Child Benefit – Still Under Attack

**2019**





**Summary**

Changes made to child benefit in 2010 and again in 2012 reduced its real value. Additional adjustments in 2015, retained by the current government, have decreased it further.

This report shows that, as a result of these changes, a family with two children is already £8.67 a week – £450.99 a year – worse off and has lost a total of £2,226.83 since 1 April 2011.

In 2010/11 child benefit was £20.30 per week for a family’s first child and £13.40 for each subsequent child.

Before then government’s previous ‘uprating’ policy had been to increase child benefit in April each year by the annual inflation figure for the previous September, calculated using the retail price index (RPI).

The coalition government formed in May 2010 introduced three changes:

* From April 2011 uprating would use the consumer price index (CPI), which doesn’t include housing costs, instead of the RPI
* For the three years (2011/12, 2012/13 and 2013/14) child benefit was frozen
* For the next two years – 2014/15 and 2015/16 – the increase was capped at 1%, despite CPI being higher.

The government elected in 2015 immediately announced that child benefit would be frozen for another four years.

This report shows the impact of these changes on families’ incomes:

* Child benefit is currently worth £20.70 for a first child and £13.70 for other children
* If no changes had been made, child benefit would now be £25.95 a week for a first child and £17.13 for other children. By April 2019 it would be £26.80 a week for the first child and £17.69 a week for each subsequent child.
* A family with two children will be over £520 a year worse off from April 2019 as a result of these policy changes and by 31 March 2020 they will have lost a total of over £2,700 since April 2011.

**Introduction**

“*It is right that families with children at all income levels should receive some recognition for the additional costs of bringing up children and that the tax/benefit system should allow for some general redistribution of resources from those without children to those who have the responsibility of caring for them.”*

Department of Health and Social Security Green Paper, *Reform of Social Security*, HMSO, 1985, p48

The former Social Security Committee acknowledged in March 1999[[1]](#footnote-1), the ‘multi-purpose role’ of child benefit in: -

* Promoting ‘horizontal’ equity between people of similar incomes, with and without children
* Providing a contribution from society as a whole to the next generation
* Supplementing parents’ earnings, in recognition of the fact that wages do not take children into account, and thereby helping to overcome unemployment and poverty traps
* Giving a stable element at times of financial insecurity caused by, for example, insecure employment or family breakdown and
* Offering an independent income for women.

Except for higher rate taxpayers, child benefit is a universal, non-taxable cash payment for families with children.

**Changes to child benefit**

There are 7.8 million families in the UK, with a total of 13.7 children, who received £12.6bn in child benefit[[2]](#footnote-2) in 2010. The take up of child benefit is estimated to be around 97%.

In the June 2010 budget child benefit was frozen for three years from 2011/12 and the way that it was uprated was changed. Future increases would be linked to the CPI, breaking the link to RPI.

It wasestimated that freezing child benefit would save £365 million in 2011-12, £695 million in 2012-13, £940 million in 2013-14 and £975 million in 2014-15.[[3]](#footnote-3)

In the 2012 autumn statement the government applied a 1% cap for two years. Had the uprating by CPI policy been left in place, child benefit would have increased by 2.4% in 2014 and 1.3% in 2015.

It wasestimated that the 1% increase in child benefit would cost £175 million in 2014-15, £270 million in 2015-16, and £290 million in 2016-17. [[4]](#footnote-4)

In addition ‘universality’ of the benefit was eroded when the government announced that from 2013, child benefit would be withdrawn from families with a higher rate taxpayer.

Currently, if a claimant or a partner they live with has annual taxable income of more than £50,000, some of their child benefit has to be repaid through a tax adjustment.

This higher income child benefit charge (HICBC) affects 1.1 million families. People can choose either not to claim their child benefit, to claim it but not receive it (this is to retain the benefit of national insurance credits), or claim and pay some of it back in tax.

In the emergency budget following the 2015 general election the government froze child benefit for four years from April 2016.

The following table shows that RPI has been, on average, 1.12% points higher than CPI every year since 2010. This has had significant implications for the value of child benefit.

