

**FABIAN
SOCIETY**

FIRST STEPS

AN AMBITIOUS STRATEGY TO TACKLE
EARLY-YEARS POVERTY WITH PUBLIC
CONSENT

Ben Cooper

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Ben Cooper is a research manager at the Fabian Society.

About the funders

The UK Committee for Unicef (Unicef UK)

The UK Committee for Unicef (Unicef UK) is a UK registered charity that raises funds for Unicef's emergency and development work around the world and advocates for lasting change for children in the UK and worldwide. It has been delivering programmes in the UK for more than 25 years, in line with its universal mandate to be there for every child.

Unicef UK works in all four nations of the UK reaching around 2.5 million children each year through its 'baby friendly initiative', 'rights respecting schools' and 'child friendly cities' programmes. It puts its years of experience working for children around the world into practice in the places that reach UK children day in, day out. Working with the hospitals where they are born, the schools where they learn and grow, and the services that shape their lives.

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Trust for London is one of London's largest funders. Every year it funds hundreds of organisations fighting for economic and social justice across the city. The work it funds comes in many forms, from community groups helping people build skills and knowledge, to large scale campaigns. To make sure people have the evidence needed to make change happen and that we understand the nature of poverty in London, it also funds independent research and work like London's poverty profile. Whatever it is working on, all Trust for London's funded projects have one core aim – to make London a better, fairer city.

Dartmouth Street Trust

The Dartmouth Street Trust makes grants for the promotion of studies in political, economic and social science and cognate educational subjects, and for the promotion of education and dissemination of knowledge in such science and subjects.

About the report

The focus groups

The Fabian Society conducted three focus groups in December 2024 with English voters. Participants were those:

- Who voted Conservative in 2019 and Labour in 2024 living in Stevenage, Tamworth, and Rossendale and Darwen.
- Who voted Conservative in 2019 and Labour in 2024 living in Wakefield and Rothwell, Cramlington and Killingworth, and Dudley.
- Who voted Labour in 2019 and Labour in 2024 living in Birmingham Hodge Hill and Solihull North, Bethnal Green and Bow, and Liverpool Riverside.

The focus groups were demographically diverse, including parents with children under five. The groups considered the impact of poverty on the early years, the two-child limit, and arguments for improving support for families with very young children.

The polling

The Fabian Society commissioned YouGov Plc to survey 4,300 adults across Great Britain. The survey was carried out online. Fieldwork was undertaken between 18 and 20 February 2025. The figures have been weighted and are representative of all adults (aged 18+) in Great Britain.

The modelling

The Fabian Society commissioned Howard Reed at Landman Economics to model a series of policy options, focused on its impact on child poverty rates and their cost. The results use the Family Resources Survey 2022-23, adjusted to take account of income and housing costs growth since the data was collected. All the costings are in today's prices, and reflect the cost if they were implemented this year. All results are for England and Wales only.

After the policy modelling but before the publication of this report, the Family Resources Survey 2023-24 was published. However, the data was not available publicly for modelling at the time of finalising the report. The government also introduced a series of reforms to disability benefits and employment support. These are likely to have an impact on child poverty

rates, but they have not been accounted for in this report as they have not been implemented.

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SUMMARY

Early-years poverty is a serious and intolerable problem

Child poverty increased under the previous Conservative government. More than a third (35 per cent) of under-fives in England and Wales live in poverty – equivalent to over 1.2 million babies and toddlers. This is the highest rate of any age group. Over half a million live in deep poverty – equivalent to 15 per cent of all under-fives.

Many of the causes of high early-years poverty are clear. Social security cuts have affected younger children more than others. The two-child limit and the benefit cap are highly damaging policies, breaking the link between entitlement and need. Cuts to the baby tax credit, the health in pregnancy grant and other entitlements have hit the incomes of households with young children hard. Having young children often reduce the income of parents, due to inadequate statutory maternity pay or allowance, lower employment rates, and relying on part-time work. Young children increase living costs.

Poverty is deeply damaging in those earliest years. It affects a child long before birth, and has lifelong consequences. A baby born in poverty is less likely to be in good health, be ready for school by the age of five, go to university, and get a graduate job with a good wage.

There are fiscal and political challenges associated with increasing support for young children

While improving income from work and reducing costs can help tackle poverty, only an increase social security spending can lead to a significant and sustained fall in early-years poverty. But increasing social security is costly, and the public finances face significant pressure.

The political challenge must be considered. Understanding public opinion is vital to building long-term consent around social security to tackle early-years poverty. Otherwise, there is a risk of a significant backlash that prevents future action to deliver sustained falls in child poverty. And

unfortunately, there is little public support for increases on social security spending – particularly for the families who need it most.

Our research particularly sought to understand the political challenge for the Labour government, and our survey with YouGov found:

- **When asked about the top three policies for a Labour government to implement, the most popular policy is a discount on energy bills for low-income families with children under five** – selected by 25 per cent of respondents. Seventeen per cent said “increase the value of Healthy Start vouchers to help parents buy foods such as milk or fruit”, and 12 per cent selected “introduce a free ‘baby box’ of essential items for every new family”, “free bus travel for under-fives and their parents”, and “increase housing benefit” each. However, more respondents (31 per cent) selected “none of these” than chose any specific option.
- **While cash payments are the most effective way to tackle poverty for low-income families, the public is not yet convinced.** When asked about how to support low-income families with young children, 67 per cent of respondents overall said they should receive “vouchers and discounted access to essentials like energy to guarantee young children get what they need” – compared to 14 per cent saying they should receive “cash, because parents know best about what their child needs and managing budgets”.
- **There is support for scrapping the two-child limit for families with a disabled child or families in work.** When asked about scrapping the two-child limit for specific families, 46 per cent of respondents overall said they supported “removing the two-child limit for families with disabled children” – with 34 per cent opposing it. Also, 45 per cent supported removing the limit for “families who are in work” – with 35 per cent opposing it. This would have significant impact on poverty rates, including for children under five.
- **Support for fully scrapping the two-child limit and scrapping the benefit cap is more limited.** Scrapping the two-child limit and the benefit cap would lead to a significant reduction in child poverty. However, when asked about the two-child limit, 59 per cent of respondents overall said “the two-child limit should be kept” – compared to 25 per cent saying “the two-child limit should be removed”. When asked about the benefit cap, 58 per cent said “the benefit cap should be kept” – compared to 21 per cent saying “the benefit cap should be removed”.

Messaging matters, but has its limitations

These views on social security are deeply held, but they can be shifted to some extent. Public consent can be built through good policy and persuasive communications, including ‘framing’. Financial security is a powerful message for the government to use to shore up support, and the most popular message we tested was: “a parent losing a job or suffering from a change in financial circumstances should not mean a child lives in poverty, so the government should help families pay for the essentials”. However, the power of framing and messaging will be limited if politicians are the primary message carriers. And the messages people hear will rarely be the messages politicians want them to.

The government must act

Since records began, every Labour government has delivered a reduction in child poverty. Without serious action, this government will struggle to reduce the high levels of child poverty it has inherited from the Conservatives. This will make it more difficult to achieve its missions and milestones on health, opportunity, and living standards. However, our survey found 44 per cent believe the number of babies and toddlers living in poverty would increase over the next four years – compared to 10 per cent saying it would decrease.

The forthcoming child poverty strategy offers the chance to cut child poverty and overcome the low expectations of the public. The government should:

- **Set out a transformative child poverty strategy**, focused on the early years especially. The strategy should contain a binding target for this parliament to reduce the early-years poverty rate to its lowest in 30 years, outside of a pandemic: 27 per cent.
- **Undertake ‘major but essential’ reforms**, with action starting this parliament. The government should fully scrap the two-child limit, abolish the benefit cap, unfreeze local housing allowance, and implement a double lock on child-related benefits.
- **Take some ‘first steps’**, with announcements as part of the strategy and in the 2025 budget. The government should scrap the two-child limit for working families and for those with a disabled child, introduce baby and toddler elements into universal credit, restore a health in pregnancy grant, and introduce a cost-of-living support package.

The first steps **alone** will lift between 140,000 and 230,000 under-fives out of poverty, with the social security proposals costing between £2.6bn and £4.4bn. The government should then build on these first steps to deliver

further falls in child poverty by the end of this parliament, while maintaining public consent to ensure its policies can be sustained.

1. INTRODUCTION

The scale of child poverty in Britain is staggering. More than a third (35 per cent) of under-fives live in poverty – equivalent to 1.2 million babies and toddlers in England and Wales. Over half a million live in ‘deep poverty’ – around 15 per cent of all under-fives.¹ Under-fives have the highest poverty rate of any age group.

Many of the causes of high early-years poverty are clear and indicate the primary means by which it can be addressed: social security. Since 2010, Conservative-led governments took a series of decisions that have harmed the financial security of millions of families and trapped children under the age of five in poverty. Both the two-child limit and the benefit cap have rightly received widespread criticism for driving up child poverty, but there have been many other social security cuts that have taken money away from families with very young children. Supporting more people into work, increasing employment income, and reducing living costs are all important. But reforming the punitive and miserly social security system for families with children offers the most practical and effective path to lift thousands of babies and toddlers out of poverty.

Living in poverty is deeply damaging at any stage of life, but especially so during a child’s first few years. Babies from low-income families are smaller by around halfway through pregnancy, and a baby born in poverty is less likely to be in good health, be ready for school by the age of five, go to university, and get a graduate job with a good wage.¹ This situation is intolerable.

