

# The estimated impact of the benefit cap on parents, by age of youngest child

Benefit cap estimates 2016/17, Labour market statistics 2015

● One off

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Benefit cap analysis relates to Great Britain (GB), Labour Market data relates to United Kingdom (UK)

Ad-hoc

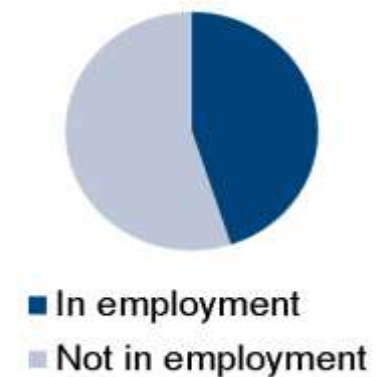
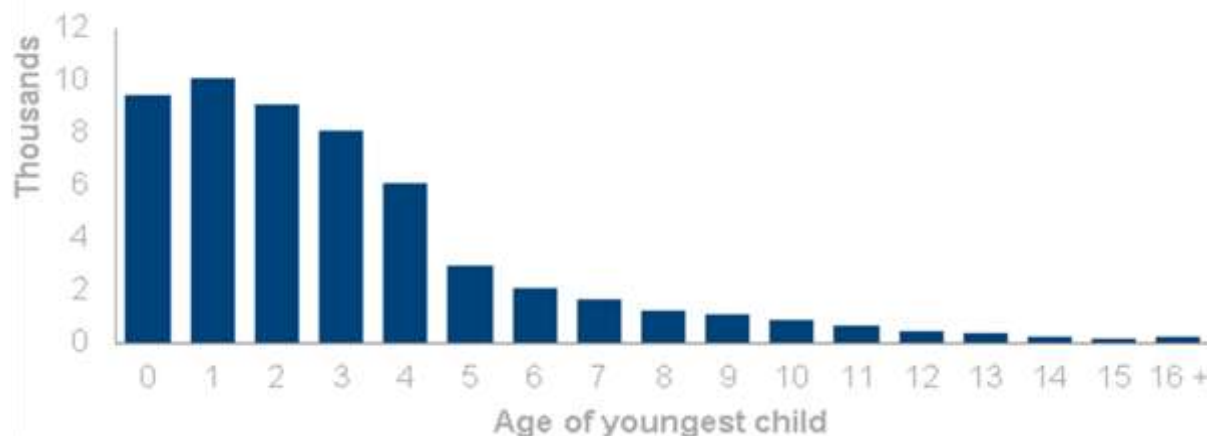
The benefit cap was first introduced in April 2013 as part of the Welfare Reform Act of 2012. The cap set the upper limit to the amount of benefits a household on out of work benefits can receive at £26,000 per year. From November 2016, and as part of the Welfare Reform and Work Act 2016, the benefit cap was lowered to £23,000 in London and £20,000 across the rest of GB (and 67% of these levels for single people without children). The benefit cap estimates presented in this publication represent the number of households **estimated** to be in scope for the lower benefit cap prior to its introduction, consistent with the latest benefit cap Impact Assessment, and differ from the benefit cap official statistics which provide the **actual** number of capped households.

## Main stories

- Of the 88,000 households estimated to be in scope for the lower benefit cap in 2016/17, 43,000 (49%) were lone parents with a youngest child under the age of five.
- In 2015, around 45% of lone parents in the UK, with a youngest child under the age of 5, were in employment<sup>1</sup>.

**Lone parents make up 63% of households** estimated to be in scope for the lower cap, of these lone parents 78% have a youngest child under the age of 5.

**45% of lone parents** with a youngest child under the age of 5 were in employment



## At a glance

Page

[The impact of the benefit cap on parents](#)

3

[Parents in employment](#)

4

[Working hours of parents](#)

5

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## What you need to know

### How the cap works

The [benefit cap](#) is a limit on the total amount of benefits that most people aged 16 to 64 can get.

[Benefits and tax credits](#) (with the exception of Working Tax Credit (WTC)) that provide an out-of-work income for adults or support for children and housing are taken into account when applying the cap.

For most capped households the benefit cap is applied by reducing the amount of Housing Benefit (HB) that they receive so their total benefits no longer exceed the cap level. The cap can also be applied through Universal Credit (UC) where the deduction is made to the total UC award.

Someone will not be affected by the cap if they, or anyone in their household, receive Working Tax Credit or benefits such as Personal Independence Payment, Disability Living Allowance, Carer's Allowance or Guardian's Allowance. For example, if a lone parent [qualifies for Working Tax Credit](#) by working at least 16 hours a week then they will no longer be affected by the cap and will be able to receive their full benefit entitlement.

