Office of the Children's Commissioner:

An Adequate Standard of Living:

A Child Rights Based Quantitative Analysis of Budgetary Decisions 2010-13

Final Report

June 2013

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Contents

List of Abbreviations

AHC	After Housing Costs
BCS	British Crime Survey
BHC	Before Housing Costs
BHPS	British Household Panel Survey
BME	Black and Minority Ethnic
CB	Child Benefit
CESCR	Committee on Economic, Social and Cultural Rights
CIPFA	Chartered Institute of Public Finance and Accountancy
COFOG	Classification of the Functions of Government
COICOP	Classification of Individual Consumption by Purpose
CPI	Consumer Price Index
CRIA	Child Rights Impact Assessment
CRSP	Centre for Research in Social Policy
CTB	Child Tax Benefits
CTC	Child Tax Credit
CTS	Council Tax Support
DDA	Disability Discrimination Act
DLA	Disability Living Allowance
DWP	Department for Work and Pensions
EHRC	Equalities and Human Rights Commission
EFC	Expenditure and Food Survey
ESA	Employment and Support Allowance
FE	Further Education
FFW	Fit For Work

FPI	Family and Parenting Institute
FRS	Family Resources Survey
GHS	General Household Survey
GLF	General Lifestyle Survey
HB	Housing Benefit
HBAI	Households Below Average Income
HE	Higher Education
HMRC	Her Majesty's Revenue and Customs
IB	Incapacity Benefit
ICESCR	International Covenant on Economic, Social and Cultural Rights
IFS	Institute for Fiscal Studies
JSA	Jobseekers Allowance
IMF	International Monetary Fund
IPPR	Institute for Public Policy Research
LCF	Living Costs and Food Survey
MEDR	Marginal Earned Deduction Rates
MIS	Minimum Income Standard
NSPCC	National Society for the Prevention of Cruelty to Children
NIC	National Insurance Contribution
OBR	Office of Budget Responsibility
OCC	Office of the Children's Commissioner
PESA	Public Expenditure Statistical Analyses
PIP	Personal Independent Payment
RPI	Retail Price Index
SEN	Special Educational Needs

TES	Total Expenditure on Services
TME	Total Managed Expenditure
TUC	Trade Unions Congress
UNCRC	United Nations Convention on the Rights of the Child
VAT	Value Added Tax
WCA	Work Capability Assessments
WTC	Working Tax Credit

Acknowledgements

The authors would like to thank members of the advisory group for this project – Aoife Nolan, David Hounsell, Holly Sutherland, Paola Uccellari, Anne Madden, Lisa Payne, Louise King, Dragan Nastic and Alison Garnham – for comments and suggestions on earlier drafts of the report. Any errors are the responsibility of the authors and the Office of the Children's Commissioner. We would also like to thank Frances Winter, Ross Hendry and Gareth Edwards at the Office of the Children's Commissioner for their helpful suggestions and feedback at various stages of drafting.

This report uses data from the following data sources: the Family Resources Survey 2010-11, Expenditure and Food Survey 2010. British Household Panel Study (2008 wave), the General Household Survey (2006) and the British Crime Survey (2009). All data are Crown Copyright and are provided by the UK Data Service at the University of Essex (http://ukdataservice.ac.uk).

About the Authors

Howard Reed is director of the economic research consultancy Landman Economics (www.landman-economics.co.uk) which he founded in 2008. Landman Economics specialises in complex econometric research including micro-simulation modelling and policy evaluation, as well as analysis of and commentary on a wide range of economic policy issues including tax and benefit policy, labour markets and training, macroeconomics and health economics. Recent clients for work by Landman Economics include the Trade Unions Congress (TUC), Action on Smoking and Health (ASH), Oxfam, the NSPCC, Action for Children, the Children's Society, Gingerbread, Age UK, The Welsh Assembly Government, the Irish Heart Foundation, the Association of British Insurers, The Crown Estate, Creative Skillset and the Child Poverty Action Group. Prior to founding Landman Economics in 2008, Howard's previous jobs included Chief Economist and Director of Research at the Institute for Public Policy Research (2004-08) and Senior Research Economist and Programme Director at the Institute for Fiscal Studies with special responsibility for programming the IFS's tax-benefit model TAXBEN (1995-2004).

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Susan Himmelweit is Professor of Economics at the Open University. She has written widely and presented papers nationally and internationally on gender budgeting, theoretical and policy aspects of the economics of care and intra-household inequalities. She was the founding chair of the Women's Budget Group, whose policy advisory group she now coordinates. She has, for many years, contributed to and coordinated its reports on the impact of successive budgets and spending reviews on men and women (http://www.wbg.org.uk/RRB_Reports.htm). Since 2010, collaborating with Howard Reed, she has been able to include quantitative analysis of gendered impacts in these and other WBG reports. She has advised the Fawcett Society and the Family and Parenting Institute in commissioning analyses of the effects of government policies on, respectively, women and families. She was a technical advisor to a Unifem-funded international project on Gender and Taxation and a co-author of its report on gender and taxation in the UK. She has been commissioned, together with Hilary Land, to write reports and think pieces on policy on care (of both children and adults) by the Equal Opportunities commission, the Joseph Rowntreee Foundation and the union Unison.

Executive Summary

Background: Why has this analysis been undertaken?

This analysis describes the cumulative impact of tax-benefit reforms and reductions in public expenditure between 2010 and 2015. It was commissioned by the Office of the Children's Commissioner in order to inform its Child Rights Impact Assessment (CRIA) of the same measures that is published alongside this report. The work was carried out by a team from Landman Economics who have drawn on extensive expertise in economic analysis and human rights to examine the impact on children and families of all the changes to tax, tax credits, welfare benefits and cuts in public expenditure. It has examined the financial impact of these measures and how they have affected families on different incomes, different types of family (size and number of parents), families with disabled children or adults, and families of different ethnicity. The financial impact measured was then analysed in the context of the Government's international obligations to children's economic welfare and wellbeing.

New research with significant findings

This is the first time such analysis has been undertaken and provides a comprehensive breakdown of the impact some of the Government's key policies have had, and will have, on families with children. Despite some progressive policies the analyses shows that families with children have lost more as a result of the economic policies modelled than those without children, and that some of the most vulnerable groups have lost the most. The methodology and economic models used were shared with Treasury officials and the results in this report are consistent with some of the disturbing findings from other independent organisations who have undertaken analyses similar to some sections of this report (see sections 3.3 and 4.3).

The report's structure

After describing the Government's obligations under international human rights treaties – all of which have been ratified by the UK (chapter one) - and the methodology used to analyse the fiscal policies and measures announced since May 2010 (chapter two), the report looks in detail at the impact of tax and benefit changes (including changes to tax credits and the new Universal Credit) in chapter three. This includes the impact of tax and benefits changes on child poverty levels (3.3). The cuts in public expenditure and the likely effect on different types of family and income groups is then analysed in chapter four, and the impact of individual measures, including the benefit cap, changes to childcare and child benefit are examined in chapter five. The issue of whether changes to the tax and benefits system ensure 'work pays' is analysed in chapter six. All the impacts measured are against what would have happened if the systems and spending levels in place at the start of 2010 were still in place (using the uprating mechanisms also in place at that time).

Impact of tax, tax credit and benefit measures

Chapter three of the report looks at the impact of tax, benefit and tax credit changes implemented (or scheduled to be implemented for changes which have not yet taken place) between May 2010 and April 2015.

The cumulative impact of these changes shows that there has been a significant financial impact on families with children. While families with children make up around 32 per cent of working age families in England, they will bear 51 per cent of the costs of fiscal consolidation (benefit and tax credit cuts and increases in personal tax) undertaken over the 2010-15 Parliament.[1] Once the number of children and adults in families is taken into account, children will lose 5.1per cent of their family income on average compared to working age adults who will lose on average 4.6 per cent of their family income.[2]

Looking at the impact of tax and benefit reforms by income decile the reforms are shown to be strongly regressive with low-income families with children losing more as a percentage of net income than high income families. Overall families with children in the poorest 10 per cent of the population are losing an average of £40 per week from the reforms with families in the second and third deciles (lowest 20 and 30 per cent) losing an average of £30 per week. Losses of this magnitude represent a very serious reduction in income when the poorest families with children live off approximately £370 per week.

The analysis contained in the report also demonstrates:

- On average, couples with children have experienced the largest losses in cash terms of any type of household. The largest percentage losses have been felt by lone parents, before and after the introduction of Universal Credit.
- The relationship between family size and the impact of reforms is complex. Couples with children experience greater percentage losses the more children they have, whereas the number of children has less impact on the losses experienced by lone parents.
- Families with white parents and families with Asian parents lose slightly more on average from the reforms than any other ethnic group.
- Families with disabled children suffer slightly bigger average losses than average in percentage terms. Children with disabled parents are also more affected than average.
- Measures announced November 2012 and March 2013 are regressive, but

[1] See Table 3.3 below.
[2] See Table 3.2 below. This analysis takes into account the number of children and adults in families to derive figures for the average losses to children and working age adults.

their impact is relatively small in the context of the total package of reforms implemented during the 2010-15 Parliament.

Impact of tax and benefit changes on the number of children living in poverty

The report has a detailed analysis of the impact of these tax and benefit changes on levels of child poverty (3.3). It shows a remarkably consistent pattern, whatever measure of poverty is used:

- the number of children in the UK living in poverty (below 60 per cent of median income Before Housing Costs) is expected to rise by around 700,000 from 2.3 to three million between 2010-11 and 2015. Including Universal Credit leads to a slightly smaller child poverty figure of 2.9 million.
- the number of children living in severe poverty is expected to rise by 300,000 to 1.5 million children during the same period.
- the number of children living below an adequate standard of living[3] is expected to rise by around 400,000 children to 6.8 million children (around 52 per cent of all children).[4]

Conclusion regarding the impact of tax and benefit changes

The analysis of the tax, benefit and tax credit systems has shown that successive policies has led to families with children losing a greater share of their income than those without children. It is also of great concern that some of the most vulnerable families with children are also losing proportionally the most.

The Government has a responsibility under the UNCRC to address this as quickly as possible, and, in some cases, it would not be difficult or expensive to do so. For example, the Government could direct more financial support to families with severely disabled children since they comprise just 2.6 per cent of all families with children.

Overall, the evidence in this report suggest that the best interests of children are not being treated as a primary consideration (Article 3) in the design of fiscal measures including welfare benefits, tax credits and taxes.

Impact of cuts to spending on public services

Chapter four of the report analyses the impact of changes in public spending on goods and services which are consumed by households “in-kind”. These include public services like schools and early years services that are specifically for children, and those services like health, housing and transport, where children share the benefit with the adults in their families. These services are given a cash value in

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[3] The measure used is the Minimum Income Standard (MIS) as defined by Joseph Rowntree. Foundation sponsored work carried out by the Centre for Research in Social Policy at Loughborough University.

[4] See section 3.3 below for definitions of these measures.

order to assess the impact of cuts to expenditure on different households.

The analysis undertaken by family type highlights that while families with children make up 32 per cent of working age families they have experiences 63 per cent of the cuts. Without exception, every spending category of cuts examined in section 4.1 below was shown to affect families with children (on average) to a greater extent than would be the case if the cuts were shared out equally per family.

When spending was examined against income deciles of lone parents and couples with children the impact of the cuts, as a proportion of their net income, was regressive, with the poorest groups losing out most.

It is important to note that some spending decisions did realise a positive benefit to some groups. For example, protecting some of the schools budget produced a significant benefit to families with four or more children, and early years provision benefited the second income decile of couples with children and the bottom four income deciles of lone parents. In all but one case (see Figure 4.7) these positive steps did not compensate for losses in other areas.

Compared with families as a whole (for whom the cuts amount to the equivalent of 5.2 per cent of net income), families with disabled children are hit harder by the cuts under all disability definitions. Depending on the definition of disability used these families have lost between 6.3 and seven per cent of their net income.

The analysis undertaken in this section is based on data that describes how different households use public services, and it is clearly stated that what is modelled is the proportional impact of national spending decisions on local services and the consequent impact on families. The conclusions drawn from the model have been compared to evidence from a wider body of other research in section 4.3 that suggests the analysis carried out for this report is accurate, and in some cases, may even underestimate reductions in local services.

Individual impact of some specific measures introduced since 2010

Chapter five (Table 5.1) lists all the tax and benefit measures announced since May 2010. All of these were included together in the calculations in chapter three, but chapter five examines some individually. These include the proposed changes to child benefit, childcare and early years learning support, changes to tax credits and the uprating of benefits and the benefits cap.

The analysis highlights the positive impact changes to childcare subsidy and support is likely to have after 2016, and the significant support for families in the higher income deciles from the tax-free childcare scheme.

However, changes to the tax credit and benefits system have been regressive and have had a significant impact on the lowest earning families.

Do the tax-benefit changes mean that work pays?

The penultimate chapter of the report looks at whether tax-benefit reforms since May 2010 have had an impact on the 'financial incentive' to work. This analysis mainly looks at increases or decreases to marginal earned deduction rates (MEDRs) for those who are already employed. So, for example the report looks at how much of every extra pound earned by workers is returned in taxation and how much is kept by the individual.

In summary the picture is complex and mixed. While the results of the analysis show that the Government's package of reforms may have a positive impact on the financial incentive for no-earner couples with children to have one parent gain employment, the impact seems to be negative for one-earner couples where the second parent takes employment. The aspiration that the tax-benefit system provides a set of incentives that are simple, consistent and straightforward does not seem to have been realised.

Cumulative impact of all the changes since 2010 on children and families

The cumulative or combined impact of tax-benefit and spending measures for families with children is regressive by income decile. The poorest 10 per cent of families with children are experiencing average reductions in living standards equivalent to a fall of around 22 per cent in net income, while the richest 10 per cent of families with children have seen an equivalent fall in net incomes of only around seven per cent. This is not surprising, given that the overall impact of the tax/benefit measures is regressive, and so is the overall impact of the other spending measures.

What is the Government's responsibility regarding children's welfare?

As a signatory to the UN Convention on the Rights of the Child (UNCRC), the UK government is bound by international law to

> *"…undertake all appropriate legislative, administrative and other measures for the implementation of the rights recognized in the present Convention. With regard to economic, social and cultural rights, States parties shall undertake such measures to the* ***maximum extent of their available resources****…"* (UNCRC, Article 4)

Subsequent statements and expansions on the Convention have made it clear that even in the context of an economic crisis States are obliged to make sure that children – and particularly disadvantaged children – are "protected from the adverse effects of economic policies or financial downturns".[5] They should seek the progressive realisation of children's rights, and ensure that the realisation of their rights never gets worse. The Government's decisions should not have a negative impact on particular groups.

[5] UN Committee on the Rights of the Child, General Comment 5, 2008.

Importantly these are requirements and obligations on the UK Government. They are not transferable, and the responsibility cannot be delegated or devolved.

The analysis contained in this report, together with the CRIA published alongside this report, suggest that a number of the policies examined, as well as the cumulative impact of the measures included in the analysis, place the Government at risk of not meeting its obligations to children and young people.

The report highlights how the impact of tax-benefit changes, accentuated by cuts in expenditure across many public services will:

- lead to a significant rise in the number of children living in poverty (across a range of measurements), which questions how the Government proposes to meet its obligation to ensure children have an adequate standard of living (UNCRC Article 27)
- see some families with children – especially those with disabled children, lone parents and those in the bottom income deciles – lose proportionally more form the measures introduced since 2010, thus risking claims of discrimination (UNCRC Article 2)
- impact on families with children disproportionately more than families without children, laying the Government open to the claim that their reforms and decisions are not made in the best interest of children (UNCRC Article 3) and that they are not doing all that they can to protect children's rights, especially the most vulnerable (UNCRC Article 4).

Methodology

This report is based on an analysis that uses two different micro-simulation models developed by Landman Economics. Data from the UK Family Resources Survey (FRS) and Living Costs and Food Survey are used to model the distributional impacts of changes to the tax and welfare systems. The analysis of changes to public expenditure combines aggregate data from HM Treasury on spending on public services by Government department and service function with information from a variety of household data sets on individuals and families' use of various public services to estimate the impact on living standards of changes to spending on different public services.

These are described in detail in chapter two and Appendix B and C. All have been shared with Treasury officials and a project advisory group of academics, child rights specialists and economists.

Introduction

Landman Economics has been commissioned by the Office of the Children's Commissioner (OCC) to undertake a quantitative analysis of the 2013 Budget and its impact on children's human rights, as defined by the UNCRC. The analysis involves using a combination of existing and published information and new quantitative research to assess the likely impact on children's rights in England of UK public expenditure and taxation measures announced in the period June 2010 to March 2013 that will be implemented by April 2015. The Budget measures covered include changes in taxes, tax credits, welfare benefits and public expenditure. The analysis is undertaken within an assessment framework based on Articles from the UNCRC.

The assessment of quantitative impacts is one of the three components of the method of the CRIA proposed by the OCC. The other two components are qualitative impacts, to be assessed in consultation with children and young people, and legal analysis (Office of the Children's Commissioner, 2012a). This report is therefore not a full CRIA, but is published as a background document to the CRIA.

The structure of the report is as follows.

- Chapter one explains states' obligations under the UN Convention on the Rights of the Child and how they relate to Budget measures.
- Chapter two gives a summary of the methodology used in this report (more detail can be found in the appendices accompanying the report).
- Chapter three presents analysis of the overall impact of the changes to taxes, benefits, and tax credits introduced in the 2010-15 Parliament (including Universal Credit), and also assesses the specific impact of tax and welfare measures announced in the 2013 Budget and the 2012 Autumn Statement.
- Chapter four looks at the impact of changes to spending on areas of public services other than the cash transfers examined in chapter three (for example changes to spending on services such as health, education, social care and public transport).
- Chapter five looks at the impact of specific measures in policy areas which particularly affect children, focusing on analysis of specific benefit and tax credit measures which especially affect families with children – in particular changes to childcare support in tax credits and Universal Credit, the impact of other tax credit changes, the impact of the decision to uprate most means-tested benefits and tax credits by one per cent in nominal terms for the three years 2013-14 to 2015-16, the freezing of Child Benefit in nominal terms, and the introduction of a cap on the total amount of benefit and tax credit payments any family can receive.
- Chapter six looks at the impact of Budget measures on work incentives.
- Chapter seven offers conclusions.

1. Resourcing for children's rights: States obligations

The report addresses the rights set out in the UNCRC (see Appendix A for the text), to which the UK is party. These rights include:

Article 2:	The right to enjoy all human rights, without discrimination
Article 3:	That the best interests of the child must be a primary consideration
Article 6:	The right to life and to develop "to the maximum extent possible"
Article 9:	The right for children not to be separated from their parents against their will
Article 12:	The right for children to participate and express their views
Article 16:	The right to private and family life
Article 19:	The right to protection from child maltreatment
Article 23:	The right for disabled children to enjoy a "full and decent life", and their right to "special care" and assistance
Article 24:	The right to enjoy "the highest attainable standard of health"
Article 26:	The right to benefit from social security
Article 27:	The right to a standard of living adequate for the child's development
Article 28:	The right to education
Article 29:	The right to develop a child's personality, talents and abilities to the full
Article 31:	The right to rest and leisure

Having ratified this international treaty in 1991, the UK state has taken on a variety of obligations. The Committee on the Rights of the Child[6] has clarified, in a series of General Comments,[7] that states have three types of obligations: the obligations to respect, protect and fulfil. For example, General Comment 15 (2013) on the right of the child to the highest attainable standard of health (Article 24) specifies in para 71 that:

> *"States have three types of obligations relating to human rights, including children's right to health: to respect the freedoms and the entitlements, to protect both freedoms and entitlements against third parties or against social or environmental threats, and to fulfil the entitlements through facilitation or direct provision."*

All three obligations require the State to allocate resources so as to meet them, although the obligation to fulfil tends to be most resource dependent.[8] The issue of resources is covered in the UNCRC in Article 4:

[6] The Committee on the Rights of the Child is the treaty body that monitors the compliance of States Parties with the Convention on the Rights of the Child.
[7] The Committee on the Rights of the Child issues General Comments from time to time to clarify the implications of the Convention, as do other treaty bodies that monitor compliance with other human rights treaties.
[8] This is explored in more depth in relation to the International Covenant on Economic, Social and Cultural Rights by Nolan and Dutschke (2010).

"States Parties shall undertake all appropriate legislative, administrative, and other measures for the implementation of the rights recognized in the present Convention. With regard to economic, social and cultural rights, States Parties shall undertake such measures to the maximum extent of their available resources and, where needed, within the framework of international co-operation."

The Committee on the Rights of the Child has clarified this further in General Comment 5. General measures of implementation of the UNCRC (2003), paras 7 and 8:

"The second sentence of article 4 reflects a realistic acceptance that lack of resources - financial and other resources - can hamper the full implementation of economic, social and cultural rights in some States; this introduces the concept of "progressive realization" of such rights: States need to be able to demonstrate that they have implemented "to the maximum extent of their available resources" and, where necessary, have sought international cooperation ….
The sentence is similar to the wording used in the International Covenant on Economic, Social and Cultural Rights and the Committee entirely concurs with the Committee on Economic, Social and Cultural Rights in asserting that "even where the available resources are demonstrably inadequate, the obligation remains for a State party to strive to ensure the widest possible enjoyment of the relevant rights under the prevailing circumstances …".Whatever their economic circumstances, States are required to undertake all possible measures towards the realization of the rights of the child, paying special attention to the most disadvantaged groups."

In 2007, the Committee on the Rights of the Child held a Day of General Discussion on the topic "Resources for the Rights of the Child - Responsibility of States: Investments for the Implementation of Economic, Social and Cultural Rights of Children and International Cooperation." The Recommendations that emerged from this discussion[9] made it clear that resources includes financial, human, technological, organisational, natural and informational; and includes systematic support for parents and families, as well as directly to children (para 25). The Committee recommended that 'progressive realization be understood as imposing an immediate obligation for States parties to the Convention to undertake targeted measures to move as expeditiously and effectively as possible towards the full realization of economic, social and cultural rights of children' (para 47). Moreover, 'the obligation not to take any retrogressive steps that could hamper the enjoyment of economic, social and cultural rights is considered to be inherent in the obligation towards progressive realization of those rights' (para 47). The Committee also underlined that 'there are obligations requiring immediate implementation, irrespective of the level of available resources ie the obligation to guarantee non-discrimination in the enjoyment of these rights and the obligation to take immediate steps towards their realization' (para 47).

The Committee also endorsed the idea of minimum core obligations: 'Core obligations are intended to ensure, at the very least, the minimum conditions under

[9] See Committee on the Rights of the Child, Day of General Discussion on Resources for the Rights of the Child - Responsibility of States, Recommendations, 2007.
http://www2.ohchr.org/english/bodies/crc/discussion2013.htm

which one can live in dignity.' The Committee on Economic, Social and Cultural Rights (CESCR) has systematically underlined this obligation of States, to guarantee at all times, the minimum level of protection (the minimum core content) in the provision of: essential foodstuffs, equal access to primary health care, basic shelter and housing, social security or social assistance coverage, family protection, and basic education. All States, regardless of their level of development, are required to take immediate action to implement these obligations, as a matter of priority. Where the available resources are demonstrably inadequate, the State concerned is still required to strive to ensure the widest possible enjoyment of the relevant rights under the prevailing circumstances. Thus, complying with obligations relating to the core of a right should not be dependent on the availability of resources (para 48).

The Committee made a number of recommendations for managing government budgets so as realise children's rights (para 34)[10] and also recommended that 'the macroeconomic framework of growth targets should be harmonized with a human development framework based on the Convention on the Rights of the Child and the principles of non-discrimination, best interests of the child, participation, universality and accountability' (para 31).

Mr Kamal Siddiqui, a member of the CESCR, and the keynote speaker for the day commented, inter alia, on the factors which may affect the availability of resources, emphasizing the 'strength and efficacy of the taxation system, including whether there is a progressive tax policy'.

The inclusion of taxation in the discussion of 'maximum available resources' is supported by Elson, Balakrishnan, and Heintz (2013) who also argue that other dimensions of public finance besides expenditure and taxation are also important in securing maximum available resources: monetary policy, including financial regulation; and government borrowing. The concept of 'maximum available resources', they argue implies that the role of the state is not only as an efficient administrator of existing resources, but as a mobiliser of additional resources, creating more fiscal and monetary space for the realisation of human rights, and allowing policy to put more emphasis on economic growth and job creation as ways out of economic crisis.[11]

This interpretation – which links 'maximum available resources' to macro-economic policy – is in line with the Committee on the Rights of the Child's position, set out in General Comment No. 15 (2013) on the right of the child to the highest attainable standard of health, para 105:

> *"States should continually assess the impact of macro-economic policy decisions on children's right to health, particularly children in vulnerable situations, prevent any decisions that may compromise children's rights, and to apply the best interests principle when making such decisions."*

[10] This is extensively discussed in Nolan (2013).
[11] This approach has also been taken by UNICEF whose reports have argued for a 'more accommodating macroeconomic framework', which permits higher budget deficits and higher levels of inflation in the short run to permit vital investments in basic services for children and prevent irreparable harm (Ortiz, Chai and Cummins, 2011).

The concern with overall economic policies is also present in General Comment 5. On General Measures for the Implementation of the UNCRC (2003), which says that states parties are required to demonstrate that ‘children, in particular marginalized and disadvantaged groups of children, are protected from the adverse effects of economic policies or financial downturns’ (para 51). These clarifications are particularly important in the context of the situation in England after the financial crisis of 2008.

2. Methodology used in this report

The Committee on the Rights of the Child has made specific reference to analysis of government budgets in General Comment 5 (2003): General measures of implementation of the Convention on the Rights of the Child (Articles 4, 42 and 44, para 6), which in para 45, calls for child impact assessment and child impact evaluation in relation to budgets:

> *"Ensuring that the best interests of the child are a primary consideration in all actions concerning children (art. 3 (1)), and that all the provisions of the Convention are respected in legislation and policy development and delivery at all levels of government, demands a continuous process of child impact assessment (predicting the impact of any proposed law, policy or budgetary allocation which affects children and the enjoyment of their rights) and child impact evaluation (evaluating the actual impact of implementation). This process needs to be built into government at all levels and as early as possible in the development of policy."*

In addition, in para 51, the General Comment calls for analysis of the proportion of resources allocated to children:

> *"In its reporting guidelines and in the consideration of States parties' reports, the Committee has paid much attention to the identification and analysis of resources for children in national and other budgets. No State can tell whether it is fulfilling children's economic, social and cultural rights "to the maximum extent of … available resources", as it is required to do under article 4, unless it can identify the proportion of national and other budgets allocated to the social sector and, within that, to children, both directly and indirectly. Some States have claimed it is not possible to analyse national budgets in this way. But others have done it and publish annual "children's budgets". The Committee needs to know what steps are taken at all levels of Government to ensure that economic and social planning and decision-making and budgetary decisions are made with the best interests of children as a primary consideration and that children, including in particular marginalized and disadvantaged groups of children, are protected from the adverse effects of economic policies or financial downturns."*

Efforts to identify the share of the budget allocated to children have been made in a number of countries, and a toolkit has been produced on how to do this (Save the Children and HAQ Child Rights Centre, 2010). A good example of such an analysis of the proportion of resources allocated to children is a recent report on children's budgeting in Wales (National Assembly for Wales, Children and Young People Committee, 2009). This focuses on 'how much, and how well, money is being spent by government to help children and young people'. It notes the efforts of the Welsh Government to identify the percentage of each of its budgetary lines that are considered to be allocated to children, suggesting that 28 per cent of expenditure in 2007-08, 2008-09 and 2009-10 was allocated to children and young people, who comprise 21.6 per cent of the population (page 9). The report also notes that lack of data on users of services meant that often estimates were made of the share of spend going to children on the assumption that their share was equal to their share of the population. It is much easier to identify the share of expenditure on services that go only to children and young people than their share of expenditure on services that go to adults too, such as housing, transport and economic development. In addition, this approach does not examine the distribution of expenditure between different groups of children. Moreover, expenditure budgeted to services is not always spent, for instance if grants arrive too late for voluntary organisations to use them. A further problem is the need for benchmarks to identify the adequacy of the share – is 28 per cent too little or too much? We do not attempt to produce such a report for England, since our remit is to focus on the UK Budget, including taxes and welfare benefits, as well as public services.

Instead we take up another approach mentioned in the General Comment paper, that of impact assessment. An impact assessment allows prediction of the likely impact of policies and the consideration of mitigating action or changes to decisions which have an adverse impact on children's rights. Ideally this should be followed by impact evaluation, but that is not yet possible, as many of the measures that have been introduced have only just started to be implemented and some will not be implemented until financial year 2014-15 and beyond.[12]

The OCC has proposed a model for child rights impact assessments that provides more detail about the kind of analysis to be undertaken, identifying three components: assessment of quantitative impacts, assessment of qualitative impacts, and legal analysis (Office of the Children's Commissioner for England, 2012a). The Office has also produced an assessment of the impact on children's rights of the Welfare Reform Bill (Office of the Children's Commissioner for England, 2012b). This discusses the likely impact of individual measures, such as the benefit cap, making reference to existing quantitative evidence, including research by the Institute for Fiscal Studies on the impact on the numbers of children living in poverty. However, it does not include any analysis of cumulative impact, or detailed quantitative analysis of impact of measures on the incomes of different kinds of family.

An impact analysis with more similarities to that presented in this report was commissioned by the Northern Ireland Commissioner for Children and Young People on the impact of welfare reform on the rights of children in Northern Ireland (Horgan and Monteith, 2012). This refers to quantitative analysis of the impact of tax and benefit changes on the incomes of households in Northern Ireland conducted by the Institute for Fiscal Studies (IFS) (Browne, 2010). The IFS uses a micro-simulation model to examine the impact of changes introduced in the 2010 Welfare Reform Act in Northern Ireland,[13] the Budget of June 2010 and the Autumn 2010 Spending Review. The average impact in Northern Ireland was compared to other regions; and the impact on households in Northern Ireland was compared by household quintile. Reference is also made to a later IFS study (Joyce, 2012) that uses the same model to analyse the impact of tax and benefit measures to be introduced in 2012-13 on the income of households across UK, including by family type, comparing those with and without children. The Northern Ireland report also considers the impact of individual measures, but it does not use a micro-simulation model to do this.

[12] Moreover, impact evaluation requires more data and different tools than those used in this report.
[13] This was legislated by the former Labour Government.

The impact assessment in this report also uses micro-simulation modelling to analyse the cumulative impact of changes to taxes, benefits and funding for public services on the incomes[14] of a range of different households, with and without children, in England. It also uses the same model to analyse the impact of a range of individual measures.[15] This analysis is supplemented with descriptive statistics on aspects of changes to funding for services which cannot be modelled in the same way.

Two different micro-simulation models are used to assess the impact of Budget measures:

- A micro-simulation model of direct and indirect taxes and transfer payments (such as benefits, tax credits and the Universal Credit) which uses data from the UK Family Resources Survey and Living Costs and Food Survey to model the distributional impacts of changes to the tax and welfare systems. The model was originally developed by Landman Economics for the Institute for Public Policy Research and is used regularly by the Institute for Public Policy Research, the Resolution Foundation and Landman Economics to analyse the distributional and revenue implications of fiscal policy. The model is comparable in functionality to other tax and transfer micro-simulation models in existence in the UK (such as the Institute for Fiscal Studies's TAXBEN model and the University of Essex's EUROMOD). The model is capable of modelling all the changes to the income tax and National Insurance systems over the 2010-15 period, plus the changes to indirect taxes (eg the increase in VAT from 17.5 per cent to 20 per cent and most (although not all) of the benefit and tax credit changes during 2010-15, as well as Universal Credit. Full details of the model specification and the data used, as well as all the reforms modelled, can be found in Appendix B of this report.

- A micro-simulation model of the impact of changes to spending on 'in-kind' public services (such as health, education, social care and transport) on household living standards. The model was originally developed by Landman Economics for the TUC for analysis of the distributional impact of the 2010 Spending Review and has been regularly revised and updated since then. The model combines aggregate data from HM Treasury on spending on public services by Government department and service function with information from a variety of household data sets on individuals and families' use of various public services to estimate the impact on living standards of changes to spending on different public services. Full details of the model specification and the public services which are modelled can be found in Appendix C of this report.

[14] Public services are treated as providing an additional income for those who use them.
[15] A similar approach was used by Corak, Lietz and Sutherland, 2005, to analyse the impact of tax and benefit systems on children in 15 EU countries.

This report is informed by the key principles emphasised by the Committee on the Rights of the Child:[16]

- Indivisibility and interdependence of children's rights: civil, political, economic, social and cultural. All are included in the UNCRC.

- Non-discrimination. Article 2 of the convention states that:

  "States Parties shall respect and ensure the rights set forth in the present Convention to each child within their jurisdiction without discrimination of any kind, irrespective of the child's or his or her parent's or legal guardian's race, colour, sex, language, religion, political or other opinion, national, ethnic or social origin, property, disability, birth or other status."

  This is an immediate obligation, irrespective of resource availability.

- Best interests of the child as the primary consideration. Article 3 of the Convention states that:

  "In all actions concerning children, whether undertaken by public or private social welfare institutions, courts of law, administrative authorities or legislative bodies, the best interests of the child shall be a primary consideration."

- The child's right to life, survival and development, as identified in Article 6, including the physical, mental, moral, spiritual and social dimensions of their development. This article covers civil and political rights, as well as economic and social rights.

- The right of the child to be heard. Article 12 highlights the importance of children's participation, providing for children to express their views and to have such views seriously taken into account, according to age and maturity.

However, the methods of analysis, data sources, and level of government considered (national rather than local) limits the extent to which these principles can be put into practice. It is easier to show the quantitative impact of UK budgets on economic and social rights, such as Article 26, the right to social security and Article 27 the right to an adequate standard of living, than on civil and political rights, such as Article 8, the right of the child to preserve his or her identity. The CRIA of Welfare Reform in Northern Ireland notes that 'the most relevant articles for this CRIA are Articles 2, 3, 4, 6, 12, 16, 19, 23, 24, 26, 27 and 28' (page 7). The OCC's CRIA on the impacts of the Welfare Reform Bill in England notes that 'the key UNCRC rights engaged by the Bill are Articles 2, 3, 6, 9, 12, 16, 19, 23, 24, 26, 27 and 28'. This

[16] As set out in General Comment 15 (2013) the right of the child to the highest attainable standard of health (Article 24); General Comment 16 (2013) on States obligations regarding the impact of the business sector on children's rights; General Comment 17 (2013) the right of the child to rest, leisure, play, recreational activities, cultural life and the arts (Article 31).

report will similarly identify which UNCRC rights are key with respect to the impacts of the particular measures analysed.

Non-discrimination plays a major role in the following analysis, with households disaggregated into sub-groups so as to identify any differential impact. However, we are not able to include children who are not covered by household surveys. Thus it is not possible to identify a specific impact on children who are looked after in local authority residential facilities or who are held in secure facilities because the data we will use is derived from household surveys and does not cover people who live in institutions. Similarly, Traveller children living on halting sites cannot be included because household survey data does not cover them.

The report does consider *inter alia* the implications of the primacy of the child's best interests and the impacts on the child's rights to life, survival and development. Moreover, we recognize that the violation of rights will generally have deeper and more long-lasting physical and psychological effects for children than for adults due to their lower level of physical and mental development. The Committee on the Rights of the Child has drawn attention to this: 'Childhood is a unique period of physical, mental emotional and spiritual development and violations of children's rights ….. may have life-long, irreversible and even trans-generational consequences.'[17]

With respect to the participation of children in budget decisions, this is much easier to envisage at local level, with respect to allocations of funding to local services, than at national level with respect to say, decisions on the level of VAT or the design of welfare reform. The report of the Welsh Assembly Children and Young People's Committee discusses the scope for participatory budgeting at local level, including children and young people.[18] We do not include in our report an analysis of to what extent children were involved in the decisions whose impacts it assesses, as that would require access to government papers that we do not have. But what we know from the investigation of the UK Equalities and Human Rights Commission into decision making in the autumn 2010 Spending Review suggests that decision making on UK fiscal policy is concentrated in a very few hands, even within government (EHRC, 2012) and we would be very surprised if there had been any involvement of young people below age 18 in the decisions whose impact we discuss. It is much more feasible to give children the right to be heard in making impact assessments. Consultations with children are an integral part of the impact

[17] Committee on Rights of the Child, General Comment 16 on State obligations regarding the impact of the business sector on children's rights, UNCRC/C/GC/16 (2013) para 4.
[18] Some examples were provided by The Participatory Budgeting Unit, which is a project of the charity Church Action on Poverty. It receives funding from the UK Government's Department for Communities and Local Government to support the rolling out of Participatory Budgeting practices in local government in England.

assessment model proposed by the OCC for England. It is beyond the scope of this report to include qualitative research with children on their experiences of the impact of the fiscal measures, but we understand that the OCC is investigating how it can gather some evidence on this.

3. Impact of tax, tax credit and welfare benefit measures

This section of the report looks at the impact of tax, benefit and tax credit changes implemented (or scheduled to be implemented, for changes which have not yet taken place) between the election of the Coalition Government in May 2010 and April 2015. Section 3.1 looks at the cumulative impact of all measures on net incomes, whereas section 3.2 looks at the impact of just those measures announced in the 2013 Budget and the 2012 Autumn Statement (or in separate announcements around that time). Section 3.3 looks at the impact of budget tax, benefit and tax credit measures on the number of children living in families with net incomes below the poverty line and/or the Minimum Income Standard level. Section 3.4 looks at the implications of these tax, tax credit and benefit changes from a children's human rights perspective.

Note that later in this report, chapter five contains some additional distributional analysis of specific benefit and tax credit measures which especially affect families with children – in particular changes to childcare support in tax credits and Universal Credit, the impact of other tax credit changes, the impact of the decision to uprate most means-tested benefits and tax credits by one per cent in nominal terms for the three years 2013-14 to 2015-16, the freezing of Child Benefit in nominal terms, and the introduction of a cap on the total amount of benefit and tax credit payments any family can receive. In contrast, the focus in this section is on the overall aggregate impact of measures.

3.1 Cumulative impact, 2010-15

The first part of this section looks at the overall distributional impact on household income of all the changes to the tax, benefit and tax credit systems (including the introduction of Universal Credit) that will have come into effect by April 2015 that can be modelled using the Landman Economics tax benefit model, against a baseline of the April 2010 tax-benefit system (ie the final system before the Coalition Government took office in May 2010) uprated to 2015 using the uprating rules in force under the previous Government.[19]

Impact on income by family type

Our analysis looks first at the impact of the package of reforms by family type, focusing on the impact on families with children compared with families without

[19] The inflation measures used for uprating for 2010-11 and previous years were the Rossi index for most means-tested benefits and the Retail Price Index for non-means-tested benefits, tax credits and income tax and National Insurance thresholds. In the June 2010 Budget the Coalition Government announced changes to the uprating rules, with the Consumer Price Index (CPI) used for means-tested benefits, tax credits and thresholds from April 2011 onwards. CPI is generally a lower measure of inflation than RPI and so this change accounts for some of the losses from benefit and tax credit changes shown in this section.

children. Table 3.1 shows the cash and percentage impacts of the reforms on families divided into six groups:

a) Single adults without children;
b) Lone parent families;
c) Couples without children;
d) Couples with children;
e) Single pensioners;
f) Couple pensioners.

In addition to this, the Table also shows the combined impacts for working age families without children (groups (a) and (c) together), working age families with children (groups (b) and (d) together), and all families combined.

The Table shows the distributional impacts excluding Universal Credit (in the two columns on the left-hand side) followed by the distributional impacts including Universal Credit (in the two columns on the right). The results for Universal Credit are calculated on the assumption that all eligible claimants have been moved onto the Universal Credit system by 2015, and exclude the impacts of transitional protection for families who will be entitled to less under Universal Credit than under the existing system. In reality, while Universal Credit is scheduled to be fully rolled out for new claimants by autumn 2013, the process of moving the existing caseload of benefit and tax credit claimants is unlikely to be complete until 2017 at the earliest.