The government’s forthcoming child poverty strategy offers the opportunity to deliver economic security for families and give every child the best start in life.² Currently expected in the summer of 2025, the strategy will set out short- and long-term proposals to increase household incomes, bring down essential household costs, and alleviate the negative experiences of poverty. It will be crucial to deliver on the government’s plan for change, supporting at least three of its missions: breaking down the barriers to opportunity, building an NHS fit for the future, and kickstarting economic growth.³

The last child poverty strategy was developed under the previous Labour government. It delivered much of what the forthcoming child poverty strategy aims to do. It lifted over 1.3 million children out of poverty,

¹ Poverty is defined as living in a household with an income less than 60 per cent of the median after housing costs. Deep poverty is defined as living in a household with an income less than 40 per cent of the median after housing costs.

delivered the most successful parliament (1997-2001) for cutting child poverty since at least 1966, and increased annual spending on benefits for families with children by around £18bn.⁴

However, the Labour government in 2025 is operating in a very different context:

- The fiscal challenges are significant. The government inherited significant public spending pressures. The geopolitical situation, the cost of support for Ukraine, and global trading shocks have made things even more challenging. Increasing social security is essential to tackling child poverty, but also comes with a significant direct cost. The options to fund it are far narrower than under the previous Labour government.
- The political challenges cannot be ignored. There is less public support for additional spending on social security compared to the late 1990s when Labour last entered office. Unfortunately, the public is least sympathetic toward the families who need the most help. Building long-term public consent for significant social security investment to tackle child poverty is both more difficult and more crucial than when Labour was previously in power.

These challenges can't simply be dismissed, but we believe they can be overcome – or at least mitigated.

This report will set out how. It emphasises the importance of a targeted, practical package of social security reforms focused on the early years that can be implemented with public support. First, we set out the causes of high early-years poverty, and the well-established case for addressing it. We then analyse public attitudes on social security, including towards the two-child limit and other reforms, before showing how the government could start to build long-term consent for social security spending and ambitious child poverty reduction. Finally, we make costed recommendations that would lift tens of thousands of babies and toddlers out of poverty.

2. CAUSES AND CONSEQUENCES OF EARLY-YEARS POVERTY

Poverty is higher for children aged under five than for any other age group. At this age, poverty is particularly damaging. This section sets out the causes and the consequences of early-years poverty.

The causes of early-years poverty

There are three main reasons why the early-years poverty rate in England and Wales is so high.

1. Social security cuts affect younger children more than others

Governments can help to lift people out of poverty and strengthen family finances by providing social security to those on low incomes. Since 2010, Conservative-led governments have chosen to strip away this support. This has led to a rise in the proportion of children living in poverty (see figure 1 overleaf).

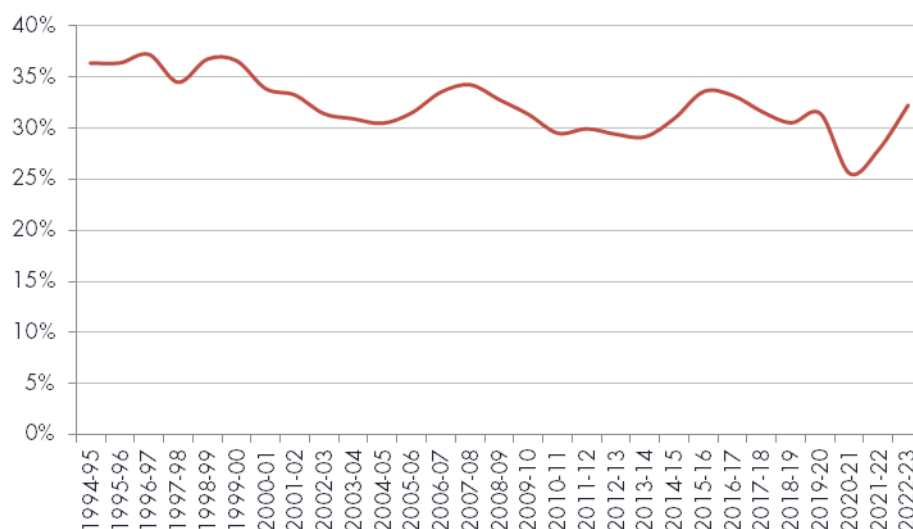
There are three social security changes that have had a particularly acute effect on early-years poverty.

1. **The two-child limit.** Under this policy, low-income families who have a third child born after April 2017 do not receive the additional child element of universal credit for their third child, or any subsequent child.

This is a highly damaging policy. It is an effective income cut of £3,455 per year, per affected child, and impacts around 450,000 households.⁵ Our modelling found 317,000 children are trapped in poverty – including 79,000 toddlers and babies under five – as a result of this limit alone. Moreover, many organisations argue it violates a child's right to be treated equally, as they are treated differently based on their age, the size of their family or when they

were born.⁶ And it is in direct opposition to the key principle of the welfare state since 1945: that there should be a link between entitlement and need.⁷

FIGURE 1: CHILD POVERTY WAS HIGHER IN 2022-23 THAN IN 2010-11



Source: Joseph Rowntree Foundation analysis of the households below average income data, published in UK poverty 2025.

This has increased poverty amongst larger families to a particularly high rate. The child poverty rate for families with three or more children has increased from 43 per cent in 2017-18 to 46 per cent in 2022-23, while the rate has largely stayed the same for families with one or two children.⁸ This negative impact is likely to grow. When the two-child limit is fully implemented and covers all children, it will affect an estimated 2.8 million children.⁹

Of those families currently affected by the two-child limit:

- 59 per cent have at least one adult who is in work.¹⁰
- 52 per cent are single-parent led.¹¹
- 20 per cent have at least one disabled child.¹²

They are also more likely to have a lower income than the average universal credit-receiving family.¹³ While there is no official data on the ethnicity of families affected, Child Poverty Action Group has suggested that Pakistani, Bangladeshi and Black families are all more likely to have three or more children, and are therefore more likely than average to be affected.¹⁴

2. **The benefit cap.** Introduced in 2013, the benefit cap imposes an upper limit on the amount of social security that can be received by a working-age household. It applies to those households who earn less than £793 a month for more than nine months – effectively those in part-time work, very low-paid employment, or out of work entirely. The cap is currently £25,323 for those who live in Greater London and £22,020 for those who live in the rest of Great Britain. It includes local housing allowance, even though this is paid directly to landlords. As with the two-child limit, the benefit cap breaks the link between need and entitlement.

The benefit cap alone is estimated to trap 86,000 children in poverty – including over 16,000 babies and toddlers. As it only affects those on a very low income already, it traps many children into deep poverty – and increases the risk of homelessness.¹⁵ The impact of the cap has become both deeper and broader over time. By April 2024, the maximum amount a household could claim was worth around £14,000 less in real terms for families outside of London, and £10,000 less for those in London – compared to when it was first introduced.¹⁶ And the number of households who have their income ‘capped’ regardless of need has grown dramatically from 26,000 in 2013 – 14 to 122,000 in August 2024.¹⁷

The cap affects any family with an individual earning less than the required amount for longer than nine months, so it particularly affects families with very young children – as they are not otherwise expected to be in work due to their caring responsibilities.¹⁸ Evidence from Child Poverty Action Group suggests over a third (34 per cent) of parents affected by the cap are caring for children under the age of three.¹⁹ The cap also compounds the damage done by other social security policies: more than a quarter of families whose benefits were capped are also affected by the two-child limit.²⁰

3. **Broader cuts to social security for families with young children.** 2010 saw social security cuts as part of an emergency budget and comprehensive spending review. Children under five were affected more than other households due to the coalition’s tax and benefit reforms.²¹ And further cuts were imposed by the governments that followed. For example, Conservative-led governments scrapped:
 - **Baby tax credit** – a payment which effectively doubled the child tax credit for families with a child under one, and was worth £545 by April 2011.

- **Toddler tax credit** – a planned higher element of child tax credit for families with children aged one or two, expected to be worth around £208 a year.
- **Health in pregnancy grant** – a lump sum of £190 or the equivalent of child benefit over the third trimester to all pregnant women in the UK – providing they had received health advice.
- **Sure Start maternity grant for second and subsequent children** – a lump sum of £500 paid to low-income families to help with the costs of having a baby, while the value of the grant for the first child has been frozen in cash terms since 2002 – significantly reducing its real terms value.²²
- **The ‘family element’ of universal credit and tax credits** – additional support for families with their first child worth £545 a year for all recipients. This was scrapped for all children born after 6th April 2017 – which means that, in 2025, no families with a first child under the age of seven receive this support.²³

The Conservative government also repeatedly froze benefits, hitting low-income families. The 2015 budget introduced a four-year freeze on most working-age benefits and tax credits. Joseph Rowntree Foundation estimated that around 200,000 people were pulled into poverty after three years of the freeze, with half of them children.²⁴

2. Having young children often reduces the income of parents – especially the mother

For most families, the birth of a child reduces their overall income. This is because parents – particularly mothers – tend to take time off to care for their newborn. There are two broad challenges:

- **Insufficient maternity pay and maternity allowance.** For the first six weeks of leave, statutory maternity pay is paid at 90 per cent of average weekly earnings. After that, pay is £187.18 a week or 90 per cent of average earnings if it less than that amount.²⁵ This is far lower than in many other countries.²⁶ But if a new mother is not eligible for statutory maternity pay because they don’t earn enough, have not worked for their employer long enough, or they are self-employed, then they may be eligible for maternity allowance. This is also paid at £187.18. This rate is well below the poverty line. While some employers do provide enhanced parental pay, most women do not receive additional benefits.²⁷
- **Negative effects on employment rate, hours and incomes – particularly for mothers.** Both having a job and increasing hours of

work are associated with lower poverty rates. However, parents with young children are less likely to be in work than others – especially if they care for their child alone. Women also face significant cumulative income losses after the birth of a child, relative to remaining childless. The Social Market Foundation estimate that, in the first three years after having a baby, poorer women see their income fall by around 30 per cent – compared to a fifth for richer women.²⁸ When mothers do return to work, they are more likely to go back to part-time work. Not only does this mean they work fewer hours, but part-time work is associated with lower hourly pay and reduced career progression opportunities.²⁹ This ‘motherhood pay penalty’ is exacerbated by the high cost and limited availability of childcare. Low-income families struggle to afford childcare, especially because many are not entitled to the extra 15 free hours for working parents. Estimates suggest 36 per cent of the lowest income families use formal childcare, compared to 73 per cent of the highest earning families.³⁰

FIGURE 2: MOTHERS IN A COUPLE, LONE MOTHERS, AND LONE PARENTS OVERALL WITH VERY YOUNG CHILDREN IN THE UK HAVE A LOWER EMPLOYMENT RATE THAN THEIR COUNTERPARTS WITH OLDER CHILDREN

Age of youngest child	Parents in a couple	Mothers in a couple	Fathers in a couple	Lone parents	Lone mothers
0 to 2	83 per cent	75 per cent	92 per cent	42 per cent	42 per cent
3 to 4	86 per cent	78 per cent	94 per cent	51 per cent	51 per cent
Any dependent children	86 per cent	80 per cent	93 per cent	65 per cent	64 per cent

Source: Office for National Statistics, Employment rate of parents living with dependent children by family type and age of the youngest child in the UK: Table R, 5 March 2025.