[The cap was introduced](#) with the aim that it will;

- 1) Further improve work incentives for those on benefits
- 2) Promote even greater fairness between those on out of work benefits and tax payers in employment, whilst providing support to the most vulnerable
- 3) Further reduce benefit expenditure and continue to help tackle the financial deficit

### Information about the analysis and statistics

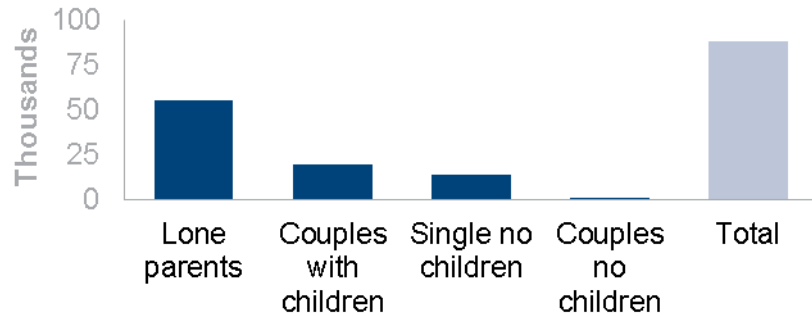
This publication presents the number of households estimated to be in scope for the lower cap in 16/17 prior to its introduction in November 2016 using DWP and HMRC administrative data. It is important to note that these are separate to the benefit cap [official statistics](#) which give the actual number of capped households based on Housing Benefit administrative data. The methodology used to estimate the number of households in scope for the lower benefit cap is consistent with the August 2016 lower benefit cap [Impact Assessment](#).

Tables 2 and 3 present parental employment estimates by age of youngest child. These are taken from the Household Annual Population Survey (HHAPS) as opposed to the quarterly household Labour Force Survey data used in the 'Working and workless households' bulletin produced by ONS. This is because the HHAPS allows for more robust sample sizes when analysing small groups like those in this analysis. Estimates therefore will not necessarily match those used in the 'Working and workless households' bulletin.

# The impact of the benefit cap on parents

## Lone parents were estimated to be the most capped group

Households estimated to be in scope for the cap, 2016/17



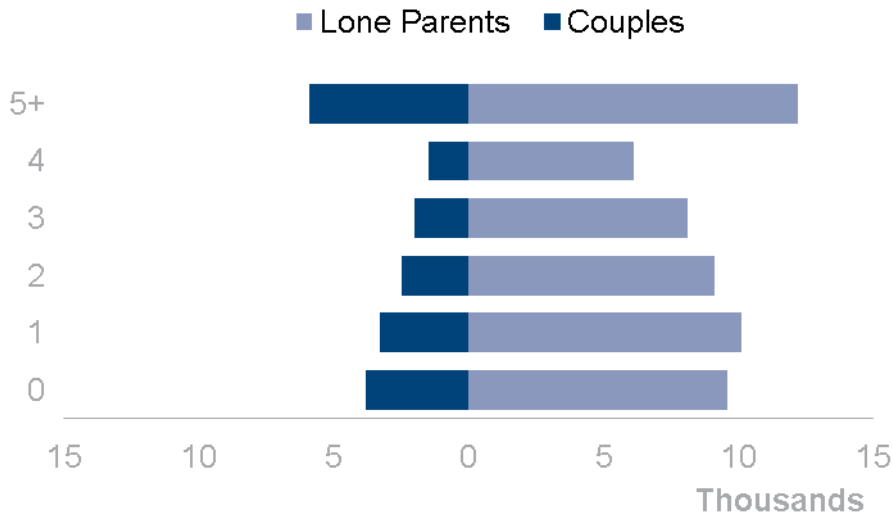
A total of 88,000 households were estimated to be in scope for the lower benefit cap in 2016/17. Of these 63% (55,200) were lone parents and 22% (19,000) were couples with children.

There were far fewer households without children estimated to be affected. Only 13,700 single person households and 100 couples without children were estimated to be in scope for the cap in 2016/17.

See **Table 1** for full data.