Table 1: RPI and CPI September % increase 2010 to 2018

|  |  |  |  |
| --- | --- | --- | --- |
|  | September RPI % increase | September CPI % increase | Difference % increase |
| 2010 | 4.6 | 2.4 | 2.2 |
| 2011 | 5.6 | 4.5 | 1.1 |
| 2012 | 2.6 | 2.1 | 0.5 |
| 2013 | 3.2 | 2.4 | 0.8 |
| 2014 | 2.3 | 1.3 | 1.0 |
| 2015 | 0.8 | 0.2 | 0.6 |
| 2016 | 2.0 | 1.3 | 0.7 |
| 2017 | 3.9 | 2.8 | 1.1 |
| 2018 | 3.3 | 2.2 | 1.1 |
| Annual average | 2.13 | 1.01 | 1.12 |

The real value of child benefit has been further eroded and the freeze is due to continue in 2019/20.

Table 2 below shows the increases in child benefit each year and Table 3 shows what child benefit would be had the policy of uprating remained in place.

If that had happened child benefit would now be £25.95 a week for the eldest child and £17.13 a week for each subsequent child. Those figures would, respectively, be rising to £26.80 and £17.69 in April 2019.

Table 2: Child benefit per week 2010 to 2019

|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
| First child | | | |  | Second and subsequent child | | |
|  | Actual weekly child benefit | Increase £ | % increase | Actual weekly child benefit | Increase £ | % increase |
| 2010 | £20.30 |  |  | £13.40 |  |  |
| 2011 | £20.30 | £0.00 | 0.0% | £13.40 | £0.00 | 0.0% |
| 2012 | £20.30 | £0.00 | 0.0% | £13.40 | £0.00 | 0.0% |
| 2013 | £20.30 | £0.00 | 0.0% | £13.40 | £0.00 | 0.0% |
| 2014 | £20.50 | £0.20 | 1.0% | £13.55 | £0.15 | 1.1% |
| 2015 | £20.70 | £0.20 | 1.0% | £13.70 | £0.15 | 1.1% |
| 2016 | £20.70 | £0.00 | 0.0% | £13.70 | £0.00 | 0.0% |
| 2017 | £20.70 | £0.00 | 0.0% | £13.70 | £0.00 | 0.0% |
| 2018 | £20.70 | £0.00 | 0.0% | £13.70 | £0.00 | 0.0% |
| 2019 | £20.70 | £0.00 | 0.0% |  | £13.70 | £0.00 | 0.0% |

Table 3: Child benefit as it would have been under pre 2010 uprating policy

|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
| First child | | | |  | Second and subsequent child | | |
|  | Actual weekly child benefit | September RPI | Uprated by September RPI | Actual weekly child benefit | September RPI | Uprated by September RPI |
| 2010 | £20.30 | 4.6 | £20.30 | £13.40 | 4.6 | £13.40 |
| 2011 | £20.30 | 5.6 | £21.23 | £13.40 | 5.6 | £14.02 |
| 2012 | £20.30 | 2.6 | £22.42 | £13.40 | 2.6 | £14.80 |
| 2013 | £20.30 | 3.2 | £23.01 | £13.40 | 3.2 | £15.19 |
| 2014 | £20.50 | 2.3 | £23.74 | £13.55 | 2.3 | £15.67 |
| 2015 | £20.70 | 0.8 | £24.29 | £13.70 | 0.8 | £16.03 |
| 2016 | £20.70 | 2.0 | £24.48 | £13.70 | 2.0 | £16.16 |
| 2017 | £20.70 | 3.9 | £24.97 | £13.70 | 3.9 | £16.48 |
| 2018 | £20.70 | 3.3 | £25.95 | £13.70 | 3.3 | £17.13 |
| 2019 | £20.70 |  | £26.80 |  | £13.70 |  | £17.69 |

**Cumulative impact**

Child benefit plays a crucial role for low and moderate income families. It is designated for children and is unaffected by other changes to pay. It is predominantly paid to the mother.

As shown in table 4, in 2018 child benefit is already worth 20% less than it was in 2010. For every £10 ‘buying power’ a family had in 2010, they only have £8 ‘buying power’ today.