3. Young children increase living costs

At a time when a family’s household income often decreases, essential expenditure goes up. ‘Households below average income’, the government’s headline measure of relative poverty, does not account for this increase in expenditure when calculating the poverty rate. This is despite the very real impact on people’s financial situation and ability to afford the essentials.

Estimates of the cost of having and caring for a baby or toddler vary. The basics of a cot, nappies, clothing and equipment could cost around £500 in the first month.³¹ The price of infant formula has risen by over quarter in recent years, hitting parents on lower incomes disproportionately.³² Child Poverty Action Group estimates that, if you include childcare, rent and council tax, the additional cost of the first child for a couple is over £400 a week for the first two years and nearly £460 a week for a single parent.³³ These additional costs are highest before the child starts school.

Housing is often the largest single outlay for households, especially for low-income families. Families with children are far more constrained in their housing choices – limiting their ability to find cheaper housing. The poorest families spend over three times as much on housing, as a proportion of their income, compared to high-income families.³⁴ The Institute for Fiscal Studies found that housing costs increased the poverty rate for children by over five percentage points in 2019.³⁵

The cost-of-living crisis has hit low-income families hard, particularly larger families. They have experienced significantly higher inflation than richer families.³⁶ This is because a larger proportion of their spending goes on housing, food and energy bills – all subject to faster-than-average price increases in recent years.³⁷ Maternity Action found half of surveyed pregnant women and new mums are buying less healthy food due to high costs, and 38 per cent are eating smaller meals or skipping them entirely.³⁸

The consequences of early-years poverty

A lack of income and an inability to afford the essentials has a significant negative impact on children's outcomes. This was something our focus groups understood:

“[Poverty] would impact their future and the opportunities they'd be able to receive ... I feel like it's a very key stage of your life.” – participant from Liverpool.

“Baby clothes and artificial milk is extraordinarily expensive for babies ... You're constantly shelling out ... If there is that poverty and hardship within the household, they'll pick up on the stress pretty quickly.” – participant from Tamworth.

“They would have fewer opportunities, whether that be going out, doing activities, ... food. And that could also be linked to health and development as well.” – participant from Killingworth.

While parenting and nurturing experiences matter in the early years, poverty impacts those too. As the nurturing care for early development

framework developed by Unicef and the World Health Organisation argues, parents should be given time and resources to provide secure family environments to help their child grow up.³⁹ Financial worries increase the stress of the parents and affect the quality of their interactions with their children.

Carey Oppenheim and Naomi Eisenstadt, two experts on poverty and children, argue: “living in poverty does not guarantee poor outcomes, but it makes achieving good outcomes harder.”⁴⁰ This is true at any stage of a child’s life, but is particularly true in those critical early years. There are three main consequences of poverty in the early years:

- **Health and wellbeing.** Poverty affects a child even before birth, as those born to parents on a low income are more likely to have a low birthweight and be less likely to survive the first year of life.⁴¹ Children in poverty are significantly more likely to suffer from acute and long-term illnesses, and more likely to require hospital admission. They are more likely to be at risk of obesity, tooth decay, and asthma – and have poorer mental health.⁴² These conditions will likely affect the health and wellbeing of a child through their adult life.⁴³ Living in poverty is also associated with missing out on key health services and advice on health and wellbeing, including mandated health visiting contacts.⁴⁴ Without tackling early-years poverty, the government will struggle to achieve its health ‘mission’ to “ensure people can live their life to the fullest without major health issues holding them back” or to address “the main underlying drivers of ill-health and ... persistent inequalities in health”.⁴⁵
- **School readiness and education.** By 11 months, there are clear gaps in communication and language skills between children in poverty and their better-off peers.⁴⁶ This gap grows over the early years period, until it reaches nearly five months by the age of five.⁴⁷ And nearly half of children (45 per cent) eligible for free school meals are not ready for school compared to a third of children overall.⁴⁸ As a result, persistently high early-years poverty will prevent the government from achieving a core part of its opportunity mission: 75 per cent of five-year-olds reach a good level of development in the early years foundation stage assessment by 2028.⁴⁹ The impact of early-years poverty continues through the education system. Children who were not school ready are more likely to perform below expectations in their key stage 1 reading assessment – and to be persistently absent.⁵⁰
- **Lower employment and lifetime earnings.** While growing up in poverty during the first years of life does not automatically lead to worse long-term economic outcomes, there is a connection. Adults who grow up in poverty are likely to be less productive, have a

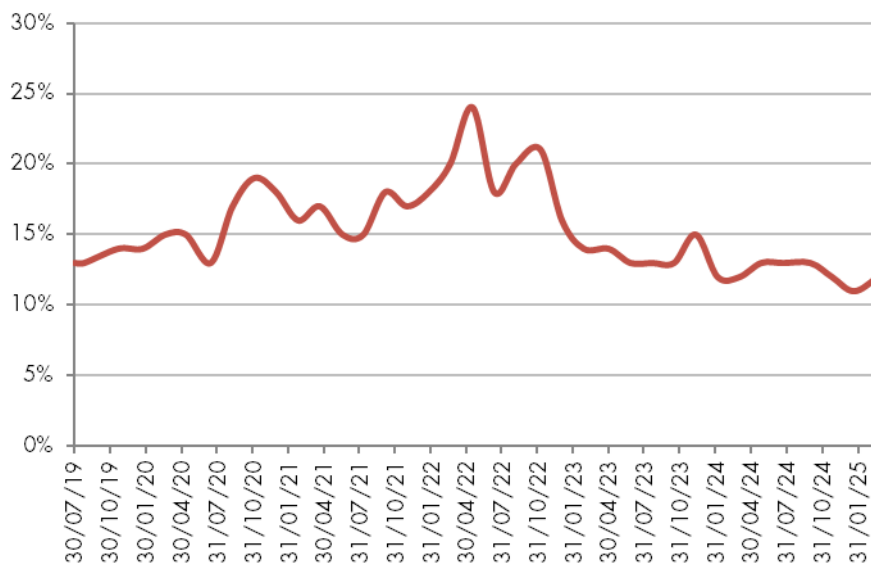
higher risk of unemployment, and earn less.⁵¹ Children who are not school-ready, often due to poverty in the early years, are around three times more likely to not be in education, employment or training by 16 or 17.⁵² In 2023, the Child Poverty Action Group estimated that the collective cost of future lost earnings due to poverty was over £12.3bn.⁵³ Around 17 per cent of those from the poorest fifth of families had a degree, compared to 49 per cent of the richest fifth – barring access to higher graduate earnings for many who grew up in poverty.⁵⁴ And when an individual who grew up in poverty graduates, they enjoy far lower financial rewards for doing so compared to their richer peers – even if they attend the same university, study the same topic, or achieve the same degree classification.⁵⁵ Poverty in the early years acts as a long term drag on living standards and growth – the government’s central mission.⁵⁶

3. UNDERSTANDING PUBLIC OPINION

Public consent is vital for a government seeking to deliver a sustained reduction in child poverty. This research sought to understand the nuances of public opinion around early-years poverty – while acknowledging the deeply ingrained views that many people hold on this issue. Most of our questions specified ‘a Labour government’ because research shows that referencing a specific political party affects people’s views on certain issues.

This section draws on our YouGov survey of 4,300 people, as well as highlighting views from our focus groups.

FIGURE 3: A SMALL PROPORTION OF THE POPULATION BELIEVE THAT THE UK GOVERNMENT SHOULD SPEND MORE ON WELFARE BENEFITS – COMPARED TO OTHER PRIORITIES.



Question: If the government was able to increase the amount of money it spends, which of the following areas do you think the government should INCREASE spending in the most? Please tick up to three. YouGov bimonthly tracker.

Public opinion on social security tends to be negative, albeit nuanced

Public attitudes toward social security are complex and nuanced, but nonetheless there are some clear and consistent trends. As figure 3 shows, the public has tended not to favour increased spending on social security over other priorities in recent years. According to YouGov, just 12 per cent of respondents in March 2025 believe the UK government should spend more on ‘welfare benefits’ the most.⁵⁷ However, according to the British Social Attitudes survey, there has been a slight softening in public attitudes towards social security: in 2022, 37 per cent agreed that that the ‘government should spend more on welfare benefits for the poor, even if it leads to higher taxes’ – higher than at the end of the last Labour government (29 per cent).⁵⁸

Clearly, attitudes towards social security can shift – and can be shifted over time by effective campaigning. However, they are largely ‘thermostatic’, meaning policies which cut social security tend to be followed by a softening of attitudes and policies which increase social security tend to be followed by a hardening of attitudes.⁵⁹ Even accounting for this dynamic, the National Centre for Social Research argues that: “public attitudes [towards social security spending are] less generous than they were in the 1980s and 1990s” – despite 14 years of cuts.⁶⁰

FIGURE 4: THE PROPORTION OF PEOPLE BELIEVING THAT THE GOVERNMENT SHOULD SPEND MORE ON WELFARE FOR THE POOR WAS HIGHER IN 2022 THAN AT END OF THE LAST LABOUR GOVERNMENT – BUT LOWER THAN IN 1997.