## Just over 10,000 lone parents with a youngest child aged 1 were estimated to be in scope for the lower cap

Households estimated to be in scope by age of youngest child, 2016/17



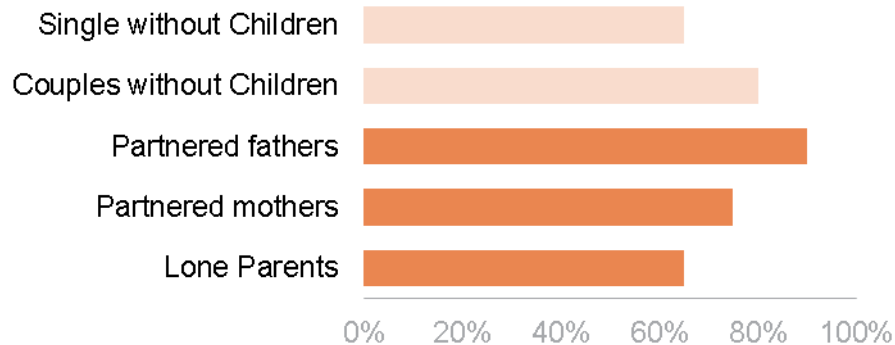
Lone parents with a youngest child under the age of 5 made up 49% of the total number of households estimated to be in scope for the cap. Only 15% were couples with a youngest child under the age of 5.

See **Table 1** for full data.

# Parents in employment

## The majority of parents are in employment

Parental employment rates by family type, 2015



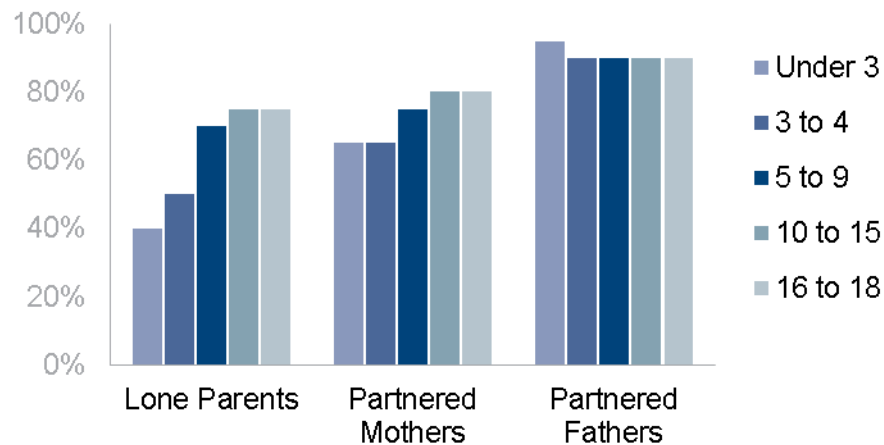
Parents continue to engage in the labour market; the majority have been seen to be economically active and in employment.

In 2015 an estimated 1,250,000 employed lone parents with dependent children were in work (65%). In addition to this there were 4,320,000 partnered mothers (75%) and 5,430,000 partnered fathers (90%) in employment.

See **Table 2** for full data.

## 45% of lone parents with their youngest child under the age of 5 are in employment

Parental employment rates by parent type and age of youngest child, 2015



The employment rate for lone parents increases as the age of the youngest child increases.

For lone parents, including those on parental leave but still attached to their job, with a youngest child under the age of 3 years of age, the employment rate was 40% in 2015. For those with a youngest child aged 3 to 4 years of age, the employment rate rises to 50%, and 70% for those with a youngest child aged 5 to 9.

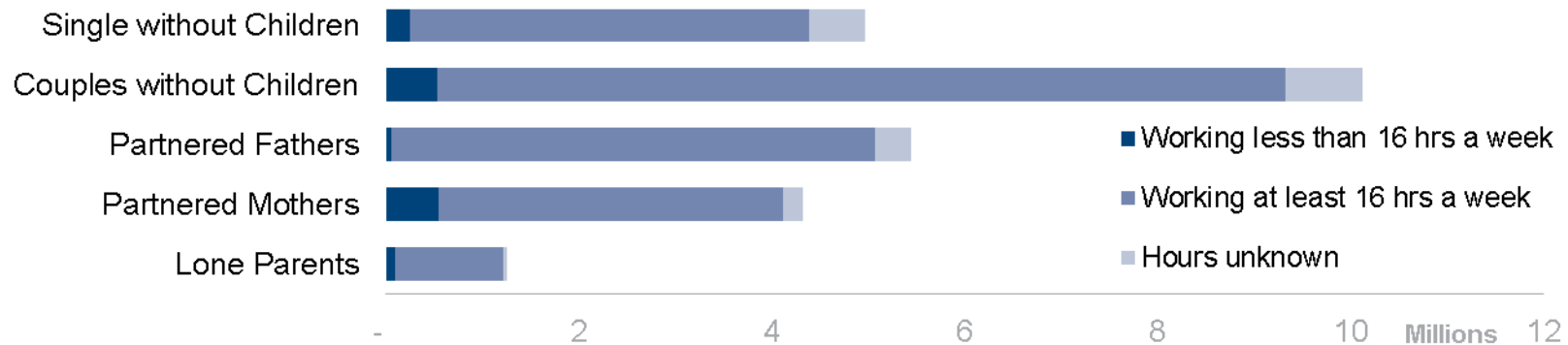
See **Table 2** for full data.