Table 3.1. Distributional effects of all reforms 2010-15 by family type, all families

	Impacts excluding Universal Credit		Impacts including Universal Credit	
Family type	Cash terms (£/week)	Overall impacts (% of income)	Cash terms (£/week)	Overall impacts (% of income)
All working age families with children	**-£41.07**	**-5.9%**	**-£35.04**	**-5.0%**
lone parent	-£32.67	-7.8%	-£30.29	-7.2%
couple, children	-£43.86	-5.6%	-£36.62	-4.6%
All working age families without children	**-£15.06**	**-3.6%**	**-£16.03**	**-3.8%**
single adult, no children	-£11.59	-4.5%	-£12.65	-4.9%
couple, no children	-£21.91	-2.9%	-£22.68	-3.1%
All pensioners	**-£21.27**	**-5.3%**	**-£26.79**	**-6.6%**
single pensioner	-£17.51	-6.1%	-£18.34	-6.4%
couple pensioner	-£25.55	-4.9%	-£36.11	-6.9%
All families	**-£23.67**	**-4.9%**	**-£24.18**	**-5.0%**

The results in Table 3.1 indicate that, excluding Universal Credit, the largest cash impacts are on couples with children (who lose just under £44 per week on average), followed by lone parents (who lose approximately £33 per week on average). When Universal Credit is included in the analysis, couples with children are still the largest losers, but their average losses are cut to around £37 per week and lone parents' average losses are reduced to around £30 per week, whereas couple pensioners' average losses increase to £36 per week.[20] As a percentage of net income, lone parents lose the most, both before and after Universal Credit. Their losses are bigger than the losses for couples with children, because couples with children have higher average net incomes (average weekly income in the FRS in January 2013 prices is around £780 for couples with children compared with £413 for lone parent families).

The main result to note here is that, while the average loss for couples with children is larger than the average loss for lone parents in cash terms, the losses as a per centage of disposable income are larger for lone parents because lone parents have much lower average disposable incomes as a group than couples with children. Losses for pensioners are also larger than for working age families (except for lone parents) expressed in these terms.

In general it is clear that a greater proportion of fiscal consolidation (ie reduction in the budget deficit via changes in benefits, tax credits and taxes) is being demanded of working age families with children compared to families without children. Tables 3.2 and 3.3 show these impacts in two slightly different ways. Table 3.2 displays the impact of the 2010-15 tax-benefit package by calculating the impact of the measures on the average incomes of the households of working age adults compared with those of children. This is done by averaging the calculated impacts on household incomes first over all working adults and then over all children. In this way the impact of effects on larger numbers of children in larger families, and on smaller numbers of adults in lone parent than couple parents, is taken into account.

Table 3.2. Impact of 2010-15 measures on average net household incomes of working age adults and children

	Average change in net income arising from reforms by category					
Group	**Benefit changes**	**Tax credit changes**	**Universal Credit**	**Income tax/NICs**	**Indirect taxes**	**TOTAL**
Working age adults	-1.2%	-2.0%	0.3%	0.6%	-2.3%	-4.6%
Children	-1.6%	-2.7%	0.7%	0.4%	-1.9%	-5.1%

[20] The losses from Universal Credit for couple pensioners arise primarily because Universal Credit is significantly less generous than the current benefit system in most cases where a couple consists of one partner over state pension age and the other partner below state pension age. Under the current system such couples are eligible for Pension Credit whereas under the new system they will not be eligible for Pension Credit but will instead be eligible for Universal Credit, which is less generous in most cases.

Table 3.2 shows that the benefit and tax credit changes are estimated to have a larger impact on the household incomes of children (an average loss of 4.3 per cent of net income) than of working age adults (average losses of 3.2 per cent of net income). These impacts are partially offset by Universal Credit (which has a larger positive impact on the household incomes of children than of working age adults), but the additional income accruing to the households of children is on average not enough to fully offset the losses occurring from benefit and tax credit cuts. At the same time, the changes to income tax and National Insurance Contributions (NIC) result in a larger increase in average household incomes for working age adults (0.6 per cent) than for children (0.4 per cent). Indirect taxes have a smaller average impact on the household incomes of children than of working age adults, mainly because of the zero-rating of certain items of children's expenditure. The total impact of the changes to direct taxes, indirect taxes and the various transfer payments is an average reduction of 5.1 per cent in children's incomes compared with 4.6 per cent for working age adults

Table 3.3 presents another aspect of these distributional results, which is the proportion of the overall fiscal impacts of the reforms which falls on families with children compared to working age families without children, broken down into benefits, tax credits, Universal Credit, direct taxes and indirect taxes. Note that families with children comprise around 32 per cent of working age families in England. The benefit changes and tax credit changes both result in net savings to government. According to our calculations, families with children will bear 66 per cent of the fiscal consolidation arising from the benefit changes, and 61 per cent of the fiscal consolidation arising from the tax credit changes. The UK Government's Impact Assessment of Universal Credit estimates that it will result in net costs to the Exchequer, although only by around £300 million per year once transitional protection expires.[21] On our calculations, the overall impact of Universal Credit is a net redistribution from families without children towards families with children, on top of the net cost to the government of the reform (hence the figure in Table 3.3 showing that they receive over 100 per cent of the fiscal impact). The income tax and NICs changes are also a net fiscal giveaway (driven mainly by the real terms increase in the value of the income tax personal allowance), but around four-fifths of this giveaway (79 per cent) goes to families without children, with only 21 per cent accruing to families with children. Finally, around 36 per cent of the increased burden of indirect taxation arising from the 2010-15 reforms falls on families with children. Overall, families with children will bear 51per cent of the costs of the fiscal consolidation (through benefit and tax credit cuts and increases in personal tax) undertaken over the 2010-15 Parliament.

[21] DWP, "Universal Credit Impact Assessment", December 2012. Available online at https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/174996/universal-credit-wr2011-ia.pdf.pdf

Table 3.3. Proportion of fiscal impacts falling on families with children compared with working age families without children, 2010-15

	Change in net income arising from reforms by category						
	Benefit changes	**Tax credit changes**	**Universal Credit**	**Income tax/NICs**	**Indirect taxes**	**TOTAL**	***Sample %***
Overall net impact on government finances	savings	savings	costs	costs	savings	savings	
% falling on families without children	34	38	-50	79	63	49	*68*
% falling on families with children	66	61	150	21	36	51	*32*

Not all reforms have a negative impact on household income, but those that do tend to outweigh the reforms that have a positive impact, demonstrating the importance of examining the reforms as a package. Figure 3.1 shows how the overall effects (in cash terms) break down into different types of reform, distinguishing between five sets of reforms which took place between 2010 and 2015:

a) The changes to the benefits system (eg changes to Child Benefit, Income Support, Jobseekers Allowance, Council Tax Benefit etc).[22]
b) Changes to the tax credit system (not including the introduction of Universal Credit).
c) Changes to the income tax and NIC systems.
d) Changes to the indirect tax system (principally the increase in standard rate of VAT from 17.5 per cent to 20 per cent and reductions in taxation of road fuels in real terms).
e) The introduction of Universal Credit (compared with the April 2015 rates for the tax credit and benefits that it replaces).

The stacked bars on Figure 3.1 show the impact (positive or negative) of the different types of measures, with the purple line showing the total impact of all measures combined. The changes to benefit and tax credits have an especially large cash impact for families with children, with the average magnitude being roughly similar for lone parent families and couple families. The income tax and NICs changes have positive average impacts overall for all family groups except for single pensioners but the impacts are biggest for couples without children because this group have two

[22] Note that a few of the benefit changes (eg the replacement of Disability Living Allowance by the Personal Independence Payment from 2013 onwards) could not be modelled because the FRS does not contain enough information on the characteristics of benefit recipients to enable accurate modelling. The Appendices give full details of the benefit changes which are modelled and those which cannot be modelled.

adults who are more likely to be in employment than in couples with children, many of whom have only one earner. As the section below on making employment pay shows, the incentive to enter employment for second earners, who in practice are mainly women, is relatively weak for families with children on low-to-middle incomes due to the WTC taper, and this situation does not improve overall under Universal Credit.

The negative impacts of increases in indirect taxes on living standards are bigger for couples than for single adult families. However, the fact that a large proportion of child-related expenditure under VAT is zero-rated means that the impact of the indirect tax measures (of which the most important in revenue terms is VAT) is not worse for families with children than for childless families.[23]

Universal Credit has on average a small positive impact for families with children but this only offsets a small fraction of the losses arising from cuts to benefits and tax credits before Universal Credit is introduced and there are both losers and gainers.

Figure 3.1. Breakdown of impacts of reforms in 2010-15 Parliament, by family type, cash terms

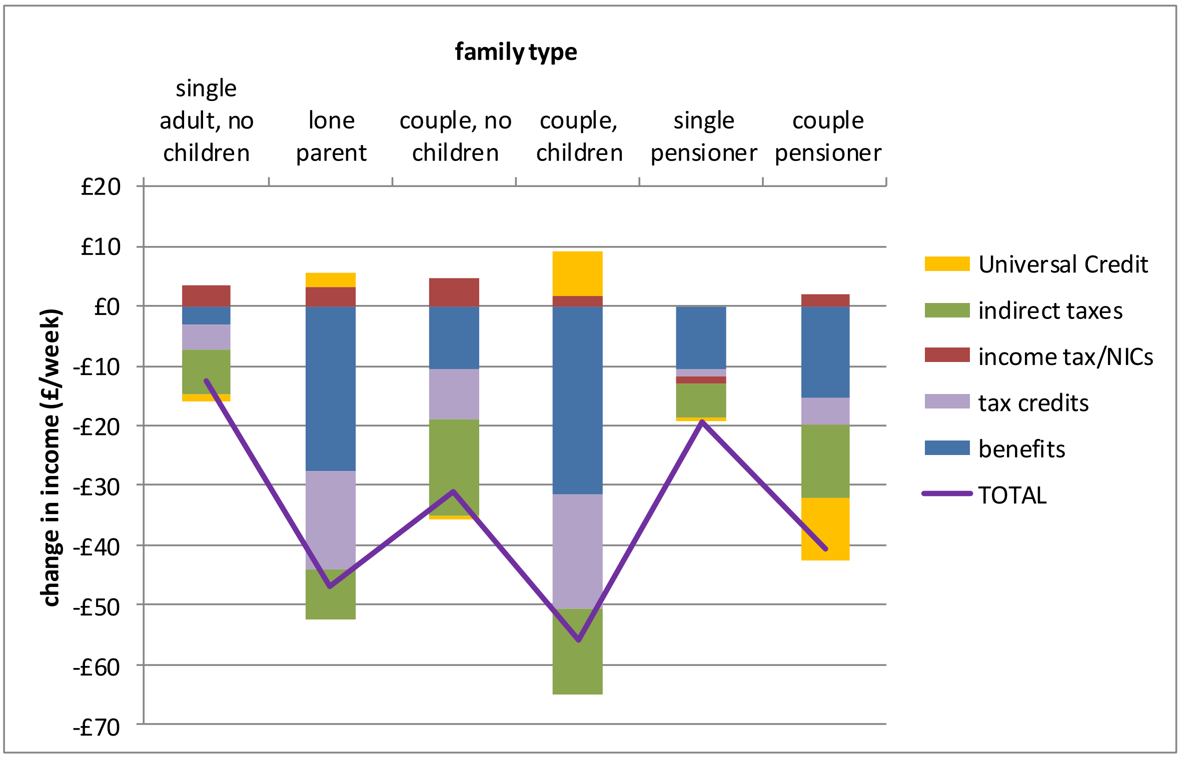
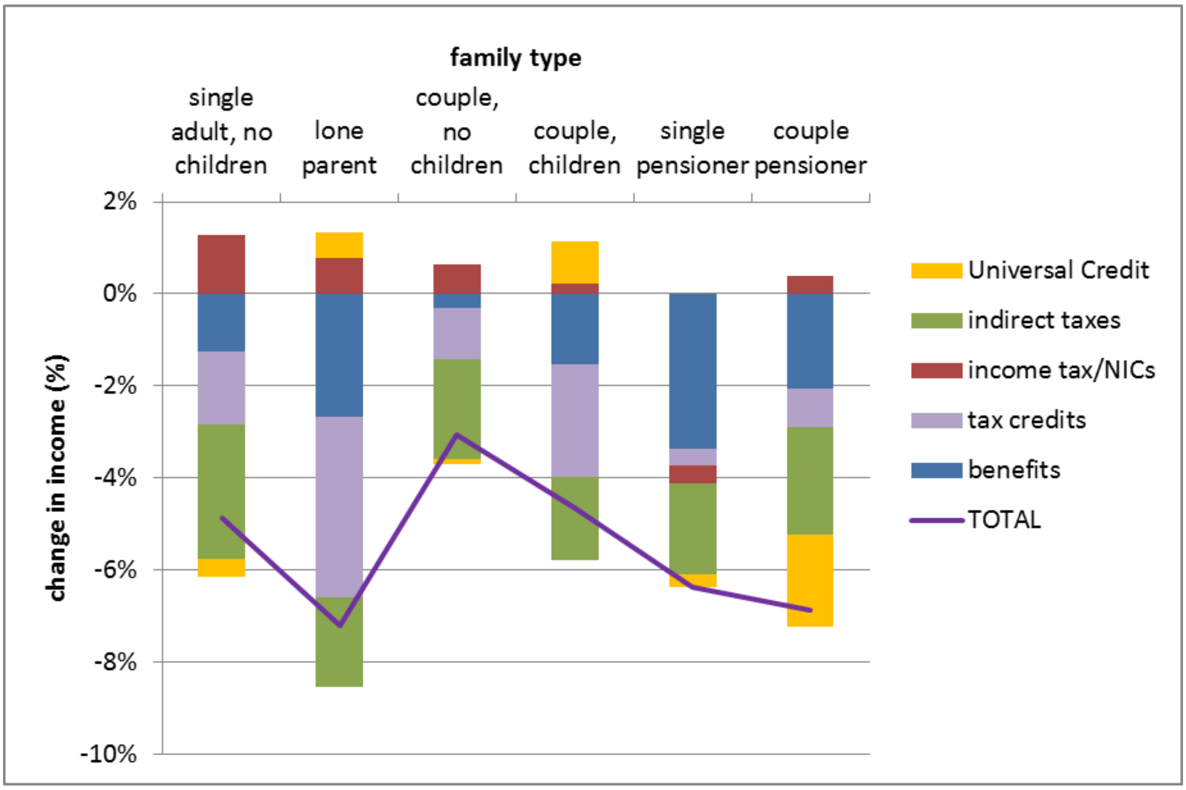


Figure 3.2 shows the same results as Figure 3.1 but with the distributional impacts expressed as a proportion of net incomes rather than in cash terms. From this graph

[23] Zero-rating food and many child related commodities is a feature of the UK indirect tax system that makes it more child-friendly and less regressive than that of many other countries. See Caren Grown and Imraan Valodia (eds.) (2010) *Taxation and Gender Equity: A Comparative Analysis of Direct and Indirect Taxes in Developing and Developed Countries* Routledge, IDRC.

it is clear that as a percentage of net income, the benefit and tax credit changes have a much bigger impact on lone parents than on couples with children, because lone parents have lower average incomes.

Figure 3.2. Breakdown of impacts of reforms in 2010-15 Parliament, by family type as percentage of net income



In addition, Universal Credit may fail to secure an adequate standard of living for children because of various features of the way that it is to be implemented. These features include that payments will be made only monthly rather than two-weekly as most benefits are currently paid. Further, all Universal Credit will be paid to a single adult in the family, to be chosen by the family. This has raised concern about power within families and family dynamics, which may be disturbed by such arrangements, potentially leading to greater family breakdown.[24] It has also led to concern about rent arrears and possible eviction of families because the equivalent of housing benefit will no longer be paid direct to landlords.[25] And, in particular, because money intended for children that would previously have been paid to the main carer will no longer be labelled as such and will be paid to whomever in the family receives its single Universal Credit payment, there is concern that this will have a negative impact on children.[26] These features, along with the fact that payments during the

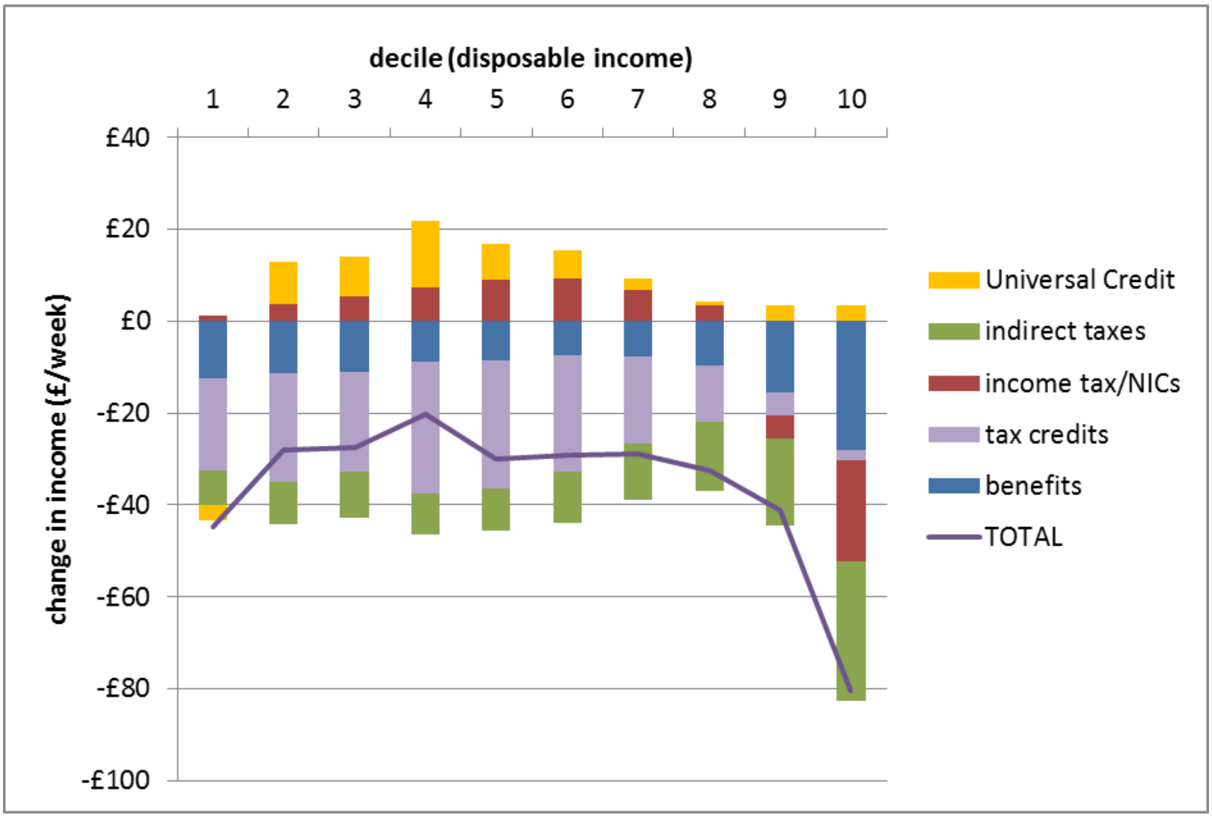
[24] *Ramm, J. et al. (2010) Relationship Difficulties and Help-seeking Behaviour, Research Report DFE-R018, London: Department for Education.*
[25]Social Market Foundation (2012) *Sink or Swim: the Impact of Universal credit*, http://www.smf.co.uk/files/1913/4779/2202/20120916_Sink_or_Swim_web_ready2.pdf
[26] Women's Budget Group (2011) Universal Credit: Payment Issues http://wbg.org.uk/pdfs/0-Universal-Credit-payment-issues-Sept-2011-revised.pdf

transition from fortnightly to monthly payments will be in arrears and changes in circumstances will not result in changes in payments for a month[27], are considered likely to lead some families into budgeting difficulties where the consequences will be particularly severe because of the abolition of elements of the discretionary Social Fund scheme.

Impact of tax and benefit reforms by income decile

Figure 3.3 shows the average losses in cash terms for families with children divided into income deciles, modelled using the 2010-11 FRS. Families with children are divided into 10 deciles representing equal proportions of the population, from the 10 per cent of families with the lowest incomes (decile one) to the richest 10 per cent (decile 10). Figure 3.3 shows the average cash impact of the tax and benefit measures in each of these income deciles.

Figure 3.3. Families with children by income decile: Impacts of tax-benefit reforms in 2010-15 Parliament in cash terms



Looking just at the benefit and tax credit measures, average cash losses from these are roughly constant over the bottom half of the income distribution, averaging around £30 to £35 per family. The poorest families lose more from benefits on average than families in the middle of the income distribution, but for tax credits the

[27] HC 576 - Progress towards the implementation of Universal Credit: Supplementary written evidence submitted by the Women's Budget Group
http://www.publications.parliament.uk/pa/cm201213/cmselect/cmworpen/writev/576/m02a.htm

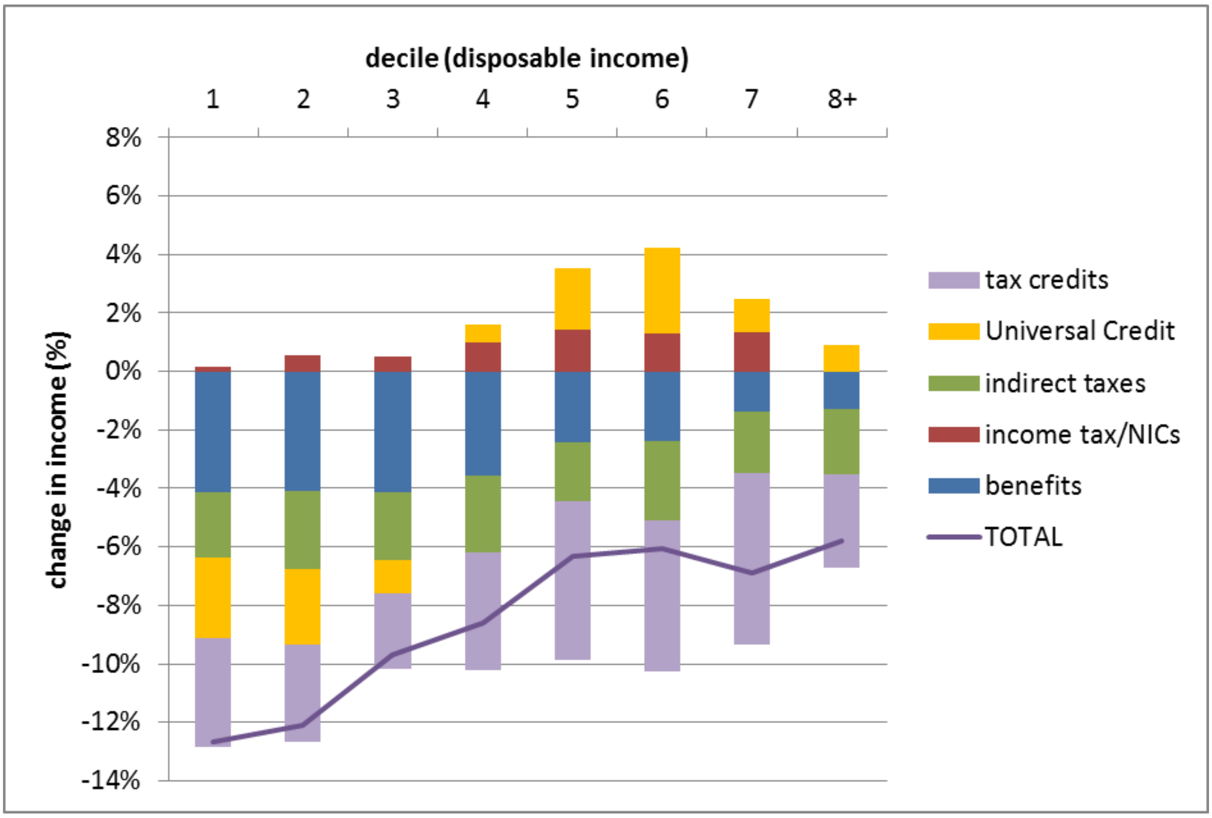
opposite is the case. Families in the top four deciles lose less on average from the benefit and tax credit cuts than families further down the distribution.

The income tax and NICs changes have a positive impact on the bottom eight deciles with the effects being biggest in the middle of the income distribution. The impact of income tax and NICs changes in the top 20 per cent of the income distribution is negative due to a combination of increases in employee and employer NICs rates and below-inflation increases in the higher rate income tax threshold. These outweigh the impact of the reduction in the additional rate of income tax (on incomes above £150,000 per year) from 50 per cent to 45 per cent in April 2013, which only affects a few individuals in the FRS. Indirect taxes have a larger impact in cash terms on richer families. Finally, Universal Credit has a slight positive impact across all deciles except for the poorest decile (with the impact being largest in the fourth decile) but this is not enough to offset the negative impact of the other changes. The impact of Universal Credit at the very bottom of the distribution is slightly negative (average losses of around £3 per week).

Overall, these results show families with children in the poorest income decile losing an average of £40 per week from the reforms, with families in the second and third deciles losing an average of around £30 per week. Losses of this magnitude represent a very serious reduction in the resources available for family budgeting for the poorest families – average disposable income for families with children in the lowest decile is only around £370 per week. Research by the Personal Finance Research Centre at the University of Bristol (Finney, Collard and Davies, 2012) highlights the decline in real incomes since 2007 for families who have approached a major debt advice charity with debt problems, and it seems certain that the reductions in benefit and tax credit income for poor families with children will result in a further increase in the number of families struggling with debts.

In per centage terms the reforms are strongly regressive in low-income families with children losing more (as a percentage of net income) than high-income families. Figure 3.4 shows the impact of the reforms as a percentage of net income for lone parents, whereas Figure 3.5 shows the same information for couples with children.

Figure 3.4. Lone parents by income decile: Impacts of tax-benefit reforms in 2010-15 Parliament as a percentage of net income



Note: the top three deciles for lone parents have been combined into one column to ensure the statistical reliability of the results for deciles eight to 10 because very few lone parents have a high enough income to be in these deciles.

Figure 3.4 shows that the combined impact of the tax, benefit and tax credit measures is particularly regressive for lone parents. This is largely because of the effect of Universal Credit which reduces incomes for parents in the poorest three deciles, while increasing it in the higher deciles. Lone parents in the poorest two deciles lose over 12 per cent of their net income from the reforms. By contrast, for lone parents in the fifth decile and above, average losses are just over six per cent of net income, because their losses due to cuts in benefits and tax credits, and increases in indirect taxes, are partially offset by reductions in income tax and NICs.

Figure 3.5. Couples with children by income decile: Impacts of tax-benefit reforms in 2010-15 Parliament as a per centage of net income

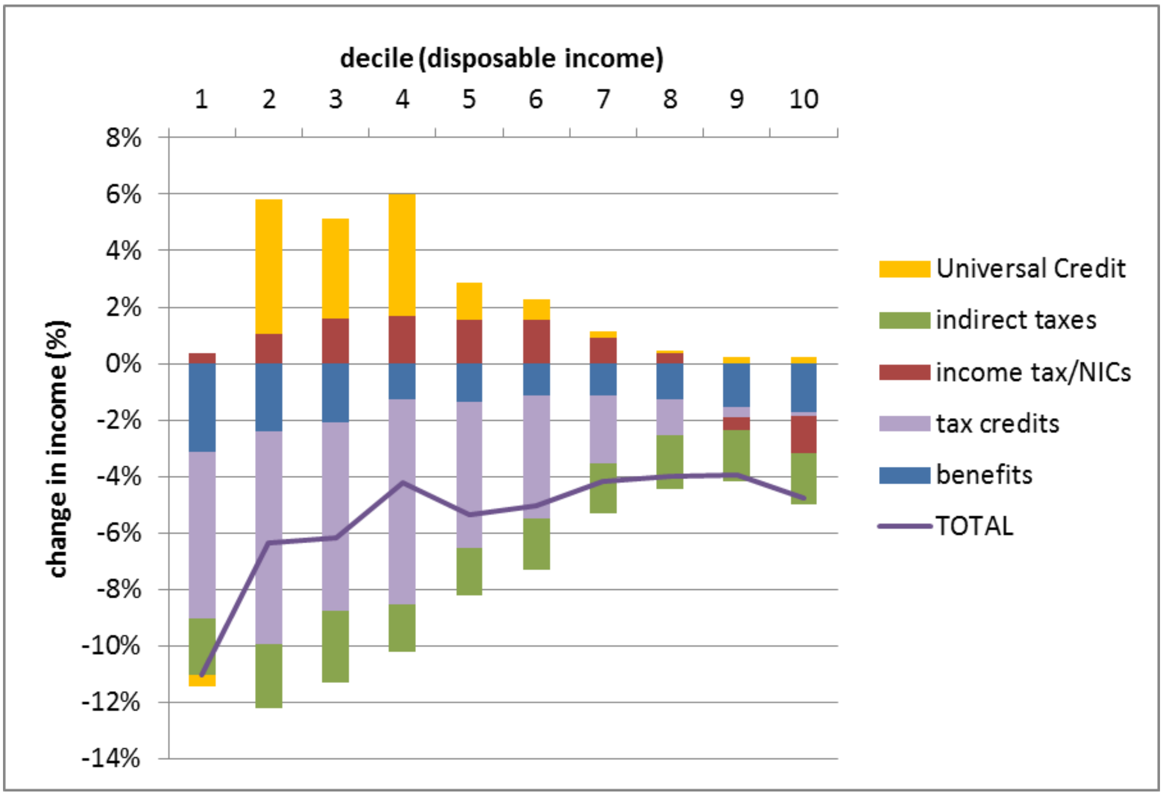


Figure 3.5 shows that the combined impact of tax, benefit and tax credit reforms is also regressive for couples with children, although not to the same degree as for lone parents. This is partly because Universal Credit has a more progressive impact for couples with children than it does for lone parents, increasing the incomes of most of those at the lower end of the distribution (though not in the lowest decile) more than of those higher up the distribution[28]. And in middle and higher deciles changes to benefits and tax credits do not impact as severely on couples with children as they do on lone parents. This results in a more regressive, but generally less negative impact for couples with children than for lone parents.

Figure 3.6 shows the impact of the projected changes in income tax and NICs in isolation from the other reforms. There are two important points to note here. The first is that projected changes in income tax and NICs up to 2015 will benefit those in the middle deciles most, both in absolute amounts and as a percentage of their incomes. This is because, as Figure 3.6 shows, those in the lowest deciles may not

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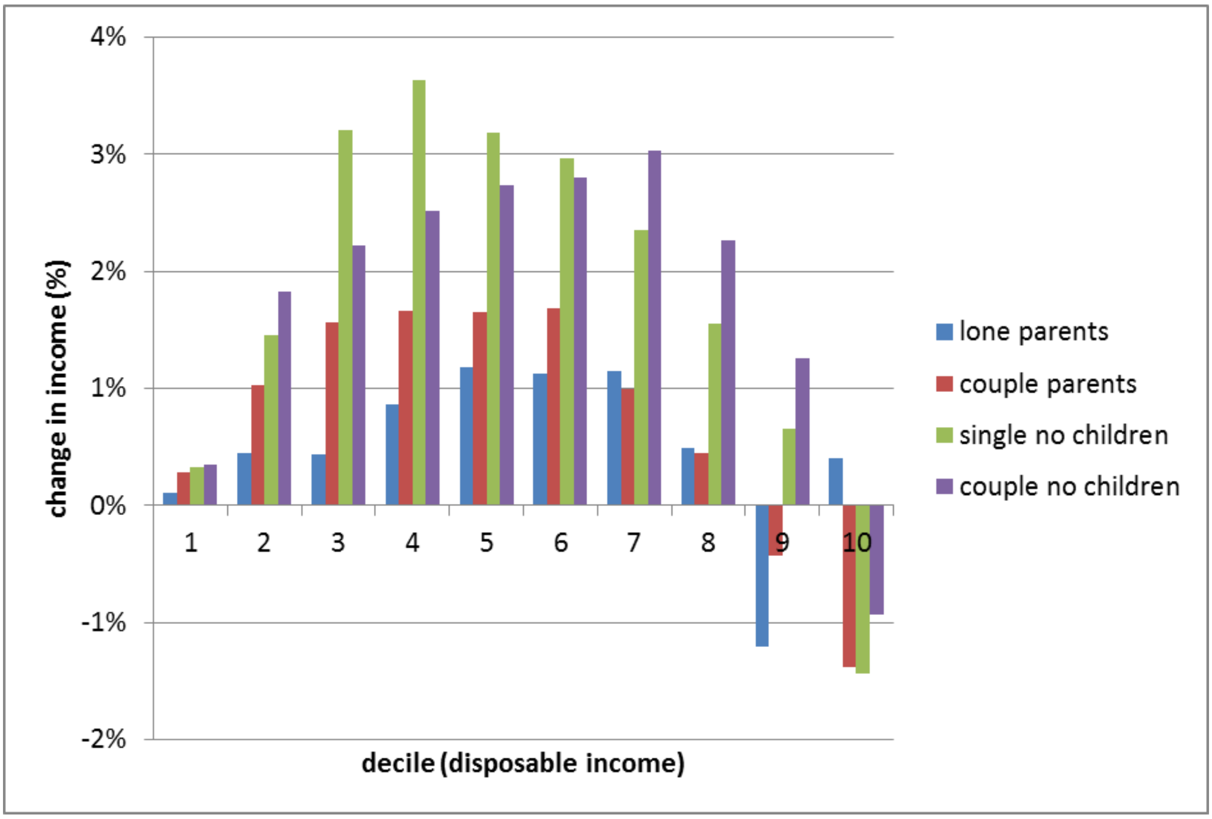
[28] The main reason why Universal Credit is less generous to lone parents compared with the tax credit system which it replaces has to do with the absence of a WTC premium for working 16 hours or more (or indeed, the full time premium for working 30 hours or more) in UC compared with WTC, and also the structure of the income disregards in UC compared with WTC. See p24 of Brewer, Browne and Jin, *Universal Credit: A Preliminary Analysis,* IFS Briefing Note 116. http://www.ifs.org.uk/bns/bn116.pdf, for a detailed explanation.

earn enough to benefit at all or in full from the raising of income thresholds and while this change has benefited those in the highest deciles more this has not been enough to counteract the effect of National Insurance Contribution increases and lower-than-inflation increases in the higher rate income tax threshold for those in the top two deciles. The second point is that the reforms benefit working age people without children a lot more than families with children on average. This is because parents – in particular lone parents and primary carers in couples with children – are less likely to be in employment on average than working age adults without children, and also, to the extent that they are in employment, they are more likely to be working part-time, and/or for low wages. This makes it less likely that they will be able to benefit from the increase in the real terms value of the income tax personal allowance and the National Insurance lower earnings limit.

Figure 3.6. Impact of changes in Income tax and NICS on lone and couple parents by decile[29]



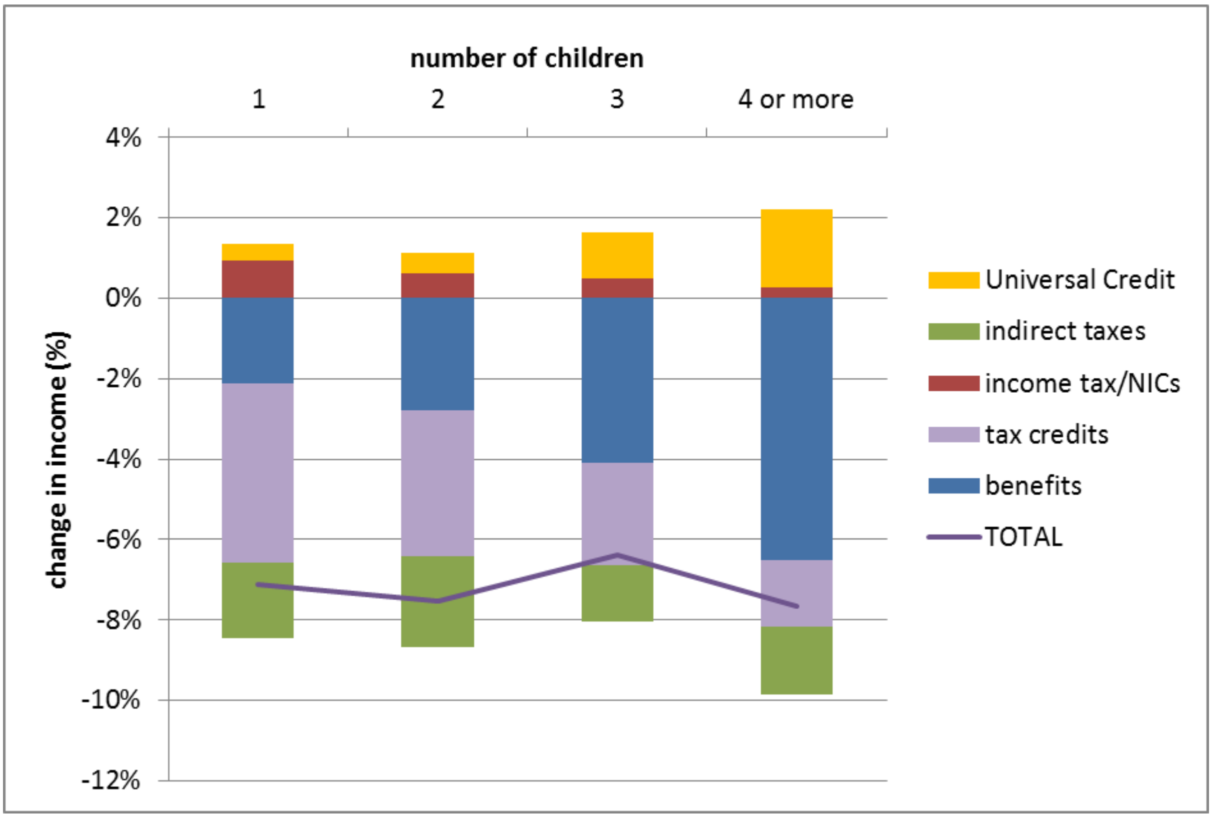
Impacts by other family characteristics

Figures 3.7 and 3.8 below show the average percentage impact of the complete 2010-15 package of reforms for lone parent families and couples with children respectively, broken down according to the number of children in each family. Figure 3.7 shows that lone parent families with three or more children lose more from the

[29] The unexpected column for lone parents in the top decile reflects the low numbers of lone parents with incomes high enough to reach this decile

benefit changes on average than lone parent families with one or two children. However the reverse is true for the tax credit changes, which hit smaller families harder on average because the only reform which increased the generosity of the tax credit system between 2010 and 2015 was a real terms increase in the per child amount of CTC, which is worth more to bigger families. Lone parent families with larger numbers of children also benefit more from Universal Credit. Overall, average losses from the 2010-15 reforms are between six per cent and eight per cent of income for all lone parent family sizes.

Figure 3.7. Lone parents by number of children: Impacts of tax-benefit reforms in 2010-15 Parliament as a percentage of net income



Whereas the distributional impact of the 2010-15 reforms is roughly flat by family size for lone parents, Figure 3.8 shows that the pattern is different for couples with children: here, larger families lose out more, and lose more than lone parent families with the same number of children unlike smaller families, where the families of lone parents fare worse. This is largely because both benefit *and* tax credit losses increase as a proportion of income with family size. The average gains from Universal Credit are higher for couples with three or four children than for couples with one or two children but this is not enough to offset the overall negative pattern. Couples with four children lose around six per cent on average from the reforms, compared with four per cent for couples with one child.