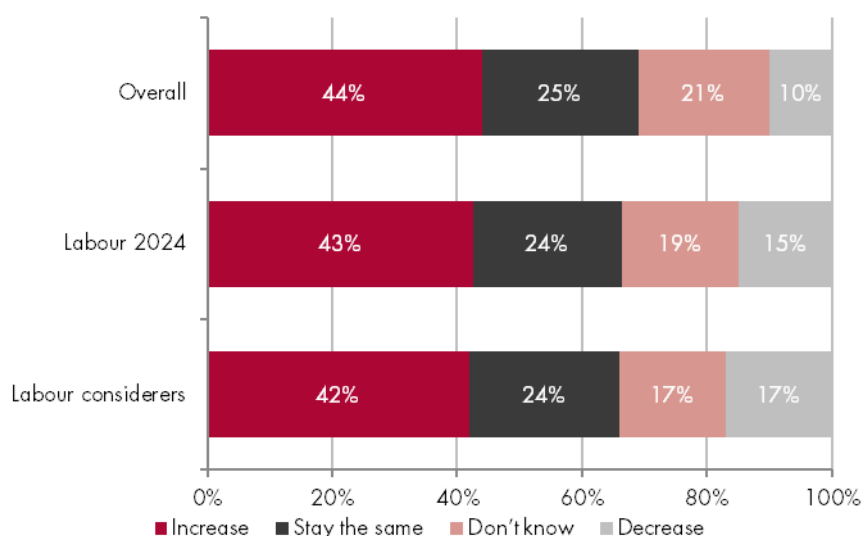
Source: Baumberg Geiger, D et al, Poverty, British Social Attitudes 40, National Centre for Social Research, 2023.

The public think early-years poverty will increase over the next four years

Early-years poverty has remained high in recent years. Unless the government increases social security investment, there are few other reasons to suggest that it will fall.

The public are sceptical that early-years poverty will fall this parliament. When respondents were asked in our survey with YouGov 'looking forward over the next four years, do you expect the number of babies and toddlers living in poverty to increase, decrease or stay the same?', 44 per cent of **respondents overall** said it would increase, and 10 per cent said it would decrease. A quarter (25 per cent) said it would stay the same, and just over a fifth (21 per cent) said 'don't know'. **Labour 2024 voters** and those who are open to voting Labour at the next election (**Labour considerers**) are similarly pessimistic about the government's ability to reduce the numbers of babies and toddlers in poverty (see figure 5).

FIGURE 5: MORE VOTERS THINK THAT THE NUMBER OF BABIES AND TODDLERS IN POVERTY WILL INCREASE THAN DECREASE



Question: Looking forward over the next four years, do you expect the number of babies and toddlers living in poverty to increase, decrease or stay the same? Considering voting for a political party was judged on a 0 to 10 scale – with participants saying the chance of them voting that party at the next election was 6 out of 10 or higher.

When we asked our focus group participants whether they think early-years poverty will increase or decrease over the next four years and why, they said:

“I put unsure but probably [leaning] more towards no. The average person even without a kid nowadays is beginning to struggle. So, I couldn’t imagine what it’s like with one or more children in the family.” – participant from Birmingham Hodge Hill and Solihull North.

“I think five years is a short time if we are talking an end to poverty. If we’re talking a start, then I think they can make a good start, but I don’t think you’re going to eradicate it in five years personally. I think that’s too much of a target.” – participant from Dudley.

“I don’t think that [the government will reduce early-years poverty] – it’s too much of a short amount of time. ... Previous governments haven’t exactly been very ... proactive, I guess, in getting the ball rolling with things like that.” – participant from Stevenage.

The public is not yet convinced of the case for increasing cash payments

Cash transfers are a better way to support low-income families than benefits in-kind or vouchers.⁶¹ They are more efficient and effective at supporting families. They empower parents to make decisions for their own families, and ensure they have the choices that their richer peers take for granted. And there is strong evidence that low-income families do not waste this additional income, with parents spending more on child-related goods such as clothing, toys and books.⁶²

However, the public remains unconvinced. Our focus groups offer some potential explanations for this. They said:

“Parents [have] monies going straight into their bank ... [and it isn’t] necessarily being used for the children, but being used for their own personal bits and bobs and their lifestyle, which I don’t agree with.” – participants from Dudley.

“I feel like people in need of more money probably the worst thing to do is to just give them money. So probably not stuff with actual monetary value, but more like whether it be vouchers for certain supermarkets or donations of stuff. I feel like just handing out actual physical money is not the right way of doing it.” – participant from Birmingham Hodge Hill and Solihull North.

“If it was means-tested and it was directed towards the things that are absolutely essential like baby milk and all that sort of stuff, then I’d be in favour of [support for families with young children] being

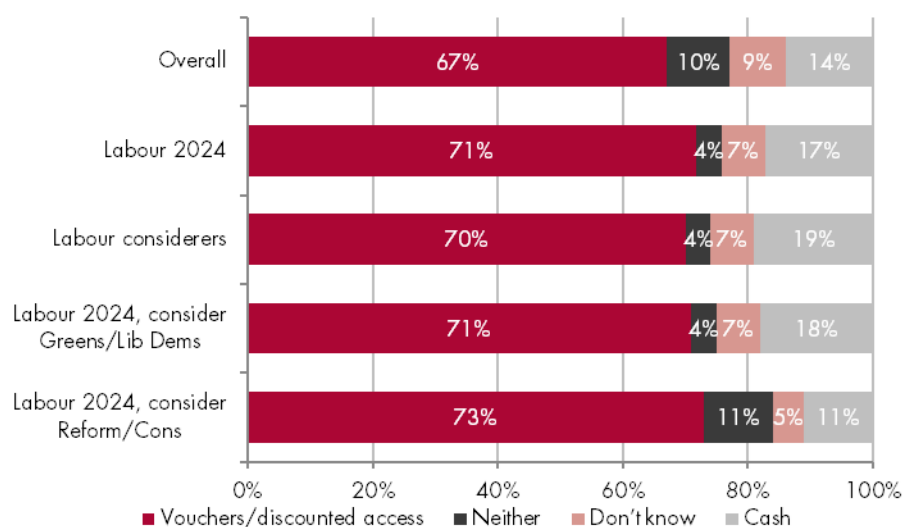
increased. If it was just handing out more cash, yeah, absolutely not.”
– participant from Tamworth.

The arguments for vouchers and cash used in the focus groups were tested through our survey. When we asked **respondents overall** about their views on increasing support for low-income families with young children:

- 67 per cent said “they should receive vouchers and discounted access to essentials like energy to guarantee young children get what they need”.
- 14 per cent said “they should receive cash because parents know best about what their child needs and managing budgets”.
- 10 per cent said “neither”, while 9 per cent said “don’t know”.

Many voter groups are even less likely to be convinced by the arguments for cash, as figure 6 shows – particularly **those voted Labour in 2024 and are considering Reform or Conservative**.

FIGURE 6: VOTERS ARE FAR LESS LIKELY TO FAVOUR GIVING FAMILIES CASH COMPARED TO GIVING VOUCHERS AND DISCOUNTED ACCESS TO ESSENTIALS



Question: If the government were to increase support for low-income families with young children, which of the following comes closest to your view?

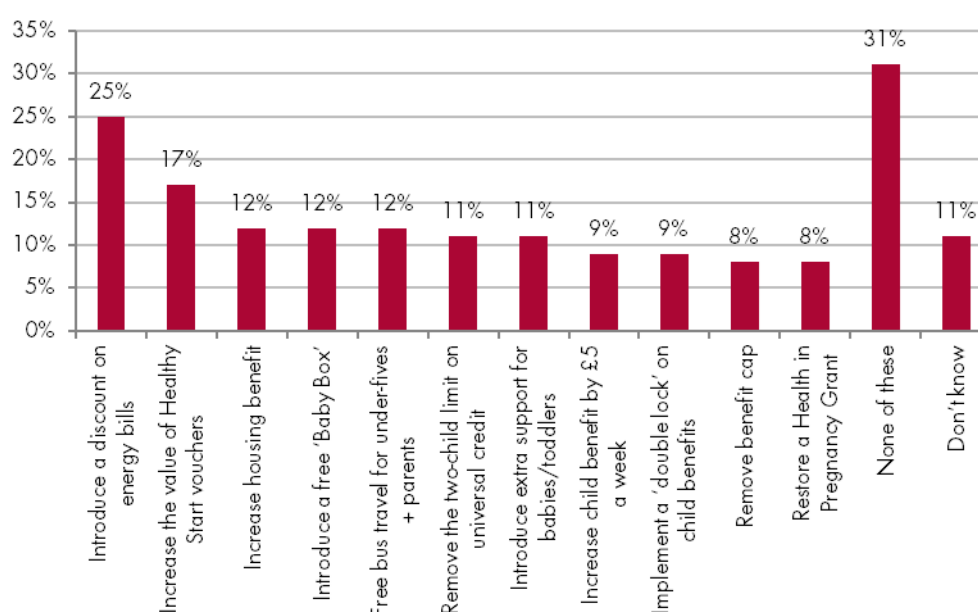
Furthermore, when presented with different policy options and asked to pick up to three that they would like to see the Labour government implement, those closely aligned to ‘vouchers and discounted access to essentials’ were more popular – even though there were no arguments for or

against the policy presented alongside the policy options. For **respondents overall**, our survey found:

- 25 per cent said “introduce a discount on energy bills for low-income families with children under five”.
- 17 per cent said “increase the value of Healthy Start vouchers to help parents buy foods such as milk or fruit”.
- 12 per cent said “introduce a free ‘baby box’ of essential items for every new family”; “free bus travel for under-fives and their parents”; or “increase housing benefit”.

