditionality on Experiences of Job Quality](#)'

<sup>79</sup> Pattaro, S. et al. (February 2022) '[The impacts of benefit sanctions: a scoping review of the quantitative research evidence](#)'. Journal of Social Policy, 51(3), pp. 611-653.

<sup>80</sup> Jones, K. & Carson, C. (January 2023) '[Universal Credit and Employers: Exploring the Demand Side of UK Active Labour Market Policy](#)'

<sup>81</sup> IES (July 2023) '[Work in Progress, interim report of the commission on the future of employment support](#)' and Barnsley Council & SYMCA (July 2024) '[Pathways to Work Commission report](#)'

<sup>82</sup> NEF (July 2024) '[Terms of Engagement: Rethinking conditionality to support more people into better jobs](#)'

more radical and innovative approaches, such as those suggested by NEF, should also be piloted and evaluated.<sup>83</sup>

- **Sanctions policy should be urgently reviewed and reformed to ensure they are only used as a last resort in exceptional circumstances.** For example, in response to a prolonged and repeated pattern of non-engagement without a reasonable explanation.

### **More specialist advisors in jobcentres**

Alongside reform of the conditionality and sanctions system, the government should review the provision of specialist advice within the new Jobs and Careers Service.

**The DWP frontline is much smaller today than it was a decade ago.** Spending on administration fell by more than 40% between 2012 and 2022, with large reductions in operational staff. DWP is one of only four departments with a smaller workforce than in 2010.<sup>84</sup> In March 2024, there were 16,000 work coaches working across 634 Jobcentre Plus sites, 37% fewer than a decade earlier.<sup>85</sup>

The current employment advice delivery model introduced into Jobcentres from 2013 is based on generalist support provided by work coaches with mixed caseloads. Under this model, **all work coaches are expected to have the skills and knowledge to support all claimants regardless of their circumstances.**<sup>86</sup> This reflects a conscious decision by the department to move away from specialist roles under earlier programmes towards more generalist provision. For example, the New Deal for Lone Parents (NDLP) introduced specialist **Lone Parent Advisers** in 1998. Despite strong evidence in the evaluations that these roles were effective at supporting single parents into work and highly valued, they were not retained under the work coach model.<sup>87</sup>

One specialism that was retained, though with a different configuration, was **Disability Employment Advisers (DEAs)**. The primary role of DEAs under the work coach model has been to upskill work coaches to better support claimants with disabilities and health conditions. This was a change from the previous system when DEAs would have their own caseloads.<sup>88</sup> The number of DEAs averaged around 500 between 2009 and 2014, but recruitment drives in recent years has seen numbers increase.<sup>89</sup> There were 750 disability employment advisers in October 2023. While this represents a significant expansion, it is equivalent to only 1.2 per jobcentre and is substantially fewer than the 1,115 advisers that were promised in 2021.<sup>90</sup>

The DEA role is valued by many disabled people and disability organisations, but it is clear there are **simply too few of them**. Additionally, some organisations have highlighted concerns about the adequacy of the training DEAs receive. Research by Sense found that 46% of jobseekers with

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<sup>83</sup> *ibid.*

<sup>84</sup> Institute for Government (January 2023) '[Whitehall Monitor 2023 \(Part 1\): the size, cost and make-up of the civil service](#)'

<sup>85</sup> For March 2024 figures, see House of Commons (April 2024) '[DWP response to parliamentary question UIN22700](#)'. According to the DWP's annual report, there were 26,300 work coaches employed in March 2014. DWP (June 2014) '[DWP annual report and accounts 2013-14](#)'.

<sup>86</sup> Work and Pensions Committee (November 2016) '[The future of Jobcentre Plus](#)'

<sup>87</sup> DWP (March 2010) '[Lone Parent Obligations: early findings of implementation as well as experiences of the Income Support and Jobseeker's Allowance regimes](#)' and DWP (2008) '[The New Deal for Lone Parents, Lone Parent Work Focused Interviews and Working Families' Tax Credit: A review of impacts](#)'.

<sup>88</sup> Work and Pensions Committee (November 2016) '[The future of Jobcentre Plus](#)'

<sup>89</sup> House of Commons (July 2014) '[DWP response to parliamentary question UIN206577](#)' and

<sup>90</sup> House of Commons (November 2023) '[DWP response to parliamentary question UIN210](#)' and DWP (April 2021) '[Government unveils new support for disabled jobseekers](#)'

complex disabilities did not feel supported by their DEA.<sup>91</sup> The DWP has recently strengthened the DEA role under its 'DEA Direct Support' initiative, moving it closer towards the more explicitly client facing role that it was previously. This is a positive change, and a recognition by DWP of the value of direct specialist support.<sup>92</sup>

The post-pandemic introduction of the **Youth Employability Coach** role also suggests a wider shift back towards more specialist provision in jobcentres.<sup>93</sup> The department should continue to build on this further for other key groups. The single parent charity Gingerbread and Single Parent Rights campaign group have called for specialist single parent work coach roles to be reintroduced.<sup>94</sup> Disability charities have made similar calls for more disability advisers, while the Carers Trust has suggested a Carers Lead role to fulfill the same function for unpaid carers.<sup>95</sup>

### **The government should:**

- **Invest in more specialist provision within jobcentres as part of the new Jobs and Careers Service**, with a particular focus on single parents, carers and disabled people. This could involve upskilling and re-deploying existing work coach staff, but should also seek to match and recruit individuals with direct lived experience of these specialisms.