Figure 3.8. Couples with children by number of children: Impacts of tax-benefit reforms in 2010-15 Parliament as a percentage of net income

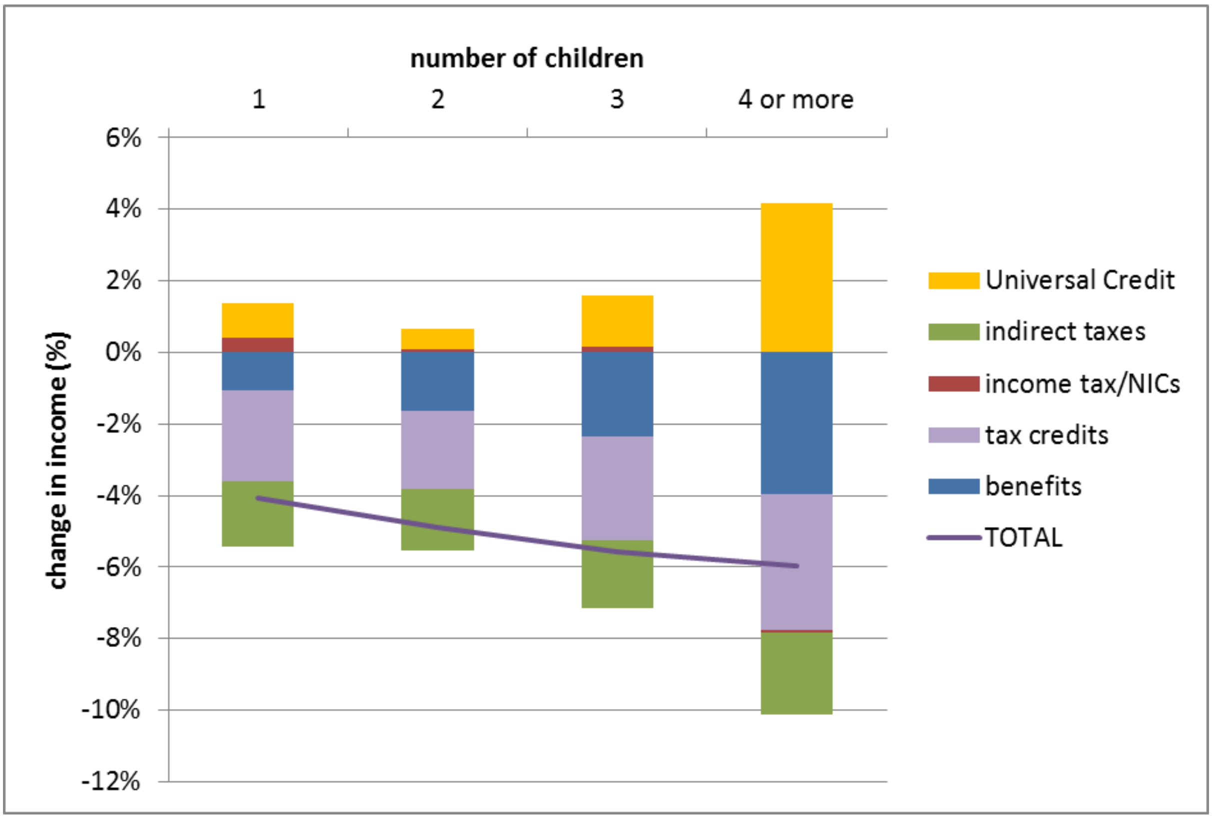
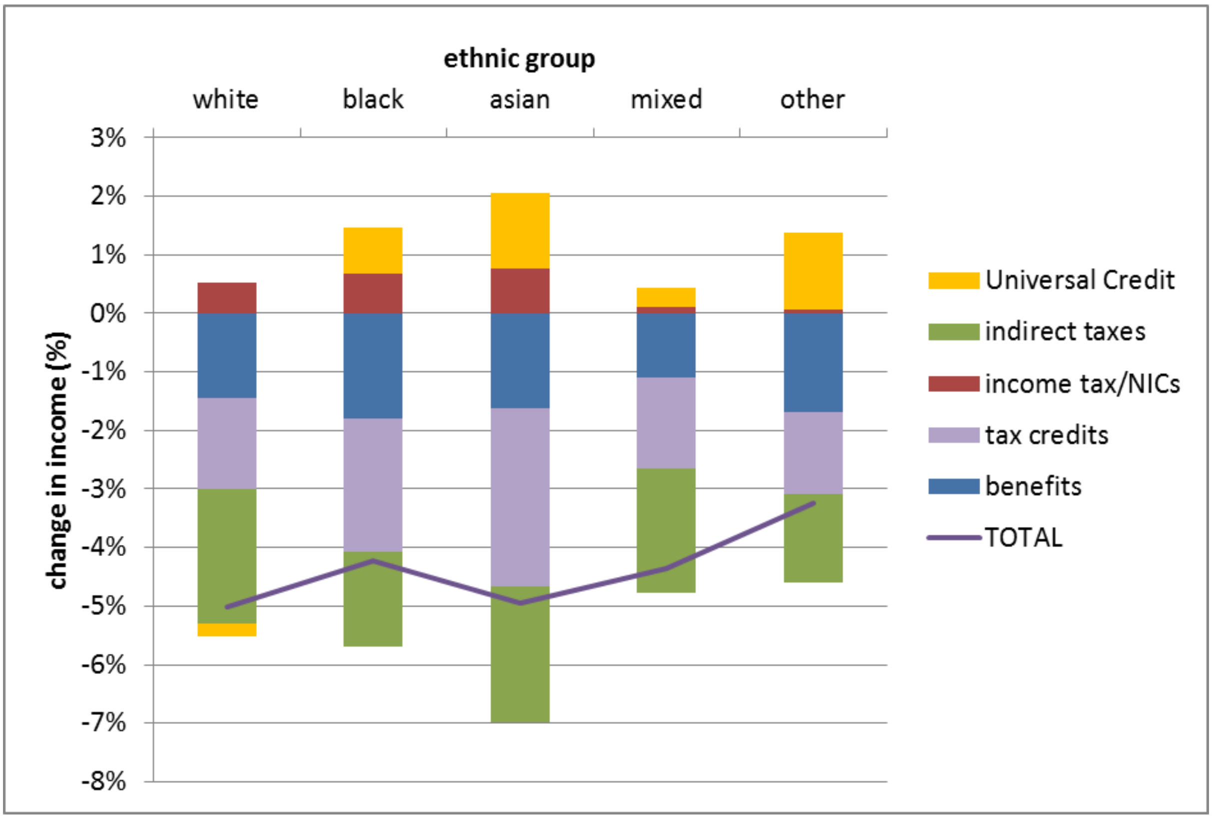


Figure 3.9 shows the average impacts by ethnic group (defined according to the ethnicity of each family's parents, as the ethnicity of the children themselves is not recorded in the FRS data). Families with white parents and families with Asian parents lose out slightly more on average from the reforms than any other ethnic group. Note that the sample sizes in the FRS for the non-white ethnic groups are relatively small and so these results should be treated as indicative only.

Figure 3.9. Families with children by parental ethnicity: Impacts of tax-benefit reforms in 2010-15 Parliament as a percentage of net income



Families with disabled children also suffer slightly bigger average losses than average in percentage terms, as is shown in Table 3.4 below. Depending on the definition of disability used, the overall impact of tax, benefit and tax credit changes (excluding indirect taxes, but including Universal Credit) is an average loss of between 3.6 and 4.7 per cent, compared with an average loss of only 3.3 per cent across families with children as a whole. The largest average losses are for families with a child who is registered as disabled with their local authority, who are the most severely disabled children with their families constituting just 2.6 per cent of all families with children, who lose most from benefit and tax credit changes and gain least from income tax and NICs cuts, since they are less likely to have parents in full-time employment. The effects on parents of children with lesser levels of disability suggest that they are no less likely to be employed full-time than other parents.

Table 3.4. Effects of tax-benefit reforms in percentage terms for families with at least one disabled child, by disability definition

Disability definition	Benefits	Tax credits	income tax/NICs	UC	TOTAL
Limiting disability	-2.4%	-2.8%	0.5%	0.8%	-3.9%
Long-standing health condition	-2.1%	-2.9%	0.4%	0.9%	-3.6%
FRS published disability definition	-2.4%	-3%	0.4%	1%	-4%
DDA disability definition	-2.2%	-2.9%	0.4%	0.8%	-3.9%
LA registered disabled	-2.7%	-3.1%	0.1%	0.9%	-4.7%
All families with children (for comparison)	-1.7%	-2.7%	0.3%	0.8%	-3.3%

Table 3.5 presents the same kind of analysis as Table 3.4, but this time for families with children where at least one *adult* is disabled. Average losses for families with disabled adults are larger than for families with no disabled adult (and indeed larger than those for families with disabled children), mainly because the cuts to their benefits and tax credits are greater. Their gain from income tax and NICs cuts is greater too, showing that a greater proportion of parents with disabilities are in full-time employment than of parents without disabilities, but this is not enough to offset their greater losses from benefits and tax credits. This suggests that cuts to benefits and tax credits for disabled mothers and fathers could have a serious 'knock-on' impact on children. Furthermore, because this analysis excludes some of the reforms to disabled benefits because they are too difficult to model with the available data (eg the replacement of Disability Living Allowance (DLA) by Personal Independence Payment (PIP)), overall average losses arising from benefit changes for disabled adults and children are likely to be bigger than the results shown in this section.

Table 3.5. Effects of tax-benefit reforms in percentage terms for families with children where at least one adult is disabled, by disability definition

Disability definition	Benefits	Tax credits	income tax/NICs	UC	TOTAL
FRS published disability definition	-2.5%	-3.7%	0.6%	-0.1%	-5.5%
Long-standing health condition	-2%	-3.3%	0.4%	0.1%	-4.8%
LA registered disabled	-3.4%	-3.6%	0.8%	-0.6%	-6.8%
All families with children (for comparison)	-1.7%	-2.7%	0.3%	0.8%	-3.3%

Children identified as materially deprived under various definitions are also worse off from the reforms on average than other children. The FRS asks a range of questions to families with children which relate to material deprivation. Table 3.6 below shows the average effects of the reforms to direct taxes, benefits and tax credits for families with children who answer “yes” to each of the material deprivation questions.[30] The results show that the benefit and tax credit changes have bigger average impacts on materially deprived families (ranging between -6.8 per cent and -7.8 per cent) than for all families with children on average (-4.4 per cent). The income tax and NICs changes benefit materially deprived families slightly more than all families on average, and the same is true for the Universal Credit, but these gains fail to offset the losses from the benefit and tax credit changes. Overall, the package of direct tax, benefit and tax credit reforms plus Universal Credit is estimated to lead to average losses of between 3.9 and 5.4 per cent of net income for materially deprived families (under various definitions) compared with average losses of 3.3 per cent for the population of families with children as a whole. The deprived families who lose out most from the reforms are families where the children do not go on a school trip at least once a term, and families who are unable to afford celebrations on special occasions.

Table 3.6. Effects of reforms in percentage terms according to material deprivation

Description	Benefits	Tax credits	income tax/NICs	Universal Credit	TOTAL
All families with children	-1.7%	-2.7%	0.3%	0.8%	-3.3%
Does not have warm winter coat	-3.1%	-4.2%	0.9%	2.1%	-4.4%
Does not eat fresh fruit or veg at least once a day	-3.8%	-3.9%	0.9%	2.5%	-4.2%
Does not go on school trip at least once a term	-3.2%	-4.2%	1.2%	0.8%	-5.4%
Does not have friends round for dinner/tea at least once a fortnight	-3.1%	-4.3%	1.0%	2.0%	-4.3%
No swimming at least once a month	-3.1%	-4.3%	0.9%	2.6%	-3.9%
No hobby or leisure activity	-3.5%	-4.0%	0.9%	2.7%	-3.9%
No holiday away from home at least once a year	-2.4%	-4.5%	1.0%	2.0%	-3.9%
No celebrations on special occasions	-3.8%	-4.1%	0.8%	1.9%	-5.1%
Not enough bedrooms for every child over 10	-3.6%	-4.6%	1.0%	2.6%	-4.7%
Does not attend regular organised activity outside home	-3.4%	-4.3%	0.9%	2.7%	-4.2%
No outdoor space/facility nearby where children can play	-2.4%	-4.4%	1.2%	1.9%	-3.8%

[30] Because the Living Costs and Food Survey does not contain information on material deprivation we were unable to look at the impact of the indirect tax measures for materially deprived families.

3.2 The specific impact of measures announced in Budget 2013 and the period leading up to it

Figure 3.10 shows a decile breakdown for families with children of the specific impact of the measures announced at Budget 2013 or Autumn Statement 2013 or thereabouts which are due to be introduced in April 2014 or April 2015. This analysis does not include the proposals announced just before the Budget for the Tax Free Childcare scheme or the additional support for childcare expenditure for families who are receiving Universal Credit and paying income tax, as these are not planned to be introduced until autumn 2015 at the earliest. The reforms are presented to the same scale as Figures 3.4 and 3.5 so that the relative size of the impacts is clear.
There are three important things to note from Figure 3.10. First, the impact of specific reforms announced in the 2013 Budget and the lead-up to it is relatively small in the context of the total package of reforms implemented during the 2010-15 Parliament. Second, the announced changes to benefits and tax credits – principally the decision to uprate benefit levels for working age adults and children (except disabled adults and children) by only one per cent rather than the rate of inflation, which carries over into the benefit levels announced in the Universal Credit system – have a regressive impact, but the impact is relatively small relative to the benefit and tax credit cuts which have already taken place. Third, the changes to income tax and National Insurance contributions result in small average gains across most of the income distribution, but these are not enough to offset the losses from one per cent nominal uprating of benefits, tax credits and Universal Credit (except in deciles seven, eight and nine). In the top decile, lower-than-inflation rises in the higher rate income tax threshold mean that families are slightly worse off on average.

Figure 3.10. Average impacts of tax, benefit and tax credit measures announced in, and just prior to Budget 2013 by income decile: families with children

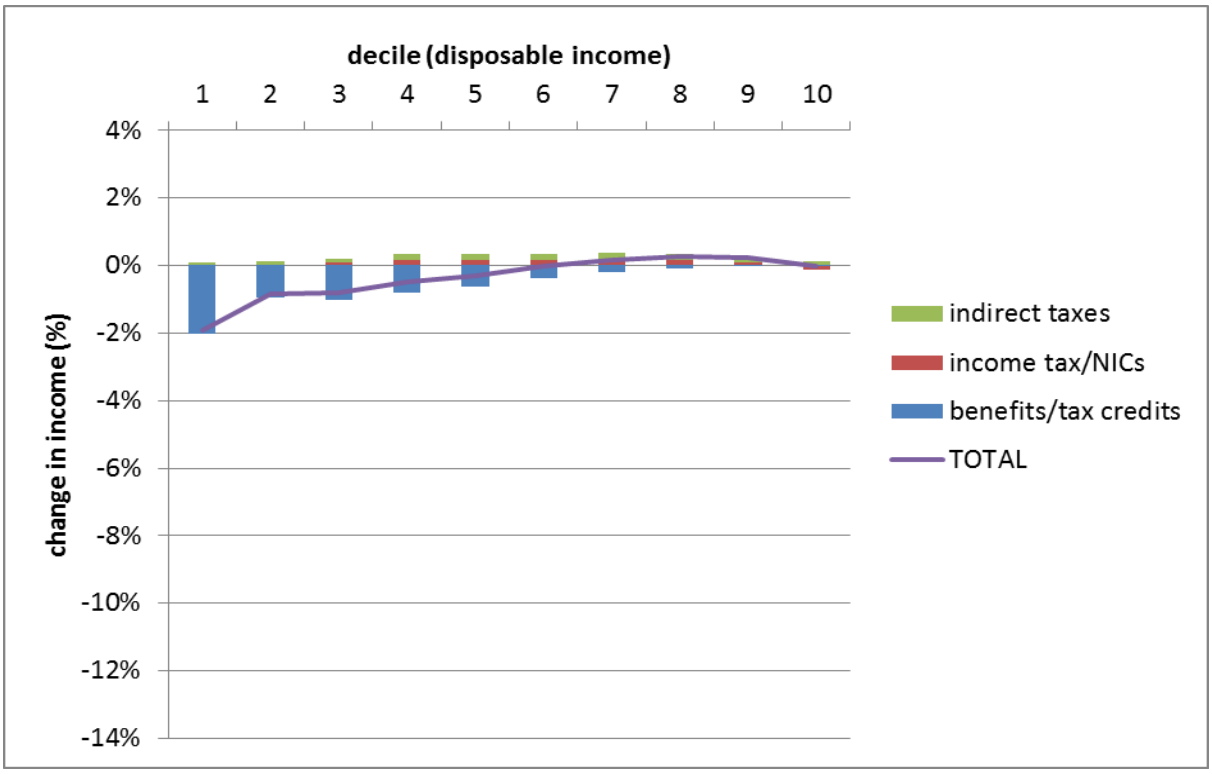


Figure 3.11. Impacts of tax, benefit and tax credit measures announced in, and just prior to, Budget 2013 by family type

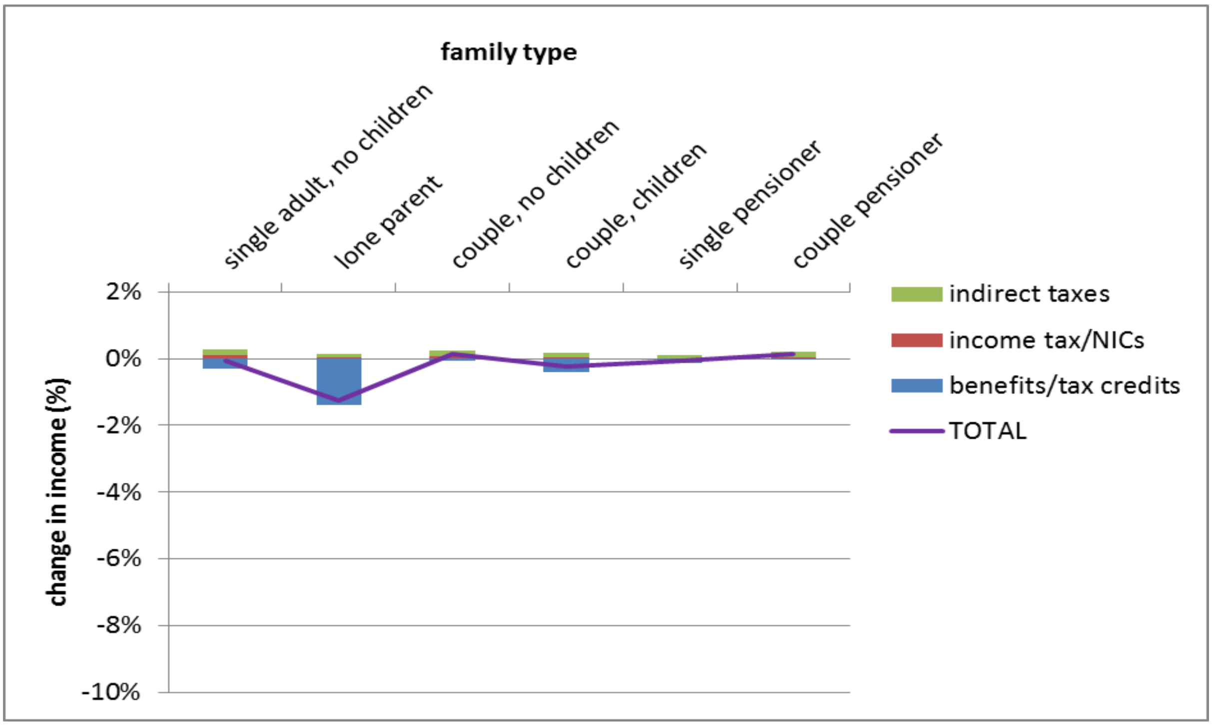


Figure 3.11 presents a breakdown of the distributional impact of the reforms announced in the 2013 Budget and the lead-up to the Budget by family type, along the lines of (and presented to the same scale as) Figure 3.2.

Figure 3.11 also shows that the impact of Budget 2013 (and the announcements leading up to it) is dominated by the uprating changes to benefits/tax credits/Universal Credit, which have a larger average negative impact on families with children than those without, and the largest on lone parents. Other changes have a negligible impact.

3.3 The impact of tax, benefit and tax credit changes on child poverty and the numbers of families below Minimum Income Standards

Analysis using the Landman Economics tax-benefit model of the impact of the overall package of tax, tax credit and benefit measures, excluding Universal Credit, in Budgets between 2010 and 2013 (inclusive) on child poverty shows that the number of children in the UK[31] below the official poverty line (60 per cent median Before Housing Costs (BHC) equivalised disposable incomes)[32] is estimated to increase from approximately 2.3 million children in 2010-11 to around three million children by 2015-16. Including Universal Credit leads to a slightly smaller child poverty figure of 2.9 million children – an increase of around 600,000 rather than 700,000. Approximately 40 per cent of the additional children moving into poverty as a result of the tax, benefit and tax credit changes (plus Universal Credit) are in lone parent families, with the other sixty per cent in couple families. Around 400,000 of the additional children moving into poverty are in households in which one or both parents are in employment, whereas the other 200,000 are in households in which no parent in employment. In-work child poverty is thus likely to become a growing problem as a result of the Coalition Government's changes to the tax and transfer system.

The results above assume that the poverty line is measured in relation to median income at the 2010-11 level. Table 3.7 below shows the impact of a range of different poverty line assumptions (measuring child poverty to the nearest hundred thousand) on our estimates of the number of children who will be additionally placed in poverty as a result of the tax, benefit and tax credit measures over the period 2010-15 (including Universal Credit).

[31] Note that the numbers for the increase in the number of children in poverty and the number of children below the Minimum Income Standard in this subsection are presented for the UK as a whole due to limitations in the functionality of the Landman Economics tax-benefit model for modelling poverty at levels below the UK. All the other distributional results in this section – and other sections – are presented for England only.

[32] The income measure used is the Department for Work and Pensions' Households Below Average Income (HBAI) measure, which is net income (ie income after direct taxes, benefits and tax credits). Incomes are adjusted via a process known as 'equivalisation' to take account of the idea that larger families need less income per head to reach the same living standards as smaller families, due to economies of scale in the purchase of certain household goods and services. The 'median' income is the income of the household in the middle of the income distribution, arranging households from poorest to richest, and weighting the sample of responding households in the FRS so that it is as representative as possible of the UK population.

Table 3.7. Impact of reforms on child poverty

Measure of child poverty	Number of children in poverty under this measure in 2010-11 (millions)	Number of additional children in poverty by 2015 as a result of tax, benefit and tax credit changes (to nearest 100,000)
60% median BHC equivalised disposable income, 2010-11 level (in real terms)	2.3	+600,000
60% median BHC equivalised disposable income, measured in 2015 compared to 2010-11	2.3	+500,000
60% median AHC equivalised disposable income, measured in 2015	3.5	+500,000
50% median BHC equivalised disposable income, measured in 2015	1.2	+300,000

Table 3.7 shows that, measuring child poverty in relation to median income in 2015 terms (taking account of likely reductions in gross incomes over the 2010-15 period), child poverty is set to increase by slightly less in 2015 than when child poverty is measured using the 2010-11 level of median income. This is because real gross earnings are set to fall significantly across the parliament, which shifts the real-terms poverty line downwards when incomes are measured in 2015, compared with the 2010-11 level. However, child poverty still rises by around half a million even when the 60 per cent BHC poverty line is adjusted to take account of falls in real earnings. The After Housing Costs (AHC) poverty line also increases by around half a million. The number of children below the severe poverty line (50 per cent of median BHC equivalised disposable incomes) increases by 300,000 by 2015 compared with 2010-11.

An analysis conducted by one of the authors for the TUC in March 2013[33] also looked at the impact of all tax and benefit measures between 2010 and 2015 on the number of children in families under the Minimum Income Standard (MIS). MIS was established by Joseph Rowntree Foundation sponsored research (conducted by the Centre for Research in Social Policy (CRSP) at Loughborough University in partnership with the Family Budget Unit at the University of York) in 2008.[34] MIS was created as a measure of how much income is needed to achieve a minimum

[33] TUC, *A Bleak Future for Families*, March 2013. Available at http://www.tuc.org.uk/tucfiles/549/BleakFutureForFamilies.pdf
[34] Further information about recent MIS research is available at http://www.minimumincomestandard.org/downloads/2012_launch/mis_report_2012.pdf

acceptable standard of living in the United Kingdom, developing standards for ordinary household types based on detailed research into what ordinary people think should go into a minimum household budget. This is supported by expert knowledge on certain physical living requirements such as nutrition. The final standard is calculated by specifying baskets of goods and services required by different types of family in order to meet their basic needs and to participate in society. The figures are updated annually to take account of inflation and changes in minimum income needs. For example, the 2012 MIS income level for a couple with one child is £473.90 per week (or £24,463 a year).

The results show that, if the tax and benefit system had simply been uprated with RPI and ROSSI index inflation between April 2010 and 2015 (the "baseline" scenario used throughout this chapter), around 6,400,000 children (approximately 49 per cent of all children) would have been living in families with net incomes below the MIS by 2015. The 2010-15 package of reforms to taxes, benefits and tax credits (including Universal Credit) increases this to around 6,800,000 children (approximately 52 per cent of all children) – an increase of 400,000 children. Hence the increase the number of children under the MIS is not quite as large as the increase in child poverty, but it is still substantial.

3.4 Analysis of impact of tax-benefit measures on children's human rights

The measures have wide ranging cumulative impacts on a wide range of children's rights, via their negative impact on the resources available to families in which children live. States have an obligation to fulfil children's rights through facilitation[35] as well as through direct provision; and systematic support for parents is included in the resources that States should mobilise for children's rights.[36] The net decline in the support to families with children (taking account of not only welfare benefits and tax credits but also direct and indirect taxes) is shown in Table 3.1 and Figures 3.1, 3.2, 3.3, 3.4, 3.5, 3.10 and 3.11. It has continued through successive budgets, starting with the June 2010 Budget. Fewer resources for families mean that the right of children to an adequate standard of living for the child's development (Article 27) may be compromised. Article 27 specifically states that 'States Parties, in accordance with national conditions and within their means, shall take appropriate measures to assist parents and others responsible for children to implement this right'. Of course, means are not unlimited, but it is noteworthy that families with children are having to pay a somewhat larger share (51 per cent) of the net fiscal savings that the government is making than families without children (49 per cent) (as shown in Table 3.3), even though the negative impacts on children of an inadequate standard of living are likely to be deeper and more long-lasting than the negative impacts on adults. A direct comparison of the average net income lost by children as compared to working age adults (Table 3.2) shows the losses are on average higher for children. Thus there is no evidence that 'children ….. are

[35] Committee on the Rights of the Child, General Comment 15, on the Right of the Child to the Highest Attainable Standard of Health, para 71.

[36] Committee on the Rights of the Child, Day of General Discussion on Resources for the Rights of the Child - Responsibility of States, Recommendations, 2007, para 25 http://www2.ohchr.org/english/bodies/crc/discussion2013.htm

protected from the adverse effects of economic policies or financial downturn', as called for by the Committee on the Rights of the Child General Comment 5 para 51.

Children in low income families are at highest risk of not enjoying the right to an adequate standard of living but the cumulative impact of the measures on family income is proportionately greater for lower income families than for higher income families (Figures 3.4 and 3.5). Thus it seems that the government has disregarded the injunction of the Committee on the Rights of the Child in General Comment 5 that:

> *"Whatever their economic circumstances, States are required to undertake all possible measures towards the realization of the rights of the child, paying special attention to the most disadvantaged groups."*

This is also an example of the violation of the right of children to enjoy rights without discrimination (Article 2),

> *"irrespective of the child's or his or her parent's or legal guardian's race, colour, sex, language, religion, political or other opinion, national, ethnic or social origin, property, disability, birth or other status.*."

The analysis shows that there are several other violations of this right. The proportionate net reduction of the incomes of lone parent families is higher than for couple parent families (Table 3.1, Figure 3.2) and highest for lowest income lone parent families (Figure 3.4). It is highest for families with four or more children compared to families with fewer children (Figures 3.7 and 3.8). It is higher for families with Asian parents than for other ethnicities (Figure 3.9). Families with a disabled child suffer a higher proportionate loss than all families with children (Table 3.4) and children in a family where at least one adult is disabled suffer a higher proportionate loss than children in all families (Table 3.5).[37]

The UNCRC does not provide a specific benchmark for a standard of living adequate for the child's development, though the Committee on the Rights of the Child has made reference to the obligations of a State to ensure the minimum conditions under which a person can live with dignity.[38] The report includes three ways of trying to capture this notion of an essential minimum: a range of specific material deprivations (such as not having a warm winter coat), an income poverty line (such as equivalised household disposable income below 60 per cent of median), and minimum income standard (ie an assessment of how much income is needed to achieve minimum acceptable standard of living). The analysis showed that the cumulative negative impact of the welfare benefit, tax credit, and tax measures was higher for materially deprived families with children than for all families with children (Table 3.6). Moreover, the measures increase the numbers of children living in income poverty

[37] Nolan (2013) suggests that as well as unequal treatment of different families with children, prohibition of discrimination should also be interpreted to include discrimination against children relative to older age groups. However, she notes that this issue has not yet been addressed by the Committee on the Rights of the Child.

[38] Committee on the Rights of the Child, Day of General Discussion on Resources for the Rights of the Child - Responsibility of States, Recommendations, 2007, para 48.

(Table 3.7) and the numbers who do not have a minimum acceptable standard of living. This accumulation of evidence suggests that even prior to the reforms, there were very large numbers of children in England who did not enjoy an standard of living adequate to their development, and that the reforms have led to a substantial increase in their numbers. This evidence suggests that there has been retrogression in the right to a standard of living adequate for the child's development. This is likely to have also compromised children's enjoyment of other rights, such as the right to life and to develop to the maximum extent possible (Article 6), the right to enjoy the highest attainable standard of health (Article 24), and the right to rest and leisure (Article 31).

Disregarding the direct and indirect tax measures, the welfare benefit and tax credit measures clearly have a directly negative impact on the right to benefit from social security (Article 26), as all children have in some way or other been subject to a reduction in benefits from social security (see Figures 3.1 to 3.5 showing losses from changes to benefits and tax credits). On average, children lose more than working age adults from changes to benefits and tax credits (Table 3.2).The introduction of Universal Credit may go some way to offsetting this, with children on average gaining more than adults (Table 3.2). But any gains from Universal Credit will not be enough to outweigh income from benefits and tax credits that has already been lost (Figures 3.1 to 3.5). Moreover, not all children will gain from Universal Credit; it will not be fully introduced until 2017 at earliest; and the system for implementing it has many shortcomings (see above) which may have an adverse impact on other rights such as the child's right to an adequate standard of living (Article 27).The child's right to protection from abuse (Article 19) may also be compromised in situations where the perpetrator of domestic violence is nominated as the recipient of the Universal Credit payment.[39] The cumulative impact of the welfare reforms has been a retrogression in children's right to benefit from social security.

The welfare benefit and tax credit measures also have a directly negative impact on the right of children with disabilities to special care and assistance (Article 23), as shown in Table 3.4, and again while this may be to some extent redressed by the introduction of Universal Credit, this will not be enough to outweigh the losses imposed by previous changes. Moreover, since families with disabled children lose more than all families with children, and families with the most severely disabled children (those who are registered as disabled with their local authority) lose more than other families with disabled children, obligations under Article 2 are not being met, since this article calls for States Parties to respect and ensure the rights of children with disabilities without discrimination. It would not be very expensive to avoid the retrogression in the right of the most severely disabled children to enjoy a 'full and decent life' and their right to 'special care' and assistance, since families with such children comprise just 2.6 per cent of all families with children. Children who have a disabled parent also lose more from the welfare reforms than children in all families (Table 3.5), another breach of the right to non-discrimination.

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[39] See also Office of the Children's Commissioner , *A Child Rights Impact Assessment of the Welfare Reform Bill*, 2012.

Overall, the evidence in this report suggest that the best interests of children are not being treated as a primary consideration (Article 3) in the design of fiscal consolidation measures that involve welfare benefits, tax credits and taxes.

4. The impact of changes in public expenditure

4.1 The impact of spending cuts: results from the Landman Economics public spending model

So far this report has looked at the impact of reforms introduced in the 2010-15 Parliament which affect family incomes directly, through changes to the tax, benefit and tax credit systems. However, changes in public spending on other goods and services which are consumed by households "in-kind" rather than affecting their disposable income, also have an effect on the resources available to households (and can be measured by a cash equivalent).

The results in this section use a model of the effects of changes in public spending on household resources developed by Landman Economics. The model combines information on aggregate public spending by department and function from HM Treasury with information on the use of different public services from a variety of household datasets including the FRS and the British Household Panel Survey (BHPS). Appendix C gives full details of the model specification.

Table 4.1 below gives details of the spending categories included in the analysis in this section and the departmental spending totals which they relate to. The reductions in spending which are analysed in this section are calculated using information from the October 2010 Spending Review (which set out overall spending settlements by department up to and including the fiscal year 2014-15), modified to take account of additional announcements on spending in subsequent Budgets and Autumn Statements, and checked against actual amounts spent up to the 2012-13 tax year. Note that this model can only measure the impacts of changes in the spending allocations by *central* government; where local authorities are responsible for delivering services (eg social care) the model does not attempt to control for variations in local authority decisions on how to divert resources from one area of spending to another. Later in this section we discuss other research which has looked specifically at local authority services.

Table 4.1. Spending categories in the Landman Economics public spending model

Broad category	Service use provision variables used	Relevant Departmental spending total
Health	Hospital inpatient stays (GLF) Hospital outpatient stays (GLF) GP visits (GLF) Dental spending (LCF) Optician spending (LCF) Prescription charges (LCF)	Department of Health
Education: schools	Number and age of children in state primary and secondary schools (FRS) Number of children in special schools (FRS) Education Maintenance Allowance receipt (FRS) Free school meals (FRS)	Department of Education
Education: FE/HE	Children/adults in further education (FRS) Children/adults in higher education (FRS) Receipt of grants (FRS)	Department of Business, Innovation and Skills/ Department of Education
Early years	Nursery education (FRS) Sure Start (FRS) Child Trust Fund receipt (FRS)	Department of Education
Housing	Families in social housing (FRS)	DCLG, local government
Transport	Spending on trains and buses (LCF)	Department of Transport
Social care	Care services for elderly people (BHPS) Care services for disabled children and adults (BHPS) Family social services (social workers etc) (BHPS)	Local government spending settlement/Department of Health/Department for Education
Other	Police services (BCS) Museums and galleries (GLF) Services for unemployed people (eg Work Programme etc) (FRS)	Various: eg Home Office, Ministry of Justice, Department for Work and Pensions, DCMS

Key to dataset names:
BCS: British Crime Survey
BHPS = British Household Panel Survey
FRS = Family Resources Survey
GLF = General Lifestyle Survey
LCF = Living Costs and Food Survey

Table 4.2 gives details of the size of the total cuts to UK funding budgets, estimated using data from the UK's October 20102 Spending Review, revised according to any further spending announcements made between the Spending Review and the 2013 Budget.[40] Overall, by 2015-16 we estimate that there will be have been around £61 billion of spending cuts (expressed at January 2013 price levels) to services excluding the social security budget, relative to a situation in which public spending totals grew in line with price inflation between the 2009-10 and 2015-16 tax years. Approximately £32 billion of these cuts fall on areas of spending which cannot be allocated to families based on service use information in household-level datasets

[40] It is particularly important to take announcements in subsequent Budgets into account for transport, which suffered cuts of more than 6 per cent in the 2010 Spending Review but where additional funds have been allocated for infrastructure investment in the 2012 Budget.

such as the FRS. Mainly this is because these areas of spending relate to services which are collectively consumed (such as defence or environmental protection).[41] The remaining £29 billion of spending cuts are allocated as explained in Table 4.2.

Table 4.2. Size and percentage of cuts by spending category, 2010-15

Broad category	Estimated size of cuts (£bn)	Cuts as % of initial functional budget
Health	1.0	1%
Education: schools	5.5	11%
Education: FE/HE	7.5	31%
Early years	0.9	18%
Housing	2.3	27%
Transport	1.2	6%
Social care	6.3	20%
Other	4.0	20%
Total modelled	28.7	10%

It is also important to note that although the Government has argued that schools spending in England is ringfenced, the ringfence only applies to the *current* expenditure budget; *capital* expenditure on schools is not ringfenced and has been cut sharply, implying an 11 per cent cut in overall spending overall by 2015. It should be noted that the figures for cuts in Table 4.2 are calculated based on total spending for the UK, but the rest of this section shows the impact just for families in England.[42]

Cuts by family type

Figure 4.1 shows the impact of spending cuts by family type, measured in terms of the cash value (per year) of the public services which families lose. It is clear that average losses for families with children are much greater for families without children. To a large extent this is because families with children use school services

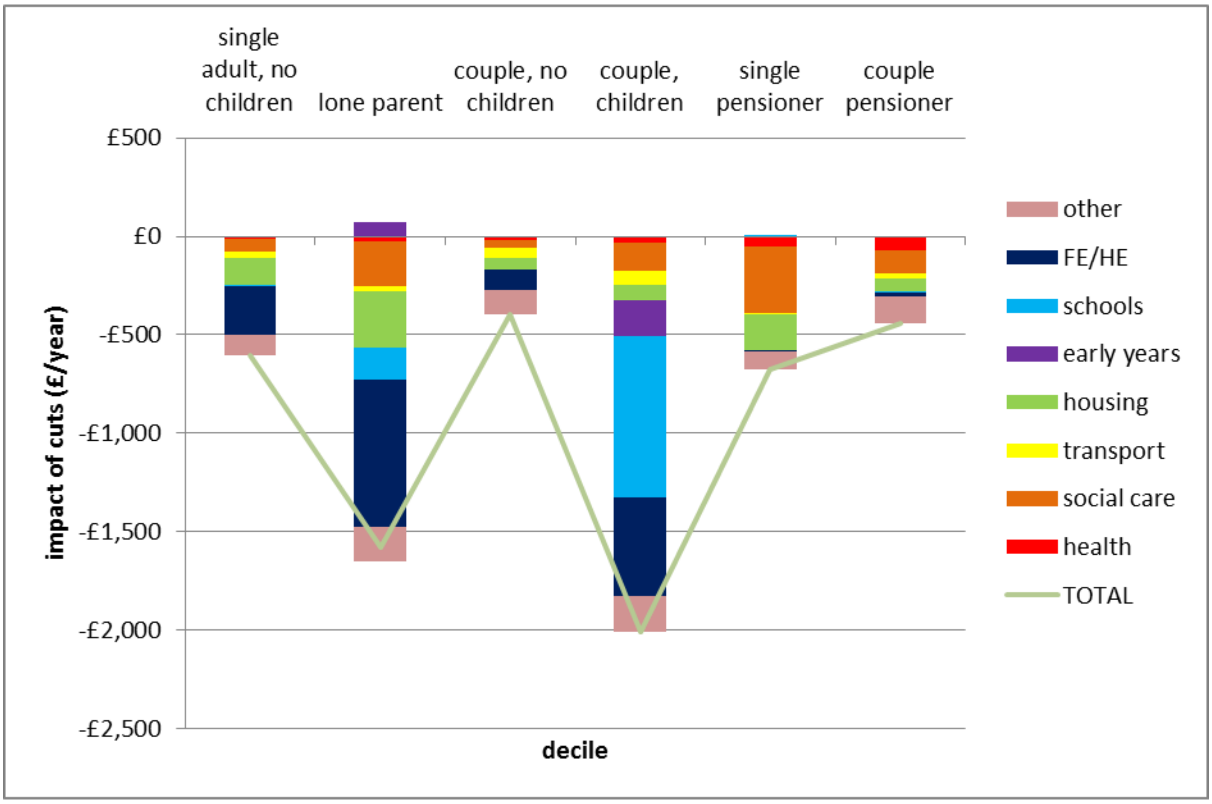
[41] It should be noted that if we were to include the other £32 billion of spending cuts (which cannot be allocated based on household data on use of public services) as 'flat rate' cuts per household, the impact of the spending cuts would be even more regressive as a proportion of income than is shown in this Section. This was the approach taken by Horton and Reed (2011) in their analysis of the distributional impact of the October 2010 Spending Review.