However, a larger proportion (31 per cent) of respondents selected “none of these” than chose an option as one of their top three priorities for a Labour government.

FIGURE 7: THE MOST POPULAR POLICY OPTION POLLED WAS ‘INTRODUCE A DISCOUNT ON ENERGY BILLS FOR LOW-INCOME FAMILIES WITH CHILDREN UNDER FIVE’



Question: Which, if any, of the following policies would you most like to see the Labour government implement? Please select up to three.

There is clear evidence that cash transfers to low-income families tend to be spent in a way that benefits the child. However, those who advocate for cash transfers have not won the argument. There is significant public scepticism about cash transfers, compared to other in-kind support. Given this, there is clearly more work to do for campaigners and progressive politicians to

make the case and build public consent for increased cash transfers to low-income families.

There is limited public support for scrapping the two-child limit and the benefit cap

The two-child limit and benefit cap are a major cause of early-years poverty. As discussed in section two, it traps thousands of babies and toddlers into poverty – harming their life chances and their families’ financial security. Unfortunately, in line with other research, our survey found limited support for scrapping the two-child limit and the benefit cap.⁶³

On the two-child limit, we found amongst **respondents overall** a majority (59 per cent) said ‘the two-child limit should be kept’ and a quarter (25 per cent) said ‘the two-child limit should be removed’ – with 17 per cent responding ‘don’t know’. Net support for scrapping the two-child limit was therefore -34 percentage points amongst all those who responded to our survey.

Our survey suggests there is limited support for scrapping the two-child limit across key voter groups, even amongst **those who voted Labour in 2024 and are considering voting Liberal Democrat or Green**. Those who **voted Labour in 2024 and are considering voting Reform or Conservative** are particularly opposed to scrapping the two-child limit (see figure 8).

FIGURE 8: MOST VOTERS WANT THE TWO-CHILD LIMIT TO BE KEPT – EVEN AMONGST THOSE WHO VOTED LABOUR IN 2024 AND ARE CONSIDERING VOTING LIBERAL DEMOCRAT OR GREEN

	The two-child limit should be kept	The two-child limit should be removed	Don’t know	Net support for removal
Overall	59 per cent	25 per cent	17 per cent	-34 pts
Labour 2024	51 per cent	32 per cent	17 per cent	-19 pts
Labour considerers	47 per cent	35 per cent	18 per cent	-12 pts

Labour 2024, consider Greens/Lib Dems	46 per cent	37 per cent	17 per cent	-9 ppts
Labour 2024, consider Reform/Cons	66 per cent	23 per cent	11 per cent	-43 ppts

On the benefit cap, a majority of **respondents overall** (58 per cent) said ‘the benefit cap should be kept’ and a quarter (21 per cent) said ‘the benefit cap should be removed’ – with 21 per cent responding don’t know. Therefore, net support for scrapping the benefit cap is -37 percentage points.

Similar to the two-child limit, there is limited support for scrapping the benefit cap across key voter groups. Indeed, net support for scrapping the benefit cap is lower than net support for scrapping the two-child limit – including amongst **those who voted Labour in 2024 and are considering voting Liberal Democrat or Green** (see figure 9).

FIGURE 9: THERE IS STRONG SUPPORT FOR KEEPING THE BENEFIT CAP – ESPECIALLY AMONGST THOSE WHO VOTED LABOUR IN 2024 AND ARE CONSIDERING REFORM OR CONSERVATIVE

	The benefit cap should be kept	The benefit cap should be removed	Don't know	Net support for removal
Overall	58 per cent	21 per cent	21 per cent	-37 ppts
Labour 2024	52 per cent	27 per cent	21 per cent	-25 ppts
Labour considerers	50 per cent	28 per cent	22 per cent	-22 ppts
Labour 2024, consider Greens/Lib Dems	50 per cent	30 per cent	21 per cent	-20 ppts
Labour 2024, consider Reform/Cons	64 per cent	21 per cent	15 per cent	-43 ppts

Question: Currently there is a limit on the total amount of benefits that working-age people can receive each year. For families with children, the limit is £25,323 in London and £22,020 outside of the city. This is called the “benefit cap”. Do you think this limit should be kept, or should it be removed?”

When we asked our focus group participants about whether they supported scrapping the two-child limit, they said:

“It discourages those that are making ... claims on multiple kids. What about those genuine families ... who have multiple children and have contributed? So why can't [social security] be contribution-based rather than just based on the number of children that you do have?” – participant from Rossendale.

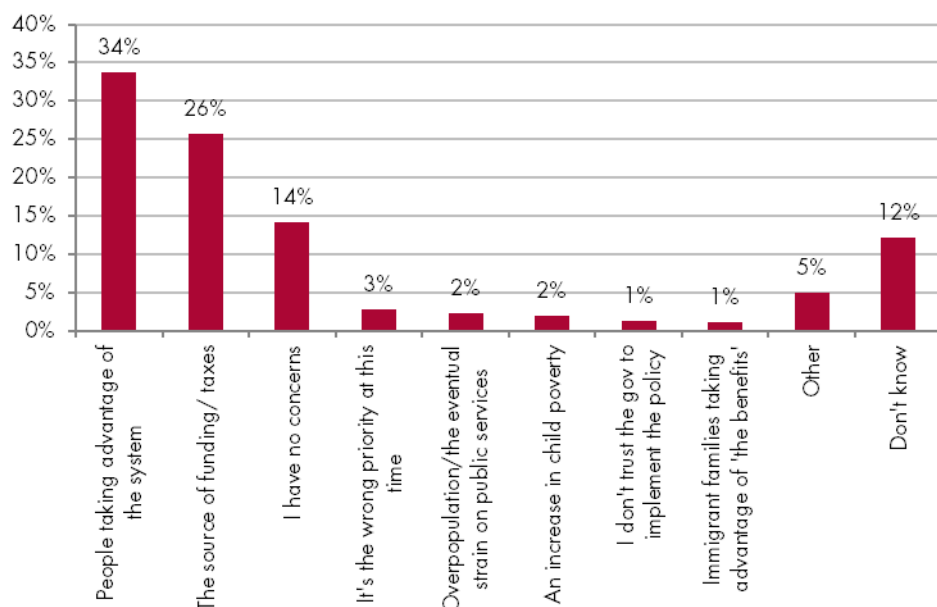
“I was thinking that parents should take responsibility for looking after their own children. If you can't afford to have children then you shouldn't be having them because ultimately it is the parents' responsibility. But you [the moderator] also gave some statistics of 300,000 ... that are pushed into poverty? That's huge, that number. And that definitely needs to be addressed by the government. And look at why that's the case and how to help people in other ways so that they can start making savings and they don't rely on these benefits. Because I think the problem is a lot bigger than just the benefits system itself.” – participant from Bethnal Green and Bow.

“I don't think we should be encouraging people to have more children. That just seems madness ... we've got no money, so why would we encourage people to have, I don't know, three, four, five children? No, that's wrong.” – participant from Dudley.

These concerns were replicated in our survey. We asked respondents what their main concerns would be if the government announced it was scrapping the two-child limit and the benefit cap. Respondents were able to answer in their own words, and YouGov categorised answers into broad themes. For their biggest concern, we found:

- 34 per cent said “people taking advantage of the system and being discouraged from working”.
- 26 per cent said “the source of funding/increase in tax rises”.
- 14 per cent said “I have no concerns”.

FIGURE 10: PEOPLE TAKING ADVANTAGE OF THE SYSTEM AND THE POSSIBILITY OF TAX RISES ARE THE BIGGEST REASONS WHY PEOPLE OPPOSE SCRAPPING THE TWO-CHILD LIMIT



Question: If Labour announced it was scrapping the two-child limit and the benefit cap, what, if anything, would be your biggest concern? Please be specific.

Despite the demonstrable unfairness of the policy, the public tends to think the two-child limit is fair. For **respondents overall**, our survey found:

- 49 per cent thought the two-child limit is 'fair' for the **children of parents** in receipt of universal credit and 24 per cent thought the limit is 'unfair'. Over a quarter (27 per cent) said don't know. The 'net fairness' is 25 percentage points.ⁱⁱ
- 54 per cent thought the two-child limit is fair for **parents in receipt of universal credit** and 20 per cent thought the limit is unfair. Over a quarter (27 per cent) said don't know. The net fairness is 34 percentage points.
- 44 per cent thought the two-child limit is fair for **taxpayers** and 35 per cent thought the limit is unfair. Over a fifth (22 per cent) said don't know. The net fairness is 9 percentage points.

Attitudes towards the 'fairness' of the two-child limit are shared across different voter groups. Only **respondents who voted Labour in 2024 and are considering voting Liberal Democrat or Green** were more likely to say that

ⁱⁱ Defined as the proportion who said the policy was 'fair' and subtracting the proportion who said the policy was 'unfair'

the two-child limit is unfair than fair – and even then, only for the children affected (see figure 11).

FIGURE 11: MANY VOTERS SEE THE TWO-CHILD LIMIT AS A 'FAIR' POLICY FOR EVERYONE AFFECTED



Question: Thinking about the two-child limit, how fair or unfair do you think it is for... (results are net fairness calculated by subtracting the percentage of respondents who said they thought the two-child limit was unfair from those who said it was fair).

