

The austerity generation: The impact of a decade of cuts on family incomes and child poverty ^[1]

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AVAILABILITY

Full report PDF ^[2]

Summary

This report sets out the cumulative effect of a decade of cuts to social security on the incomes of families with children, at population and household level, and subsequent increases in poverty rates. It examines both cuts within the legacy benefit and tax credit system, the introduction of universal credit, and changes to universal credit since it was first introduced.

The losses are alarming, and will damage the life chances of hundreds of thousands of children growing up under austerity. Cuts in both the legacy and universal credit systems will hit families with children harder than any other group across the population. Lone parents with children will be £1,940 a year worse off on average as a result of cuts in the legacy benefit system, and £2,380 worse off as a result of universal credit cuts, compared to what universal credit first promised.

Families already at the greatest risk of poverty will lose most: not just lone parents but families already on low incomes, larger families, families with young children, and families where someone is disabled. Families with four or more children will be more than £4,000 a year worse off because of cuts in the legacy benefit system, and more than £5,000 worse off following cuts to universal credit (compared with its original design). Lone parents, single earner families, families with more than two children and young parents also lose out across the decade in the move from the 2010 tax credits system to today's universal credit.

Cuts to universal credit have substantially reduced the rewards from work for many families. Cuts and freezes to work allowances will leave lone parents worse off by £710 a year on average, and couples £250 a year on average, across the population. They also hit 'just about managing' families in the second and third income deciles particularly hard. In order to make up the losses from work allowance cuts, a couple already working full time on the 'national living wage' would have to work 17 extra days a year, and a lone parent an extra 41 days a year – in effect, a fourteen month year.

A couple with two young children, with one full-time and one part-time earner on the 'national living wage', will be over £1,200 worse off a year as a result of cuts to universal credit. A lone parent with two young children, starting work at 12 hours a week on the 'national living wage', will see their effective hourly wage rate reduced from £5.01 to £4.18 an hour by universal credit cuts.

Cuts in the legacy benefit system will push 700,000 children into poverty (after housing costs) and 500,000 into severe poverty (before housing costs). Cuts to universal credit – which originally promised to lift 350,000 children out of poverty – will now mean a million more children in poverty than under its original design, and 900,000 more in severe poverty.

Failure to uprate benefits in line with inflation will be responsible for 300,000 additional children in poverty under universal credit, with the freeze of the child element alone responsible for 100,000 additional children in poverty. The two-child limit will be responsible for 200,000 children in poverty.

Finally the report examines possible improvements to universal credit which would help restore its poverty-reducing potential, in addition to reversing cuts, as well as additional forms of support for childcare. Restoring the value of children's benefits, and in particular, applying a triple lock, would bring large child poverty gains, while restoring the work allowances, and introducing a second earner work allowance for couples, would boost the incomes of families and help make work pay.

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