[42] Restricting the analysis to England has the advantage that we can focus just on spending plans which relate to England. In several areas of spending – particularly health, education and social care – the devolved administrations for Scotland, Wales and Northern Ireland have considerable autonomy in how funds are allocated (within an overall spending grant allocation set by the UK Government at Westminster) and taking account of decisions by the Scottish and Welsh Governments results in considerable extra complexity when deriving figures for the extent of the cuts to each spending function in the other countries in the UK. As we are focusing on the impacts for England only we can ignore this complexity, but the issue of local authority spending choices presents similar issues in England for some spending categories, eg social care and early years.

whereas the other groups do not,[43] and families with children, particularly lone parents, also use further education and higher education services a lot more than the other family types do.[44] The cuts to spending on early years services also have a negative impact for couples with children, although not for lone parents (because they are more likely to be the parents of disadvantaged two-year olds for whom the Coalition Government has increased expenditure on early years education, although as explained in chapter five below, this has been paid for by cuts in other areas of the early years budget, which results in increased losses for couples with children).

Cuts to expenditure on social housing have a particularly large impact on lone parents and single pensioners compared with the other family types. The same is true for cuts to social care services. The overall result of the spending cuts is that although the impact of early years spending is positive for lone parents (ie an increase in expenditure), overall, the value of public services lost by lone parents is almost as much (just over £1,500) as for couples with children (around £2,000) on average.

Figure 4.1. Impact of spending cuts for families by family type



[43] There is a very small amount of school services use for pensioner families as a few of these families have school age children, but this is relatively rare.
[44] Note that full-time students aged 16 to 18 count as children for the purposes of FRS family definitions. The further education and higher education impacts also assign spending cuts to families who have student children aged between 18 and 21 who are away from home during term time living at institutional addresses which are not in the FRS sampling frame (eg university halls of residence) which are not in the FRS.

Figure 4.2 shows the same results as Figure 4.1, but as proportion of net income rather than in cash terms. Because lone parents have a lower average income than couples with children, lone parents' losses in percentage terms are bigger – averaging over seven per cent of net income compared with just less than five per cent for couples with children, who are the families whose losses are the second greatest in proportion to their income. While the cuts to school spending continue to impact more on couples with children, even proportionately to their income, lone parents lose out more strongly from cuts to social care, reflecting the proportionately greater number of disabled children brought up by lone parents, and their greater rates of disability themselves. When expressed in this way, the cuts to FE/HE can also be seen to impact particularly strongly on lone parents, which may adversely affect their efforts to find better employment. Among those without children, single adults, both working age and pensioners, are hit harder hit by the cuts than couples on average.

Figure 4.2. Impacts of spending cuts as a percentage of net income by family type

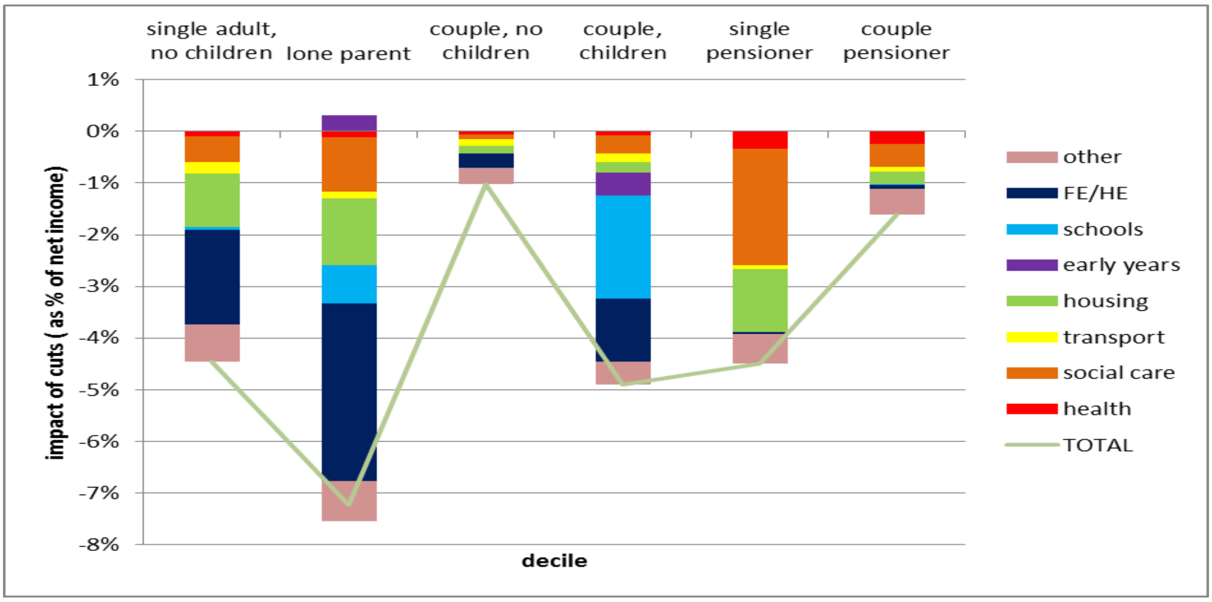


Table 4.3 shows (for working age families only) how the cuts to each spending category break down in terms of the proportion of cuts falling on families with children compared with those without children. As shown at the bottom of the table, families with children make up 32 per cent of working age families. Without exception, every spending category of cuts affects families with children (on average) to a greater extent than would be the case if the cuts were shared out equally per family. This is most obviously the case for early years (where 100 per cent of the cuts fall on families with children) and schools spending (where almost 100 per cent do);[45] cuts to further education and higher education, and working age social care spending, also mainly affect families with children.

45 The reason that there is a small amount of schools spending going to the 'families without children' category is that there are some people aged 16 or over in the FRS who are attending school, but classified as adults (for example, 16-18 year olds married or cohabiting with another adult).

Table 4.3. The proportion of cuts falling on families with children compared with families without children: working age families

	Percentage of cuts falling on:	
Broad category	Families without children	Families with children
Health	53	47
Education: schools	1	99
Education: FE/HE	43	57
Early years	0	100
Housing	64	36
Transport	57	43
Social care	42	58
Other	56	44
Total modelled	37	63
Population proportions	68	32

Cuts by income decile for families with children

Figures 4.3 and 4.4 show the cuts in cash terms by decile of the family income distribution for lone parents and couples with children respectively. For lone parents, changes to schools funding have a positive impact for deciles three and four but a negative impact in other deciles. This is because the proportion of lone parents with children in receipt of free school meals (which is the statistic used for distributing the pupil premium) is highest in deciles two, three and four, but is relatively low in decile one – largely because the take-up of free school meals is low for lone parents in decile one. The redistribution of early years funding via the early intervention grant means that the impact of changes to early years funding is positive across deciles one to five, but negative for the top half of the income distribution. Cuts to housing and social care have a larger impact in cash terms for lone parents in lower income deciles. Overall, lone parents lose more than £1,500 worth of public services on average across all deciles except the third and fourth deciles. Meanwhile, the spending cuts have a relatively flat impact in cash terms across the income distribution for couples with children (averaging around £2,000 per family) and while the redistribution of early years funding reduces the impact of cuts to early years spending for families with children in the lowest deciles, it is only in decile two that the impact of the early years funding changes is largely enough that couples with children gain from the early years funding change on average.

Figure 4.3. Impacts of spending cuts in cash terms by income decile: lone parents

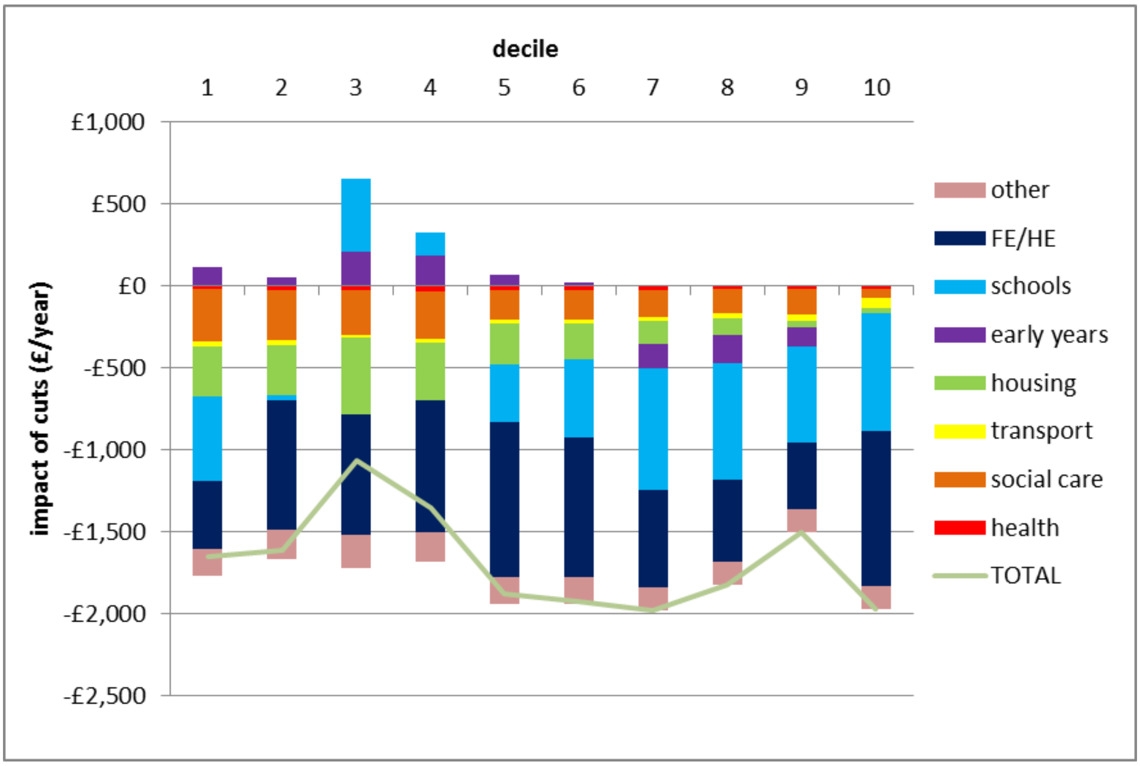
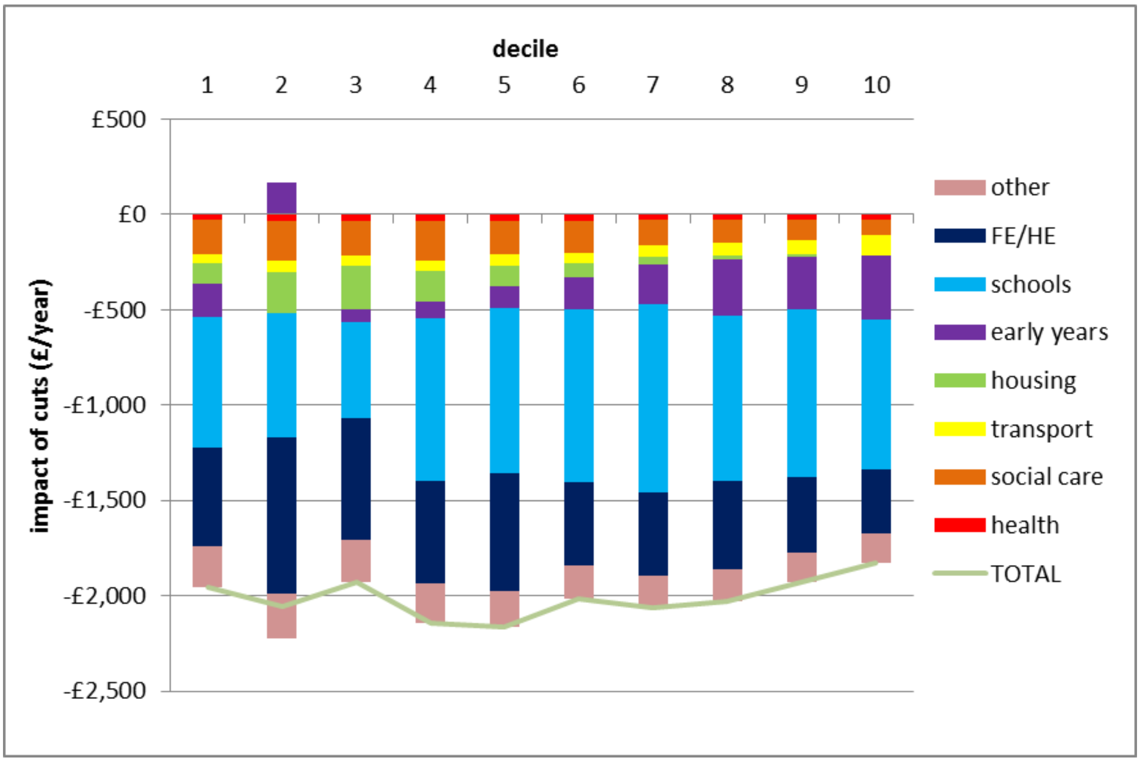


Figure 4.4. Impacts of spending cuts in cash terms by income decile: couples with children



Figures 4.5 and 4.6 show the impact of the cuts across the income distribution for lone parents and couples with children as a percentage of net income. The impact of the cuts is strongly regressive for couples with children across the whole income distribution. For lone parents the impacts are regressive across most of the distribution, although lone parents in deciles three and four do slightly better than lone parents in deciles five to seven due to the impact of the pupil premium and the redistribution of early years funding.

Figure 4.5. Impacts of spending cuts in percentage terms by income decile: lone parents

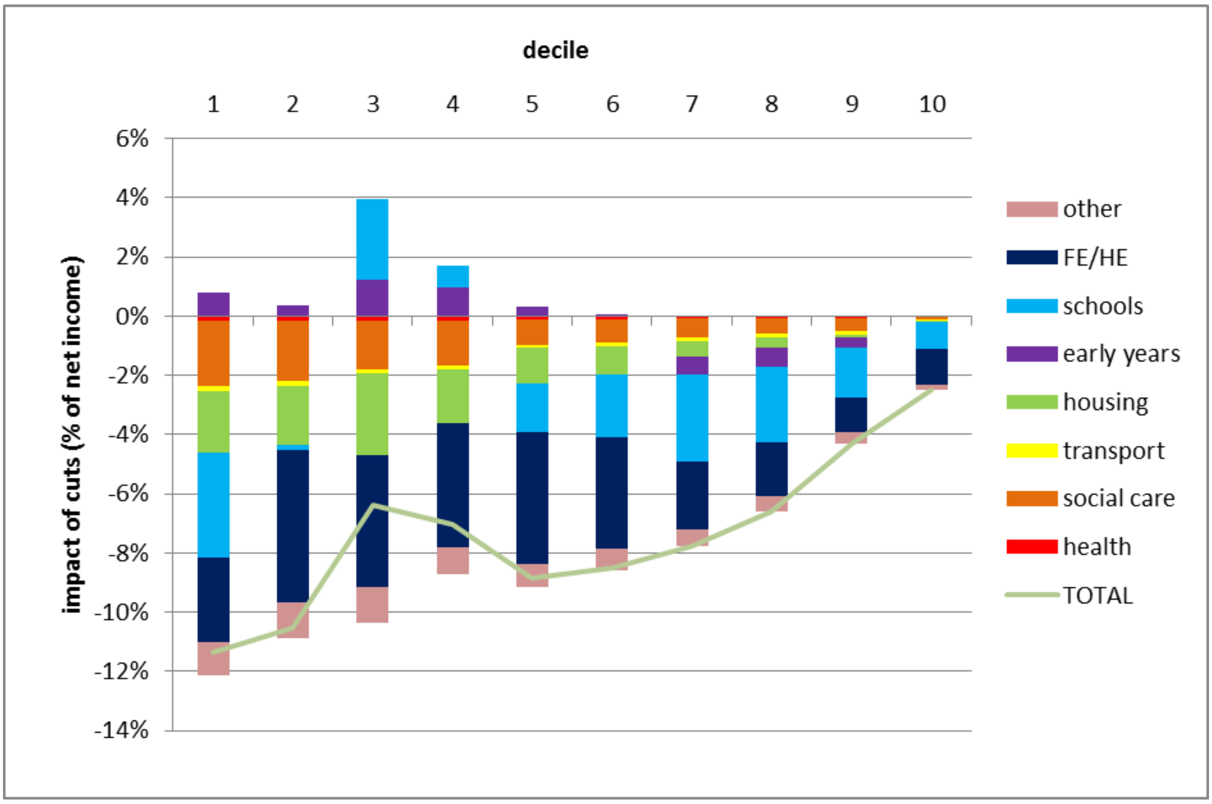
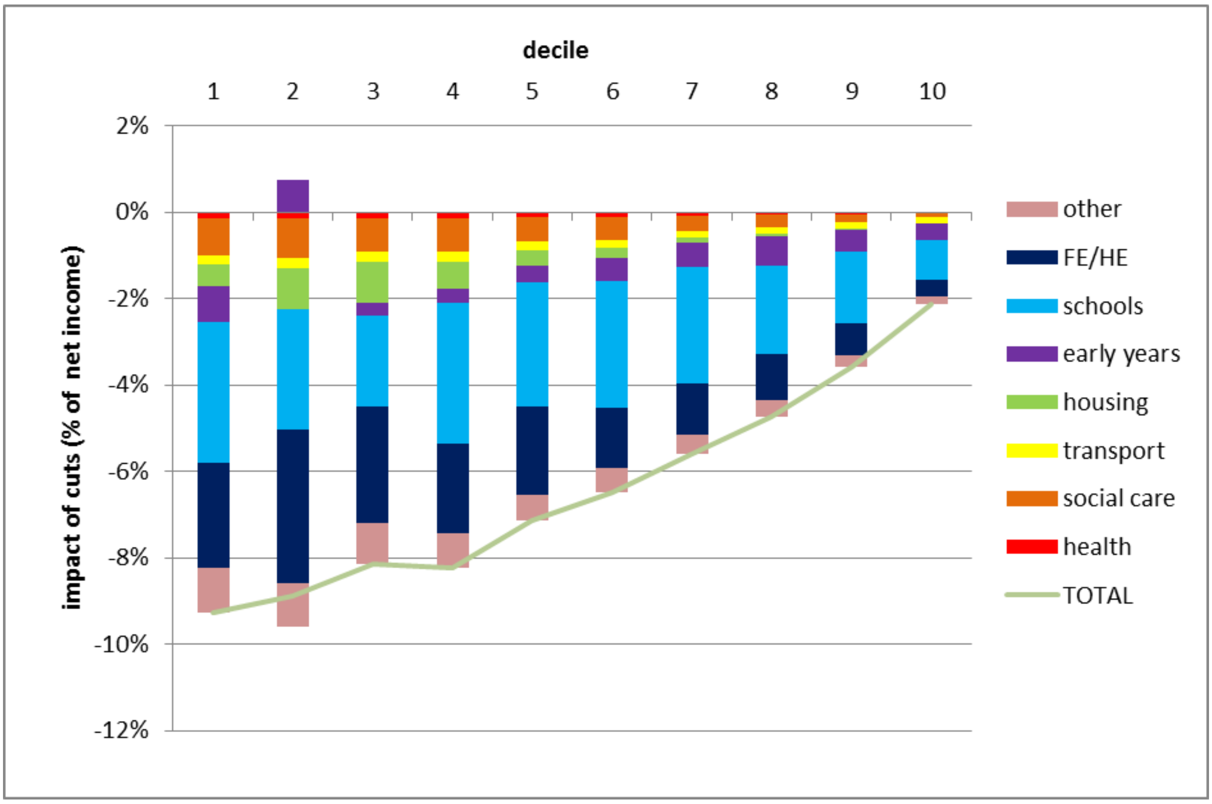


Figure 4.6. Impact of spending cuts in percentage terms by income decile: couples with children



Impact of cuts by number of children in family

Figures 4.7 and 4.8 show the impact of the spending cuts with the value of services lost expressed as a percentage of net income, for lone parent families and couples with children broken down by the number of children in each family. Overall losses for lone parents with three children are less in percentage terms than losses for lone parents with one or two children, mainly because of the impact of the pupil premium: lone parents with three or more children are more likely to have children in receipt of free school meals than lone parents with one or two children. For lone parents with four children, the impact of the pupil premium and the early intervention grant means that the impact of the spending changes is actually *positive*; the increase in schools and early years funding outweighs the cuts to other services.

Figure 4.7. Impact of cuts as a percentage of net income by number of children: lone parents

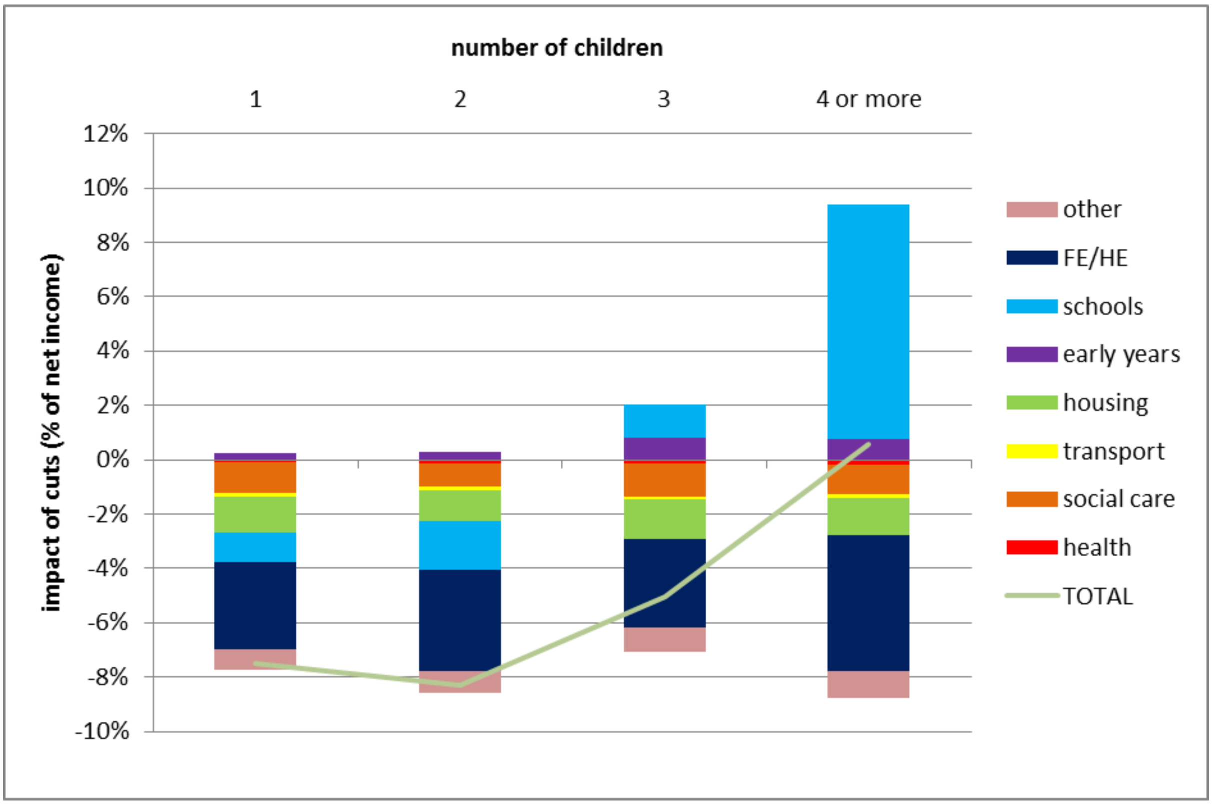


Figure 4.8 shows average cuts expressed as a percentage of net income for couples with children, by family size. In contrast to the situation for lone parents, losses for couples increase (as a percentage of income) in line with family size. This is largely driven by cuts to schools and FE and HE spending.

Figure 4.8. Impacts of cuts as a percentage of net income by number of children: couples with children

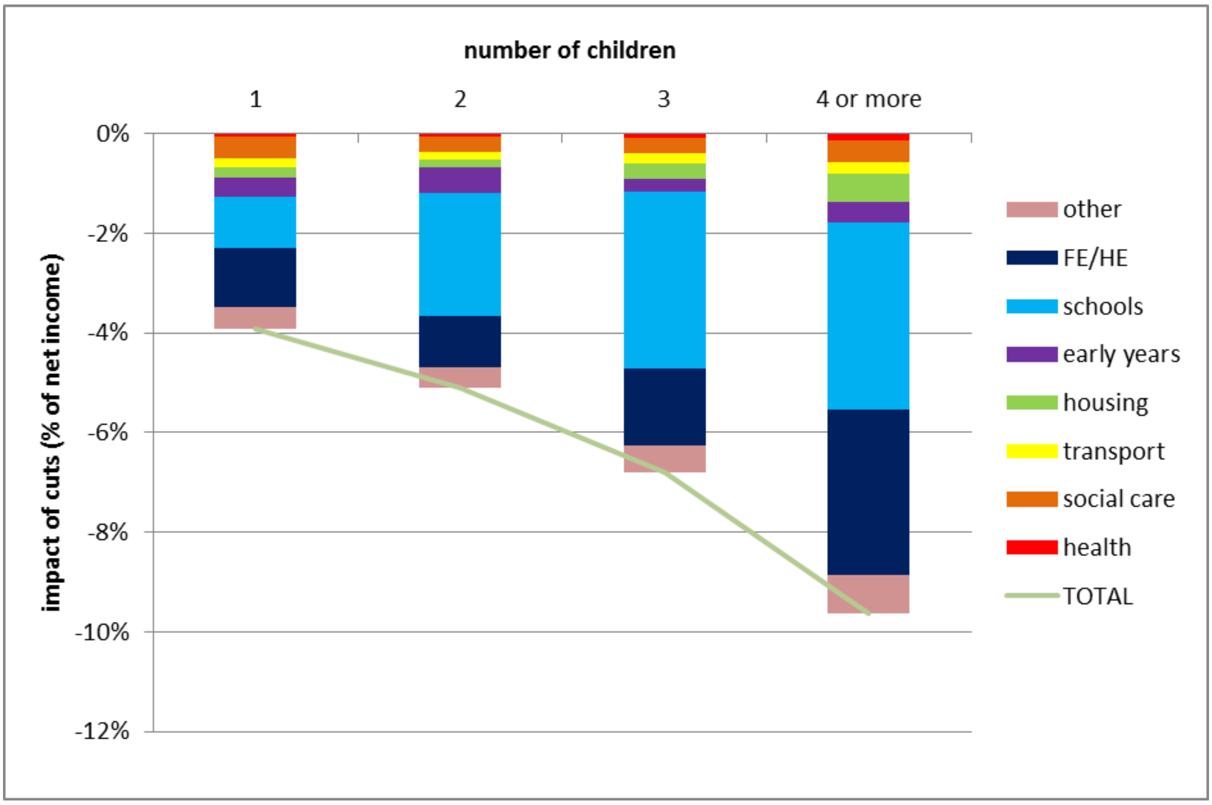


Figure 4.9 shows cuts as a percentage of income for couples with children broken down by parental ethnicity. On average, families with children where the parents are Black/Black British or Asian/Asian British are most affected by the cuts. This is largely driven by cuts to FE and HE spending, including on parents own re-education, schools, social care and (particularly for families where the parents are black) social housing cuts.

Figure 4.9. Impact of cuts as percentage of income by parental ethnicity

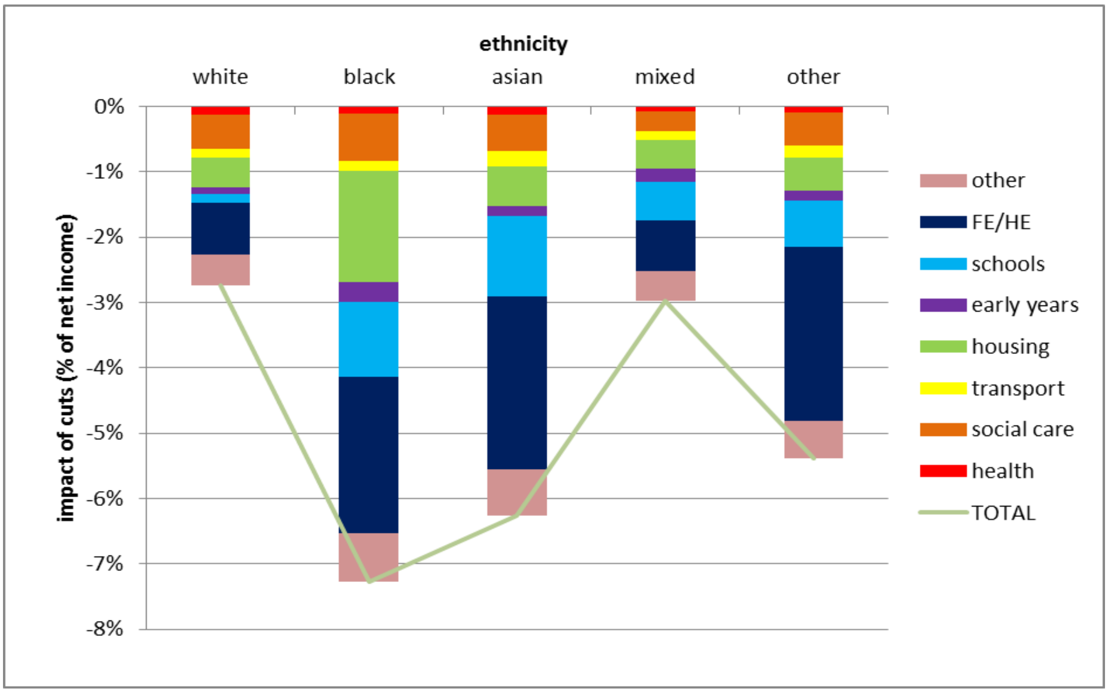


Table 4.4 shows the impact of the spending cuts expressed as a percentage of net income for families with children who are disabled under various definitions. Compared with families with a whole (for whom the cuts amount to the equivalent of 5.2 per cent of net income), families with disabled children are hit harder by the cuts under all disability definitions. This is due to a combination of increased reliance on schools spending, social housing spending and (in particular) FE and HE spending.

Table 4.4. Impact of cuts as percentage of net income: disabled children

	Cuts by spending category								
Disability definition	Health	Social Care	Transport	Housing	Early years	Schools	FE/HE	Other	TOTAL
Limiting disability	-0.1%	-0.6%	-0.2%	-0.6%	-0.1%	-2.0%	-2.6%	-0.6%	-6.9%
Long-standing Health condition	-0.1%	-0.5%	-0.2%	-0.6%	-0.3%	-2.0%	-2.1%	-0.6%	-6.3%
FRS published Definition	-0.1%	-0.6%	-0.2%	-0.7%	-0.2%	-2.1%	-2.5%	-0.6%	-7.0%
DDA definition	-0.1%	-0.5%	-0.2%	-0.6%	-0.1%	-2.0%	-2.4%	-0.6%	-6.5%
LA registered disabled	-0.1%	-0.6%	-0.2%	-0.7%	0.0%	-2.3%	-2.3%	-0.6%	-6.9%
All families with children	-0.1%	-0.5%	-0.2%	-0.4%	-0.3%	-1.8%	-1.6%	-0.5%	-5.2%

Finally in this subsection, Table 4.5 shows the impact of the spending cuts expressed as a percentage of net income for families with various definitions of material deprivation. All materially deprived groups experience greater than average falls in living standards as a result of the spending cuts. The most important areas of cuts in accounting for this are cuts to FE and HE, social care, housing and the 'other' category. For families where there are not enough bedrooms for every child over 10, the cuts amount to over 11 per cent of net income.

Table 4.5. Impact of cuts as percentage of net income: disabled children: materially deprived families

	Cuts by spending category								
Material deprivation definition	Health	Social Care	Transport	Housing	Early years	Schools	FE/HE	Other	TOTAL
Does not have warm winter coat	-0.2%	-1.1%	-0.2%	-1.4%	0.0%	0.9%	-4.9%	-0.9%	-7.8%
Does not eat fresh fruit or veg at least once a day	-0.2%	-1.1%	-0.2%	-1.7%	0.4%	0.6%	-4.5%	-1.0%	-7.6%
Does not go on school trip at least once a term	-0.2%	-0.7%	-0.2%	-1.2%	0.2%	-0.5%	-4.5%	-0.9%	-8.0%
Does not have friends round for dinner/tea at least once a fortnight	-0.2%	-1.0%	-0.2%	-1.3%	-0.2%	-0.2%	-2.8%	-0.9%	-6.9%
No swimming at least once a month	-0.1%	-1.1%	-0.2%	-1.2%	0.1%	-0.6%	-2.5%	-0.9%	-6.6%
No hobby or leisure activity	-0.2%	-1.1%	-0.2%	-1.3%	0.1%	0.0%	-2.8%	-0.9%	-6.4%
No holiday away from home at least once a year	-0.1%	-0.9%	-0.2%	-1.0%	0.2%	-1.2%	-2.7%	-0.8%	-6.8%
No celebrations on special occasions	-0.2%	-1.1%	-0.2%	-1.6%	0.6%	0.1%	-3.8%	-1.0%	-7.2%
Not enough bedrooms for every child over 10	-0.2%	-0.5%	-0.3%	-1.3%	-0.1%	-1.5%	-6.7%	-0.9%	-11.5%
Does not attend regular organised activity outside home	-0.2%	-1.1%	-0.2%	-1.3%	0.2%	-0.3%	-3.0%	-0.9%	-6.7%
No outdoor space/facility nearby where children can play	-0.1%	-1.2%	-0.2%	-1.3%	0.2%	-0.9%	-2.3%	-0.8%	-6.5%
All families with children	-0.1%	-0.5%	-0.2%	-0.4%	-0.3%	-1.8%	-1.6%	-0.5%	-5.2%

4.2 The impacts of cuts to public services and cuts to tax and benefits combined

This subsection presents an analysis of the impact of the spending cuts analysed in this section together with the tax, benefit and tax credit measures (including Universal Credit) analysed in chapter three. The aim is to present as complete a picture as possible of the impact of the changes to tax and spending introduced over the 2010-15 Parliament. Figure 4.10 shows the impact of the tax/benefit measures (in green) with the other spending measures (in pink) by family type. The results show that lone parents experience the largest negative impact of both the tax/benefit measures and the other public spending measures; the combined impact for lone parents is equivalent to an average loss of around 14 per cent of net income.

Couples with children and single adults without children experience combined losses of approximately the same magnitude (at between nine and 10 per cent.) For working couples without children, average combined losses are much smaller, at only around four per cent. Single pensioners are the second worst hit group after lone parents with average losses of around 11 per cent. Losses for couple parents are just over eight per cent on average.

Figure 4.10. Combined impact of tax/benefit measures and other spending measures expressed as a percentage of net income: by family type

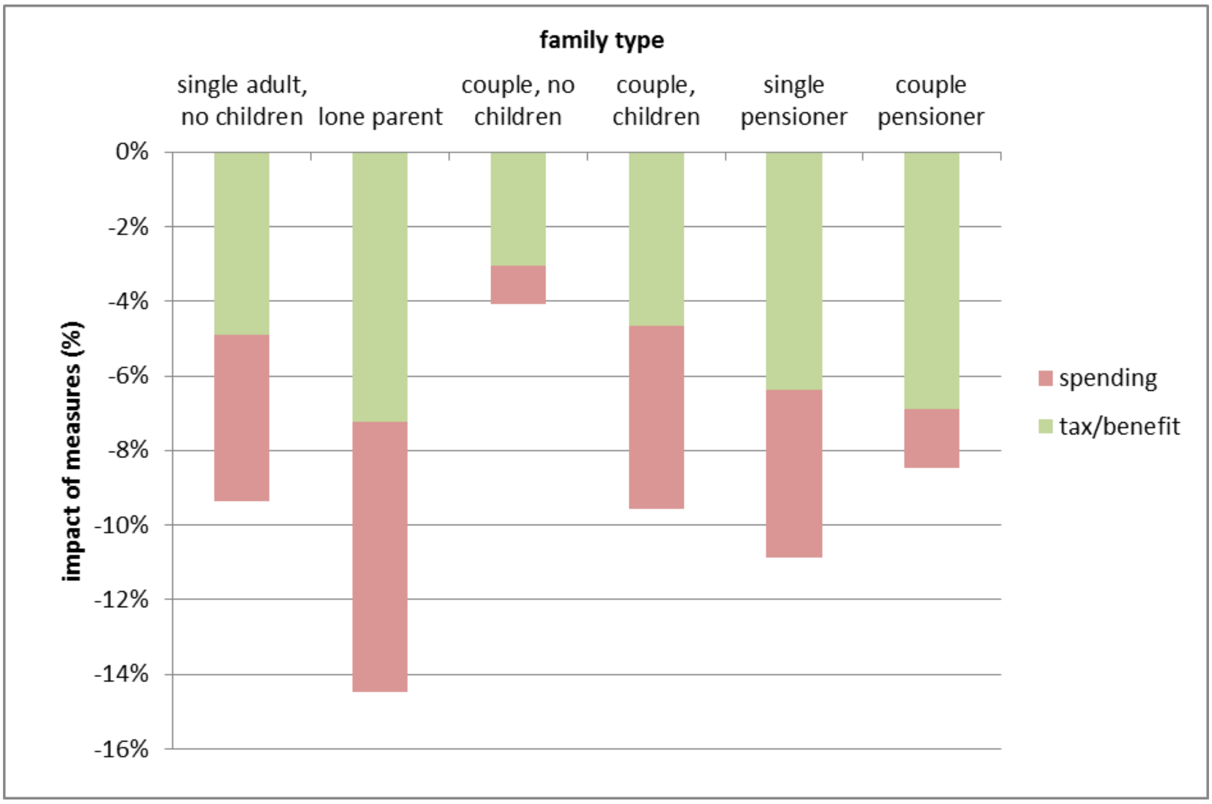
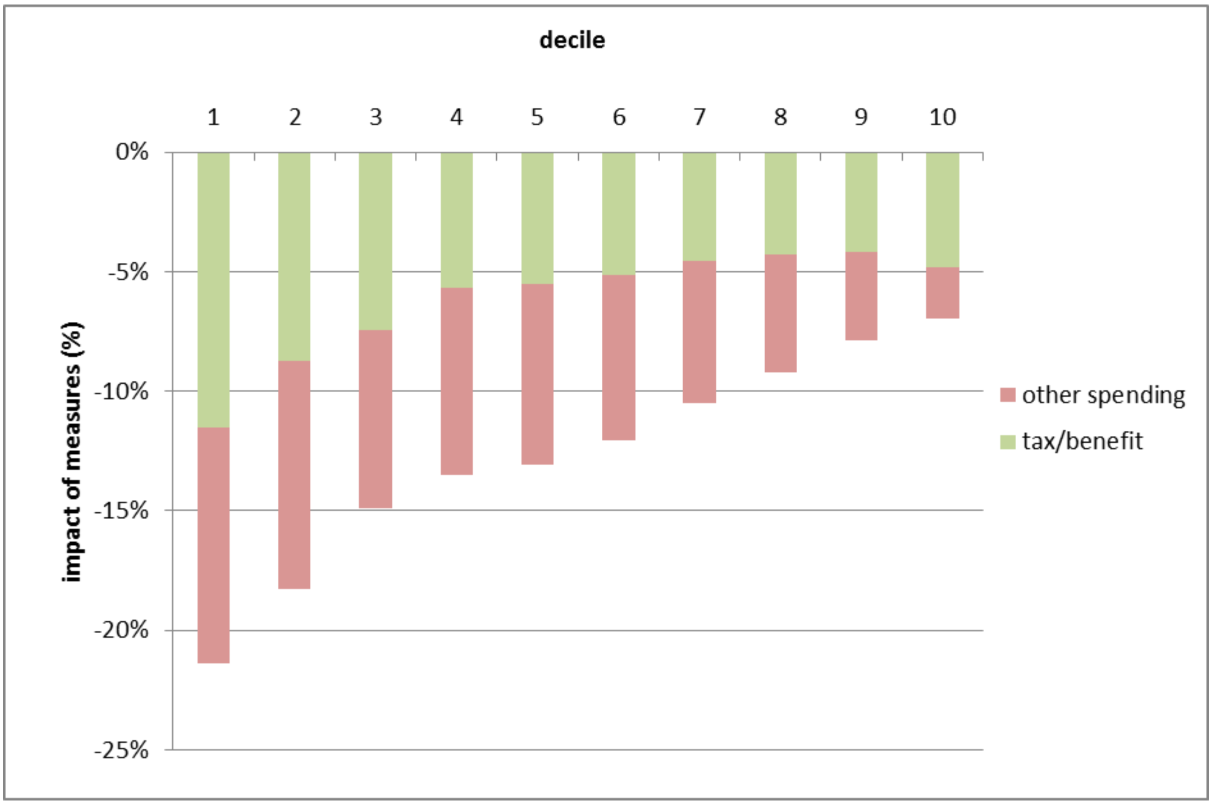


Figure 4.11 shows that the impact of the combined tax and spending measures for families with children is regressive by income decile, with the poorest decile experiencing average reductions in living standards equivalent to a fall of around 22 per cent in net income, while for the richest decile the average impact is equivalent

to a fall in net incomes of only around seven per cent. This is not surprising, given that the impact of the tax/benefit measures is regressive, and so is the impact of the other spending measures.