Table 4: The reduction in the ‘buying power’ of child benefit

|  |  |  |  |
| --- | --- | --- | --- |
|  | Actual weekly child benefit for first child | Child Benefit uprated by previous September RPI | Child benefit as % of child benefit under previous uprating policy |
| 2010 | £20.30 | £20.30 | 100% |
| 2011 | £20.30 | £21.23 | 96% |
| 2012 | £20.30 | £22.42 | 91% |
| 2013 | £20.30 | £23.01 | 88% |
| 2014 | £20.50 | £23.74 | 86% |
| 2015 | £20.70 | £24.29 | 85% |
| 2016 | £20.70 | £24.48 | 85% |
| 2017 | £20.70 | £24.97 | 83% |
| 2018 | £20.70 | £25.95 | 80% |
| 2019 | £20.70 | £26.80 | 77% |

Table 5 shows that in 2019, a family with two children will get £524.68 a year less in child benefit than they would have done if the uprating policy was still in place.

Cumulatively, that family will have lost a total of £2,751.51 since April 2011.

Table 5: Cumulative impact

|  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| First child | | | | |  | Second child | | | | |
|  | Actual weekly child benefit for first child | Child Benefit uprated by RPI | Annual loss | Cumulative loss |  | Actual weekly child benefit for second child | Child Benefit uprated by RPI | Annual loss | Cumulative loss |
| 2010 | £20.30 | £20.30 | £0.00 | £0.00 | 2010 | £13.40 | £13.40 | £0.00 | £0.00 |
| 2011 | £20.30 | £21.23 | £48.56 | £48.56 | 2011 | £13.40 | £14.02 | £32.05 | £32.05 |
| 2012 | £20.30 | £22.42 | £110.39 | £158.95 | 2012 | £13.40 | £14.80 | £72.87 | £104.92 |
| 2013 | £20.30 | £23.01 | £140.71 | £299.65 | 2013 | £13.40 | £15.19 | £92.88 | £197.80 |
| 2014 | £20.50 | £23.74 | £168.59 | £468.24 | 2014 | £13.55 | £15.67 | £110.35 | £308.15 |
| 2015 | £20.70 | £24.29 | £186.58 | £654.83 | 2015 | £13.70 | £16.03 | £121.29 | £429.44 |
| 2016 | £20.70 | £24.48 | £196.69 | £851.51 | 2016 | £13.70 | £16.16 | £127.96 | £557.41 |
| 2017 | £20.70 | £24.97 | £222.15 | £1,073.66 | 2017 | £13.70 | £16.48 | £144.77 | £702.18 |
| 2018 | £20.70 | £25.95 | £272.79 | £1,346.45 | 2018 | £13.70 | £17.13 | £178.20 | £880.38 |
| 2019 | £20.70 | £26.80 | £317.20 | £1,663.65 | 2019 | £13.70 | £17.69 | £207.48 | £1,087.86 |

**Higher rate taxpayers**

The government has undermined the ‘universality’ of child benefit. In October 2010 the chancellor told the Conservative Party conference that from 2013, child benefit would be withdrawn from families with a higher rate taxpayer. He claimed it would save £1 billion a year.

Since 7 January 2013, if a claimant or their partner’s income is more than £50,000 a year some or all of the child benefit has to be paid back.

Those with an income over £50,000 are required to pay back 1% of the family’s child benefit for every extra £100 they earn over that threshold.

For example, child benefit for two children is £1,789 per year. A taxpayer whose income is £52,000 would be taxed £358 on their child benefit.

Those on a higher income can also child benefit but opt not to receive child benefit payments to avoid paying the additional tax.

Some taxpayers earning more than £50,000 a year have avoided the tax charge by increasing their pension contributions, which, in turn, reduces the excess income.

If a claimant or their partner has an income of more than £60,000 a year before tax, they have to repay all of their child benefit as income tax.

**Conclusion**

A benefit targeted at the needs of children and paid predominantly to women has been substantially cut in real terms. These are significant changes for families, especially those on low and moderate incomes, and cannot be divorced from the rise in child poverty, debt and the widespread use of food banks.

Child benefit is acknowledged as an efficient and effective state benefit that reaches mothers and children directly. The cuts outlined above need to be reversed to improve family welfare and give a generation of children the opportunity to thrive.

1. HC 114 1998-99 [↑](#footnote-ref-1)
2. Includes one parent benefit and guardians allowance [↑](#footnote-ref-2)
3. HC 61 2010-11, Table 2.1 [↑](#footnote-ref-3)
4. HC 1104, Table 2.2 [↑](#footnote-ref-4)