There is strong support for scrapping the two-child limit for families with a disabled child or families in work

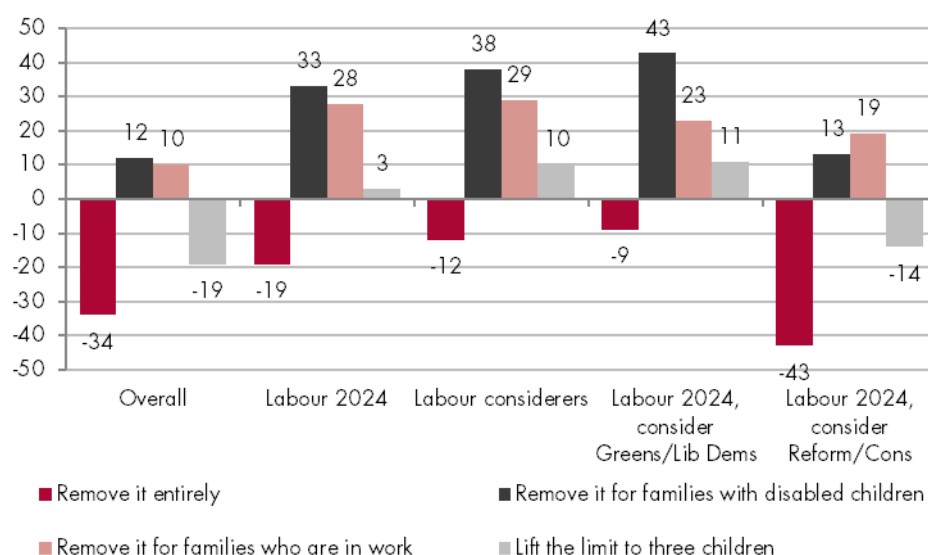
Most households affected by the two-child limit are in some form of paid employment. Public opinion on social security tends to be more favourable toward this group. They are also more favourable to supporting disabled people – and over 80,000 families with a disabled child are affected by the limit. For example, previous Fabian Society research in 2021 found a majority of respondents supported increased payments for “a single parent with two pre-school children who works part-time” (68 per cent), “a single parent with two children who works full time” (65 per cent), and “an adult who is caring full-time for a disabled relative” (76 per cent).⁶⁴

Our survey asked respondents whether they would support or oppose scrapping the two-child limit for specific families: those with working parents, those with disabled children, and those with three children. For **respondents overall**, we found:

- 46 per cent supported “removing the two-child limit for families with disabled children” – with 34 per cent opposing it. Over a fifth (21 per cent) said don’t know.
- 45 per cent supported “removing the two-child limit for families who are in work” – with 35 per cent opposing it. A fifth (20 per cent) said don’t know.
- 32 per cent supported “lifting the limit from two children to three children” – with 51 per cent opposing it. Less than a fifth (18 per cent) said don’t know.

Across most voter groups, removing the two-child limit for families with disabled children and for families who are in work has plurality support – compared to significant opposition for removing it entirely and a mixed picture for lifting the limit to three children. **Labour 2024 voters, those who are considering voting Labour, and Labour 2024 voters who are considering Green or Lib Dem** are particularly favourable to removing it for families with disabled children and families in work (see figure 12).

FIGURE 12: NET SUPPORT FOR REMOVING THE TWO-CHILD LIMIT FOR FAMILIES WITH DISABLED CHILDREN AND FOR FAMILIES WHO ARE IN WORK IS SIGNIFICANTLY HIGHER THAN ALTERNATIVES SURVEYED



Questions: Universal credit is a benefit for people who are out of work or have low earnings. Parents in receipt of universal credit will receive more money for their first and second child, but not any subsequent children. This is called the ‘two-child limit’. Do you think this limit should be kept, or should it be removed?; Would you support or oppose the following ... ‘lifting the limit from 2 children to 3 children’, ‘removing the two-child limit for families who are in work’, and ‘removing the two-child limit for families with disabled children’. The results are the net percentage points between support and opposition for the various measures.

To start building public consent, the government should focus on financial security

Public consent matters for the durability and longevity of any reforms to tackle child poverty. As we have seen, previous Conservative-led governments were able to scrap the successful reforms of the previous Labour government due to limited public support. To prevent a repeat of this, and to build lasting support for sufficient social security, it is critical to build public consent by communicating reforms in a language that connects – and rooted in commonly-held values.⁶⁵

Our survey tested a range of short arguments about why the Labour government should increase the amount of money that low-income families with young children should receive – and how persuasive they are with the public. They had varying degrees of support.

For **respondents overall**, the most persuasive message was about **financial security**:

- “A parent losing a job or suffering from a change in financial circumstances should not mean a child lives in poverty, so the government should help families pay for the essentials.”

Over a third (36 per cent) selected it as the ‘most convincing’ and just 4 per cent selected it as the ‘least convincing’. The difference between ‘most convincing’ and ‘least convincing’ was +32 percentage points.

The least persuasive message **for respondents overall** was about **encouraging more children**:

- “The government needs to help people to have more children to support us in our old age and grow the economy, so they should help those who can’t afford it.”

Just 6 per cent selected it as the most convincing and 43 per cent selected it as the least convincing. The difference between ‘most convincing’ and ‘least convincing’ was -37 percentage points.

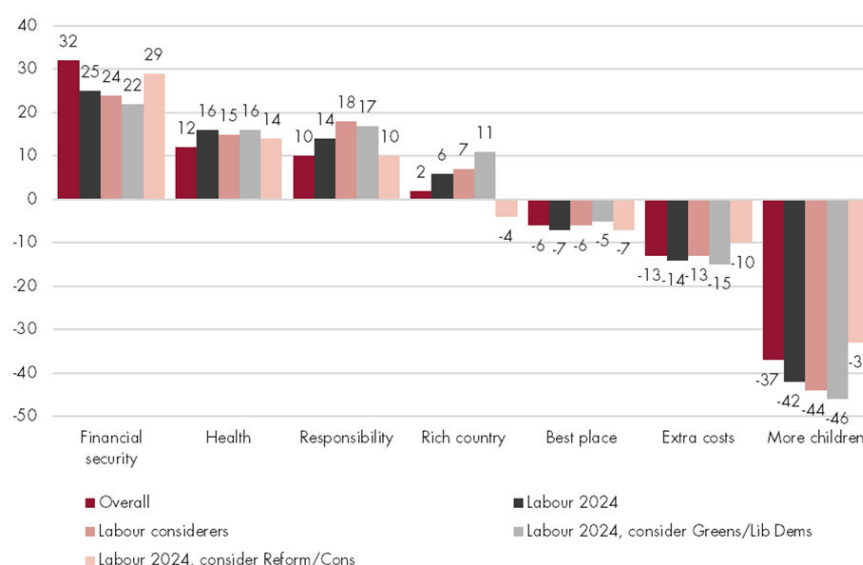
The other statements we tested included:

- **Child health**: every young child should have what they need to grow up healthy and well – and the government should ensure families are able to buy the things they need.
- **Collective responsibility**: we have a collective responsibility to ensure every young child can thrive and reach their full potential – which requires the government helping families.

- **Richest country:** In one of the richest countries, we have the resources to ensure no young child goes without – so the government should use these to help families.
- **Best place:** Our country should be the best place to grow up for every young child and that requires the government helping every family to buy the things they need to live.
- **Extra costs:** Life costs more for new families, and the government should help them pay for the essentials to look after their young child.

Figure 13 sets out net convincing for each statement – with most groups most convinced by the argument on ‘financial circumstances’ and least convinced by ‘more children’.

FIGURE 13: THE ARGUMENT AROUND CHANGING FINANCIAL CIRCUMSTANCES WAS THE MOST PERSUASIVE FOR MOST GROUPS – AND THE MORE CHILDREN ARGUMENT WAS THE LEAST PERSUASIVE FOR EVERY GROUP



Question: Below are a selection of things people have said about why the Labour government should increase the amount of money that low income families with young children should receive. Please look at these arguments and pick the one that you find the most and least convincing. The results are the net percentage point difference between the proportion saying ‘most convincing’ and the proportion saying ‘least convincing’.

Our findings mirror research conducted by Joseph Rowntree Foundation and others that improving financial security should be a key priority for any political party seeking to win the next election, especially Labour.⁶⁶

4. RECOMMENDATIONS

With 1.2 million babies and toddlers in poverty across England and Wales, the government must act. The evidence shows how devastating this is for those children and for society. If the government failed to lower child poverty by the end of this parliament, it would be the first Labour government to preside over a rise in the proportion of children living in poverty since at least 1966.⁶⁷

The most effective way to reduce poverty for under-fives is by increasing social security expenditure. Supporting more parents into work, increasing earnings and reducing living costs are important priorities, but they cannot make the difference required on early-years poverty on their own.

This presents two major challenges. First, the government has limited fiscal headroom – and has multiple demands on public spending. This makes any proposed rise a challenging prospect. Second, increasing social security for families risks opposition from the electorate, and raises legitimate fears of a political cost and backlash against future action. As previous Fabian Society research has argued, “public opinion matters for both introducing reforms and sustaining them over time”.⁶⁸

This report faces these challenges head on. We have already set out why addressing early-years poverty should be central to the government’s child poverty strategy. In this final section, we make recommendations that would lift tens of thousands of babies and toddlers out of poverty and benefit many more, while navigating the fiscal and political obstacles facing the government.

Child poverty strategy

The child poverty strategy, currently expected in the summer of 2025, must be comprehensive and ambitious. It must focus on early-years poverty, setting out a specific target and social security interventions for families with children under five. And it must drive change across every relevant government department to achieve a significant reduction in early-years poverty by the end of this parliament.