Figure 4.11. Combined impact of tax/benefit measures and other spending measures expressed as a percentage of net income: by income decile, all families with children



4.3 Evidence from other research

The Landman Economics public spending model has the limitation that it cannot analyse exact trends in spending on services provided at the local government level (many children's services fall into this category) because the decision over how much to allocate to different services is made at the local authority level (although central government decides the level of the overall grant to each local authority.) The allocation of funding to local government has been cut much more than funding to centrally provided services, but unfortunately there is no central database that records the cuts to the grant that each local authority receives and how it in turn makes cuts.

However, there is some evidence on the impact of cuts to local authority services for children which tries to take into account local authority spending decisions as well as the overall spending envelope set by central government. Below we summarise the conclusions from two recent studies on this topic.

Research by the Chartered Institute of Public Finance and Accountancy (CIPFA) published by the National Society for the Prevention of Cruelty to Children (NSPCC)[46] on the impact of cuts to children's social care spending[47] in England in 2011-12 (NSPCC, 2011) found that local authorities reduced spending by an average of 24 per cent - significantly more than the overall real terms reduction in local government spending on all public services of around 10 per cent (including a much bigger reduction than the planned reduction in adult social care spending for the same year of less than two per cent). The cuts were most apparent for those local authorities with a high proportion of looked-after children. This is consistent with a general pattern of reductions in spending on local authority provided services: the most deprived local authorities have seen the largest cuts to their budgets in percentage terms.[48] NSPCC's conclusion from its research is that "local authorities cannot continue as they are in the face of rising demand for child protection services and reduced resources". Although the CIPFA research for NSPCC did not look at spending cuts for years after 2011-12, the cuts to local authority budgets were "front-loaded" (ie with the biggest reductions in the early years of the 2010-15 Parliament) and so it is unlikely that additional spending cuts in future years will be as severe as the 2011-12 cuts.

[46] NSPCC (2011), *Smart Cuts? Public spending on children's social care*, London: NSPCC. http://www.nspcc.org.uk/Inform/research/findings/smart_cuts_wda85751.html

[47] The NSPCC definition of 'children's social care spending' incorporated the following services: young people's services; youth justice; looked after children; fostering; young people's safety; preventative services; child protection; family support services; adoption and guardianship; social care strategy; commissioning and social work; and Sure Start. The definition excluded education, the NHS, the criminal justice system, police and fire services and services for asylum seekers.

[48] David Taylor-Robinson, "Bigger cuts to local authority budgets in the most deprived areas are likely to widen health inequalities", LSE British Politics and Policy blog, 4 April 2011. http://blogs.lse.ac.uk/politicsandpolicy/archives/9339

Research by the Family and Parenting Institute (FPI)[49] looked at the impact of spending cuts on children's services[50] across eight different local authorities in England for the financial years 2011-12 and 2012-13. The research found in particular that:

- Spending cuts were "front-loaded" with cuts in the year 2011-12 being almost double the size of cuts in 2012-13. This is consistent with the CIPFA analysis above.

- Spending cuts were not spread evenly across service areas. Services provided to schools – for example school improvement, curriculum support, education welfare, behaviour support, school transport etc – bore the greatest burden of cuts. Out of every pound cut from children's services budgets, 30 pence was taken from services to schools. Some of this reflects changes in the balance of education funding going directly from the Department of Education to schools (eg through the Academies programme) versus education funding going to local authorities.

- Services designed to help and support children, young people and families below the threshold of social work and statutory intervention also shouldered a large share of the cuts. These services – which include the provision of youth centres and family and parenting support – were adversely impacted by the loss or reduction of grant funding.

- Many early years services commonly associated with the principle and practice of early intervention, including children's centres, also suffered significant cuts, despite government rhetoric on the importance of early help. In particular, universal elements of these services appear to have been badly hit as councils seek to save money by targeting services at children with the greatest needs. The closure of youth centres was another visible aspect of these cuts.

- Social work services and services for children with special educational needs (SEN) appeared to have been shielded from the worst of the cuts. This is a positive outcome and shows that priorities can be set so as to try to safeguard resources for the rights of particularly vulnerable children. This approach should have been followed throughout the planning of expenditure cuts.

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[49] Family and Parenting Institute (2012), *Families on the front line? Local spending on children's services in austerity.* London: FPI. http://www.familyandparenting.org/Resources/FPI/Documents/FPI_1715_Publication_WEBper cent20pdfper cent20(3).pdf

[50] The FPI definition of 'children's services' included the services covered in the CIPFA/NSPCC research, *plus* local authority provision of educational services (eg school improvement and curriculum consultants, behaviour support services, school admissions and home-to-school transport).

4.4 Future plans for public expenditure

In relation to public expenditure on the services analysed in this section, the indications are that the next public expenditure review, due in June, will introduce yet further cuts to areas of service provision which have already been cut substantially, and the resources available for realising children's rights will fall even further. While it is likely (though not certain) that the ringfence on health spending and the partial ringfence on schools spending will remain in place, these measures relate to overall departmental spending only in the face of a growing elderly and school population, with no indications of any measures to try to safeguard services for the most vulnerable. Furthermore, it is likely that the forthcoming Spending Review for the 2015-16 fiscal year will focus on further cuts in spending on Universal Credit and other benefits as a means of closing the fiscal deficit.

4.5 Analysis of the impact of spending cuts on children's rights

Expenditure on public services is important for the obligations to respect, protect and fulfil children's rights, particularly through direct provision of goods and services. These cuts reduce the provision of goods and services available for the realisation of a wide range of children's rights, including the overarching right to life and development to maximum extent possible; those relating to civil rights, such as the right for children not to be separated from their parents against their will (Article 9) which depends on funding for the legal system, and the right to protection from child maltreatment (Article 19) which depends on funding for child protection services; as well as the economic and social rights, such as the right to care (Article 18 and 19), rights of children with disabilities (Article 23) the right to health (Article 24), an adequate standard of living (Article 27), education (Article 28 and 29) and rest and leisure (Article 31).

All children are losing goods and services as a result of the spending cuts, and there is no evidence of compliance with CRC General Comment 5 on General Measures for the Implementation of the Convention on the Rights of the Child (2003), which says that states parties are required to demonstrate that 'children, in particular marginalized and disadvantaged groups of children, are protected from the adverse effects of economic policies or financial downturns' (para 51). Instead the analysis shows that average losses for families with children are much greater than for families without children (Figures 4.1 and 4.2). Whereas families with children make up 32 per cent of working age families, but bear 63 per cent of the cuts; and for every type of expenditure analysed, the share of the cuts of families with children is greater than their share of working age families (Table 4.3).

Moreover, the value of the cuts as a share of household income is unevenly distributed between different types of families with children, so that there is a failure to meet the obligation to ensure the right of children to non-discrimination (Article 2). The cuts fall more heavily on lone parent families than on couple families (Figure 4.2), and they are regressive within these two groups. In general, the poorer the family (whether lone or couple parent) the greater the proportionate loss (Figures 4.5 and 4.6). Among couple parents, the cuts fall more heavily the more children they have (Figure 4.8), although this is not the case for lone parents (Figure 4.7). In relation to ethnicity, black and Asian families with children are most affected by the cuts, while white families are least affected. Families with disabled children are harder hit than families as a whole (Table 4.4), and so are families in which children suffer various kinds of material deprivation (Table 4.5).

Expenditure on different services has been cut to different degrees, so that the adverse impact on some rights is likely to be greater than on others. As Table 4.2 shows, the lowest cuts are in the health budget. However, the data is for health spending *as a whole*; data is not available on trends in spending on specific areas of health which are especially relevant to children's rights, in particular health services for children and maternal health. Moreover, the unit costs of health care provision are rising and the same expenditure is not able to deliver the same amount of medical services and care. Health service reforms are supposed to increase the efficiency of service delivery, but there are concerns that service quality will be jeopardised.[51] In order to secure the progressive realisation of children's right to health (Article 24), more resources would need to be allocated to the health service.

Cuts to spending on education have been much more substantial (Table 4.2) with the biggest cuts falling on further and higher education. The current spending budget for schools in England has been ringfenced but the capital budget has been cut substantially, meaning that the overall funding for schools decreases over the 2010-15 Parliament, while the numbers of school age students rises. This means less resources are available for realising the right to education (Article 28 and 29), and may well lead to a deterioration of the quality of education, through increasing class size and deteriorating buildings. At the local level there have been cuts to services provided to schools – for example school improvement, curriculum support, education welfare, behaviour support, school transport etc. which mean less resources to secure the quality of education (covered by Article 29). There has been some attempt to protect educational expenditure for low income children through the introduction of the pupil premium, which is additional funding distributed to schools on the basis of the numbers of pupils in receipt of free school meals. If it is assumed that the benefits from this accrue to the children in receipt of free school meals, then this helps children of lone parent families in deciles three and four, offsetting the falls in spending on schools (Figures 4.3 and 4.5) but not those in the poorest lone parent families, whose take up of free school meals is low, nor does it offset cuts for children in couple families (Figures 4.4 and 4.6). Overall, the cuts undermine the realisation of the right to education.

Early years spending for nursery education and Sure Start is lower than for other forms of education, but has been cut by proportionately more. The cuts to early years spending means there are less resources available for realising the right to care (Article 18) and the right to education (Article 28) of young children. Other rights are also likely to be compromised such as the right to development to the maximum extent possible (Article 6) and the right to an adequate standard of living (Article 27). The impact of cuts to early years spending for children of lone parents in the five lower income groups is mitigated by the Early Intervention Grant and additional care

[51] See for instance, news item in The Guardian, 8 May 2013, on reports by NHS Confederation, the NHS regulator, and the Kings Fund think-tank.

provision for disadvantaged two-year-olds (Figures 4.3 and 4.5). For children in couple households, this only happens in one lower income group, in the second decile (Figures 4.4 and 4.6). Moreover this additional provision is funded by cuts to other children's services.

Social care includes services for elderly people as well as children, and it is not possible to disaggregate them in the database being used for this study. However, the cuts to social care definitely mean less resources for families with children: our analysis found that 58 per cent of the cuts to social care of working age families fall on families with children despite the fact that families with children comprise only 32 per cent of working age families (Table 4.3). These cuts jeopardise children's right to protection from maltreatment (Article 19), and the rights of disabled children to care (Article 23), and may also compromise children's right to the highest attainable standard of health (Article 24). The cuts are disproportionately spread across different types of family. Lone parent families lose more than couple families, both in cash-equivalent terms and as a proportion of income (Figures 4.1 and 4.2). Low income families with children lose more than those with higher incomes (Figures 4.3 and 4.4). Families with children with disabilities lose more than all families. All of this is in breach of the obligation to ensure rights without discrimination (Article 2). Research on cuts at the local level found that in 2011-12 spending on children's social care was reduced more than overall reduction in local government spending and more than adult social care spending, with a tendency for the largest cuts in areas with a high proportion of looked-after children, which suggests that the most deprived children are not being protected, despite human rights obligations to do that. There were also cuts to youth centres which mean less resources for realisation of children's rights, especially the right to leisure and culture (Article 31) and the right to care (Article 18).

The substantial cuts to expenditure on social housing (Table 4.2) mean there are fewer resources for guaranteeing a standard of living adequate to the child's development (Article 27 specifically mentions assistance with housing). However, the share of these cuts falling on working age families with children is not much higher than their share of working age families. The losses fell disproportionately on black families (Figure 4.9), families with disabled children (Table 4.4) and families with children living in material deprivation (Table 4.5). Again this is not in line with the obligation to ensure that children enjoy rights without discrimination (Article 2). The combined impact of cuts to public spending and changes in taxes, tax credits and welfare benefits shows large losses for families with children (Figure 4.10) with the losses for lone parent families the largest. Moreover among all families with children the largest combined losses fall on the poorest households (Figure 4.11). This shows that although there have been individual measures which have benefited some groups of children, the overall impact has been to reduce the resources available for the realisation of children's rights. This suggests that the best interests of the child have not been a primary consideration in the design of fiscal consolidation and thus there has not been compliance with Article 3.

5. Impact of specific Budget measures

5.1 Overview of measures impacting only on families with children

Some budgetary measures implemented between 2010 and 2015 impact only on families with children. Table 5.1 gives a list of tax and benefit measures in the period under consideration with their dates of implementation.

Table 5.1: Tax and benefit measures impacting only on families with children, by date of implementation

June 2010	
	Health in Pregnancy Grant abolished (affecting the child as well as the mother)
January 2011	
	New born children no longer eligible for a Child Trust Fund
April 2011	
	All elements of benefits and tax credits, including child tax credit (CTC), to be uprated by CPI rather than RPI from now on
	Baby element of CTC (an extra £545 per year for families with a child under one year old) abolished
	Family element of CTC withdrawn from families on more than £40,000 per year
	Child element of CTC increased by £180 per year above CPI inflation
	Withdrawal rate of CTC increased to 41 per cent
	Rate of support for eligible childcare costs for parents in employment receiving WTC cut from 80 per cent to 70 per cent
	Child benefit frozen for three years (to pay for above CPI increases in Child element of CTC)
	Sure Start Maternity Grant to be paid only for first birth
April 2012	
	Couples with children required to be employed at least 24 hours a week between them, with one employed for at least 16 hours a week to receive WTC (previously it was only necessary for one to be employed at least 16 hours a week)
	Lone parents on benefits required to seek employment when youngest child turns five instead of seven.
	Family element of CTC withdrawn immediately after child element
	Child element of CTC not increased by £110 above indexation as planned
	Supplement to CTC for children aged one and two not implemented as planned
Jan 2013	
	Child Benefit tapered away from families with a higher rate taxpayer.

Various dates 2013 onwards	Introduction of Universal Credit makes childcare subsidies available to parents employed for less than 16 hours per week but reduces their value for some Housing Benefit recipients.
April 2013	
	All elements of CTC and Universal Credit for children (except for premia and additions for disabled children) uprated by one per cent nominal
April 2014	
	All elements of CTC and Universal Credit for children (except for premia and additions for disabled children) and Child Benefit uprated by one per cent nominal
April 2015	
	All elements of CTC and Universal Credit for children (except for premia and additions for disabled children) and Child Benefit uprated by one per cent nominal
Sept 2015	
	"Tax-free" childcare introduced for nearly all parents not receiving Universal Credit
From April 2016	
	Childcare subsidy under UC increased to 85 per cent for tax-paying parents

Excluding the change to CPI uprating, the net effect of these measures that were implemented in April 2011 was a small give-away to families with children,[52] and a significant redistribution among families with children from the better-off to the less well-off. This is because, although there were many different cuts to the income of families with children, the child element of CTC is the child-related payment that is best targeted on poorer children and extra spending on this one measure outweighed the sum total of reductions in spending on other child-specific measures that year.

The change to CPI uprating, including for public sector pensions as well as all elements of benefits and tax credits, reversed this effect even in the first year and continued to diminish incomes in subsequent years, since it was announced to be a permanent change. This measure alone saved the exchequer £1,170 million just in 2011-12, almost exactly the same amount as the £1,200 million it spent on increasing the child element of CTC, and in subsequent years the amounts it saved increased with a saving of £5,840 million projected for 2014-15.[53] Much of that will be paid for by families with children, who are the majority of benefit and tax credit recipients.

The policies implemented the following year all involved reductions in payments going to families with children (including through the imposition of greater employment eligibility requirements). The changes for April 2012 included, in line with the abolition of the baby element in CTC, the cancellation of a smaller supplement payable to families with children of above one but less than three years

[52] HM Treasury (2010) Budget 2010 Policy Costings, pp43/4 Table 2 http://www.hm-treasury.gov.uk/d/junebudget_costings.pdf
[53] *ibid* p35 Table 1.

old that had been planned by the previous government. It also included the non-implementation of a second above inflation rise in the child element of CTC, cancelled in the 2010 Spending Review only five months after it had been announced in the Emergency Budget of that year, at which time the three-year freeze in the value of child benefit was justified as a redistributive measure because the money saved would be used to fund the two above CPI increases in the child element of CTC.

Subsequent years involved a fundamental change in the nature of Child Benefit, so that it became no longer a universal benefit, by withdrawing it through the tax system from families with a higher rate tax-payer. Other changes were mostly reductions in payments going to families with children through below inflation level uprating. Like the change to CPI uprating implemented from April 2011, reductions in uprating of benefits and tax credits have much larger cumulative than immediate effects, even when implemented for just a few years. In practice all these uprating changes will have significant effects on the incomes of households with children. For example, Table 5.3 in section 5.4 shows that the one per cent uprating of means-tested benefits and tax credits has more than four times the effect in cash terms on the weekly incomes of working age families with children than those without.

There are also increases to childcare subsidies, mostly planned for after the next election. From April 2013 as families receiving benefits and tax credits move onto Universal Credit, lone parents and couple parents who are both in employment can claim childcare subsidies even if employed for less than the previous minimum of 16 hours per week. Changes in childcare and support and early years educational provision will be analysed in section 5.3 of this report.

Analysis in earlier sections of this report has shown how the effects of these child-specific measures have to be considered alongside more general measures whose effects on families with children may indeed be greater than those of the measures specifically targeted at them. This would be the case for the permanent change from 2011 onwards in the measure used to uprate all benefits from RPI (for non-means tested benefits) and the Rossi index (for means-tested benefits) to CPI. Because annual increases in CPI are (in general) lower than the RPI or Rossi, this has meant an increasing loss in family incomes compared to RPI/Rossi uprating. As we have seen, the overall effect of this measure is in general greater than that of all other changes, and this applies to families with children.

Measures not specifically targeted at families with children may also have more severe effects on children than adults, and on larger families in particular. Indeed, as we have seen that is the case for the benefit system and tax credit systems as a whole, because families with children are more likely to be supported and more extensively supported by these systems than those without children. Therefore reductions in uprating affect families with children more than those without children. Further within these systems some particular measures, not explicitly targeted on families, may be designed in such a way that they have particularly great effects on families with children. A particular example of such a measure is the benefit cap, which the OCC assessed regarding the impact on children's rights as part of its Impact Assessment of the Welfare Reform Bill in January 2012.[54]

In the subsections below, we do not have space to analyse all the individual measures that have specific impacts on children and their families. Instead we concentrate on two – changes in Child Benefit, and changes in childcare and early years learning support. Changes in Child Benefit, because they make it no longer a universal benefit, have an important totemic effect as well as distributional effects with families with children. Changes in childcare and early years learning support result from changes in both in tax, tax credit and welfare benefit measures (on subsidies to childcare fees paid by parents) and in public spending on services, such as free early years education, Sure Start children's centres and after school care. They are designed to result in behavioural changes, raising issues that are not purely distributional. We conclude this section by an examination of some measures, not specifically aimed at families with children but impacting more on them: changes to tax credits, the uprating of benefits by one per cent and the benefit cap. For the last of these, the most extreme example of a measure whose impact in primarily on families with children even though not explicitly designed or announced with that as its aim, we summarise and update previous analysis by the OCC.

[54] Office of the Children's Commissioner (2012) *Child Rights Impact Assessment of the Welfare Reform Bill.*

5.2 Changes to Child Benefit

Child Benefit was frozen for three years from April 2011 and after this will be uprated, like means tested benefits, by only one per cent rather than in line with CPI inflation. In the 2010 Spending Review the policy of “withdrawing” Child Benefit from higher rate taxpayers was set out. From January 2013, a new graduated income tax charge has been made on a parent whose income is more than £50,000 for the tax year (or the higher earner where there are two parents earning above that amount). On a taxpayer whose income exceeds £60,000 the charge is equal to the full amount of Child Benefit.

As a result Child Benefit is no longer a universal benefit. Since all other child related benefits are means tested this means that the state no longer contributes to the support of all children.

The main distributional impact of these reductions to child benefit is obvious: they impact only on families with children. Among families with children, the impact on income increases with the number of children, with the loss of income proportionately greatest for those with four or more children. These losses can be significant amounting on average to 2.1 per cent of net income for families with four or more children.

In couples, Child Benefit is labelled as being for the benefit of children and may be the only income that mothers receive directly. Mother’s income is known to have more direct effects on the well-being of children,[55] so a reduction in family income due to a cut in Child Benefit may have a greater than proportionate impact on money that is spent on children. Under Universal Credit, this will be more likely to be the case since, except for Child Benefit, no other payments will be distinguished as specifically for children and all payments will go to one claimant.

Figure 5.1 shows that the impact over deciles of family income is fairly even in cash terms through the middle deciles. There is a slightly greater impact in the bottom decile, where there are more children, and a larger impact in the higher deciles, where the withdrawal of child benefit from higher earners has its main effect.

[55] J Goode et al. (1998), *Distribution of income within families receiving benefits*, Policy Studies Institute.

Figure 5.1 The impact of child benefit changes on the income of families with children by decile in cash terms

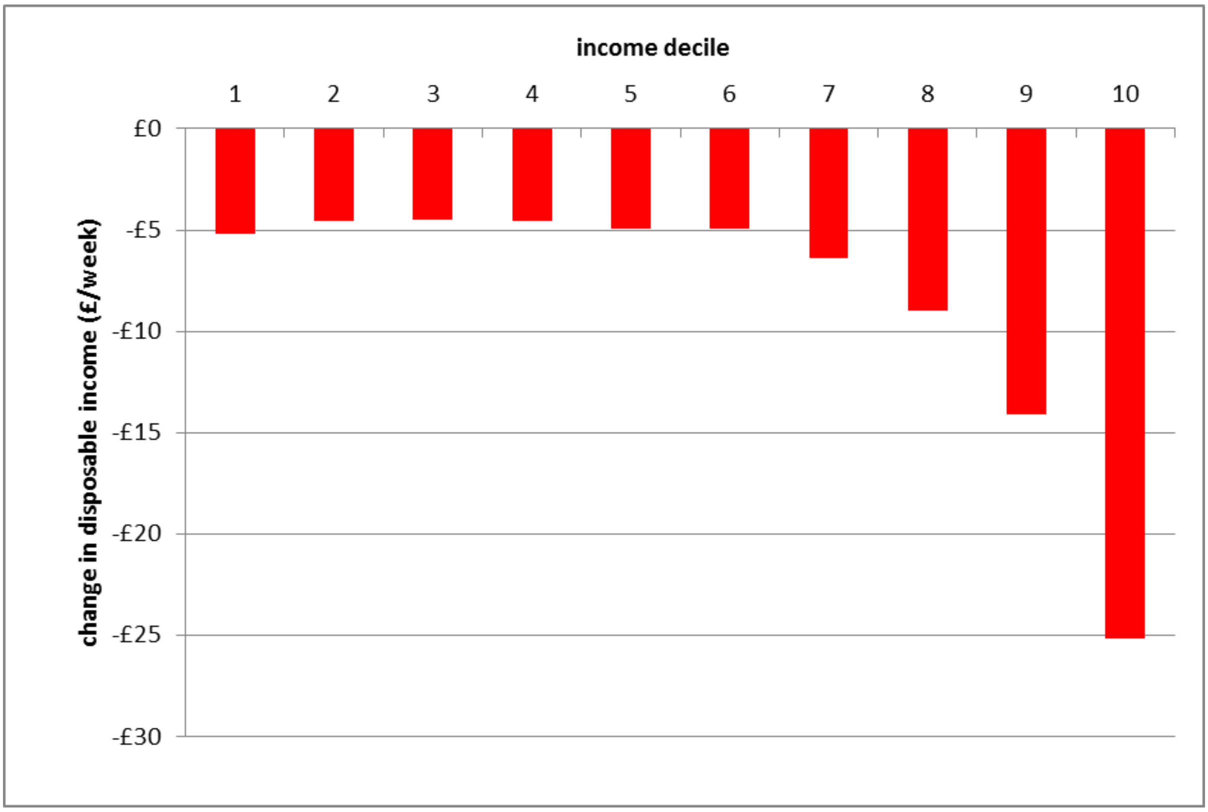
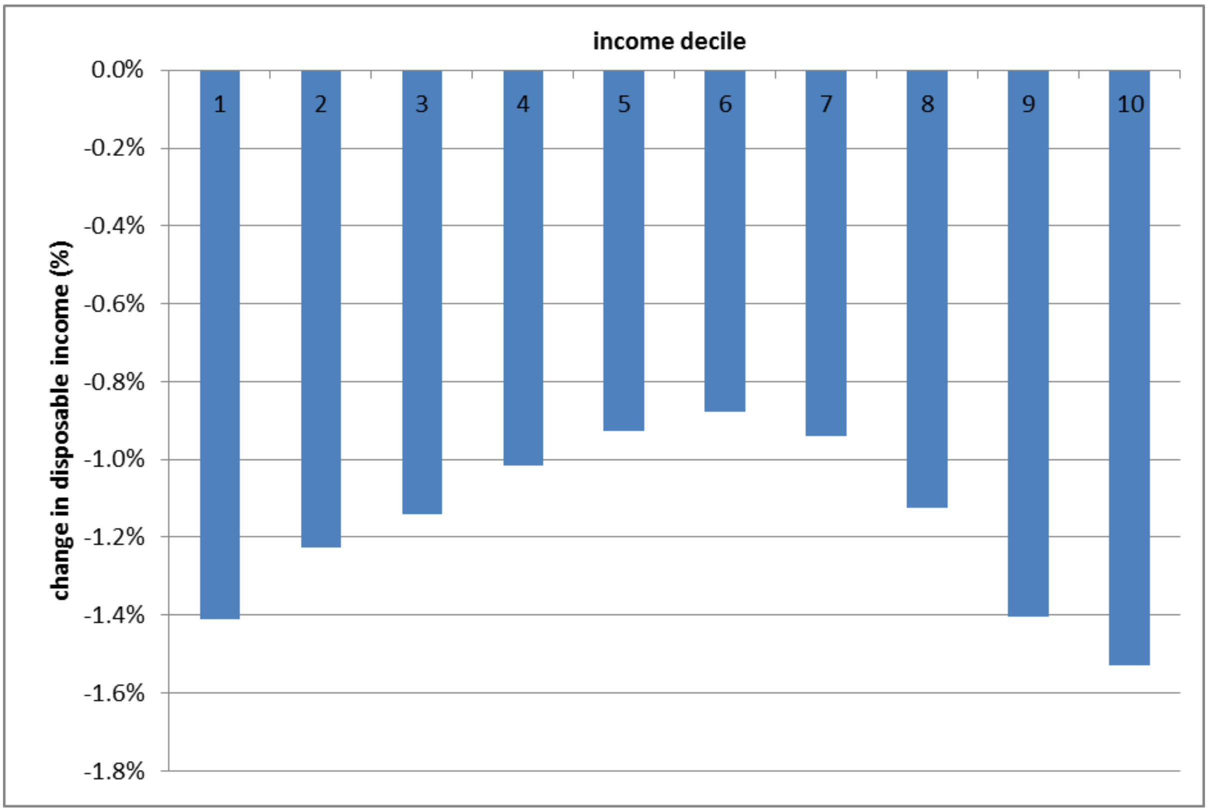


Figure 5.2 shows the effects of the Child Benefit changes in percentage terms. They are largest for families in the top two deciles of the income distribution. The impact on the poorest deciles is also higher than the impact on the middle deciles, leading to an "inverse U shaped" distributional effect.

Figure 5.2 The impact of child benefit changes by decile, as percentage of net income



The ending of universal child benefit means that the right to benefit from social security has been withdrawn from a group of children, since this was the only element of social security that benefited all children. This appears to be a breach of Article 26, which states that ‘States Parties shall recognize the right of every child to benefit from social security’. The reduction in the real value of child benefit through the changes to the uprating system are likely to have an adverse impact not only on the right to social security (Article 26) but also on the right to life and to development to the maximum extent possible (Article 6) and the right to a standard of living adequate for the child’s development (Article 7). A further cause for concern is that the adverse impact of the changes to child benefit is greater in proportion to income for the poorest families with children than for those on middle incomes (Figure 5.2), whereas Article 2 calls for no discrimination of any kind, irrespective of the child’s or his or her parent’s or legal guardian’s status, including their property.

5.3 Changes to childcare and early years learning support

The government supports access to childcare services and early years education through a number of measures, with the bulk of the funding devoted to subsidising purchase of child care and early years education from the private sector, rather than direct provision of services through publically provided nurseries and schools. The system of support involves tax credits, tax free vouchers and funding for local authorities.

Entitlement to free early education

When the current government came to power, all three- and four-year-olds in England were already entitled to 15 hours of free early education a week for 38 weeks a year and over 95 per cent of three- and four-year-olds accessed their free entitlement,[56] though at least until recently there was evidence that disadvantaged children were less likely to take it up.[57] This is funded by local authorities who are obliged to provide free entitlement funding to all providers in their area meeting required quality standards. Since September 2009, all local authorities in England had been delivering between 10 and 15 hours' free early education to some of the most disadvantaged two-year-olds. Provision for two year olds has been extended by the current government, as a continuation of the extension plans of the previous government. In his 2011 Autumn Statement, the Chancellor announced that funding to provide the 20 per cent most disadvantaged two year olds in England with free early education would be available from September 2013, with the scheme extended to the next 20 per cent most disadvantaged in 2014.

These measures to fund early education have had a positive impact on children's rights, especially the right of the child to development to the maximum extent (Article 6), the right to child care services (Article 18) and the right to education (Article 28), for children aged between two and four. However, they have to be seen in the context of other child care measures which will have negative impacts.

Sure Start Children's Centres and the Early Intervention Grant

Some children (including some younger than two) have been able to receive childcare at Sure Start Children's Centres. These Centres were originally designed to help young children and their parents living in disadvantaged areas by bringing together early education, childcare, health and family support. By the end of 2003, there were 524 Sure Start Local Programmes in the most deprived wards in England. The programme was subsequently rolled out to all communities but without the specific requirement to provide childcare. These centres were partially funded by the Early Intervention Grant, which also funds parent and toddler schemes, parenting projects, short breaks for disabled children, and initiatives that support the government's troubled families programme,

However, the resources that local authorities have overall were cut considerably in the 2010 Comprehensive Spending Review and spending on childcare was not ring-fenced. In 2011 the duty upon centres in deprived areas to provide childcare was removed. In September 2012, it was announced that the £2.3bn Early Intervention Grant for English local authorities would be abolished and rolled up into general council revenue funding from April 2013. £543m of it would be transferred to a separate ringfenced schools grant to pay for the coalition's free early years scheme, a figure that will rise to £740m in 2014-15.[58] Thus the entitlement to free early

[56] House of Commons library (2012) "Government support for childcare since 1997" Standard Note: SN06382.
[57] Day Care Trust Childcare Costs Survey 2010.
[58] The Guardian, Free nursery places for two-year-olds to be funded from Sure Start pot, September 27th 2012, http://www.guardian.co.uk/education/2012/sep/27/free-nursery-places-funded-sure-start

education for two to four year olds will be funded by reducing spending on existing programmes for children.

A survey carried out by the charity 4children in 2012 found a reduced supply of childcare, particularly of full-time childcare, in Sure Start centres, 55 per cent of which no longer provide any onsite childcare, while one fifth now charge for services that were previously provided for free. It noted that despite heavy cuts many local authorities had tried to protect Sure Start funding.[59]

The cuts to funding for Sure Start centres and the abolition of the Early Intervention Grant have had an adverse impact on children's rights, the right of the child to development to the maximum extent (Article 6), the right to child care services (Article 18) and the right to education (Article 28). This is particularly serious for children under two, for whom there is no entitlement to free early education, or any other childcare. There has thus been retrogression in the rights enjoyed by the youngest children, even though there has been some improvement in the rights enjoyed by two to four year olds. The Committee on the Rights of the Child has noted in General Comment 7 about implementing child rights in early childhood (2005), that early childhood is a critical period for realising children's rights (para 6) and that the right to education begins at birth (para 28).

Subsidies for childcare costs

Most subsidies for childcare are linked to the employment status of parents, and it is noteworthy that Article 18 says: 'States Parties shall take all appropriate measures to ensure that children of working parents have the right to benefit from child care services and facilities'. But the Article also refers more generally to childcare, stating that 'States Parties shall render appropriate assistance to parents and guardians in the performance of their child rearing responsibilities and shall ensure the development of institutions , facilities and services for the care of children'.

Childcare services also have an educational content, thus also assisting with the realisation of the right to education (Article 28).

Subsidies for childcare costs are delivered in a number of forms:

(i) a **voucher scheme** that enables participating employers to give parents tax and NICs free childcare vouchers worth up to £55 per week, set up on the assumption that these vouchers would normally be provided under a salary sacrifice scheme.

(ii) a **childcare element** in **Working Tax Credit (WTC)**, a means-tested subsidy restricted to lone parents in employment and couples both of whom were in employment; in both cases a minimum 16 hours of employment (each) was required to qualify for childcare support. From 2006 to 2011, WTC provided a subsidy of 80 per cent of eligible childcare costs of up to £175 a week for one child and £300 for two or more children.

[59] http://www.4children.org.uk/News/Detail/4Childrens-2012-Census-of-Childrens-Centres

(iii) an **indirect form of subsidy for childcare costs through their being disregarded** in calculating entitlement to Housing Benefit and Council Tax Benefit. This means that a household with childcare costs receives a higher rate of Housing Benefit and Council Tax Benefit than a family with the same net income but no childcare costs. The rates differ for the two benefits, making the effective subsidy rates as in Table 5.2.

Table 5.2: Effective levels of childcare subsidy for parents in employment through Working Tax Credit

	Not receiving Housing Benefit	Receiving Housing Benefit
Not receiving Child Tax Benefit	70%	89.5%
Receiving Child Tax Benefit	76%	95.5%

Changes brought in by this government

This government has implemented a number of changes to the above funding schemes.

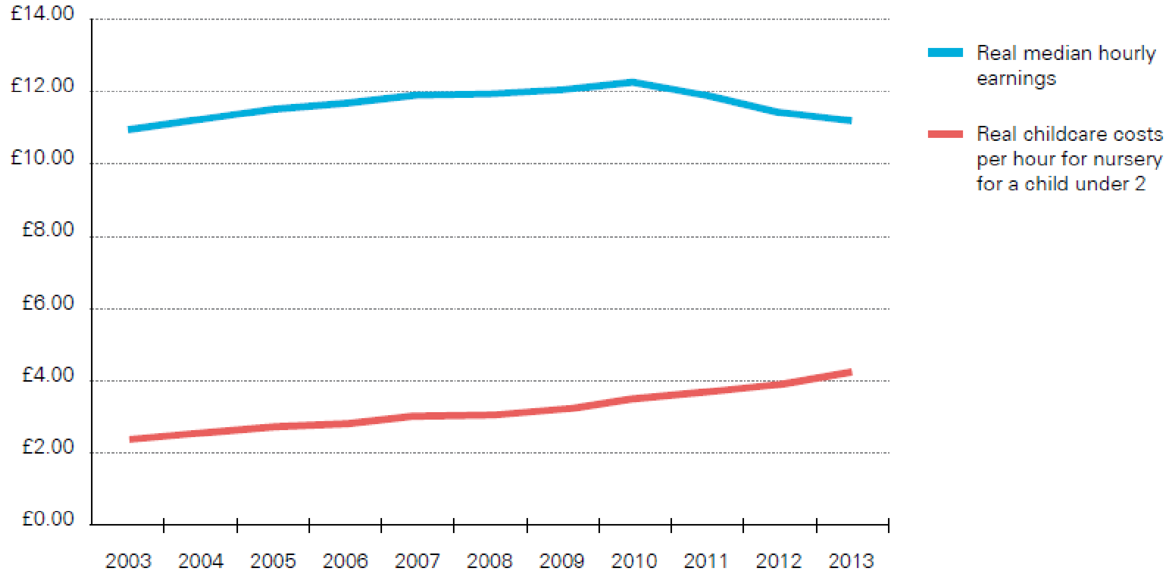
(i) In December 2009 the previous government announced that the **voucher scheme** would be changed so that higher and additional rate tax payers would gain no more from it than basic rate payers. This change was implemented by the current government with effect from April 2011.

Despite rising childcare prices (see Figure 5.3 below), the coalition government, like the previous government since April 2006, has not uprated the maximum amount that can be claimed under the voucher scheme, leading to a fall in the amount of childcare they can be used to purchase. The amount of nursery care for a child under two years old that can be paid for by £55 vouchers varies around the country but has fallen from nearly 18 hours on average in England in 2008 to just under 14 hours. In London, a childcare voucher now buys just 10 hours and 20 minutes of such childcare.[60] Thus the voucher scheme did not support the progressive realisation of the right of the child to care (Article 18) and to education (Article 28).

(ii) In its October 2010 Spending Review the Coalition government announced that from April 2011, the rate of subsidy of eligible childcare costs covered under the childcare element in WTC would be reduced to 70 per cent (the rate which had previously applied until 2006). Despite steeply rising childcare prices, the current government continued the previous government's practice of not raising the maximum costs eligible for subsidy, which have stayed unchanged since April 2005. Since 2010 median earnings have fallen in real terms while childcare costs have kept rising faster than inflation, as Figure 5.3 shows.

[60] Authors' calculations using Day Care Trust Childcare Costs Survey 2008 and 2013.

Figure 5.3: Real median hourly earnings and childcare costs 2003-2013



Source: Daycare Tust Childcare Cost Survey 2013 using ONS Consumer Price Index, ONS Annual Survey of Hours and Earnings.

These changes will have affected the amount of subsidy parents receive and the numbers eligible for help with childcare costs through WTC. The number of families benefiting from childcare subsidies through WTC fell after this change from 493,000 in April 2011 to 455,000 in April 2012, with the average amount claimed falling from £69.23 a week to £58.25, stabilising thereafter.[61] Thus the changes to WTC had an adverse impact on children's rights, especially Article 18 (the right to child care services) and Article 28 (the right to education), particularly in lower income families.

(iii) the introduction of Universal Credit will have two immediate effects on childcare subsidies. First, under Universal Credit, childcare subsidies are available to all employed lone parents and couples, where both members are in employment, regardless of the number of hours they are employed, removing the Working Tax Credit requirement for both couples to be employed for at least 16 hours. The government believes this 'will provide an important financial incentive to those taking their first steps into paid employment'.[62] Otherwise the percentage subsidy and maximum eligible amounts remained the same as under tax credits, though converted from weekly into monthly amounts in accordance with how Universal Credit will be paid.

Second, the introduction of Universal Credit will also have another less publicised effect on childcare subsidies for some of the lowest income parents, who will lose the indirect subsidy they get through their childcare costs being disregarded in the calculation of their entitlement to Housing

61 HMRC, *Child and Working Tax Credit Statistics – April 2013*, Table 1.2.
62 DWP *Universal Credit Policy Briefing Note*, October 2011.