### **Better childcare support**

The availability and affordability of childcare is a major impediment to many parents returning to work or increasing their hours. This is contributing to child poverty and gender inequality.<sup>96</sup> For example, half of the children in poverty are in families where the youngest child is under five.<sup>97</sup> The percentage of parents of pre-school age children finding it difficult to pay for childcare costs has risen from around a quarter in 2021 (24%) to over a third (34%) in 2023.<sup>98</sup>

Public subsidies for childcare have grown considerably over the past 25 years and are set to increase substantially further still following the 2023 Budget. When the current expansion is fully implemented, public spending on free childcare entitlements in England will exceed £8 billion a year by 2027/28.<sup>99</sup> The piecemeal expansion of childcare subsidies has created an extremely complicated and disjointed system spanning at least three government departments. Many parents struggle to understand what they are eligible for and to navigate the various schemes, which includes the universal 15 free hours for three year olds, the 30 hours entitlement for working households (that is currently being expanded to children from nine months), the two-year-old offer for disadvantaged children, Tax Free Childcare and the Universal Credit childcare element.

### **Towards a more rational, universal system**

Ultimately, this complex tapestry of entitlements should be rationalised, streamlined and universalised to provide a **single scheme from the end of parental leave until the start of school**. IPPR and Save the Children have previously costed a universal child guarantee along these lines,

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<sup>91</sup> Sense (2024) '[Research on the employment support available to people with complex disabilities](#)'

<sup>92</sup> DWP (April 2024) '[Written evidence to the Work and Pensions Committee inquiry on disability employment](#)'

<sup>93</sup> DWP (April 2021) '[Specialist job coaches to help young people onto the jobs ladder](#)'

<sup>94</sup> Single Parent Rights (2024) '[Universal Credit conditionality changes & the impact on single parent families](#)' & Gingerbread (January 2023) '[The single parent employment challenge](#)'

<sup>95</sup> Action for Children and others (November 2023) '[Breaking through the barriers](#)'

<sup>96</sup> Ibid., Action for Children (February 2023) '[All worked out? The limits of work as a route out of poverty and hardship](#)', Social Market Foundation (July 2022) '[Childcare costs and poverty](#)'

<sup>97</sup> DWP (March 2024) '[Households below average income: for financial years ending 1995 to 2023](#)'. Table 4.4db.

<sup>98</sup> DfE (July 2024) '[Childcare and early years survey of parents](#)'

<sup>99</sup> IFS (2024) '[Early years](#)'

with costs partially offset by employment gains and savings from replacing redundant schemes.<sup>100</sup> In the short-term, the government should focus its efforts on improving childcare support for families on low-incomes who will see almost no direct benefit from the current expansion.<sup>101</sup>

### **Universal Credit childcare element**

Support for childcare costs within Universal Credit is available to parents in work or who have a job offer. Parents are reimbursed up to 85% of their (capped) costs, and can also benefit from other schemes if they meet the age and earnings requirements. 160,000 households currently receive the childcare element; only 14% of potentially eligible households.<sup>102</sup> While many of the remaining households will have alternative arrangements in place, it is clear that take-up of this support is low and could be improved to facilitate more parents moving into good quality, better paid jobs.

At least two major government reports in recent years have stressed the central importance of training and skills to progression out of low pay.<sup>103</sup> Wider evidence from programme evaluations suggests that investing in skills for those on low-incomes is more effective than conditionality-centric approaches.<sup>104</sup> Parents are generally able to maintain a Universal Credit claim while taking part in education or training providing it is not full-time and does not interfere with their work search requirements. In practice, childcare presents a major barrier to parents on Universal Credit taking up training opportunities that could support entry into and progression in work.<sup>105</sup>

### **The government should:**

- In the immediate term, the Department for Education **must ensure that the funding rates paid to providers for the existing and expanded entitlements are adequate to meet their costs**. In addition, the DWP should prioritise help to support low-income families to enter and progress in work by **extending Universal Credit childcare support to those in training and education**. This could be funded by re-allocating spending from the Tax-Free Childcare Scheme.
- Ultimately, the long-term ambition should be to **rationalise the system by moving towards a single, universal scheme from the end of parental leave until the start of school**.

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<sup>100</sup> IPPR and Save the Children (December 2022) '[Delivering a childcare guarantee](#)'

<sup>101</sup> IFS (September 2023) '[New childcare entitlements have little to offer the poorest families](#)'.

<sup>102</sup> DWP (February 2024) '[Universal Credit childcare element statistics, November 2021 to November 2023](#)'

<sup>103</sup> In-work Progression Commission (July 2021) '[Supporting progression out of low pay: a call to action](#)', Social Mobility Commission (November 2020) '[Learning ladders: the role of adult training in supporting progression from low pay](#)'.

<sup>104</sup> Learning and Work Institute (July 2019) '[Evidence review: Supporting progression from low pay](#)'

<sup>105</sup> Work Foundation (July 2022) '[Room to Grow: Removing barriers to training for people on Universal Credit](#)'