The government should:

1. Set out a transformative child poverty strategy to dramatically reduce early-years poverty by the end of this parliament

The government should set out a transformative child poverty strategy to dramatically reduce early-years poverty by the end of this parliament. The strategy should start from a belief that poverty reduction and financial security for families with very young children can be delivered with public consent. It should have the following key elements:

- **A focus on early years.** While poverty across childhood should be tackled, the focus should be on early years, recognising both the additional costs of a young child, and the specific and lifelong benefits of lifting a baby or toddler out of poverty. There should be both specific steps to improve the life chances of the under-fives, alongside steps to benefit all children.
- **An early-years poverty reduction target.** Alongside wider targets for tackling child poverty, the strategy should aim to reduce the percentage of under-fives in poverty from 35 per cent to 27 per cent by the end of this parliament (2029–30). This would be the lowest level in 30 years outside of the pandemic.⁶⁹ The strategy should aim to lower deep poverty to a ‘minimal’ level, defined as a rate between five and 10 per cent.⁷⁰ These targets should be binding on the government.

Major essential reforms

If the government seeks an “enduring reduction in child poverty”, there is a need for major but essential reforms.⁷¹ These need to be implemented with determination about the scale of the challenge alongside sensitivity to the fiscal and political constraints. They should be pursued as far as public consensus and the public finances permit, with work starting in this parliament.

The government should:

2. Scrap the two-child limit fully

The two-child limit is a major cause of poverty. Our modelling shows thousands of babies and toddlers are in poverty because of it. There is no path towards a substantial and enduring fall in early-years poverty without scrapping the two-child limit.

The government should scrap the two-child limit fully. Doing so would lift 79,000 babies and toddlers out of poverty, and prevent any children from falling into poverty in the first place as a result of the policy. We estimate it

would cost around £1.95bn a year (in today's prices). However, this will be an underestimate, as the two-child limit affects more families today than when the data used by the Family Resources Survey was collected. As the limit affects more families each year, the cost of scrapping the two-child limit will grow further.

Scrapping the two-child limit immediately in full risks incurring a public backlash against wider more generous social security generally. This isn't inevitable, as public opinion can change and can be shaped. Such a shift would require a well-considered and intensive campaign, backed by credible message carriers that the public believe in and trust. The evidence suggests politicians would struggle to fill this role.⁷² A successful campaign would also have to engage with the core values that many key voter groups hold fundamental to their identity, which should not be dismissed easily. For this reason, we suggest in the short-term the government could consider taking a 'first step' towards scrapping the two-child limit completely (recommendation 4).

FIGURE 14: THE TOTAL IMPACT OF SCRAPPING THE TWO-CHILD LIMIT

	Benefit from the reform	Lifted out of poverty	Lifted out of deep poverty
Children aged under five	410,000	79,000	69,000
Children overall	1,550,000	317,000	195,000

3. Abolish the benefit cap

The benefit cap limits the total amount of benefits a family can receive. It will keep child poverty high unless it is abolished.⁷³ As the financial limit imposed by the benefit cap is frozen by default, a growing number of families are affected. This means that the gap grows between the benefits they would otherwise be entitled to and the benefits they actually receive. This gap could grow further if other reforms of social security are implemented – including scrapping the two-child limit.

The government should abolish the benefit cap. This should be completed swiftly, as a priority over this parliament. Abolishing the cap would have a significant impact on the very poorest families and increase their incomes

significantly, but would not automatically lift them out of poverty altogether.⁷⁴ Our estimates suggest that:

- 156,000 babies and toddlers would benefit from this reform if it was implemented on its own.
- 16,000 babies and toddlers would be lifted out of poverty.
- 38,000 babies and toddlers would be lifted out of deep poverty.

The cost of scrapping the benefit cap would be around £960m a year (based on current benefit entitlements and excluding any other proposed reform, including scrapping the two-child limit). If the public finances do not allow a full scrapping of the benefit cap by the end of this parliament, the government should consider raising the cap in line with the rate of inflation since it was first introduced.

FIGURE 15: THE TOTAL IMPACT OF ABOLISHING THE BENEFIT CAP

	Benefit from the reform	Lifted out of poverty	Lifted out of deep poverty
Children aged under five	156,000	16,000	38,000
Children overall	557,000	86,000	108,000

4. Unfreeze local housing allowance

Thousands of babies and toddlers live in poverty because of their housing costs. This is something recognised by the terms of reference of the government's forthcoming child poverty strategy, and the government's commitment to deliver "the biggest increase in social and affordable housebuilding in a generation" will help cut costs over the long-term. However, local housing allowance (LHA), which provides support for tenants renting privately, will more quickly and directly determine whether low-income families can afford housing. In recent years, LHA has become less generous. Before April 2011, it covered the lowest half of rents in each area. In 2011, it was cut to cover the bottom 30 per cent of rents. In 2016, it was then frozen for four years. In both 2020 and 2024, it was updated to cover the bottom 30 per cent – but has been frozen following each increase.⁷⁵

The government should unfreeze local housing allowance. It should be re-pegged to the 30th percentile for all recipients, with a plan to raise it to the

50th percentile as soon as the fiscal circumstances allow. To understand the full impact of raising local housing allowance, we modelled raising to the 50th percentile and found:

- Nearly 376,000 children under-five would benefit.
- It would lift around 12,000 under-fives out of poverty.
- It would lift nearly 20,000 under-fives out of deep poverty.

This policy would cost £875m this year. Linking local housing allowance to the 30th percentile would cost less than linking it to the 50th percentile, but would correspondingly have less of an impact on poverty.

FIGURE 16: THE TOTAL IMPACT OF PEGGING LOCAL HOUSING ALLOWANCE TO THE 50TH PERCENTILE

	Benefit from the reform	Lifted out of poverty	Lifted out of deep poverty
Children aged under five	376,000	12,000	20,000
Children overall	1,280,000	51,000	42,000

5. Implement a 'double lock' on child-related benefits

One-off changes to child-related benefits are important, but there needs to be a commitment to long-term, consistent increases if early-years poverty is to fall over this parliament – and over the next decade. A clear example is the pension triple lock, which has kept pensioner poverty at a rate significantly lower than child poverty. A failure to maintain the value of child-related benefits compared to at least wages would see relative early-years poverty increase. That would mean the government would be unable to meet any targets set by the child poverty strategy. This is because a larger proportion of poor families' income comes from child-related benefits, compared to the average household. So, if wages rise faster than child-related benefits, the average income of a poor family will fall behind median incomes.⁷⁶

The government should implement a 'double lock' on child related benefits. They should increase by either earnings or inflation, whichever is higher. This double lock should cover the child element, the childcare element, the disabled child element and disability living allowance for disabled children. It should also cover any new benefits or elements created as part of the

government's plan to improve social security and cut child poverty. It would ensure that progress made is not subsequently eroded by a failure to uprate benefits. The government should consider including child benefit within the double lock, meaning most families with children benefit from the policy – even if it has a minimal poverty reduction impact.ⁱⁱⁱ

First steps

There are four immediate 'first steps' on early-years poverty that the child poverty strategy should announce – and that the government should implement in the 2025 budget. They would benefit 1.2 million babies and toddlers overall, and lift between 140,000 and 230,000 out of poverty (see figure 17). Between 104,000 and 191,000 would no longer be in deep poverty.

Collectively, these first steps would likely lower the early-years poverty rate by up to seven percentage points – larger than any single annual fall in rate since 1994-95 (not considering the recent disability benefit reforms). Implemented in a single budget, they could lead to one of the largest annual fall in child poverty overall since 1966. Thousands of families would be more financially secure as a result.

The recommended social security reforms could cost between £2.6bn and £4.4bn – and they could be implemented with public consent and support.

FIGURE 17: THE TOTAL IMPACT OF THE RECOMMENDED 'FIRST STEPS'

	Benefit from the reform	Lifted out of poverty	Lifted out of deep poverty
Children aged under five	1,160,000	230,000	191,000
Children overall	2,620,000	531,000	360,000

The government should:

ⁱⁱⁱ We modelled a £5 a week increase in child benefit for children aged under five. It is estimated to cost £675m, and lift just 25,000 babies and toddlers out of poverty.

6. Take a 'two-step' approach to scrapping the two-child limit

The two-child limit is a significant driver of early-years poverty. Inaction on the two-child limit would lead to higher early-years poverty by the end of this parliament, compared to today. Analysis by the End Child Poverty Coalition found that 81 per cent of two-parent families affected by the limit have at least one working parent.⁷⁷ Around 20 per cent of those affected by the policy have at least one disabled child.⁷⁸

Our preference is for the government to scrap the two-child limit in full, immediately, as set out in recommendation 1. However, if they feel unable to do so due to the public finances and concern about a backlash that prevents further action in the future, they should consider alternatives – setting out a clear timescale for a full scrapping of the limit.

If the government seeks an alternative to fully scrapping the limit, the government should take a 'two step' approach. For the first step, the government should scrap the two-child limit for most families affected in the first year following the publication of the Child Poverty Strategy, and retain public support. They can do this by scrapping it for working families and families with disabled children, which is supported by 45 and 46 per cent of the public respectively. This should be followed by a full scrapping of the two-child limit as a second step, ideally the following year in the 2026 budget.

Following the first step, the limit would no longer apply if a family had at least one parent in work. This could be defined generously as someone in receipt of any earned income (even from just one hour of work). If a parent lost their job, and was the only person in work, there should be a transition period before the family loses their entitlement to the child element for the third and subsequent child. If a mother loses a job during pregnancy, they should be protected for the course of parental leave or maternity allowance. If a mother loses their job at any point during the first 12 months post-birth, they should be protected for the remainder of the first year of a child's life. In both cases, finding another job may be difficult, and families should not be unduly impacted as a result. A family with a disabled child would not be affected by the two-child limit, regardless of how old that child is. Eligibility criteria would be the same as the additional payments for disabled children under universal credit (meaning the child would have to be blind or receiving support from an extra-costs disability benefit such as disability living allowance).⁷⁹ Both reforms would apply to any family with three children or more, even if no child was under five.