Benefit and Council Tax Benefit (as in Table 5.2 above). Through the amalgamation of these means tested benefits under a uniform means-testing regime based on net earnings without taking account of childcare costs, this additional support will be lost under Universal Credit. The maximum those entitled to Universal Credit will receive is 70 per cent of their childcare costs.

The Children's Society estimate that 20 per cent of those who receive help with childcare costs through the benefits and tax credits system receive at least some of this additional support, and these families have the lowest incomes among parents using childcare subsidised under WTC, since they are also eligible for these other means-tested benefits. Those who receive the full 96 per cent subsidy, those on both housing and council tax benefit, will have to pay up to seven and a half times as much towards their childcare costs under Universal Credit, an increase of up to £2,320 per year if they have one child or £3,980 per year more if they have two or more children.[63] The Children's Society estimate the average increase in childcare costs, due to the loss of this extra support, is to be around £23 per week or £1,200 per year. They also estimate that families receiving help with childcare costs through the tax credit system living in poverty are four times more likely to be affected by this change than those not living in poverty.

Thus while Universal Credit is likely to increase the numbers of children eligible for childcare subsidies (and hence enhance their enjoyment of the right to child-care services and to education), it will reduce the value of the subsidy for those children whose parents were claiming Housing Benefit and Council Tax Benefit (and hence is likely to reduce their enjoyment of the right to childcare services, as these become unaffordable, and to education).

Changes planned for the future

Until the 2013 budget, local authority cuts, changes to the tax credit regime (including lack of uprating) and the introduction of Universal Credit had the effect of reducing both spending on publically funded child care services and childcare subsidies (except for those employed for less than 16 hours a week). Changes planned for the future should move in the opposite direction:

Budget 2013 announced a major overhaul of the childcare voucher scheme from September 2015. From that date parents will be able to pay for up to £6,000 worth of childcare "tax-free", that is, with a 20 per cent subsidy from the government. This will be available to all parents, except families in which both parents earn over £150,000 or are on Universal Credit, for whom there will be a different scheme. The subsidies will be per child, rather than per adult as the current vouchers are, and not dependent on employer participation. Lone parents or couples with more than one child will gain more from the new scheme and parents already in the existing scheme will be able

[63] The Children's Society (2102) *The Parent Trap: Childcare cuts under Universal Credit* http://www.childrenssociety.org.uk/sites/default/files/tcs/the-parent-trap_childcare-cuts-under-universal-credit_the-childrens-society-report.pdf

to stay in it. This scheme will costs £750million and the government estimates that it will reach two-and-a-half million families as opposed to the half-a-million using vouchers under the current scheme.[64] It thus strengthens the right to childcare services and to education for many children.

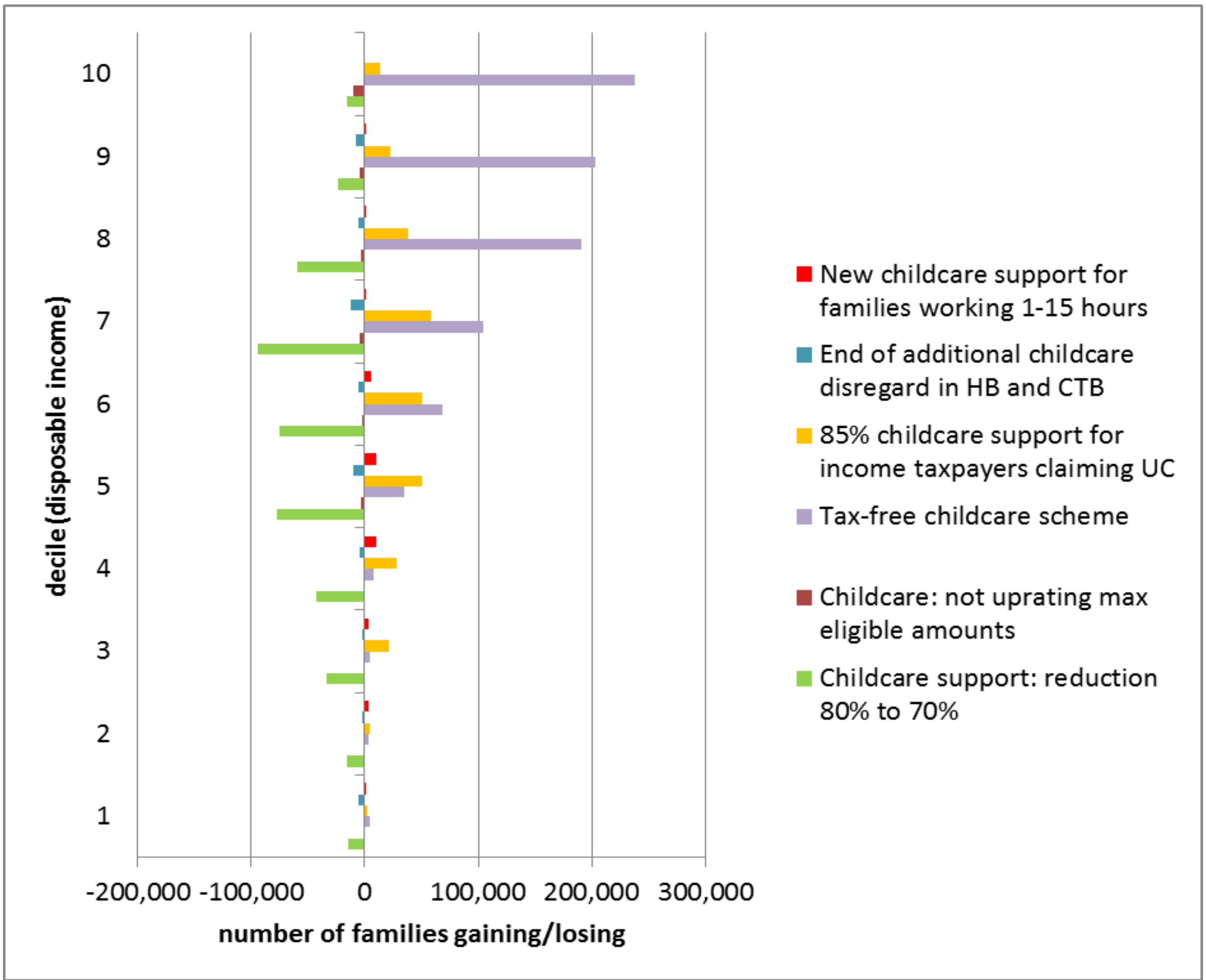
(i) Budget 2013 also announced that from 2016 support under Universal Credit will be increased to 85 per cent of eligible costs for parents who both pay income tax (and thus have the highest marginal deduction rates). The government will consult as to the exact eligibility rules to achieve its aims and the scheme will only start from April 2016.This scheme will cost £200 million. This also strengthens the right to childcare services and to education for many children.

Impact of changes in childcare support

Figure 5.4 shows the numbers of winners and losers for each change affecting childcare subsidies by decile.

[64] HM Treasury Press Release 19 March 2013 https://www.gov.uk/government/news/new-scheme-to-bring-tax-free-childcare-for-25-million-working-families

Figure 5.4. Numbers of Families gaining or losing childcare subsidies from various childcare changes by income decile



The changes which will have a positive effect on the greatest numbers are those to come after the next election: the introduction of “tax-free childcare” in 2015 and the 85 per cent support for income taxpayers claiming Universal Credit. The former benefits increasing numbers of families the higher the decile, while the latter also benefits more families in the top half of the distribution but with maximum numbers benefitting in decile seven. The negative effects on the largest numbers are due to the cut from 80 per cent to 70 per cent in subsidies under WTC, which will also apply under Universal Credit.

Our analysis shows that the failure to uprate the maximum childcare support available under WTC has had limited overall impact, mainly because few families make use of the maximum amount. However, it has had a substantial impact on those affected, producing an average loss of £25.44 per week for 7,000 lone parents and £13.84 for 21,000 couple parents. It has also had a greater impact on families with disabled children than other families, reflecting the higher childcare costs that these families face. Thus this measure was retrogressive for some children, weakening their right to care (Article 18) and to education (Article 28). And it was not in conformity with the obligation to non-discrimination (Article 2)

Reducing the subsidy rate from 80 per cent to 70 per cent affected more families: around 205,000 lone parents and 340,000 couples with children. Our analysis of winners and losers assumes that parental employment does not change; it therefore inevitably underestimates the losses due to cuts in subsidies if they result in parents leaving employment. Nevertheless, it shows that lone parents lost on average £7.45 and couple parents £7.88 per week. Of parents receiving subsidies those in the upper half of the distribution of income lost more in absolute amounts, reflecting their higher childcare spend. So did parents with disabled children, presumably for the same reason. In terms of ethnicity, black parents overall lost more from this measure because they make greater use of childcare. Couple families with the mother but not the father in employment lost more on average than couples in which both partners were in employment. This reflects the high proportion of female sole earners who are supporting husbands who are sufficiently disabled for the family to qualify for childcare support under WTC. This measure was retrogressive for some children, weakening their rights to care (Article 18) and to education (Article 28).

The loss of the childcare disregard in Housing Benefit and Council Tax Benefit in the transition to Universal Credit has had a larger impact, an average loss of £16.22 on a smaller number of families, 57,000 in total, though we note that the Children's Society estimate was rather higher at 100,000 families losing £23 per week on average.[65] This measure weakened the rights of children who were already poor, and indicates a lack of concern with meeting minimum core obligations to ensure basic enjoyment of rights[66].

It is harder to estimate the distributional effect of increasing childcare subsidies since our model calculates the gains only to parents who are already using childcare. It therefore inevitably underestimates the effects if the subsidies are effective in encouraging parents to use childcare in order to take employment. Nevertheless our model estimates that 37,000 families will gain from the extension of childcare subsidies to those employed for less than 16 hours, 289,000 from the raising of the subsidy rate under Universal Credit to 85 per cent for taxpayers and 861,000 families will gain from tax-free childcare. As we have seen the latter two groups, who constitute the majority of gainers, are mostly in the upper half of the distribution. However, that may be less the case for those who decide to purchase childcare only as a result of these policy changes, who are not picked up in our model.

The average gain from tax-free childcare will be £37.67 per week and this does not vary much across the distribution, though 833,000 couple parents will gain £37.95 per week on average, while only 28,000 lone parents will gain, and on average they will gain less at £29.33 per week. The gains from the 85 per cent subsidy for tax-

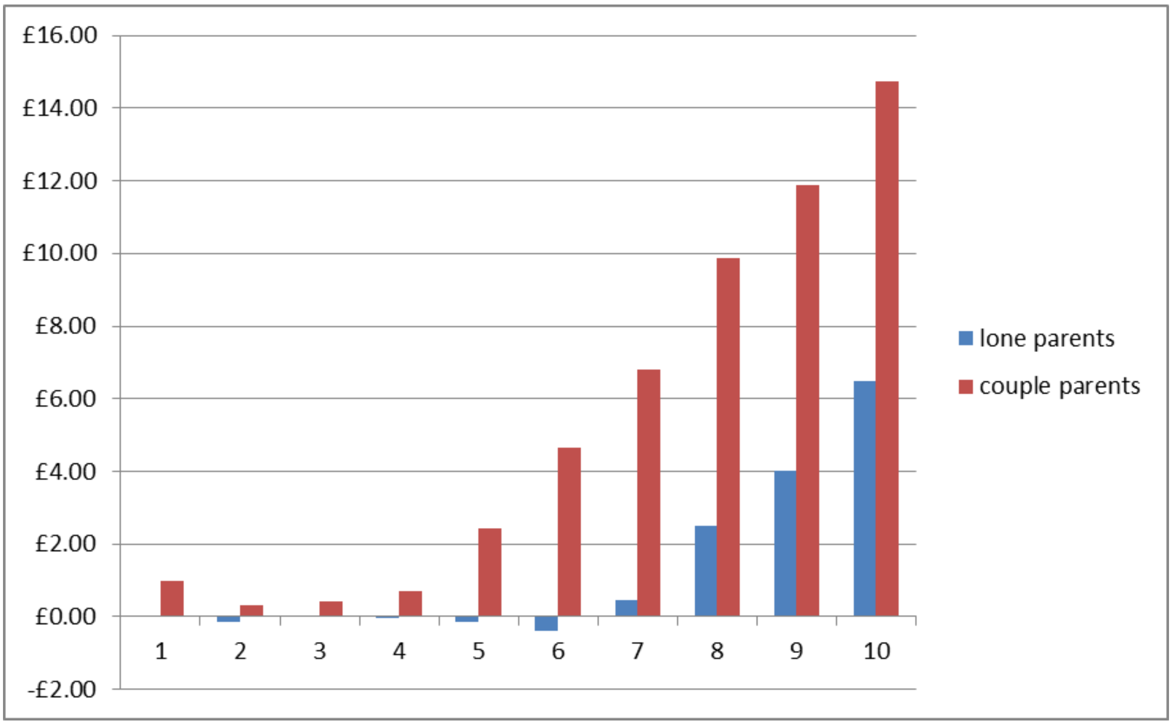
[65] The Children's Society (2102) *The Parent Trap: Childcare cuts under Universal Credit* http://www.childrenssociety.org.uk/sites/default/files/tcs/the-parent-trap_childcare-cuts-under-universal-credit_the-childrens-society-report.pdf

[66] Committee on the Rights of the Child, Day of General Discussion on Resources for the Rights of the Child - Responsibility of States, Recommendations, 2007, para 48.

payers under Universal Credit will be smaller on average at £12.09 per week, and much more variable across the distribution, so that those in the poorest decile will gain just £6.37 per week, while those in the top decile will gain £24.73 from this measure. However more lone parents, 109,000, will gain from this measure and they will gain roughly the same amount as the 180,000 couple parents who will gain.[67]

Figure 5.5 shows the average gains over all parents in each decile of the income distribution by 2016, whether or not they make use of childcare subsidies, when the complete package of measures up to that date has been implemented (ie the tax free child care measures, the changes to Universal Credit, the effects of its introduction and the early cuts to subsidies). Lone parents will by then gain only if they are in the top half of the income distribution, though even those that do will have to wait until 2016 for the measure to be implemented that will have most effect for them (the raising of the subsidy for taxpayers receiving Universal Credit to 85 per cent). Lone parents in the bottom half of the distribution will be small net losers. The main contributor to the regressive distribution of benefits from this package of measures, among both lone and couple parents, is the greater propensity of higher income parents to be using childcare.

Figure 5.5: Average weekly gains from childcare measures by 2016 by income decile (all lone and couple parents)



A somewhat uneven spread is to be expected since childcare measures are designed to enable the employment that makes these parents better off.

[67] The gains from this measure are impossible to model accurately since the government is still consulting on their implementation. We assume that all lone parents who are income tax payers and all couples who both pay income tax will receive 85 per cent rather than the current 70 per cent.

Nevertheless, as much commentary on the childcare proposals have noted, they are not well targeted on those families where an extra earner would make the most difference in lifting children and their families out of poverty. Thus they do little to strengthen the right to an adequate standard of living (Article 27) of low income children.

Thus many children will have their right to childcare services and to education strengthened, mainly among the better-off, while some who are poor, find their right to childcare and to education is weakened.

Limitations of distributional analysis for examining the impact of childcare policy

Although our distributional analysis examines the impact of childcare policy changes on household income, in the same way that it does for other measures, there are particular limitations to such analysis. As we have seen, one limitation arises because the main aim behind most of the changes in funding for childcare is to enable behavioural change, by enabling more parents to pay for childcare in order to take employment. Our model examines the distributional impact of policy changes on family resources assuming no behavioural change, so cannot capture the impact of childcare on parents' employment behaviour. Further, standard analyses of employment incentives, including those in chapter six of this report, also do not fully take account of childcare costs, since they include any childcare subsidy as a benefit for the family rather than a deduction from that family's cost of taking employment. It is important that adequate data on childcare costs be collected so that the modelling of employment incentives can be improved.

In addition, our analysis of impact on household income does not take into account possible impacts on the quality of the care and education that children receive. Quality is important as well as quantity in realising children's rights. Article 3 requires that 'States Parties shall ensure that the institutions, services and facilities responsible for the care or protection of children shall conform with the standards established by competent authorities, particularly in the areas of safety, health in the number and suitability of their staff, as well as competent supervision' in the context that the best interests of the child shall be the primary consideration. In addition, Article 29 sets out some general standards for education, including that it should be directed to 'the development of the child's personality, talents and mental and physical abilities to their fullest potential…'

It is therefore important to monitor the effects of the new forms of childcare subsidy on the quality of childcare received by the children of more and less affluent parents. YouGov polling showed that people on lower incomes are less able to choose high quality childcare because of cost constraints. Nearly half of parents earning less than £20,000 consider cost an important factor when choosing childcare, compared with 34 per cent of people earning between £40,000 and £60,000[68]. And there is already evidence that children living in the most deprived neighbourhoods are receiving

[68] Harriet Waldegrave (2013) *Quality Childcare: Improving early years childcare,* Policy Exchange http://www.policyexchange.org.uk/images/publications/qualityper cent20childcare.pdf

poorer quality childcare than those in more affluent neighbourhoods. Only 64 per cent of nurseries and child-minders in the most deprived areas of the country were judged ‘good’ or ‘outstanding’ by Ofsted last year, compared with 79 per cent in the country as a whole.[69]

This is germane in the current context since rising childcare prices and their effects on the employment options of parents are the problems that recent government policy has been designed to address. In particular, it would be important to monitor the effects on both quality and prices, in the light of plans to increase permitted ratios of children to adults when more qualified adults are present, given that this is intended to have the dual effect of reducing prices and raising quality.

Given these concerns about quality of provision, and the complexity of the system for childcare detailed above, the rights of children to high quality education and care (Articles 18, 28 and 29) would be more secure if there were a system of universal public provision.

[69] *Ibid.*

5.4 Impact of changes to tax credits and the uprating of benefits by one per cent

Measures that have taken money out of the benefits and tax credit systems have impacted more on working-age families with children than those without. Two examples of such changes are the package of reforms to tax credits implemented up to 2013 and, from 2013, the uprating of means-tested benefits by one per cent, instead of by CPI inflation (which was already itself a reduction in generosity compared with the previous government's RPI uprating rule). Table 5.3 shows the differential impact of these two examples of changes on families with and without children. It shows that the average impact of both measures is greater on the incomes of households with children than on the incomes of households with the same number of adults of working age but no children. In particular the impact of the one per cent uprating of means-tested benefits and tax credits is that households with children on average lose proportionately more than three times as much as households with only adults.

Table 5.3.Impact of tax credit changes to April 2013 and of uprating by one per cent of means tested benefits by 2016 by family type

	Tax credit changes to April 2013		1% uprating of means tested benefits by 2016	
Family type	Cash terms (£/week)	Overall impacts (% of income)	Cash terms (£/week)	Overall impacts (% of income)
All working age families with children	**-£11.21**	**-1.6%**	**-£13.86**	**-2.0%**
lone parent	-£10.45	-2.5%	-£5.15	-1.2%
couple, children	-£15.09	-1.9%	-£3.51	-0.4%
All working age families without children	**-£3.06**	**-0.7%**	**-£3.34**	**-0.8%**
single adult, no children	-£3.60	-1.4%	-£0.95	-0.4%
couple, no children	-£7.52	-1.0%	-£0.62	-0.1%
All pensioners	**-£2.41**	**-0.6%**	**-£0.32**	**-0.1%**
single pensioner	-£0.99	-0.3%	-£0.38	-0.1%
couple pensioner	-£3.94	-0.7%	-£0.26	-0.0%
All families	-£6.40	-1.3%	-£1.43	-0.3%

Figure 5.6 shows that the impact of both these changes are felt particularly in the lower deciles among families with children. The combined impact of these two measures alone is large, amounting to a loss of more than five per cent on average for the bottom four deciles.

Figure 5.6. Changes to tax credits and one per cent uprating of means tested benefits: impact on families with children by decile

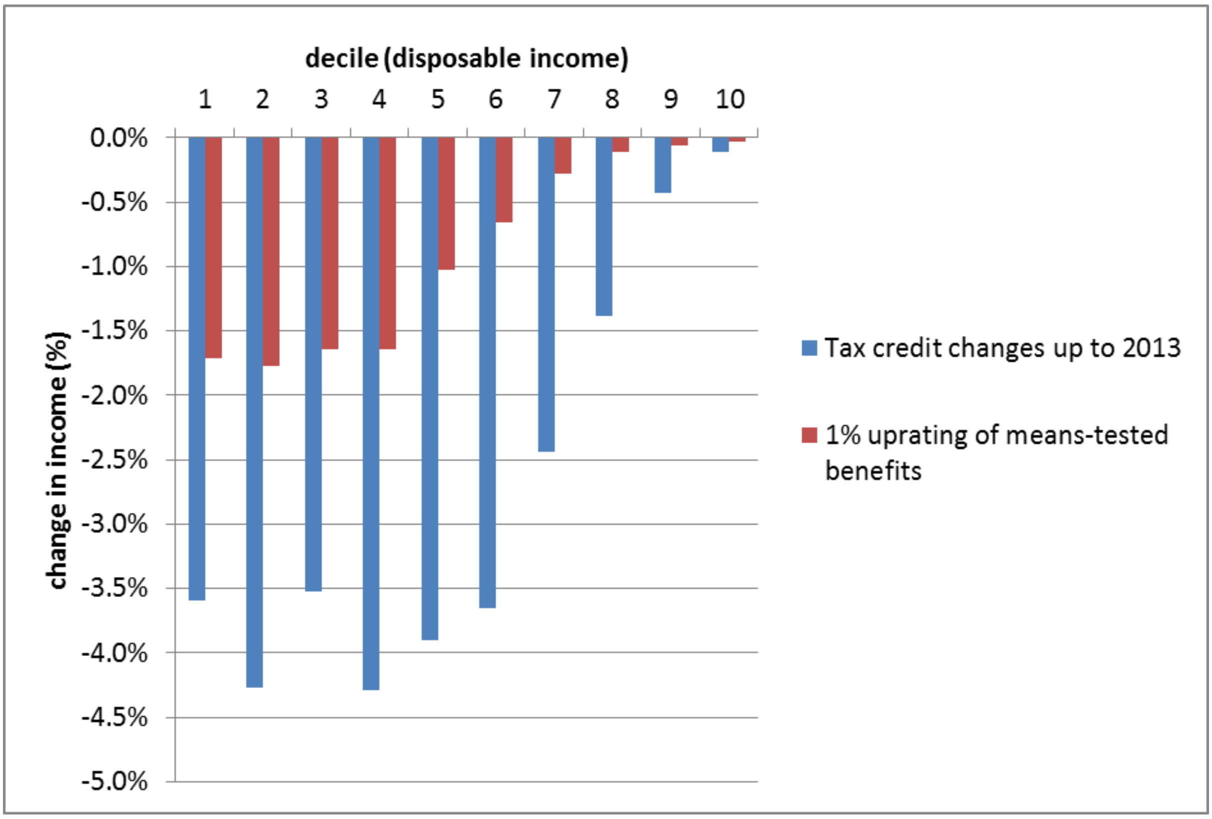


Table 5.4 shows the percentage of the savings to the exchequer for each measure that falls on families without children and families with children, calculated in the same manner as in Table 3.3 in chapter three. It also shows the impact of these two measures on the average incomes of the households of working age adults compared with those of children (calculated in the same manner as in Table 3.2). The greater impact of both measures is on families with children compared to families without children (remember that families with children make up only 32 per cent of working age families. Also, the measures impact more on the average household income of children than that of working age adults, particularly the tax credit changes.

Table 5.4. Percentage of the savings to the exchequer falling on families with and without children and impact on average household income of adults and children.

	Tax credit changes to April 2013	1% uprating of means tested benefits by 2016
Overall net impact on government finances		
% falling on families without children	31	36
% falling on families with children	69	64
Impact of average household income of		
Working age adults	-1.6%	-0.4%
Children	-2.1%	-0.5%

These two measures have adverse impacts on children's enjoyment of a wide range of rights, especially those set out in Article 6 (the right to life and to development to the maximum extent possible), Article 26 (the right to benefit from social security) and Article 27 (the right to a standard of living adequate for the child's development). Of particular concern is that families with children lose more than working age families without children. This indicates a lack of concern to follow the injunction from the Committee on the Rights of the Child to ensure that 'children, in particular marginalized and disadvantaged groups of children, are protected from the adverse effects of economic policies or financial downturns'[70] It calls in to question whether the best interests of the child has been taken as primary consideration in the design of these measures (see Article 3). Moreover, the losses among families with children are proportionately greater for lone parent families, and low income families, suggesting that there is a breach of Article 2 obligations to avoid discrimination.

5.5 The benefit cap

The benefit cap is another example of a general measure that impacts more on families with children than families without children. Its impact on children's right was assessed by the OCC as part of its Impact Assessment of the Welfare Reform Bill in January 2012.[71] Here we summarise some of that analysis and update it where necessary. Child benefit is to be included within a cap of £26,000 per annum on the total benefits that a family can receive, which is to be applied regardless of the number of children or other dependents in the family; larger families will therefore be particularly affected. Since then some exemptions have been agreed, mainly applying to those receiving in-work benefits, War Widows and Widowers and those in receipt of disability benefits, who are considered least likely to be able to take employment.

[70] General Comment 5 on General Measures for the Implementation of the Convention on the Rights of the Child(2003), para 51.
[71] Office of the Children's Commissioner (2012) *Child Rights Impact Assessment of the Welfare Reform Bill.*

The OCC noted, quoting research from the Children's Society[72] that children are nine times more likely than adults to be affected by the benefit cap. The DWP's own impact statement, revised to take of the subsequently agreed exemptions, is in line with this assessment. It notes that 89 per cent of the households affected will contain children: of whom 39 per cent will be couples with children and 50 per cent will be single parents. Table 5.5 gives the DWP's estimate of the composition of households affected by the benefit cap.[73]

Table 5.5. Estimated composition of households affected by the benefit cap

	Number of children				
	0	1 or 2	3	4	5 or more
Couples	1%	5%	9%	12%	13%
Singles /Lone parent	10%	11%	13%	11%	15%

Source: DWP (see footnote 69)

Because the measure impacts particularly on large families, far more children than adults are affected. In 2013-14, the DWP estimates that the number of adults affected by the cap will be 80,000, while the number of children affected will be 190,000, that is, 70 per cent of those affected will be children.[74]

They also note that Asian households, because they tend to be larger than households of any other ethnic group, will be more likely to be impacted by the benefit cap. The government estimates that approximately 40 per cent of the affected households will contain somebody who is from an ethnic minority.

Although some households containing people with disabilities will be exempt, roughly half of the households who lose from this policy will contain somebody who is classed as disabled under the Disability Discrimination Act definition. The benefit cap will have uneven regional effects with the DWP estimating that just under half (49 per cent) of those affected by the cap will be based in Greater London because of its higher rents paid.

Our analysis confirms this general picture, with approximately 53,000 families with children affected and also showing that while within any group the proportion of families impacted is small, the impact on those affected is large with an average loss of £75 per lone parent family and £105 per couple family. The largest effect is in London where the average loss for those affected is £150 (over both families with and families without children). Proportionately more large families are affected, including 14 per cent of all families with four or more children, with an average loss of £67 per week each. Families with a disabled adult are almost twice as likely to

[72] The Children's Society (2011), *The distributional impact of the benefit cap*, September 2011 http://www.childrenssociety.org.uk/sites/default/files/tcs/u23/Press_releases/distributional_impact_of_the_benefit_cap.pdf
[73] DWP (2011) Equality impact assessment for the benefit cap 2011 http://www.dwp.gov.uk/docs/eia-benefit-cap-wr2011.pdf
[74] *ibid*

lose, as are families suffering from any form of material deprivation. In all cases the losses are large, at least £50 per week on average.

Because this measure impacts more on large families, its impact on children is considerably greater than on adults. Although the average loss is small over both adults and children, since only a small proportion of both are affected, our calculations show that the average impact of 0.15 per cent on the household income of children is two and half times that on the household income of adults of 0.06 per cent. Our estimates suggest that 54 per cent of the losses in disposable income arising from the benefit cap fall on families with children compared with only 46 per cent for families without children. As with the tax credit and uprating measures analysed in the previous subsection, the benefit cap falls disproportionately on families with children relative to their overall representation in the population.

The aim of the measure is to encourage behavioural change, and as the impact on those affected is large, it is likely to be successful in doing so. As the DWP notes

> "*The impact on those affected will be that they will need to make a choice between a number of options including starting work, reducing their non-rent expenditure, making up any shortfall in Housing Benefit using a proportion of their other income or moving to cheaper accommodation or area."*

While the main aim may be to encourage parental employment the DWP also notes that

> *"The cap is likely to affect where different family types will be able to live… Some households are likely to present as homeless, and may as a result need to move into more expensive temporary accommodation, at a cost to the local authority."*

As has been widely reported the benefit cap is expected to result in families having to leave homes and communities, because they will no longer be able to afford to pay their rent. This is disruptive for children who may have to move schools and will lose local friends. It will also reduce their parents' ability to access informal community support in looking after them. Those most likely to be affected are the most vulnerable families, already suffering from material deprivation, for whom the support of a local community can be particularly important.

In summary, the OCC assessment was concerned about the following likely impacts of the benefit cap:

- **An increase in child poverty, with associated poor health, educational and other outcomes** through families, who cannot or do not find employment or move to cheaper accommodation, diverting large amounts of their reduced benefits to their housing costs, using money that would otherwise have been spent by families in poverty on necessities for children's health and wellbeing: heating, warm clothing, nutrition, etc.

- **Children losing their home** as a result of it becoming unaffordable**,** with over 82,000 children potentially losing their homes[75] and having to be rehoused in inferior quality temporary accommodation with a severe impact on children's emotional and physical wellbeing, safety and education, with no guarantee of availability of accommodation in cheaper areas.

- **Effect upon children of moving to other areas** through loss of support from extended family and other support networks; disruption to education; loss of contact with friends for children; and disruption to medical provision and child protection[76]. Due to migration of such families, there is also likely to be pressure on local authority, education and health services, impacting adversely on other children in those less expensive receiving areas.

- **Incentivising family breakdown**: since in general, for couple families subject to the benefit cap, two separate households would be allowed a greater overall amount of benefit income.

- **Disproportionate impact on children from some BME groups** who are more likely to live in larger family units, disproportionately affected by the household benefit cap and already grow up in poverty.[77]

- **Disproportionate impact on disabled children and children of disabled parents:** children and adults can be substantially disabled yet not eligible for any of the benefits that exempt them from the benefit cap. Disabled parents and parents of disabled children may find it harder to find employment and a large proportion of them already live below the poverty line.[78]

- **Disproportionate impact on children living with kinship carers**: kinship carers who take over the care of children, who have often already suffered a traumatic event such as the death, serious illness or imprisonment of a parent, are more likely to live in larger family. If the benefit cap results in kinship carers no longer be able to afford to stay in their home and provide such care, the children may lose contact with family and suffer further serious effects upon their emotional wellbeing.

Our updated analysis shows that none of these concerns about the impact on children have been mitigated by the subsequent exemptions.

[75] The Children's Society (2011) *The distributional impact of the benefit cap*, September 2011 http://www.childrenssociety.org.uk/sites/default/files/tcs/u23/Press_releases/distributional_impact_of_the_benefit_cap.pdf
[76] DCSF, *Working Together to Safeguard Children*, 2010, paras 11.103-11.110.
[77] Equality and Human Rights Commission, *How Fair is Britain? Equality, human rights and good relations in 2010, The First Triennial Review*, 2011, p651.
[78] *Ibid.*

As a result the OCC views the benefit cap as impacting adversely in the following way on children's rights:

- It risks unjustified discrimination in the enjoyment of the right to social security by children from larger families; children from BME groups with a higher rate of large family size; and disabled children and children of disabled parents/carers, where the disabled person is not eligible for exempting disability benefits, in breach of Article 2 (UNCRC).

- its universal imposition without regard to the individual circumstances of children means that the best interests of children cannot be a primary consideration in taking the decision to impose the cap on an affected family, contrary to Article 3 (UNCRC).

- On children's right to an standard of living adequate for their physical, mental, spiritual, moral and social development under Article 27 (UNCRC) and risking retrogression in the continuous improvement in children's living standards under Article 11 (ICESCR).

- that children under 16 are not given their own independent rights to social security, contrary to Article 26 (UNCRC), and that children's rights are not being heard in decisions affecting them under Article 12 (UNCRC). This effect is compounded by there being no rights of appeal against the imposition of the cap.

Our analysis upholds the above conclusions. The benefit cap is a particularly egregious measure because it will produce only a small fiscal saving (£290m in 2013-14 according to DWP's impact assessment)[79] but has an extremely adverse impact on the rights of children who are affected by it.

[79] See http://www.parliament.uk/documents/impact-assessments/IA12-003.pdf

6. Impact of tax and benefit changes, 2010-15, on how much employment pays

Many of the tax and benefit changes introduced since June 2010 have been defended in terms of the need to “make work pay”, implicitly assuming that additional hours of paid employment are available, which is probably not the case in areas of high unemployment. The amount of income a household actually gets from employment, after tax and national insurance deductions and withdrawal of benefits and tax credits is clearly important for the realisation of a wide range of children’s rights, especially Article 6 (the right to life and to develop ‘to the maximum extent possible’) and Article 27 (the right to a standard of living adequate for the child’s development).

This section is divided into two parts. The first part looks at the distributional impact of the tax and benefit reforms on people in employment compared to those not in employment (and hence, at changes in the incentive to enter employment), using graphs similar those used in chapter three above. The second part looks in more detail at changes in employment incentives for people already in employment.

6.1 Distributional impact of tax and benefit measures, 2010-15, on people in employment compared with those not in employment

Figure 6.1 shows the distributional impact of the tax, benefit and tax credit measures assessed in section 3.1 on net incomes for families containing one adult, broken down into four groups;

(a) Single adults without children, not in employment;
(b) Single adults without children who are in employment;
(c) Lone parents not in employment;
(d) Lone parents in employment.

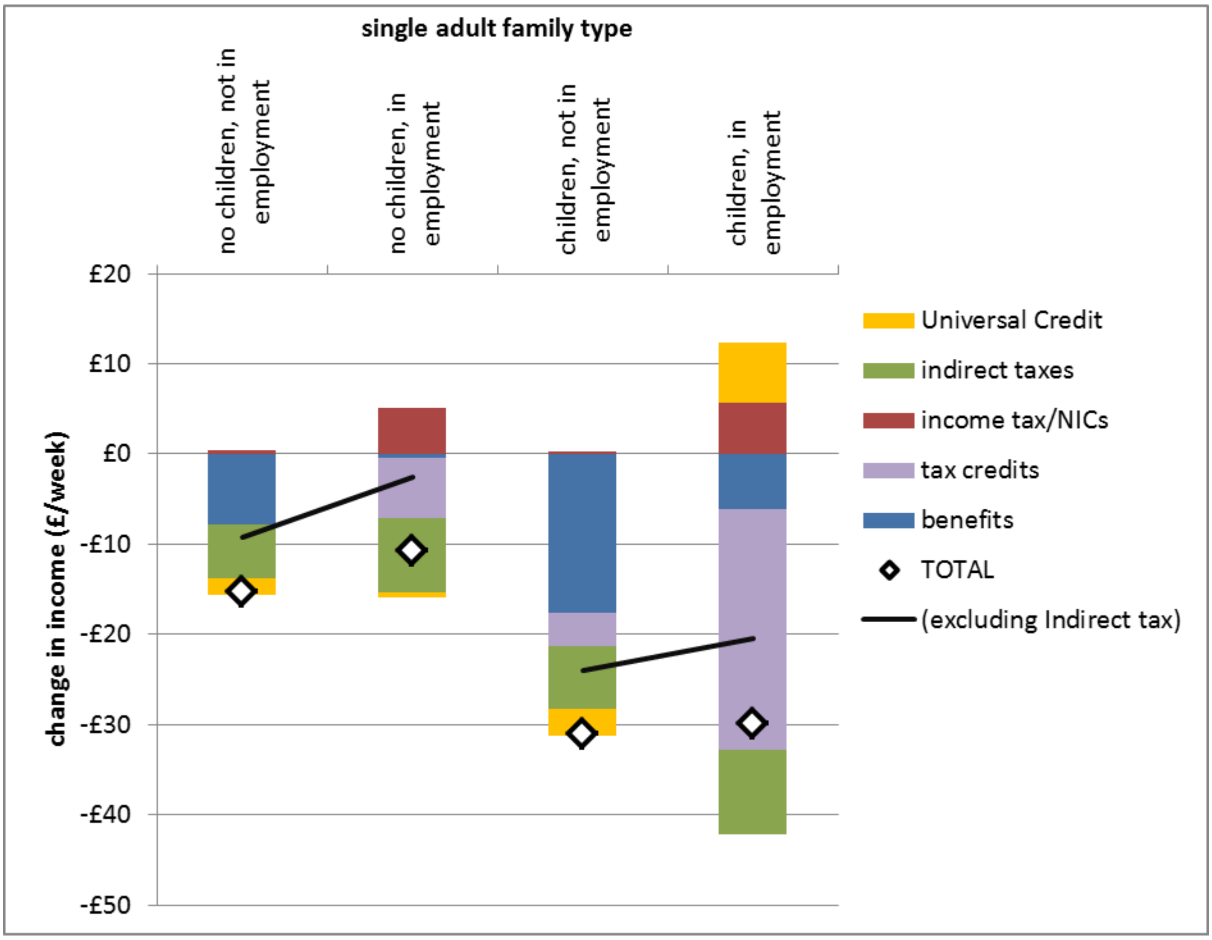
The layout of Figure 6.1 is similar to the figures shown in chapter three, with each column made up of the effects on average cash disposable income (per week) of the following sets of reforms:

- Changes to benefits (blue);
- Changes to tax credits (lilac);
- Changes to income tax and National Insurance contributions (red);
- Indirect tax changes (green);
- The additional impact of Universal Credit (on top of other benefit and tax credit changes up to April 2015 – in yellow).

The diamond overlaid on each column shows the overall distributional impact of all reforms for each group, while the black line shows the impact of all reforms *excluding indirect taxes*. We have added this line to Figure 6.1 because assessments of the impact of tax and benefit changes on employment incentives often exclude indirect tax effects. Theoretically it is not clear that there is good justification for excluding these effects as, to the extent that indirect taxes affect the prices of goods and services, they can affect the net financial returns to entering paid employment compared with not being in paid employment. However, including the total impact measures with and without indirect taxes allows both measures of employment incentives to be compared.

To assess the impact of the total package of reforms on incentives to enter employment we can examine the difference in the reforms' effects on the incomes of those in employment and on the incomes of similar individuals not in employment. Note that using this difference to measure employment incentives assumes that the reforms have no impact on the labour market other than through a change in desired employment status.

Figure 6.1. Average cumulative impact of tax and benefit measures, 2010-15, by employment status: single adult families with and without children



The two left hand columns of Figure 6.1 show the impact of the 2010-15 tax/benefit package on net incomes for single adults without children. While total disposable income falls on average for childless adults in paid employment and those not in paid employment, it falls more for those not in paid employment – meaning that on average, the incentive to enter paid employment for single adults without children improves (although only slightly – by about £4.50 per week on average, taking indirect taxes into account).

For lone parents, the difference in the impact on total incomes for those in paid employment compared with those not in paid employment is even smaller. Lone parents in employment lose around £1 less (on average) from the tax, benefit and tax credit measures than do lone parents not in paid employment, once indirect taxes are taken into account. If indirect taxes are not included in the analysis, then lone parents in paid employment lose around £3.50 less than those not in employment on average – still not a huge difference. The composition of the distributional effects for each group is very different. Lone parents not in paid employment lose most of their net income from the benefit changes, whereas for lone parents in paid employment it is the cuts to tax credits that have the biggest net impact. Lone parents in paid employment also gain on average from the changes to income tax and NI contributions and the introduction of Universal Credit, whereas lone parents not in paid employment gain almost nothing from the income tax and NICs reforms and lose slightly from the Universal Credit changes.[80]

Overall, it is possible that the 2010-15 tax, benefit and tax credit reforms improve employment incentives slightly for lone parents but the effect is likely to be very slight, and in any case, may be more than offset by the changes to childcare support detailed in chapter five, which reduce the generosity of childcare support for many lone parents employed for more than 16 hours per week, thus making it harder for them to afford childcare provision.