## Working hours of parents

The majority of parents who are in work are working at least 16 hours a week, for example in 2015 95% of employed lone parents were working at least 16 hours a week. This is enough for a lone parent to qualify for working tax credits and become exempt from the benefit cap. See **Table 3** for full data.

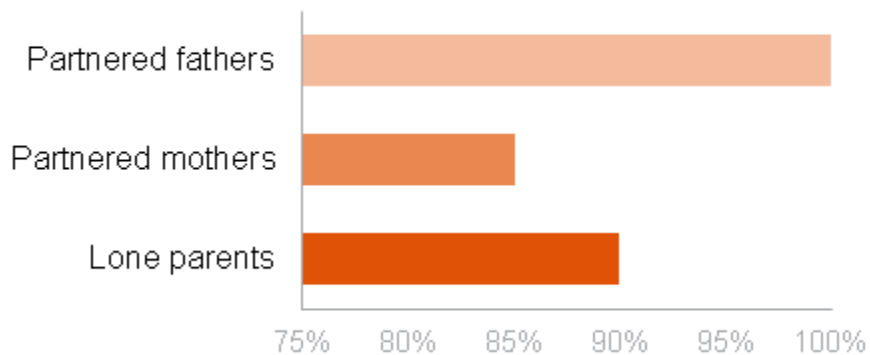
### The majority of working parents work at least 16 hours a week

Employment and working hours of parents, 2015



### Working lone parents with young children tend to work at least 16 hours per week

Parents with children under 5 working at least 16 hours a week, 2015



In 2015, 45% (280,000) of lone parents with a youngest child aged under 5 were in work and of these 90% (250,000) were working more than 16 hours per week.

For partnered mothers with a youngest child under 5, 65% (1,700,000) were in work and of these 85% (1,410,000) were working more than 16 hours per week.

See **Table 3** for full data.

## About these statistics

This ad hoc publication contains analysis that was produced to inform the Judicial Review carried out in May 2017 in relation to the benefit cap. The claimants challenged the treatment of two particular groups under the benefit cap – lone parents of children under two, and their dependent children, on the grounds that lone parents of children under two are not expected by the Government to work (which is the primary route to avoid application of the cap).

The methodology used to estimate households in scope for the lower benefit cap presented in this publication is consistent with the August 2016 [Impact Assessment](#) for the lower benefit cap and is separate from the quarterly benefit cap [official statistics](#) which provide the actual number of capped households. These estimates assume no behavioural responses - any behavioural responses to the lower cap, such as claimants moving into employment, may cause estimates to change.

Labour market estimates are based on the Household Annual Population Survey (HHAPS) as opposed to the quarterly household Labour Force Survey data used in the 'Working and workless households' bulletin produced by ONS. This is because the HHAPS allows for more robust sample sizes when analysing small groups like those in this analysis. Estimates therefore will not necessarily match those used in the 'Working and workless households' bulletin. All estimates relate to parents aged 16-64 living with at least one dependent child in the UK in January to December 2015. Estimates are also given for those without dependent children although they may still have non dependent children. [\[1\]](#) **These estimates are based on small sample sizes and should be interpreted with caution.**

Estimated hours are based on usual weekly hours worked in their main job, excluding overtime. Employment estimates include people on parental leave from their job, provided they reported that they were temporarily away from a job that they expected to return to. Usual working hours for these people refers to the hours they usually worked before their parental leave.

Employment rates are calculated as a proportion of the working age population. Numbers have been rounded to the nearest 10,000 and therefore totals may not exactly match the sum of components within a group. Percentages are based on unrounded numbers, but are then rounded to the nearest 5 percentage points.

Employment estimates include people on parental leave from their job, provided they reported that they were temporarily away from a job that they expected to return to. Usual working hours for these people refers to the hours they usually worked before their parental leave.

## Where to find out more

Benefit cap government website - <https://www.gov.uk/benefit-cap>

The lower benefit cap impact assessment - <https://www.gov.uk/government/publications/welfare-reform-and-work-act-impact-assessment-for-the-benefit-cap>

Official statistics - <https://www.gov.uk/government/collections/benefit-cap-statistics>

The original benefit cap (£26,000 cap limit) evaluation - <https://www.gov.uk/government/publications/benefit-cap-evaluation>

ONS Working and workless households in the UK statistical bulletins: –

<https://www.ons.gov.uk/employmentandlabourmarket/peopleinwork/employmentandemployeetypes/bulletins/workingandworklesshouseholds/previousReleases>