This first step would scrap the policy for most affected children in England and Wales, not just those aged under five (see figure 18). Specifically focusing on babies and toddlers, we estimate:

- 363,000 babies and toddlers would benefit from this reform. The proposed reform would benefit 89 per cent of the under-fives who gain from fully scrapping the two-child limit.
- 69,000 babies and toddlers would be lifted out of poverty. The proposed reform would lift 87 per cent of the under-fives who would be lifted out of poverty from fully scrapping the two-child limit.
- 52,000 babies and toddlers would be lifted out of deep poverty. The proposed reform would lift 75 per cent of the under-fives who would be lifted out of deep poverty from fully scrapping the two-child limit.

This is clearly a costly reform, but an effective one. The overall cost of the policy would be £1.7bn in this fiscal year – compared to over £1.95bn for fully scrapping the two-child limit.

There is no doubt that the two-child limit should be scrapped entirely. And we have recommended that it should be done as part of a major package of reform that starts this year. However, the evidence on the public finances and public consent indicates that the government currently has very little room to manoeuvre in the short-term. Scrapping the two-child limit for working families and families with disabled children is therefore an option if the alternative is to do nothing in this area. In the meantime, the government can work to improve fiscal conditions, while progressive politicians and campaigners persuade the public. The government should then scrap the two-child limit fully and set out a clear timescale for doing so.

FIGURE 18: THE TOTAL IMPACT OF SCRAPPING THE TWO-CHILD LIMIT FOR WORKING FAMILIES AND DISABLED CHILDREN

	Benefit from the reform	Lifted out of poverty	Lifted out of deep poverty
Children aged under five	363,000	69,000	52,000
Children overall	1,370,000	266,000	151,000

7. Introduce a 'baby element' and a 'toddler element' within universal credit

Poverty rates for very young children are higher than for children overall. The birth of a baby lowers household income and increases costs, as this report has discussed. However, support through the social security system does not reflect these specific financial challenges – even as it recognises that some parents will not be in work because they are caring for their children. On top of scrapping the two-child limit, specific additional elements within universal credit are needed to ensure families can afford the essentials through the critical years of a child's life.

As one of the first steps this year, the government should introduce a 'baby element' and a 'toddler element' as part of universal credit. This would be similar to the previous Labour government's baby tax credit, and its proposal for the toddler tax credit.

The baby element should be available for any family in receipt of universal credit with a child under the age of one. The toddler element should be available for any family with children over the age of one but under the age of five. The latter element would be set at a lower financial value than the baby element. Under the Welfare Reform and Work Act 2016, the two-child limit would not apply to either new element within universal credit.

Introducing these two new elements would have a significant impact on early-years poverty rates. We modelled two different options to estimate the impact:

- The baby element is worth £86 a month and the toddler element is worth £43 a month. We estimate that this would lift 47,000 babies and toddlers out of poverty – and 60,000 out of deep poverty. This would cost £715m a year.
- The baby element is worth £293 a month and the toddler element is worth £146 a month. The baby element would effectively double the existing child element, while the toddler element would effectively increase it by 50 per cent. We estimate this would lift 143,000 babies and toddlers out of poverty – and 180,000 out of deep poverty. This would cost £2.4bn a year.

Considering the fiscal situation, the government could introduce these elements at a lower rate: £86 a month for the baby element and £43 a month for the toddler element. They should then raise this to the higher rates as soon as the fiscal circumstances allow. Once raised to this higher amount, it should be covered by the double lock on child related benefits (see recommendation 5).

To pay for these new elements in universal credit, the government could identify savings from the marriage allowance. This allowance allows married couples to transfer up to £1,260 of the personal tax allowance from the lower earner (providing they have not used all of it) to the higher earner. The Treasury allocates around £1bn a year towards this allowance, which even supporters recognise is failing to support families with children.⁸⁰ Using the £400m a year underspend and identifying another £300m a year of savings would fund the baby and toddler elements.⁸¹

FIGURE 19: THE TOTAL IMPACT OF INTRODUCING A 'BABY ELEMENT' OF £86 A MONTH AND A 'TODDLER ELEMENT' OF £43 A MONTH AS PART OF UNIVERSAL CREDIT

	Benefit from the reform	Lifted out of poverty	Lifted out of deep poverty
Children aged under five	1,160,000	47,000	60,000
Children overall	2,130,000	80,000	105,000

FIGURE 20: THE TOTAL IMPACT OF INTRODUCING A 'BABY ELEMENT' OF £293 A MONTH AND A 'TODDLER ELEMENT' OF £146 A MONTH AS PART OF UNIVERSAL CREDIT

	Benefit from the reform	Lifted out of poverty	Lifted out of deep poverty
Children aged under five	1,160,000	143,000	180,000
Children overall	2,130,000	238,000	305,000

8. Restore a health in pregnancy grant

Introduced in 2009, the health in pregnancy grant was designed to help mothers afford high-quality nutrition, reduce stress in the prenatal period, and ensure they accessed antenatal health advice. Research found that this

had a significant positive impact on birthweight – especially for babies most at risk of being small. And the impact of the policy was larger for mothers who lived in deprived areas.⁸² As a result, the policy mitigates against some of the health impacts on the child of the mother living in poverty. However, analysis suggests the policy could have an even bigger impact by being paid earlier in the pregnancy, or being worth more.⁸³

As one of the first steps this year, the government should restore a health in pregnancy grant. The grant would effectively provide access to child benefit during pregnancy. It would be a universal benefit, available for every pregnancy – unlike existing benefits such as the Sure Start maternity grant.^{iv} A new health in pregnancy grant would ideally be available earlier in the pregnancy than under its predecessor – for example, from when the mother has their 12-week scan. Seeking antenatal advice would be required to access a health in pregnancy grant, as under the previous Labour government. If access to a health in pregnancy grant was available:

- From the 12-week scan, the grant would be worth over £480 during pregnancy. It would cost around £292m a year.
- From the 25th week of pregnancy, as it was for the original health in pregnancy grant, it would be worth over £275 – and cost around £167m a year.

If the government wanted to fully scrap the marriage allowance, it could fund a health in pregnancy grant *and* the baby and toddler elements in universal credit. This would be a more effective way of supporting low-income families.

9. Introduce a cost-of-living support package for families with very young children

The cost-of-living crisis hit families with young children hard. Between 2022 and 2024, the cost of energy increased by 36 per cent and food by 29 per cent.⁸⁴ Low-income families experienced significantly higher inflation than average, meaning the official statistics are likely to disguise the full impact of rising prices on children in poverty.⁸⁵ As a result, reducing the costs faced by families with young children should be an integral part of the government's strategy to tackle early-years poverty.

As one of the first steps this year, the government should introduce a cost-of-living support package for families with very young children. This

^{iv} Child benefit is no longer a universal benefit, with couples where one individual earns more than £60,000 seeing their entitlement reduce. However, the complexity of applying this to families during pregnancy and the fluctuating incomes caused by it would be difficult – and likely outweigh any potential savings.

package should require departments such as the Department for Energy Security and Net Zero, the Department for Business and Trade, and the Department of Health and Social Care to make a full contribution to lowering early-years poverty – and improving financial security for families with young children. At a minimum, this should include:

- An energy social tariff, applying a 20 per cent discount to bills. Families with young children in receipt of means-tested benefits would be eligible.^y An energy social tariff would cost around £2.8bn a year. Previous research by the Fabian Society has identified how an energy social tariff could be implemented without any real terms increase in energy bills.⁸⁶
- A more generous Healthy Start scheme, providing additional money on prepaid cards for certain food items, formula milk, and vitamins. The amount available has not been updated since April 2021, despite the steep increase in the cost of food.⁸⁷ Increasing the value of the Healthy Start scheme in line with inflation could cost around £25m a year, unless take-up of the scheme increases. The government should implement auto-enrolment to ensure every family who is entitled to support under this scheme gets it.
- A ‘baby box’, containing essential items for newborns such as clothes, a bath towel, changing mat, and books. This would be similar to the Scottish baby box and designed so it could be used as a cot for a young infant.⁸⁸ This would be universal for all parents with a newborn, and would cost £144m a year.
- Free or discounted bus travel for under-fives and their parents. This would build on the London scheme which allows any child under the age of 11 to travel for free. It would benefit low-income families disproportionately since they are more likely to use public transport compared to their peers. It will also lower any transport-related barriers to parents accessing job opportunities.⁸⁹ This change would cost substantially less than the £500m estimated cost of free bus travel for all young people aged under 25.⁹⁰
- Action to reduce the cost of baby formula, as proposed by the Competition and Markets Authority in February 2025. These recommendations include standardised packaging in hospitals and allowing parents to use vouchers or loyalty point to buy infant formula.⁹¹ If these measures do not lead to a sufficient fall in prices, the government should consider a maximum price for formula.⁹²

Taken together, we estimate that this cost-of-living support package would save families with a newborn over £1,000 in the first year of a child’s life. By

^y Cost Cutters, a previous report for the Fabian Society published in April 2024, recommended that a social tariff would be eligible for any household on means-tested benefits, disability benefits, and carer’s allowance.

cutting the costs of having children, these reforms would dramatically improve families' financial security, and ability to afford the essentials.

This package of support would not technically impact the headline rate of early-years poverty – as the reforms do not affect what is currently treated as 'income' in the relevant data. However, families with young children would feel a significant difference around their financial circumstances if this package was implemented.

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