Figure 6.2 below presents an equivalent analysis of distributional impacts to Figure 6.1 for couples. This time there are six categories rather than four because the categories distinguish between couples with no earners (ie with no-one in paid employment – sometimes known as “workless families”), couples with one earner, and couples with two earners. Once again, the results are also presented separately for families without children (on the left hand side) and families with children (on the right hand side).

[80] Despite the fact that the basic adult and child premia for lone parents not in paid employment in Universal Credit are almost identical to the equivalent amounts in the Income Support and Child Tax Credit systems, lone parents in this group still lose out from Universal Credit due to some of the other rule changes – in particular the capital limits for Universal Credit eligibility, the treatment of maintenance income in Universal Credit, and some of the changes to the disability premia for adults and children, which are less generous (except for the severely disabled).

Figure 6.2. Average cumulative impact of tax and benefit measures, 2010-15, by employment status: couple families, with and without children

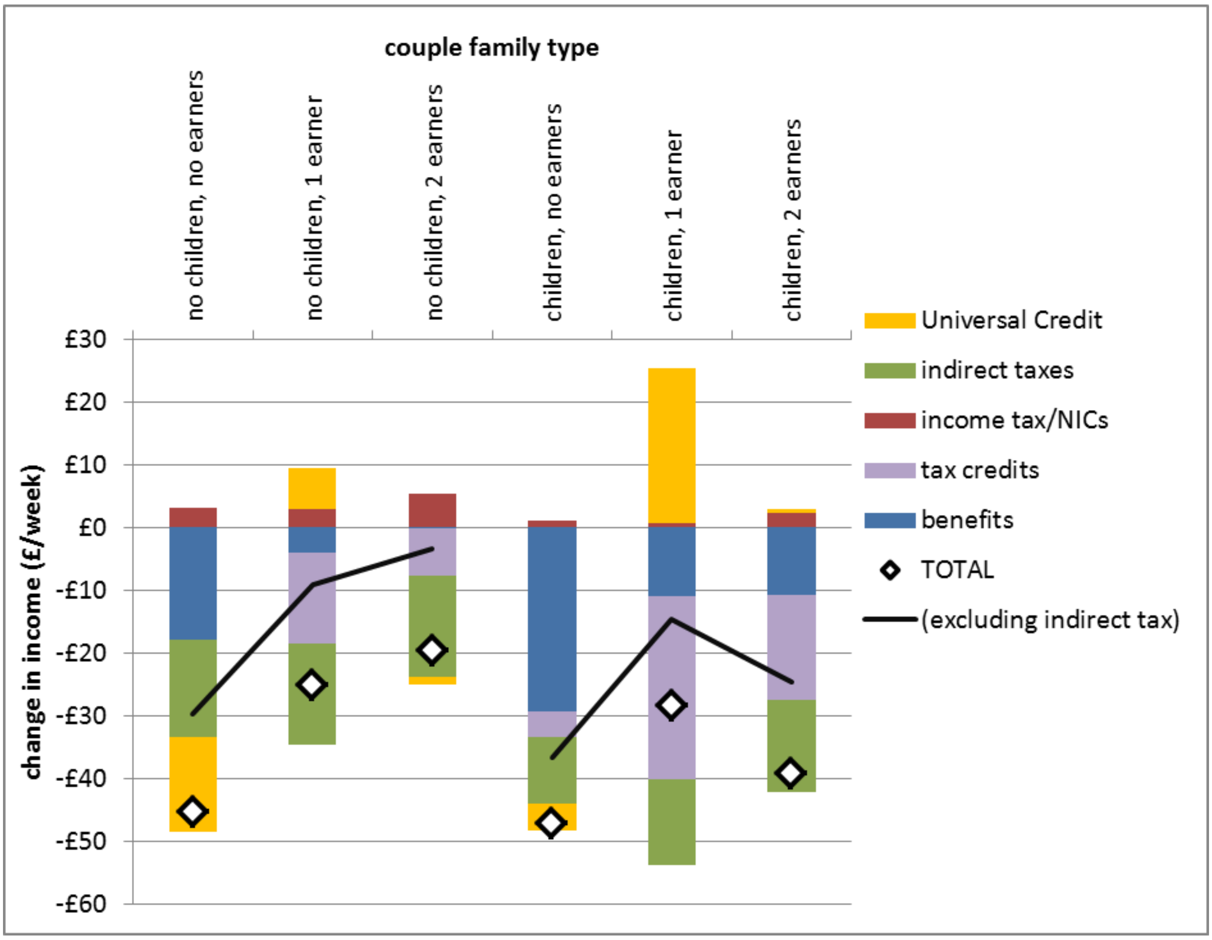


Figure 6.2 shows that for couples without children, average losses from the 2010-15 package for families with no-one in paid employment are a lot lower than for families with one adult in paid employment. Including indirect tax effects, no-earner couples without children lose an average of around £45 per week compared to around £25 for one-earner couples without children. The main reason for this is the introduction of Universal Credit, which results in average losses (on top of other impacts) for no-earner couples of around £15, but average gains for one-earner couples of around £7. For two-earner couples without children, the average losses from the tax/benefit package are around £6 lower than for one-earner couples and around £26 lower than for no-earner couples. Thus it seems reasonable to conclude that the cumulative impact of the 2010-15 package for couples without children is to improve employment incentives (at least on average) greatly for the first earner but also improve them for a second earner, though by considerably less. However we should note that, as section 3.1 showed, the way that this is done is distributionally regressive in that a lot more is taken in percentage terms from families least able to afford it.

For couples with children the employment incentive impacts of the reforms are more ambiguous, with the impact on *two-earner* couples with children quite different from on two-earner childless couples. Average losses for one-earner couples with children are around £19 less than for no-earner couples with children, but two-earner couples lose around £11 per week more from the reforms than one-earner couples on average. This means that while, on average, incentives for one adult to enter paid employment in a “workless” family with children are improved by the reforms, at the same time, incentives for a second adult to enter paid employment in a one-earner family with children are weakened. Indeed, the reforms may create an incentive for second earners in couples with children to *leave* paid employment, thereby reducing overall employment in the economy rather than increasing it.

This pattern of results is entirely due to Universal Credit, which is more generous (on average) for one-earner couples with children than for no-earner or two-earner couples with children. These second earner disincentive effects will be magnified for families needing childcare where the second earner would be employed for more than 16 hours, because Universal Credit, at least until 2016, in general provides less generous childcare support than previously. For second earners needing childcare that take employment of less than 16 hours the disincentive effects will be not as strong as shown in Figure 6.2, since support with childcare costs for those employed for less than 16 hours are available only under Universal Credit. Thus the introduction of Universal Credit reduces incentives for second earners to enter employment except possibly for those who do so for very short hours.

For families who are not yet eligible for Universal Credit (which is being rolled out on a national basis only from October 2013, and more slowly than originally anticipated), the average impact of the other reforms, based on these results, is actually slightly *worse* for one-earner families with children than for no-earner families with children, and approximately the same for two-earner and no-earner families with children. This means that the improvement in the incentive for any adult to enter employment in no-earner couples with children is crucially dependent on Universal Credit being rolled out and even that will not improve incentives to have two full earners in the family.

6.2 Impact of tax and benefit measures on employment incentives for people already in employment

Table 6.1 uses the Landman Economics tax-benefit model to show the increase and decrease in marginal earned deduction rates (MEDRs), for the whole population of people in employment (employees plus self-employed) in the FRS for 2010-11. The MEDR measures the total amount deducted from an extra pound of earnings from employment, which would include:

- The applicable marginal rate of income tax (for people who are over the income tax threshold);
- Employee National Insurance contributions (for people who are above the primary threshold, or the lower profits limit (in the case of the self-employed);

- Tapering of means-tested benefits, tax credits or the Universal Credit for their families (for example, the Universal Credit is withdrawn at a rate of 65 per cent on family income after income tax and National Insurance contributions);
- Tapering of CTB or its successor (from April 2013), CTS for their families.

So for example, if a person's MEDR is 40 per cent, this means that if that person earns an extra pound, 40 pence of those extra earnings is deducted in tax, NICs and/or reduced transfer payments – leaving the person with an increase of 60 pence in net disposable income.

Table 6.1 presents our results on MEDRs by looking at *changes* in MEDRs for families in the "Universal Credit" April 2015 system (after all tax and benefit changes intended for this Parliament have been introduced) compared with the April 2010 system uprated to 2015 prices but without any other changes being made. In other words this table compares MEDRs "before and after" the reforms introduced by the Coalition Government and looks at the resulting change in MEDRs. The first column of results in Table 6.1 shows the changes in MEDRs for all families. The other columns show the results for families with children, broken down as follows:

- Lone parents in employment;
- 'Primary earners' in couples with children. For couples with children where only one adult is in employment, that adult is defined as the 'primary earner' for the purposes of this table. For couples with children where both adults are in employment, the primary earner is defined as the adult with the higher weekly earnings;
- 'Second earners' – defined as the adult with the lower weekly earnings in two-earner couples with children.

Reading from top to bottom, the figures show the percentage of families in each column with MEDRs changing as described in the rows – starting with families who enjoy the biggest fall in MEDRs at the top (ie those who will enjoy the biggest increase in disposable income from earning an extra pound), through families with smaller reductions in MEDRs, through to families with no change in the fifth row (ie those who will not enjoy any increase in disposable income from earning an extra pound), through to families with rising MEDRs in the lower rows (ie those will enjoy less disposable income from earning an extra pound than before the reforms). The last two rows show the average (mean) change in MEDRs and the median change (the change for the 'middle' family, ranked in terms of MEDRs under the baseline), within each column group. It is clear that while the reforms will increase the extent to which employment pays for some people, for others they will reduce the extent to which employment pays.

Table 6.1. Impact of all reforms (including Universal Credit) on MEDRs of people in employment – change in percentage points (pp)

	All families	Lone parents	Couples with children:	
Percentage of families with change in MEDR:			Primary earner	Second earner
Falls by more than 20 pp	15.3	26.3	15.0	12.0
Falls by 10-20 pp	3.7	5.8	5.7	0.9
Falls by 5-10 pp	3.9	1.8	8.9	8.5
Falls by less than 5pp	2.3	6.8	3.5	2.2
No change	5.3	8.6	5.9	0.3
Increases by less than 5pp	49.5	7.9	34.0	43.9
Increases by 5-10pp	6.7	25.9	9.2	12.5
Increases by 10-20pp	8.0	13.9	8.9	15.9
Increases by more than 20pp	4.9	3.0	9.0	3.8
Mean change in MEDR (pp)	-3.5	-10.4	-2.2	-0.7
Median change in MEDR (pp)	+1	+1	+1	+1

Table 6.1 shows that across all families (including families with children and those without), around 15 per cent of all families see falls in their MEDRs of more than 20 percentage points, while another 10 per cent see smaller falls. Five per cent see no change in MEDRs, while almost half the sample see a small increase of less than five percentage points (for most of these this is because of the one per cent rise in employee National Insurance contributions). Around 20 per cent see increase of more than five percentage points. The average change (mean) in MEDRs across the whole sample is a reduction of 3.5 percentage points.

For lone parents, the average change is a much bigger fall (10.4 percentage points), and over a quarter of the sample see a very large fall of over 20 percentage points in their MEDR. This is due to a combination of the rise in the income tax personal allowance and the introduction of Universal Credit which reduces MEDRs substantially for low-income families with someone in employment living in rented housing, due to the combined taper of 65 per cent of net income compared with a gross income taper of at least 79 per cent for lone parents claiming Working Tax Credit and Housing Benefit (rising to around 91 per cent once income tax and NICs are factored in as well). However, over 40 per cent of lone parents see a MEDR increase of at least five percentage points after the reforms in the 2010-15 Parliament.

For couples with children, primary earners see a much smaller average change in MEDRs than lone parents. A relatively large proportion (nine per cent) experience increases in MEDRs of more than 20 per cent, and 61 in total experience some increase in MEDRs. On the other hand 15 per cent see a reduction of more than 20 percentage points. For secondary earners, the proportion experiencing some increase in MEDRs is much higher (around three-quarters). In general it is fair to say that the reforms in the 2010-15 parliament have a more positive effect on how well employment pays for primary earners (who are mainly men) than secondary earners (who are mainly women). This may act as a disincentive for mothers in couples to enter the labour market and mean that they and their families are unable to secure an adequate standard of living.

It is important to note some limitations to the results in this section. First, and probably most significantly, the results do not include reforms to childcare in the MEDRs. If parents in employment have to purchase extra paid childcare to be able to earn more, then their 'true' addition to net income *after childcare costs* for each extra pound earned could be much lower than our results show – and perhaps negative – even after taking account of the additional support for childcare announced for some families from 2015 or 2016 in Budget 2013 (Tax Free Childcare and changes to Universal Credit rules for income tax payers). Second, the figures do not take account of the increase of one per cent in *employer* National Insurance contributions from 2011-12. If increased employer NICs result in lower gross wages for employees in the long run (which is what most economic theory suggests) then the effective MEDR will be higher as a result of the employer NICs increase. Third, the two-and-a-half percentage point increase in VAT implemented in January 2011 may have an indirect impact on how far employment pays because it lowers the purchasing power of net incomes; VATable goods and services cost more than they would have done in the absence of the VAT increase and this is equivalent to a reduction in the net wage. Again, this impact is not taken into account in the results presented in this section.

Finally, MEDRs only capture the gain to an extra pound of earnings for those already in employment. It does not capture the full income effects of moving into (or out of) employment. This is because both tax credits and Universal Credit have additional incentives, eligibility for the working tax credit and an earnings disregard, respectively, to encourage a first earner to enter employment, but no such additional incentives for second earners. This reduces the extent to which entering employment pays for second earners in low income households, as we saw in section 6.1.

6.3 Overall assessment of impact on employment incentives and the implications for children's rights

The results in this section suggest that while the package of reforms may have a positive impact on the rights of some children (especially the right to development to the maximum possible extent – Article 6 – and to a standard of living adequate, to the child's development – Article 27). This is the case for children in no-earner couples who have a parent who subsequently takes employment (via the positive impact on the disposable income their families gain from additional earnings, assuming additional employment is available). However, for others there is a negative impact (via the negative impact on the disposable income their families gain from additional earnings). This seems to be particularly the case for children in one-earner couples where the other subsequently takes employment.

The reforms, taken as a whole, do not ensure that employment will pay more for all parents. Even if more employment becomes available, the tax and benefit system that will be in place in April 2015 will not enhance the disposable income of all families where the parents take employment and thus will not contribute to enhancing the development possibilities and standard of living of all children, especially those in low income families. The disincentives for second earners in couple families with children are important for children, since it is having a second income that lifts many families out of poverty. Further, the potential second earner is usually the mother who is also more likely to live with the child(ren) if couple parents split up; if she has left the labour market the family's income will be considerably smaller as a lone parent family, than if she had remained in employment. Thus the reforms do not secure for all children the rights that particularly depend on family disposable income, the right to development to the maximum extent possible (Article 6) and the right to a standard of living adequate for the child's development (Article 27).

7. Conclusions

This quantitative evaluation has shown that UK budgets and associated measures since June 2010 have negative implications for a wide range of children's rights, reducing the resources available for the realisation of these rights. The incomes that households have available to meet children's rights have been reduced by the package of changes in taxes, tax credits and welfare benefits that have been introduced; reforms that will come into force by 2015 and 2016 may do something to offset this for some families, but will not cancel the losses. Employment incentives will improve for first earners in couples with children but for second earners they will worsen. The numbers of children in poverty and lacking an adequate standard of living will grow. The funding for public services relevant to a wide range of children's rights has been cut, and further cuts seem likely in the future; and in interpersonal services, such as education, care, social protection and recreation, which are so crucial to children's rights, attempting to maintain the services with less funding all too often reduces the quality of the service.

The evidence suggests that the government has not met its obligation to 'ensure the rights set forth in the present Convention to each child within their jurisdiction without discrimination of any kind' (Article 2). The losses in services and family income bear more heavily on certain groups of children who are already subject to a variety of disadvantages, particularly children in low income families, those suffering various material deprivations, children with disabilities, children in ethnic minority families, those in one parent families and those in large families.

The evidence that there will be an increase in the numbers of children living in families with incomes below the poverty line or without an acceptable standard of living, and that those who are already suffering material deprivations will lose more than those who are not, suggests that the government has paid no regard to the minimum core obligations to ensure that all children are able to live in dignity with access to essential foodstuffs, primary health care, basic shelter and housing, social security or social assistance coverage, family protection, and basic education. As the Committee on the Rights of the Child has pointed out, governments are required to take immediate action to implement these obligations, irrespective of the availability of resources.[81]

The evidence demonstrates that fiscal consolidation measures will have a larger negative impact on working age families with children than on those without children, suggesting that they have not been designed with the best interests of the child as the primary consideration (Article 3); and that the injunction from the Committee on the Rights of the Child that children should be protected from the adverse impacts of economic policies[82] has been ignored.

[81] Committee on the Rights of the Child, Day of General Discussion on Resources for the Rights of the Child - Responsibility of States, Recommendations, 2007 (para 48) http://www2.ohchr.org/english/bodies/crc/discussion2013.htm
[82] Committee on the Rights of the Child, General Comment 5 on General Measures for the Implementation of the Convention on the Rights of the Child (2003) (para 51).

The evidence also suggests that the government has not complied with the obligation to undertake measures to implement children's rights using the maximum available resources (Article 4). This obligation has been interpreted by the Committee on the Rights of the Child to include the obligation for progressive realisation of children's economic and social rights, as is called for by Article 4 of the International Covenant on Economic, Social and Cultural Rights, which covers 'everyone' and therefore includes children.[83] The obligation for progressive realisation also includes the obligation not to adopt retrogressive measures which will hamper the enjoyment of rights.[84] On the basis of our evidence, although not every individual measure is retrogressive, the package of measures as a whole looks, on the face of it, a retrogressive set of policies. It is true that the government has to deal with a difficult economic situation, following the 2008 financial crisis and the subsequent recession. But that by itself does not justify retrogressive measures. For instance, in a General Comment on children's right to health earlier this year, the Committee on the Rights of the Child stated that:

> *"Irrespective of resources, States have the obligation to not take any retrogressive steps that could hamper the enjoyment of children's right to health."* [85]

The Chair of the Committee on Economic, Social and Cultural Rights also issued clarification on this matter in relation to austerity measures in a letter to governments in May 2012[86], stating that:

> *"Any proposed policy change or adjustment has to meet the following requirements: first the policy is a temporary measure covering only the period of crisis; second the policy is necessary and proportionate, in the sense that the adoption of any other policy, or a failure to act, would be more detrimental to economic, social and cultural rights; third the policy is not discriminatory and comprises all possible measures, including tax measures, to support social transfers to mitigate inequalities that can grow in times of crisis and to ensure that the rights of the disadvantaged and marginalized individuals and groups are not disproportionately affected; fourth the policy identifies the minimum core content of rights….. and ensures the protection of this core content at all times."*

The evidence in this report suggests that UK fiscal consolidation measures have not met these requirements.

The reference to tax measures is particularly pertinent. The fiscal consolidation strategy of the UK government relies disproportionately on expenditure cuts, which are expected to produce about 80-85 per cent of the planned reduction in the

[83] Committee on the Rights of the Child, General Comment 5: General measures of implementation of the Convention on the Rights of the Child (2003), (paras 7 and 8).
[84] Committee on the Rights of the Child, Day of General Discussion on Resources for the Rights of the Child - Responsibility of States, Recommendations, 2007 (para 47).
http://www2.ohchr.org/english/bodies/crc/discussion2013.htm
[85] Committee on the Rights of the Child, General Comment 15 on the right of the child to the highest attainable standard of health, 2013 (para 72).
[86] G. Pillay, Chairperson, Committee on Economic, Social and Cultural Rights, CESCR/48th/SP/MAB/SW

budget deficit, while increases in tax revenues are expected to produce 15-20 per cent[87]. The government has reduced taxes for the rich and for corporations and has allowed HMRC to strike deals with large corporations that mean they have been 'forgiven' some of the tax they owe. The parliamentary Public Accounts Committee has identified numerous ways in which transnational corporations avoid paying tax on the profits they make in UK.

The reduction in the income tax threshold sounds as if it helps support the right of low income children to an adequate standard of living – but it is not well targeted as many of the gains go to families in which children already have an adequate standard of living and many children who do not have an adequate standard of living do not benefit. A different policy on taxation, that focuses on raising more revenue from those who have the ability to pay, has the potential to reduce the extent to which expenditure is cut on services that are really vital for preventing violation of children's rights. The government has required higher income families with children to pay more tax to claw back child benefit, but it has not required higher income families that do not have children to pay higher taxes.

In addition, a different set of priorities in cutting expenditure could have been adopted to safeguard resources for disadvantaged children. For instance, while funding for health services has been ringfenced, and schools spending has been partially ringfenced, many of the services which disadvantaged children rely on most – early years funding (including Sure Start children's centres), social services and recreational and leisure facilities such as youth clubs – are not ringfenced and the emerging evidence base suggests that these services have suffered some of the worst cuts arising from the austerity drive.

Finally a government has a choice about the speed and depth of fiscal consolidation. Rapid and deep fiscal consolidation can backfire, especially if lots of other governments are pursuing similar policies, leading to a reduction, not an increase, of the resources available to a government.[88] This happens if the fiscal consolidation leads to ongoing stagnation of output, restricting tax revenues despite increases in tax rates. Such stagnation also leads to a reduction in resources available to households, through high levels of unemployment, and underemployment, and falling real wages. The IMF has suggested that the UK government reconsider its fiscal consolidation strategy in light of the ongoing stagnation of the UK economy and introduce more flexibility.[89] A reconsideration of the time frame for fiscal consolidation and the balance between expenditure cuts and increases in tax revenue has the potential to decrease the adverse impact of

[87] The Chancellor claimed 80 per cent from expenditure cuts, 20 per cent from increased tax revenues in his 2012 Autumn Financial Statement. The Institute for Fiscal Studies has estimated 85 per cent form expenditure cuts and 15 per cent from increases in tax revenues Tetlow, G. (2012) 'Borrow Now, Cut Spending Later', Institute of Fiscal Studies. http://www.ifs.org.uk/conferences/BNCSL_GT.pdf

[88] The IMF has recently increased its estimates of the negative impact of public spending cuts on output: see Blanchard, O. and Leigh, D. (2013) 'Growth Forecast Errors and Fiscal Multipliers ', *IMF Working Paper,* WP/13/1, Washington DC: IMF.

[89] IMF World Economic Outlook, April 2013, p 49.

current policies on resources available for children's rights. These adverse impacts are not temporary but have long lasting impacts on vulnerable children.
The government could undertake systematic assessment of the impact of budgetary policies on children's rights, making use of the approach adopted here, and strengthening it by setting up better data collection systems to fill some of the gaps that limit our analysis. In particular, the government should set up and maintain a central data base on the cuts to the budgets of local authorities and the cuts to services that are made by local authorities.

The government could retain the policy measures that have a positive impact on children's rights and change those that are having a negative impact. The government has indicated a willingness to allocate more funding for investment in physical infrastructure that it considers important for the future, such as transport. But our children are even more important for our future, and human rights obligations suggest that government should also invest in social infrastructure, such as a high quality universal public child care and early years education system, which would both contribute to the progressive realisation of children's rights and to economic and social recovery.

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Appendix A: The United Nations Convention on the Rights of the Child: part 1

Preamble

The States Parties to the present Convention,

Considering that, in accordance with the principles proclaimed in the Charter of the United Nations, recognition of the inherent dignity and of the equal and inalienable rights of all members of the human family is the foundation of freedom, justice and peace in the world,

Bearing in mind that the peoples of the United Nations have, in the Charter, reaffirmed their faith in fundamental human rights and in the dignity and worth of the human person, and have determined to promote social progress and better standards of life in larger freedom,

Recognizing that the United Nations has, in the Universal Declaration of Human Rights and in the International Covenants on Human Rights, proclaimed and agreed that everyone is entitled to all the rights and freedoms set forth therein, without distinction of any kind, such as race, colour, sex, language, religion, political or other opinion, national or social origin, property, birth or other status,

Recalling that, in the Universal Declaration of Human Rights, the United Nations has proclaimed that childhood is entitled to special care and assistance,

Convinced that the family, as the fundamental group of society and the natural environment for the growth and well-being of all its members and particularly children, should be afforded the necessary protection and assistance so that it can fully assume its responsibilities within the community,

Recognizing that the child, for the full and harmonious development of his or her personality, should grow up in a family environment, in an atmosphere of happiness, love and understanding,

Considering that the child should be fully prepared to live an individual life in society, and brought up in the spirit of the ideals proclaimed in the Charter of the United Nations, and in particular in the spirit of peace, dignity, tolerance, freedom, equality and solidarity,

Bearing in mind that the need to extend particular care to the child has been stated in the Geneva Declaration of the Rights of the Child of 1924 and in the Declaration of the Rights of the Child adopted by the General Assembly on 20 November 1959 and recognized in the Universal Declaration of Human Rights, in the International Covenant on Civil and Political Rights (in particular in articles 23 and 24), in the International Covenant on Economic, Social and Cultural Rights (in particular in article 10) and in the statutes and relevant instruments of specialized agencies and international organizations concerned with the welfare of children,

Bearing in mind that, as indicated in the Declaration of the Rights of the Child, "the child, by reason of his physical and mental immaturity, needs special safeguards and care, including appropriate legal protection, before as well as after birth",

Recalling the provisions of the Declaration on Social and Legal Principles relating to the Protection and Welfare of Children, with Special Reference to Foster Placement and Adoption Nationally and Internationally; the United Nations Standard Minimum Rules for the Administration of Juvenile Justice (The Beijing Rules); and the Declaration on the Protection of Women and Children in Emergency and Armed Conflict, Recognizing that, in all countries in the world, there are children living in exceptionally difficult conditions, and that such children need special consideration,

Taking due account of the importance of the traditions and cultural values of each people for the protection and harmonious development of the child, Recognizing the importance of international co-operation for improving the living conditions of children in every country, in particular in the developing countries,

Have agreed as follows:

PART I

Article 1

For the purposes of the present Convention, a child means every human being below the age of eighteen years unless under the law applicable to the child, majority is attained earlier.

Article 2

1. States Parties shall respect and ensure the rights set forth in the present Convention to each child within their jurisdiction without discrimination of any kind, irrespective of the child's or his or her parent's or legal guardian's race, colour, sex, language, religion, political or other opinion, national, ethnic or social origin, property, disability, birth or other status.

2. States Parties shall take all appropriate measures to ensure that the child is protected against all forms of discrimination or punishment on the basis of the status, activities, expressed opinions, or beliefs of the child's parents, legal guardians, or family members.

Article 3

1. In all actions concerning children, whether undertaken by public or private social welfare institutions, courts of law, administrative authorities or legislative bodies, the best interests of the child shall be a primary consideration.

2. States Parties undertake to ensure the child such protection and care as is necessary for his or her well-being, taking into account the rights and duties of his or her parents, legal guardians, or other individuals legally responsible for him or her, and, to this end, shall take all appropriate legislative and administrative measures.

3. States Parties shall ensure that the institutions, services and facilities responsible for the care or protection of children shall conform with the standards established by competent authorities, particularly in the areas of safety, health, in the number and suitability of their staff, as well as competent supervision.

Article 4

States Parties shall undertake all appropriate legislative, administrative, and other measures for the implementation of the rights recognized in the present Convention. With regard to economic, social and cultural rights, States Parties shall undertake such measures to the maximum extent of their available resources and, where needed, within the framework of international co-operation.

Article 5

States Parties shall respect the responsibilities, rights and duties of parents or, where applicable, the members of the extended family or community as provided for by local custom, legal guardians or other persons legally responsible for the child, to provide, in a manner consistent with the evolving capacities of the child, appropriate direction and guidance in the exercise by the child of the rights recognized in the present Convention.

Article 6

1. States Parties recognize that every child has the inherent right to life.

2. States Parties shall ensure to the maximum extent possible the survival and development of the child.

Article 7

1. The child shall be registered immediately after birth and shall have the right from birth to a name, the right to acquire a nationality and. as far as possible, the right to know and be cared for by his or her parents.

2. States Parties shall ensure the implementation of these rights in accordance with their national law and their obligations under the relevant international instruments in this field, in particular where the child would otherwise be stateless.

Article 8

1. States Parties undertake to respect the right of the child to preserve his or her identity, including nationality, name and family relations as recognized by law without unlawful interference.

2. Where a child is illegally deprived of some or all of the elements of his or her identity, States Parties shall provide appropriate assistance and protection, with a view to re-establishing speedily his or her identity.

Article 9

1. States Parties shall ensure that a child shall not be separated from his or her parents against their will, except when competent authorities subject to judicial review determine, in accordance with applicable law and procedures, that such separation is necessary for the best interests of the child. Such determination may be necessary in a particular case such as one involving abuse or neglect of the child by the parents, or one where the parents are living separately and a decision must be made as to the child's place of residence.

2. In any proceedings pursuant to paragraph 1 of the present article, all interested parties shall be given an opportunity to participate in the proceedings and make their views known.

3. States Parties shall respect the right of the child who is separated from one or both parents to maintain personal relations and direct contact with both parents on a regular basis, except if it is contrary to the child's best interests.

4. Where such separation results from any action initiated by a State Party, such as the detention, imprisonment, exile, deportation or death (including death arising from any cause while the person is in the custody of the State) of one or both parents or of the child, that State Party shall, upon request, provide the parents, the child or, if appropriate, another member of the family with the essential information concerning the whereabouts of the absent member(s) of the family unless the provision of the information would be detrimental to the well-being of the child. States Parties shall further ensure that the submission of such a request shall of itself entail no adverse consequences for the person(s) concerned.

Article 10

1. In accordance with the obligation of States Parties under article 9, paragraph 1, applications by a child or his or her parents to enter or leave a State Party for the purpose of family reunification shall be dealt with by States Parties in a positive, humane and expeditious manner. States Parties shall further ensure that the submission of such a request shall entail no adverse consequences for the applicants and for the members of their family.

2. A child whose parents reside in different States shall have the right to maintain on a regular basis, save in exceptional circumstances personal relations and direct contacts with both parents. Towards that end and in accordance with the obligation

of States Parties under article 9, paragraph 1, States Parties shall respect the right of the child and his or her parents to leave any country, including their own, and to enter their own country. The right to leave any country shall be subject only to such restrictions as are prescribed by law and which are necessary to protect the national security, public order (ordre public), public health or morals or the rights and freedoms of others and are consistent with the other rights recognized in the present Convention.

Article 11

1. States Parties shall take measures to combat the illicit transfer and non-return of children abroad.

2. To this end, States Parties shall promote the conclusion of bilateral or multilateral agreements or accession to existing agreements.

Article 12

1. States Parties shall assure to the child who is capable of forming his or her own views the right to express those views freely in all matters affecting the child, the views of the child being given due weight in accordance with the age and maturity of the child.

2. For this purpose, the child shall in particular be provided the opportunity to be heard in any judicial and administrative proceedings affecting the child, either directly, or through a representative or an appropriate body, in a manner consistent with the procedural rules of national law.

Article 13

1. The child shall have the right to freedom of expression; this right shall include freedom to seek, receive and impart information and ideas of all kinds, regardless of frontiers, either orally, in writing or in print, in the form of art, or through any other media of the child's choice.

2. The exercise of this right may be subject to certain restrictions, but these shall only be such as are provided by law and are necessary:

(a) For respect of the rights or reputations of others; or

(b) For the protection of national security or of public order (ordre public), or of public health or morals.

Article 14

1. States Parties shall respect the right of the child to freedom of thought, conscience and religion.

2. States Parties shall respect the rights and duties of the parents and, when applicable, legal guardians, to provide direction to the child in the exercise of his or her right in a manner consistent with the evolving capacities of the child.

3. Freedom to manifest one's religion or beliefs may be subject only to such limitations as are prescribed by law and are necessary to protect public safety, order, health or morals, or the fundamental rights and freedoms of others.

Article 15

1. States Parties recognize the rights of the child to freedom of association and to freedom of peaceful assembly.

2. No restrictions may be placed on the exercise of these rights other than those imposed in conformity with the law and which are necessary in a democratic society in the interests of national security or public safety, public order (ordre public), the protection of public health or morals or the protection of the rights and freedoms of others.

Article 16

1. No child shall be subjected to arbitrary or unlawful interference with his or her privacy, family, or correspondence, nor to unlawful attacks on his or her honour and reputation.

2. The child has the right to the protection of the law against such interference or attacks.

Article 17

States Parties recognize the important function performed by the mass media and shall ensure that the child has access to information and material from a diversity of national and international sources, especially those aimed at the promotion of his or her social, spiritual and moral well-being and physical and mental health.

To this end, States Parties shall:

(a) Encourage the mass media to disseminate information and material of social and cultural benefit to the child and in accordance with the spirit of article 29;

(b) Encourage international co-operation in the production, exchange and dissemination of such information and material from a diversity of cultural, national and international sources;

(c) Encourage the production and dissemination of children's books;

(d) Encourage the mass media to have particular regard to the linguistic needs of the child who belongs to a minority group or who is indigenous;

(e) Encourage the development of appropriate guidelines for the protection of the child from information and material injurious to his or her well-being, bearing in mind the provisions of articles 13 and 18.

Article 18

1. States Parties shall use their best efforts to ensure recognition of the principle that both parents have common responsibilities for the upbringing and development of the child. Parents or, as the case may be, legal guardians, have the primary responsibility for the upbringing and development of the child. The best interests of the child will be their basic concern.

2. For the purpose of guaranteeing and promoting the rights set forth in the present Convention, States Parties shall render appropriate assistance to parents and legal guardians in the performance of their child-rearing responsibilities and shall ensure the development of institutions, facilities and services for the care of children.

3. States Parties shall take all appropriate measures to ensure that children of working parents have the right to benefit from child-care services and facilities for which they are eligible.

Article 19

1. States Parties shall take all appropriate legislative, administrative, social and educational measures to protect the child from all forms of physical or mental violence, injury or abuse, neglect or negligent treatment, maltreatment or exploitation, including sexual abuse, while in the care of parent(s), legal guardian(s) or any other person who has the care of the child.

2. Such protective measures should, as appropriate, include effective procedures for the establishment of social programmes to provide necessary support for the child and for those who have the care of the child, as well as for other forms of prevention and for identification, reporting, referral, investigation, treatment and follow-up of instances of child maltreatment described heretofore, and, as appropriate, for judicial involvement.

Article 20

1. A child temporarily or permanently deprived of his or her family environment, or in whose own best interests cannot be allowed to remain in that environment, shall be entitled to special protection and assistance provided by the State.

2. States Parties shall in accordance with their national laws ensure alternative care for such a child.

3. Such care could include, inter alia, foster placement, kafalah of Islamic law, adoption or if necessary placement in suitable institutions for the care of children. When considering solutions, due regard shall be paid to the desirability of continuity

in a child's upbringing and to the child's ethnic, religious, cultural and linguistic background.

Article 21

States Parties that recognize and/or permit the system of adoption shall ensure that the best interests of the child shall be the paramount consideration and they shall:

(a) Ensure that the adoption of a child is authorized only by competent authorities who determine, in accordance with applicable law and procedures and on the basis of all pertinent and reliable information, that the adoption is permissible in view of the child's status concerning parents, relatives and legal guardians and that, if required, the persons concerned have given their informed consent to the adoption on the basis of such counselling as may be necessary;

(b) Recognize that inter-country adoption may be considered as an alternative means of child's care, if the child cannot be placed in a foster or an adoptive family or cannot in any suitable manner be cared for in the child's country of origin;

(c) Ensure that the child concerned by inter-country adoption enjoys safeguards and standards equivalent to those existing in the case of national adoption;

(d) Take all appropriate measures to ensure that, in inter-country adoption, the placement does not result in improper financial gain for those involved in it;

(e) Promote, where appropriate, the objectives of the present article by concluding bilateral or multilateral arrangements or agreements, and endeavour, within this framework, to ensure that the placement of the child in another country is carried out by competent authorities or organs.

Article 22

1. States Parties shall take appropriate measures to ensure that a child who is seeking refugee status or who is considered a refugee in accordance with applicable international or domestic law and procedures shall, whether unaccompanied or accompanied by his or her parents or by any other person, receive appropriate protection and humanitarian assistance in the enjoyment of applicable rights set forth in the present Convention and in other international human rights or humanitarian instruments to which the said States are Parties.

2. For this purpose, States Parties shall provide, as they consider appropriate, co-operation in any efforts by the United Nations and other competent intergovernmental organizations or non-governmental organizations co-operating with the United Nations to protect and assist such a child and to trace the parents or other members of the family of any refugee child in order to obtain information necessary for reunification with his or her family. In cases where no parents or other members of the family can be found, the child shall be accorded the same protection

as any other child permanently or temporarily deprived of his or her family environment for any reason , as set forth in the present Convention.

Article 23

1. States Parties recognize that a mentally or physically disabled child should enjoy a full and decent life, in conditions which ensure dignity, promote self-reliance and facilitate the child's active participation in the community.

2. States Parties recognize the right of the disabled child to special care and shall encourage and ensure the extension, subject to available resources, to the eligible child and those responsible for his or her care, of assistance for which application is made and which is appropriate to the child's condition and to the circumstances of the parents or others caring for the child.

3. Recognizing the special needs of a disabled child, assistance extended in accordance with paragraph 2 of the present article shall be provided free of charge, whenever possible, taking into account the financial resources of the parents or others caring for the child, and shall be designed to ensure that the disabled child has effective access to and receives education, training, health care services, rehabilitation services, preparation for employment and recreation opportunities in a manner conducive to the child's achieving the fullest possible social integration and individual development, including his or her cultural and spiritual development

4. States Parties shall promote, in the spirit of international cooperation, the exchange of appropriate information in the field of preventive health care and of medical, psychological and functional treatment of disabled children, including dissemination of and access to information concerning methods of rehabilitation, education and vocational services, with the aim of enabling States Parties to improve their capabilities and skills and to widen their experience in these areas. In this regard, particular account shall be taken of the needs of developing countries.

Article 24

1. States Parties recognize the right of the child to the enjoyment of the highest attainable standard of health and to facilities for the treatment of illness and rehabilitation of health. States Parties shall strive to ensure that no child is deprived of his or her right of access to such health care services.

2. States Parties shall pursue full implementation of this right and, in particular, shall take appropriate measures:

(a) To diminish infant and child mortality;

(b) To ensure the provision of necessary medical assistance and health care to all children with emphasis on the development of primary health care;

(c) To combat disease and malnutrition, including within the framework of primary health care, through, inter alia, the application of readily available technology and through the provision of adequate nutritious foods and clean drinking-water, taking into consideration the dangers and risks of environmental pollution;

(d) To ensure appropriate pre-natal and post-natal health care for mothers;

(e) To ensure that all segments of society, in particular parents and children, are informed, have access to education and are supported in the use of basic knowledge of child health and nutrition, the advantages of breastfeeding, hygiene and environmental sanitation and the prevention of accidents;

(f) To develop preventive health care, guidance for parents and family planning education and services.

3. States Parties shall take all effective and appropriate measures with a view to abolishing traditional practices prejudicial to the health of children.

4. States Parties undertake to promote and encourage international co-operation with a view to achieving progressively the full realization of the right recognized in the present article. In this regard, particular account shall be taken of the needs of developing countries.

Article 25

States Parties recognize the right of a child who has been placed by the competent authorities for the purposes of care, protection or treatment of his or her physical or mental health, to a periodic review of the treatment provided to the child and all other circumstances relevant to his or her placement.

