Friday 24 October 2025

The economic case for ending the two-child limit and the benefit cap

To the Chancellor of the Exchequer and HM Treasury,

We write as economists, academics, and policy experts to urge you to scrap the two-child limit on Universal Credit, and to remove the cap on benefits families receive, at the Autumn budget.

The number of children currently growing up in poverty in the UK is 4.5 million,[1] an increase of 900,000 between 2010/11 and 2023/24.[2] Unless you take substantive action, 4.7 million children will be living in poverty by the end of this parliament.[3] Since its introduction in 2017, the two-child limit has become the largest single driver of rising child poverty in the UK,[4] currently affecting almost 1.7 million children.[5] Each day the policy remains in place, 109 more children are pulled into poverty.[6] If the two-child limit remains in place, half of children in larger families will be living in poverty by 2030.[7]

Alongside this, the benefit cap restricts the amount of money a family receives. If the two-child limit is scrapped without also lifting the benefit cap, many families will feel little to no effect, and it would further entrench inequality.[8] Scrapping the two-child limit and removing the benefit cap would immediately lift 400,000 children out of poverty, and the depth of poverty would be reduced for many more.[9]

While the two-child limit was intended to change family behaviour,[10] the evidence shows that it has significantly increased child poverty without achieving this.[11] Most families affected by the limit are already in work.[12] There is little evidence that the policy improves employment outcomes.[13] Instead,

[1] Department for Work and Pensions (DWP), released 27 March 2025, GOV.UK website, statistical release, Households below average income: for financial years ending 1995 to 2024
[2] Ibid.
[3] Child Poverty Action Group, released September 2025, CPAG website, press release, Reducing child poverty: role of the two-child limit | CPAG
[4] End Child Poverty Coalition, released April 2025, At-the-Limit-report-final.pdf
[5] Department for Work and Pensions (DWP), released 10 July 2025, GOV.UK website, statistical release, Universal Credit claimants statistics on the two child limit policy, April 2025 - GOV.UK
[6] Child Poverty Action Group, released 7 October 2024, CPAG website, press release, 10,000 children dragged into poverty by two-child limit since Labour took office | CPAG. Note the 109 more children per day figure is an average of the per year effect.
[7] Resolution Foundation (2025) 'Turning the tide: what it will take to reduce child poverty in the UK' https://www.resolutionfoundation.org/app/uploads/2025/02/Turning.the_.tide_.pdf
[8] Resolution Foundation "Limited ambition? An assessment of the rumoured options for easing the two-child limit (2025) Limited ambition? • Resolution Foundation
[9] Child Poverty Action Group, The two-child limit: our position | CPAG
[10] Education Policy Institute, released 16 October 2024, The 'two child limit': ill-conceived, inefficient – and misunderstood? - Education Policy Institute
[11] Dr Kitty Stewart, London School of Economics, released 26 September 2023, The two-child limit: a growing hole in the UK's safety net
[12] Universal Credit claimants statistics on the two child limit policy, April 2025 - GOV.UK
[13] K Stewart, K Andersen, R Patrick, M Reader and A Reeves (2025), Does Reducing Child Benefits Mean Parents Work More? A Mixed-Methods Study of the Labor Market Effects of the United Kingdom's "Two-Child Limit | Social Service Review: Vol 99, No 1, and House of Commons Library, released 14 February 2024, research briefing, The impact of the two-child limit in Universal Credit

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it deepens hardship for low-income working families and undermines public health, early years development and educational outcomes. This in turn increases pressure on local services, including schools, health and housing.[14] Growing up in poverty harms children's health, educational attainment and lifetime earnings. The long-term cost to the economy from lost productivity, reduced tax revenues and higher public spending outweighs the short-term savings from these policies.[15]

The two-child limit and the benefit cap are economically inefficient. Both policies penalise families based on size. Children in larger families are no less deserving of support than others, and the savings generated are relatively modest when set against the damage done. The two-child limit generates savings of around £3.6 billion per year by 2024.[16] Meanwhile, the cost of child poverty to the UK economy has been estimated at £39 billion per year – more than ten times the savings generated by this policy.[17] Lifting the benefit cap would cost an additional £1 billion per year.[18] Scrapping the two-child limit and removing the benefit cap are the most cost-effective and targeted investments into reducing child poverty, and would deliver returns over the long term.

Any potential mitigations to the negative effects of the two-child limit and benefit cap would not adequately address the issues created by these policies. Introducing any exemptions or mitigations would sever the link between need and entitlement, which is a key principle of the welfare state; it would also exacerbate stigma, complexity, and arbitrariness, while costing almost as much as full repeal. Full abolition of the two-child limit and benefit cap would cost £4.5 billion per year at full roll-out – just over 1% of the projected welfare bill in 2029/30. The best option is to fully scrap both harmful policies.[19]

Not only are these policies damaging for children, they are also damaging for the economy, and put us out of step with other high-income countries, none of which have equivalent policies. The UK is ranked 37 out of 39 countries on the UNICEF Innocenti scorecard, which ranks countries based on income poverty rate for children and success in reducing child poverty.[20]

Ending these policies would represent a strategic choice to invest in the life chances of children, support families, and build a stronger economy for the future. We urge the government to remove the two-child limit and abolish the benefit cap in its child poverty strategy, to help ensure that every child has the support they need to thrive.

Sincerely,

- Professor Jonathan Bradshaw, Emeritus Professor of Social Policy, University of York
- Professor Katherine Brickell, Professor of Urban Studies, King's College London
- Professor Philip Brown, Professor of Housing and Communities, University of Huddersfield
- Professor Paul Bywaters, Emeritus Professor of Social Work, University of Huddersfield and Emeritus Professor, Coventry University
- Professor Mary Daly, Professor of Sociology and Social Policy, University of Oxford
- Sara Davies, Associate Professor in Household Finance, University of Bristol

[14] Hayre J. Two-child limit in the UK: where policy meets poverty. BMJ Paediatr Open. 2024 Oct 30;8(1):e002747. doi: 10.1136/bmjpo-2024-002747. PMID: 39477339; PMCID: PMC11529683. Two-child limit in the UK: where policy meets poverty - PMC
[15] Heckman, J.J. (2006), "Skill Formation and the Economics of Investing in Disadvantaged Children", *Science*, 312(5782), 1900–1902.
[16] Resolution Foundation (2024), Catastrophic Caps, https://www.resolutionfoundation.org/publications/catastophic-caps/
[17] Professor Donald Hirsch, Child Poverty Action Group (2024), The cost of child poverty in 2023 | CPAG
[18] Resolution Foundation "Limited ambition? An assessment of the rumoured options for easing the two-child limit (2025) Limited ambition? • Resolution Foundation
[19] Ibid.
[20] Unicef, Innocenti (2023), Child Poverty Amidst Wealth

- Professor Danny Dorling, University of Oxford
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- Professor Brid Featherstone, Emeritus Professor of Social Work, University of Huddersfield
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