Article 26

1. States Parties shall recognize for every child the right to benefit from social security, including social insurance, and shall take the necessary measures to achieve the full realization of this right in accordance with their national law.

2. The benefits should, where appropriate, be granted, taking into account the resources and the circumstances of the child and persons having responsibility for the maintenance of the child, as well as any other consideration relevant to an application for benefits made by or on behalf of the child.

Article 27

1. States Parties recognize the right of every child to a standard of living adequate for the child's physical, mental, spiritual, moral and social development.

2. The parent(s) or others responsible for the child have the primary responsibility to secure, within their abilities and financial capacities, the conditions of living necessary for the child's development.

3. States Parties, in accordance with national conditions and within their means, shall take appropriate measures to assist parents and others responsible for the child to implement this right and shall in case of need provide material assistance and support programmes, particularly with regard to nutrition, clothing and housing.

4. States Parties shall take all appropriate measures to secure the recovery of maintenance for the child from the parents or other persons having financial responsibility for the child, both within the State Party and from abroad. In particular, where the person having financial responsibility for the child lives in a State different from that of the child, States Parties shall promote the accession to international agreements or the conclusion of such agreements, as well as the making of other appropriate arrangements.

Article 28

1. States Parties recognize the right of the child to education, and with a view to achieving this right progressively and on the basis of equal opportunity, they shall, in particular:

(a) Make primary education compulsory and available free to all;

(b) Encourage the development of different forms of secondary education, including general and vocational education, make them available and accessible to every child, and take appropriate measures such as the introduction of free education and offering financial assistance in case of need;

(c) Make higher education accessible to all on the basis of capacity by every appropriate means;

(d) Make educational and vocational information and guidance available and accessible to all children;

(e) Take measures to encourage regular attendance at schools and the reduction of drop-out rates.

2. States Parties shall take all appropriate measures to ensure that school discipline is administered in a manner consistent with the child's human dignity and in conformity with the present Convention.

3. States Parties shall promote and encourage international cooperation in matters relating to education, in particular with a view to contributing to the elimination of ignorance and illiteracy throughout the world and facilitating access to scientific and technical knowledge and modern teaching methods. In this regard, particular account shall be taken of the needs of developing countries.

Article 29

1. States Parties agree that the education of the child shall be directed to:

(a) The development of the child's personality, talents and mental and physical abilities to their fullest potential;

(b) The development of respect for human rights and fundamental freedoms, and for the principles enshrined in the Charter of the United Nations;

(c) The development of respect for the child's parents, his or her own cultural identity, language and values, for the national values of the country in which the child is living, the country from which he or she may originate, and for civilizations different from his or her own;

(d) The preparation of the child for responsible life in a free society, in the spirit of understanding, peace, tolerance, equality of sexes, and friendship among all peoples, ethnic, national and religious groups and persons of indigenous origin;

(e) The development of respect for the natural environment.

2. No part of the present article or article 28 shall be construed so as to interfere with the liberty of individuals and bodies to establish and direct educational institutions, subject always to the observance of the principle set forth in paragraph 1 of the present article and to the requirements that the education given in such institutions shall conform to such minimum standards as may be laid down by the State.

Article 30

In those States in which ethnic, religious or linguistic minorities or persons of indigenous origin exist, a child belonging to such a minority or who is indigenous shall not be denied the right, in community with other members of his or her group, to enjoy his or her own culture, to profess and practise his or her own religion, or to use his or her own language.

Article 31

1. States Parties recognize the right of the child to rest and leisure, to engage in play and recreational activities appropriate to the age of the child and to participate freely in cultural life and the arts.

2. States Parties shall respect and promote the right of the child to participate fully in cultural and artistic life and shall encourage the provision of appropriate and equal opportunities for cultural, artistic, recreational and leisure activity.

Article 32

1. States Parties recognize the right of the child to be protected from economic exploitation and from performing any work that is likely to be hazardous or to interfere with the child's education, or to be harmful to the child's health or physical, mental, spiritual, moral or social development.

2. States Parties shall take legislative, administrative, social and educational measures to ensure the implementation of the present article. To this end, and having regard to the relevant provisions of other international instruments, States Parties shall in particular:

(a) Provide for a minimum age or minimum ages for admission to employment;

(b) Provide for appropriate regulation of the hours and conditions of employment;

(c) Provide for appropriate penalties or other sanctions to ensure the effective enforcement of the present article.

Article 33

States Parties shall take all appropriate measures, including legislative, administrative, social and educational measures, to protect children from the illicit use of narcotic drugs and psychotropic substances as defined in the relevant international treaties, and to prevent the use of children in the illicit production and trafficking of such substances.

Article 34

States Parties undertake to protect the child from all forms of sexual exploitation and sexual abuse. For these purposes, States Parties shall in particular take all appropriate national, bilateral and multilateral measures to prevent:

(a) The inducement or coercion of a child to engage in any unlawful sexual activity;

(b) The exploitative use of children in prostitution or other unlawful sexual practices;

(c) The exploitative use of children in pornographic performances and materials.

Article 35

States Parties shall take all appropriate national, bilateral and multilateral measures to prevent the abduction of, the sale of or traffic in children for any purpose or in any form.

Article 36

States Parties shall protect the child against all other forms of exploitation prejudicial to any aspects of the child's welfare.

Article 37

States Parties shall ensure that:

(a) No child shall be subjected to torture or other cruel, inhuman or degrading treatment or punishment. Neither capital punishment nor life imprisonment without possibility of release shall be imposed for offences committed by persons below eighteen years of age;

(b) No child shall be deprived of his or her liberty unlawfully or arbitrarily. The arrest, detention or imprisonment of a child shall be in conformity with the law and shall be used only as a measure of last resort and for the shortest appropriate period of time;

(c) Every child deprived of liberty shall be treated with humanity and respect for the inherent dignity of the human person, and in a manner which takes into account the needs of persons of his or her age. In particular, every child deprived of liberty shall be separated from adults unless it is considered in the child's best interest not to do so and shall have the right to maintain contact with his or her family through correspondence and visits, save in exceptional circumstances;

(d) Every child deprived of his or her liberty shall have the right to prompt access to legal and other appropriate assistance, as well as the right to challenge the legality of the deprivation of his or her liberty before a court or other competent, independent and impartial authority, and to a prompt decision on any such action.

Article 38

1. States Parties undertake to respect and to ensure respect for rules of international humanitarian law applicable to them in armed conflicts which are relevant to the child.

2. States Parties shall take all feasible measures to ensure that persons who have not attained the age of fifteen years do not take a direct part in hostilities.

3. States Parties shall refrain from recruiting any person who has not attained the age of fifteen years into their armed forces. In recruiting among those persons who have attained the age of fifteen years but who have not attained the age of eighteen years, States Parties shall endeavour to give priority to those who are oldest.

4. In accordance with their obligations under international humanitarian law to protect the civilian population in armed conflicts, States Parties shall take all feasible measures to ensure protection and care of children who are affected by an armed conflict.

Article 39

States Parties shall take all appropriate measures to promote physical and psychological recovery and social reintegration of a child victim of: any form of neglect, exploitation, or abuse; torture or any other form of cruel, inhuman or degrading treatment or punishment; or armed conflicts. Such recovery and reintegration shall take place in an environment which fosters the health, self-respect and dignity of the child.

Article 40

1. States Parties recognize the right of every child alleged as, accused of, or recognized as having infringed the penal law to be treated in a manner consistent with the promotion of the child's sense of dignity and worth, which reinforces the child's respect for the human rights and fundamental freedoms of others and which takes into account the child's age and the desirability of promoting the child's reintegration and the child's assuming a constructive role in society.

2. To this end, and having regard to the relevant provisions of international instruments, States Parties shall, in particular, ensure that:

(a) No child shall be alleged as, be accused of, or recognized as having infringed the penal law by reason of acts or omissions that were not prohibited by national or international law at the time they were committed;

(b) Every child alleged as or accused of having infringed the penal law has at least the following guarantees:

(i) To be presumed innocent until proven guilty according to law;

(ii) To be informed promptly and directly of the charges against him or her, and, if appropriate, through his or her parents or legal guardians, and to have legal or other appropriate assistance in the preparation and presentation of his or her defence;

(iii) To have the matter determined without delay by a competent, independent and impartial authority or judicial body in a fair hearing according to law, in the presence of legal or other appropriate assistance and, unless it is considered not to be in the best interest of the child, in particular, taking into account his or her age or situation, his or her parents or legal guardians;

(iv) Not to be compelled to give testimony or to confess guilt; to examine or have examined adverse witnesses and to obtain the participation and examination of witnesses on his or her behalf under conditions of equality;

(v) If considered to have infringed the penal law, to have this decision and any measures imposed in consequence thereof reviewed by a higher competent, independent and impartial authority or judicial body according to law;

(vi) To have the free assistance of an interpreter if the child cannot understand or speak the language used;

(vii) To have his or her privacy fully respected at all stages of the proceedings.

3. States Parties shall seek to promote the establishment of laws, procedures, authorities and institutions specifically applicable to children alleged as, accused of, or recognized as having infringed the penal law, and, in particular:

(a) The establishment of a minimum age below which children shall be presumed not to have the capacity to infringe the penal law;

(b) Whenever appropriate and desirable, measures for dealing with such children without resorting to judicial proceedings, providing that human rights and legal safeguards are fully respected. 4. A variety of dispositions, such as care, guidance and supervision orders; counselling; probation; foster care; education and vocational training programmes and other alternatives to institutional care shall be available to ensure that children are dealt with in a manner appropriate to their well-being and proportionate both to their circumstances and the offence.

Article 41

Nothing in the present Convention shall affect any provisions which are more conducive to the realization of the rights of the child and which may be contained in:

(a) The law of a State party; or

(b) International law in force for that State.

Appendix B: Modelling the effects of tax and welfare reforms over the 2010-15 Parliament

The analysis of the distributional impact of the tax, benefit and tax credit measures (including Universal Credit) in the main report uses a tax benefit model developed by Landman Economics to produce the results. This appendix gives details of the features of the model, the reforms modelled and the assumptions used.

The Institute for Public Policy Research /Landman Economics tax benefit model

Since 2009, Landman Economics has maintained a tax-benefit micro-simulation model for the Institute for Public Policy Research (IPPR) (and since 2011, the Resolution Foundation). All three organisations use the model to analyse the impact of tax and benefit reforms, and the model is also used by other organisations on a bespoke basis. (for recent examples of empirical work using the IPPR/Landman Economics tax benefit model see Lawton and Pennycook (2013) and Reed (2013)). Currently the tax-benefit model uses data from the Family Resources Survey (FRS) to analyse the impact of direct taxes, benefits and tax credits and the Living Costs and Food Survey (LCF) to analyse the impact of indirect taxes. See Appendix D for more information on the FRS and LCF datasets. Note that the model can also use LCF to model the impact of direct taxes, benefits and tax credits in the same manner as for the FRS – this allows the impact of a package of direct and indirect taxes to be modelled on the same households, which is useful for looking at overall winners and losers from a set of reforms.

The information in the FRS and LCF allows payments of direct taxes and receipts of benefits and tax credits to be modelled with a reasonable degree of precision for each family in the surveys using either the current tax/benefit system which is in place at the moment, or an alternative system of the users' choice. For example, the user can look at what the impact of an increase in the income tax personal allowance would be. Using a 'base' system (this is often the actual current tax and benefit system, although the model can use any system as the base) and one or more 'reform' systems, the model can produce the following outputs:

- Aggregate costings of each system (ie amount received in direct and indirect personal taxes, and amount paid out in benefits and tax credits)

- Distributional impacts of reform system compared with base system (eg change in incomes in cash terms and as a percentage of weekly income in the base system). The distributional effects can be broken down according to several different variables:
    - Income decile (10 equally sized groups of households or families, from poorest to richest according to equivalised disposable income);

- Family type (single childless person, lone parent, couple without children, couple with children, single pensioner, couple pensioner);
- Number of children (none, one, two, three, four or more);
- Single adult and couples families by the numbers of earners (none or one for singles; none, one or two for couples);
- Housing tenure type;
- Gendered households (male adults only, female adults only, male and female adults);
- Gendered earners (no earners, males earner(s) only, female earner(s) only, male and female earners;
- Region.

- Proportions of exchequer savings/costs due to a particular reform or set of reforms paid for by/going to particular family types

- Average impact of reforms on the household incomes of particular types of individuals, eg children, working age adults and pensioners

- Winners and losers from a particular reform or set of reforms (grouped according to size of cash gain or size of percentage gain)

- Impact of reforms on overall inequality of disposable incomes (Gini coefficient)

- Impact of reforms on household and child poverty rates (using various definitions, eg proportion of children below 60 per cent of median income)

- Impact of reforms on number of families below Minimum Income Standards[90]

- Changes in Marginal Deduction Rates (MDRs), ie the net gain to people in employment from an extra pound of earned income (which, for many individuals, will depend on income tax and National Insurance Contribution rates as well as the taper rates on means-tested benefits and tax credits)

Behavioural assumptions

The model produces distributional results on the assumption of *no behavioural change* between base and reform tax-benefit systems. In other words we assume that the gross income, employment status, hours of employment and consumption behaviour of each individual in the FRS and/or LCF is the same under each of the tax/benefit systems analysed in the project. This is not a very realistic assumption –

[90] The Minimum Income Standard is an ongoing programme of research funded by the Joseph Rowntree Foundation to define what level of income is needed to allow a minimum acceptable standard of living in the UK today. See http://www.minimumincomestandard.org/ for details.

in reality we would expect individual behaviour to adjust in many cases in response to the financial incentives generated by the tax/benefit system and consumer behaviour to respond to changes in relative prices induced by indirect tax measures. However, adding behavioural responses into a tax and benefit micro-simulation model introduces considerable additional complexity and would have been impractical for this project on both timing and costs grounds. The project does look at the changes in employment incentives which the reforms between 2010 and 2015 give rise to, which is a useful first step towards analysing the potential behavioural effects of the reforms.

Reforms modelled

This part of the annex gives details of how the changes to the tax, benefit and tax credit systems are modelled. The general principle is that we model as many of the changes being introduced between 2010 and 2015 as we can, including both the changes announced by the previous Labour Government which are scheduled to take effect between 2010-11 and 2015-16, and the changes introduced by the Coalition Government after coming to office in May 2010.

The tax and benefit changes are assessed relative to a scenario where the 2010-11 tax and benefit system was simply kept in place with tax thresholds and benefit and tax credits adjusted for Retail Price Index (RPI) inflation (for tax thresholds and non-means-tested benefits) and the Rossi Index (for means-tested benefits), and with eligibility rules unchanged.

All the cash figures for the distributional impact of the tax and benefit systems are presented in January 2013 prices. The figures for distributional effects as a percentage of income are calculated as a percentage of 'baseline' income if the April 2010 tax and benefit system had still been in place in April 2015, uprated using the RPI and Rossi indices as described above.

To analyse the specific impact of reforms announced in the 2013 Budget and the 2012 Autumn Statement (AS), we use two tax-benefit systems; a 'before Budget 2013' system with all the reforms which are scheduled to take effect by April 2015 *except* for the reforms announced in Budget 2013 and AS 2012, and an 'after Budget 2013' system with all the reforms scheduled to take effect up to April 2015 *including* the reforms announced in Budget 2013 and AS 2012.

Benefit uprating changes

The default uprating for all benefits from 2011 onwards was changed from RPI (for non-means tested benefits) and the Rossi index (for means-tested benefits) to the Consumer Price Index (CPI) in the June 2010 Budget. Because annual increases in CPI are (in general) lower than the RPI or Rossi, this means that benefits become less generous over time under CPI uprating compared to RPI/Rossi uprating.

A new uprating regime for tax credits and means-tested benefit payments (and the Universal Credit) was announced in the 2012 Autumn Statement. For the years 2013-14, 2014-15 and 2015-16 all benefit, tax credits and Universal Credit payments to working age adults and children (except for premia and additions for disabled adults and children) will be uprated by one per cent, except in cases where nominal freezes have previously been announced (eg Child Benefit for 2013-14). This represents a real terms cut relative to CPI, which is forecast to be around two-and-a-half per cent each year over the period.

Income tax and National Insurance changes

This analysis takes into account all the changes to the income tax systems and changes in National Insurance contributions announced up to and including the 2013-14 tax year, for employees and self-employed people. The most important reforms here are:

- The rise in the real terms value of the income tax personal allowance (from £6,475 in 2010-11 to £10,000 by 2014-15;
- Increases in the Primary Threshold for employee National Insurance Contributions (NICs), the Secondary Threshold for employer NICs and the Lower Profits Limit for self-employed NICs;
- One per cent increases in the rate of employee, employer and self-employed NICs;
- The cut in the additional rate of income tax (on incomes above £150,000) from 50 per cent to 45 per cent;
- Lower-than inflation increases in the higher rate threshold for income tax (which have resulted in larger numbers of people paying income tax at the 40 per cent marginal rate).

Assumptions on benefit take-up

The assumptions used on benefit take-up in the modelling are as follows:

- For means-tested benefits where eligibility is based on gross (or net) income level, single/couple status, number of children and hours of employment, such as Income Support, Housing Benefit, Council Tax Benefit, income-related JSA, the Child and Working Tax Credits, and (from 2013) the Universal Credit, the analysis assumes full take-up – if people are eligible to receive the benefit then we assume they make a claim.

- For Child Benefit take-up is assumed to be 100 per cent, with the amount based on number of eligible children. The tapering off of Child Benefit for families with high-income individuals from 2013 is modelled, which means that some claimant families do not receive Child Benefit in the 2015 tax system.

- For other non-means-tested benefits, take-up is based on reported claims in the 2010-11 FRS.

Modelling Housing Benefit changes

The analysis starts by using the information on Housing Benefit (HB) receipt in the 2010-11 FRS. The baseline assumption is that rents rise in line with RPI and hence HB payments are unchanged in real terms. The following changes introduced by the Coalition government since May 2010 affect the generosity of HBs for families with children:

- Limiting HB payments in the private sector to rent for a four-bedroom house;
- Reducing the local reference from the median to the thirtieth per centile;
- Removing the £15 excess for claimants whose rent is lower than the local housing allowance;
- Local housing allowance to be uprated from CPI rather than RPI (from April 2013 onwards);
- HB entitlement in social sector to reflect family size (the so-called “bedroom tax”);
- HB included in benefit cap of £500 per week for families with children and £350 for families without children (except for those on WTC or DLA).

The Family Resources Survey does not contain enough information to model any of these changes reliably, except for the inclusion of HB in the benefit cap. The specific limitations of the FRS data for modelling HB are as follows:

- The ‘number of bedrooms’ variable in FRS is only available on the Special Licence Access version of the dataset, and is omitted from the standard release dataset. This makes it difficult to model the social sector ‘bedroom tax’ and the four-bedroom maximum payment in the private sector.
- It is not possible to identify the local reference rents in the FRS with precision because the standard release dataset does not contain local authority identifiers.

We have not included the reforms to HB in our distributional assessment, except for the impact of the benefit cap on HB payments. Reed (2012) uses the 2008 Families and Children Survey (FACS) dataset, which contains more information on number of bedrooms and other housing quality variables, to model the impact the HB changes on families with children in more detail and finds that they are distributionally regressive (not suprisingly, given that HB is a means-tested benefit).

Modelling Council Tax Benefit changes

The Coalition government intends to localise Council Tax Benefit (CTB) in England from 2013 onwards and the latest DWP projections from the Budget plan for a cut of around 12 per cent in *nominal* expenditure between 2011-12 and 2014-15 (see http://research.dwp.gov.uk/asd/asd4/budget_2012.xls, Table 1a). This implies a cut of around 26 per cent in real-terms expenditure on CTB over the period (using the RPI inflation measure).

The CLG consultation paper *Localising Support for Council Tax in England* (July 2011)[91] explicitly states that councils will be expected to maintain real-terms support for pensioners after localisation. However, a DWP breakdown of expenditure on CTB in 2011-12 (shown in the spreadsheet referenced above) suggests that the reduction in CTB spending up to 2014-15 will be similar in percentage terms for pensioner and working age households. This may be because of the cohort effect whereby younger pensioners have greater wealth means that CTB expenditure on pensioners as a group falls in real terms even though CTB expenditure for *individual* pensioners does not.

Because we do not have details of how the cut in CTB expenditure will be achieved by individual councils, we have assumed a real-terms cut of 26 per cent in CTB payments across the board for working-age families.

Modelling Disability Living Allowance and the Personal Independence Payment

The Coalition Government has announced that the Disability Living Allowance (DLA) will be replaced by a new Personal Independence Payment (PIP) beginning with new claims in 2013, with the existing DLA caseload migrating to PIP over the next few years. We have not attempted to model these changes in the analysis in this report due to the difficulty of modelling which individuals who are currently receiving DLA would receive PIP under the new system.

The DWP publication *Personal Independence Payment – Assessment Thresholds and Consultation* (January 2012)[92] contains an analysis by DWP of 900 DLA claimants which assessed their eligibility for DLA and for PIP under the different criteria for each benefit. Tables A.5 and A.6 below show the results from this DWP modelling work, grossed up to the national level in terms of the number of people eligible for the PIP compared with DLA at various rates. Overall, DWP analysis projects that the number of claimants will fall from 2.2 million for DLA to 1.7 million for PIP.

Reed (2012) attempts to model the effects of the introduction of PIP on families with children using the FACS 2008 dataset and assigning a proportion of DLA claimants in the FACS to PIP based on an algorithm which takes into account the category of

[91] See http://www.communities.gov.uk/documents/localgovernment/pdf/19510253.pdf
[92] See http://www.dwp.gov.uk/docs/personal-independence-payment-faqs.pdf and http://www.dwp.gov.uk/docs/pip-assessment-thresholds-and-consultation.pdf

DLA mobility and care support each claimant receives and DWP's estimates of the total caseload for PIP compared with DLA. The analysis finds that the changes to DLA are distributionally regressive.

Modelling reforms to Employment and Support Allowance

The previous Labour Government introduced Employment and Support Allowance (ESA) as a replacement for Incapacity Benefit (IB) for new claimants in Autumn 2008. Between 2011 and 2014, the existing IB caseloads are being reassessed via Work Capability Assessments (WCA) for ESA eligibility. There are three possible outcomes of the WCA for each individual:

1. Claimants with the most severe employment-limiting conditions who are not expected to be able to take employment in any circumstances are placed in the Support Group for ESA.

2. Claimants who have employment-limiting conditions which limit their ability to take employment but who nonetheless may be able to take employment in the future are based in the Work Related Activity Group for ESA.

3. Claimants who do not meet either condition one or two are classified as Fit For Work (FFW) and are not eligible for ESA – if they wish to claim out-of-work benefits they have to apply for Jobseekers Allowance (JSA) instead, which has stricter eligibility conditions and job-search conditionality attached to it.

The Coalition Government has made additional reforms to ESA for the Work-Related Activity Group. Eligibility for non-means tested contributions-based ESA is now limited to twelve months, after which claimants are moved over to income-based ESA, which is means-tested.

We have not attempted to model these changes to the IB system because of the difficulties of working out which current IB claimants will be eligible for ESA after reassessment and which will not.

Modelling tax credit changes up to and including April 2015

The Coalition Government has introduced a number of changes to the Child Tax Credit (CTC) and Working Tax Credit (WTC) systems which took effect in April 2011 and April 2012. These are as follows:

April 2011

- Baby element of CTC (extra £545 per year) abolished
- Family element withdrawn from families on more than £40,000 per year
- Withdrawal rate increased to 41 per cent
- Disregard for in-year income rise reduced from £25,000 to £10,000
- Eligible childcare support costs cut from 80 to 70 per cent
- Basic and 30-hour elements of WTC frozen for three years

- Child element of CTC increased by £180 per year above CPI inflation

April 2012

- Couples with children to be required to be employed at least 24 hours a week between them, with one employed at least 16 hours a week (previously it was only necessary for one to be employed at least 16 hours a week)
- Backdating cut from three months to one month
- £2,500 disregard for in-year falls in income
- 50-plus element of WTC scrapped
- Child element of CTC will **not** be increased by £110 above indexation, as previously announced
- Family element of CTC withdrawn immediately after child element

April 2013

- Tax credit disregard for in-year increases in income reduced from £10,000 to £5,000
- All elements of CTC and WTC (except disabled elements and frozen WTC elements) uprated by oneper cent nominal

April 2014, April 2015

- All elements of CTC and WTC (except disabled elements) uprated by oneper cent nominal

Most of these changes can be modelled using information from the FRS on gross incomes and family circumstances. The only exceptions are:

- The 50-plus element, which is only payable for people aged over 50 who enter work after a period of unemployment or inactivity, cannot be modelled because FRS does not contain sufficient information on unemployment history.

- The changes to backdating and disregards for increases and falls in income cannot be modelled because the FRS dataset doesn't have enough data about changes in income over the tax year.

The introduction of Universal Credit

From October 2013 (following pilot schemes in a few areas), the current system of means-tested income-replacement benefits, tax credits and HB will be replaced by Universal Credit – first for new claimants, and then rolled out to existing claimants by the end of 2017.

This report models Universal Credit using the parameters announced by the Government in the Universal Credit legislation which went through Parliament in 2012.[93] These parameters include:

- The basic adult, family and child rates of the credits;
- The higher and lower additions for adults and children (we assume that claimants who are receiving the severe disability premium under the current IS or tax credit systems get the higher addition, whereas claimants receiving the (non-severe) disability premium under the current systems get the lower addition;
- Modelling the income disregards, which depend on family structure (and also whether the family is receiving housing costs or not;
- The operation of the income tapers (65 per cent on net earnings and 100 per cent on most forms of unearned income);
- Capital limits and tariff income (which operate similarly to the Income Support system);
- Childcare support: in terms of "headline" generosity the system of childcare support is similar to the current WTC system, but with the minimum hours requirements removed.[94] However, as research by the Children's Society (2012) points out, the incorporation of support for housing costs into UC means that families who were previously receiving HB under the old benefits/tax credits system lose out because childcare costs are no longer disregarded for the purposes of calculating Universal Credit in the way which they were for calculation of HB. It is also possible that childcare costs will not be disregarded for the localised council tax support system which replaced CTB in 2013.
- We are also able to model the proposed increase in generosity of childcare support in Universal Credit to 85 per cent for Universal Credit claimants who are above the income tax personal allowance threshold from 2016 onwards.

Transitional protection for Universal Credit claimants

The government has legislated for transitional protection so that claimants migrated on to UC from the old tax credit system will not lose out *in cash terms* as long as their circumstances (in terms of number of adults in employment, number of children, etc.) do not change. We have not modelled transitional protection in this analysis

[93] See http://www.legislation.gov.uk/uksi/2013/376/contents/made for details of the Universal Credit legislation.
[94] Whereas the WTC childcare support system required a minimum 16 hours of work each for couple claimants to be eligible, the Universal Credit equivalent simply requires both parents to be in work.

because in reality there is likely to be significant ‘churn’ in UC claims with claimants changing their circumstances and moving on and off the credit. It is probably the case that only a minority of claimants will benefit from transitional protection, and in any case, they will still lose out in real terms relative to a baseline of RPI indexation under the pre-2010 system (especially given that the RPI and ROSSI indices are projected by the OBR to be relatively high for 2013 and 2014, which means that they would have received relatively large increases under the old benefit system).

The speed at which claimants are moved over to Universal Credit

The Department for Work and Pensions will begin moving the stock of claimant families from the current system on to Universal Credit from October 2013 onwards. At the same time, all new claimants from October 2013 onwards will claim for Universal Credit instead of the old tax credit and benefit system (assuming of course that the IT systems to process claims for Universal Credit instead of the old system are up and running by autumn 2013). The analysis here assumes that *all* families are moved over to Universal Credit by spring 2015. In reality the stock of existing claimants is not likely to be fully migrated to Universal Credit until 2017 at the earliest. However, it is possible to look at the distributional impact of all the other reforms to the tax-benefit system *except* Universal Credit simply by netting off the Universal Credit category from the distributional graphs shown in the main report.

Take-up of Universal Credit

As with the previous tax credit system, our modelling for this project assumes 100 per cent take-up of Universal Credit.

Changes to Child Benefit

The Coalition Government has made two changes to Child Benefit (CB):

- CB rates are frozen for three years, with no increase in April 2011, 2012 or 2013.
- CB is being tapered away for families with at least one person with taxable income of £50,000 or more. Families with at least one person earning £60,000 or more will not receive any CB.

Both these changes are modelled in FRS, using information about the number of children in each family and taxable incomes.

Indirect tax changes

The increase in VAT

In January 2011 the standard rate of VAT increased from 17.5 per cent to 20 per cent. The expenditure patterns of the households in the LCF were analysed to identify total expenditure subject to standard rate VAT for each household. This information was then combined with the OBR's estimate of the revenue yield from the VAT increase (£13.5 billion) to produce an estimate of the extra VAT payment arising from the VAT increase for each household in the LCF (£509 per household per year on average).

Changes to excise duties

Our modelling of the effects of changes to excise duties was carried out in a similar fashion to the model for VAT. Household expenditure patterns in the LCF were analysed to identify total expenditure on each type of excisable good (eg petrol, diesel, beer, spirits, tobacco etc). We then worked out the projected yield from the April 2015 excise duty system relative to a baseline system where the excise duties in April 2010 were increased in line with RPI inflation. This estimated change in aggregate yield was then apportioned to households in the LCF in line with their reported expenditure on the excisable good in question. If the actual increase in excise duties was lower than RPI inflation (as was the case for fuel duty, for example) this resulted in a net gain for the households buying the good in question; if the increase in excise duties was higher than RPI inflation (as was the case for tobacco) this resulted in a net loss for consuming households.

Using the tax benefit model in a CRIA of the impact of the Budget

In terms of the short-run impact of tax and benefit measures, the Family Resources Survey and Living Costs and Food Survey provide data of sufficient quality to model the short-run distributional effects of most measures on families with a good degree of accuracy. In particular, this type of distributional analysis can contribute to an assessment of the impact of the Budget on children's' rights with regard to the following articles:

- Article 2 (impact on households with children compared with households without children, and impact by ethnicity, disability, sex of parent (if single parent), sex of main earner (if couple parents) and income or assets of parents).
- Article 18 (impact on childcare subsidies to households through the tax credit system).
- Article 23 (impact on households with one or more disabled children).
- Article 26 (impact of changes to the social security budget – benefits and tax credits – on households with children).
- Article 27 (overall impact of the budget on living standards of households with children, including impact on the numbers of families/households below the poverty line and below Minimum Income Standards).

However, the realities of survey-based datasets such as FRS and LCF impose some limitation on modelling of distributional impacts of policies. The main limitations are as follows:

- Household surveys provide only partial information on the extent to which *children* (specifically, as opposed to family units) gain from resource increases (eg increases in tax credits) because we do not know the internal distribution of resources *within* the household.

- Identifying the impacts of policy measures specific groups of children at particular risk of being disadvantaged is not straightforward – partly because of lack of data defining disadvantage (eg no specific measure of ethnicity for children in FRS), but also partly because of small sample sizes. Also in the LCF the disability measure is not very detailed (by contrast, the amount of detail in the FRS on disability has improved considerably in recent years)

- With regards to some Budget measures it is difficult to be precise about the impacts because the dataset lacks the degree of detailed characteristics information to be able to determine benefit eligibility in the future, in situations where reforms are changing eligibility for benefits (the replacement of Disability Living Allowance with Personal Independence Payment is an important example of this).

- It is much harder to estimate the *long-run* impact of tax and benefit changes on children as this depends on the impact on labour supply, the distribution of employment within and across households, as well as (potentially) longevity and family structure. Other factors such as macroeconomic performance are likely to be important co-determinants of children's living standards in the long run and the ability of economists to forecast these accurately is limited (although a wide range of data from the OBR and independent forecasters exists).

Appendix C: Modelling changes in public spending

The Landman Economics public spending model

In 2010, Landman Economics modelled the effects of changes in public spending on household living standards (Horton and Reed, 2010). The objective was for results to be combined with results from the tax-benefit micro-simulation model to provide a more complete picture of the distributional effects of Budget measures on households and families. The model combines two types of data:

- Aggregate spending data (broken down by ‘functional category’ of spending) from HM Treasury’s Public Expenditure Statistical Analyses (PESA) publication

- Household data on public service use from several sources:
    - Family Resources Survey (education and social housing)
    - Living Costs and Food Survey (transport and certain categories of health expenditure)
    - General Household Survey (hospital/GP visits, museums and other cultural services)
    - British Household Panel Survey (social care and family social services)
    - British Crime Survey (policing)

The household data on public service use is utilised to analyse patterns of service use according to various observable characteristics, for example:

- Income decile
- Family type (single, couple, children/no children)
- Age of adults in household
- Age of children in household
- Housing tenure type
- Region

These service use patterns are then combined with the PESA information on public service expenditure by category of service to establish average spending per household on each particular service, adjusted for propensity to use this service.

The final stage of the modelling is a front-end spreadsheet which allows the model user to specify the percentage reductions in spending on each service. This allows us to estimate what the impact on living standards of changes in public spending will be (for example, Figures 2 and 3 in Horton and Reed, 2011). Where public services are means-tested (eg social care) the model also estimates service entitlement as best it can given the information in the micro-data.

The limitations of the model are as follows:

- It is assumed that there is a direct link between the amount of spending on public services and household living standards. Thus the analysis takes no account of efficiency gains (or reductions) in provision of the service, or changes in the quality of the services being delivered, which might arise at the same time as changes in public spending. We have not attempted to do this largely because there is no data of sufficient quality or detail available to allow these aspects to be modelled.

- The analysis assumes that families value public services equivalently to a situation in which they received a cash payment equal to the amount being spent on the service. In reality there is no necessary reason why this should be the case. However, given that the research evidence based on how much people actually do value public services in practice is limited, there is no obvious alternative assumption that can be used. Additionally, as Horton and Reed (2010) point out, in many cases it would be more expensive for people to buy a level of service equivalent to that provided in public services on the open market. From that perspective, public services probably represent better value for money than this 'cash payment equivalent' methodology would suggest.

- Some of the service use data is only available at the household level whereas other components are available at the individual level. The level of disaggregation at which the data is available affects the level at which the distributional impact of spending cuts can be analysed. At the moment, the model produces results at the household level but this could be further disaggregated in some cases (eg health).

The analysis of the benefits which vulnerable families received from public spending in 2008 relies on a model developed by Tim Horton (then director of research at the Fabian Society) and Howard Reed for a TUC report, *Where the Money Goes: How We Benefit From Public Services* (published in 2010). Below we give a full description of the methodology underlying this model.

Detailed methodology

The spending framework

The Horton/Reed model analyses public spending for the year 2007-08 using the 'expenditure-on-services' accounting framework, which HM Treasury uses for the Government's PESA series.[95]

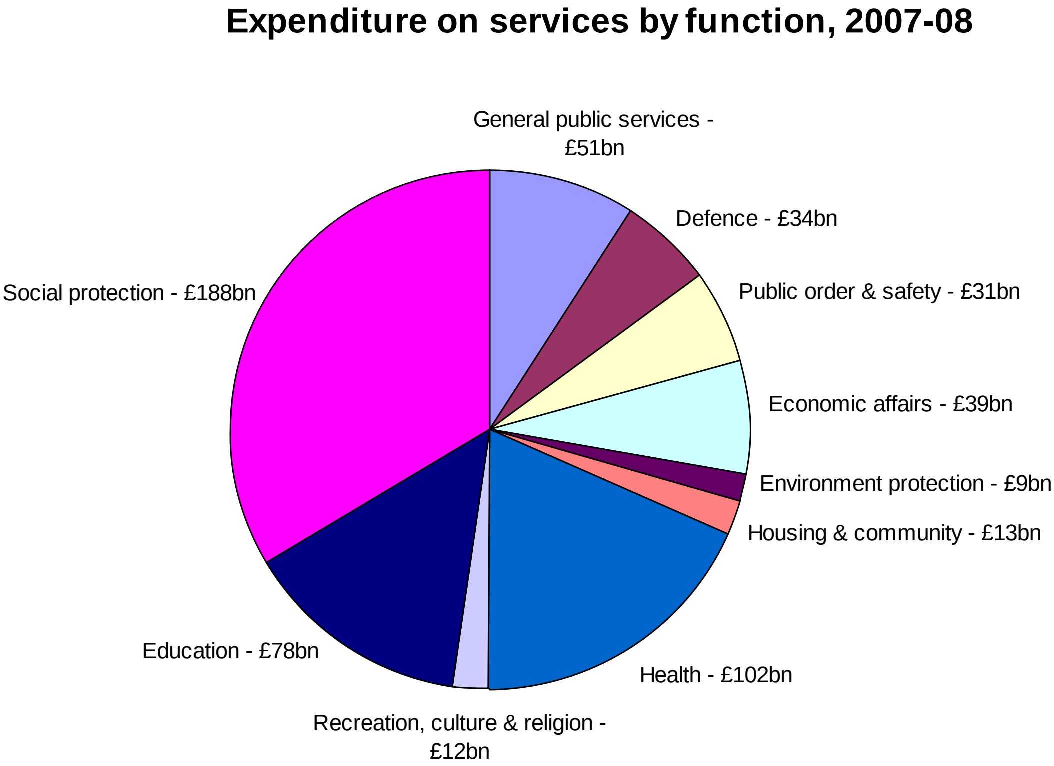
[95] *Public Expenditure Statistical Analyses 2009*. Cm 7630, HM Treasury, June 2009.

The expenditure-on-services framework is a *functional* analysis of public sector expenditure, rather than a *departmental* one, so it differs from the standard 'budgeting-and-control' framework that the government uses to report departmental spending plans and outturns (and that is most closely aligned to the National Accounts).[96] In the budgeting-and-control framework, spending is classified in terms of the government institution through which the resources flow; in the expenditure-on-services framework, by contrast, spending is classified in terms of the type of service it is spent on (health, education etc).[97] The expenditure-on-services framework is therefore the most appropriate one to use for analysing government spending on particular areas of service provision.

The chart below illustrates an expenditure-on-services analysis for 2007-08, showing spending broken down into ten broad functional categories.

[96] The expenditure-on-services framework used for PESA is broadly consistent with the UN's system of Classification of the Functions of Government (COFOG). Unlike the budgeting-and-control framework, the expenditure-on-services framework excludes non-cash items such as depreciation and cost-of-capital charges.

[97] It is worth noting that the fiscal aggregate related to the budgeting-and-control framework, Total Managed Expenditure (TME), is broadly comparable to the fiscal aggregate derived from the expenditure-on-services framework, Total Expenditure on Services (TES), but with minor divergences. TES includes a small number of items not in TME, such as the grant-equivalent element of student loans. On the other hand, TES (unlike TME) excludes non-cash items and does not reverse the deduction of certain VAT refunds in the budget-based expenditure data. As a result, TES is generally about 95% of TME; for the year 2007-08, TES was £555.3 billion, whereas TME was £582.7 billion. For more information, see Annexes C and E of *Public Expenditure Statistical Analyses 2009*. Cm 7630, HM Treasury, June 2009.



Expenditure on services by function, 2007-08 (£ billion). [98]

Expenditure on services for a particular function is derived by aggregating different departmental funding streams that are spent on that particular function. For example, the £31.4 billion spent on 'public order and safety' in 2007-08 included not just the £15.5 billion budget of the Home Office, but also £9.1 billion from the Ministry of Justice, £2.5 billion from the Department for Communities and Local Government, £731 million from the Law Officers' Departments, £178 million from the Department for Transport, £109 million from the (then) Department for Children Schools and Families (DCSF), and £1 million from the Department of Energy and Climate Change, along with £3.3 billion of further spending through the devolved administrations and their corresponding UK government offices. Similarly, the £78.1 billion spent on 'education' in 2007-08 included not only £50.6 billion from DCSF, but also £13.7 billion from the (then) Department for Innovation, Universities and Skills and £113 million from the Department for Culture, Media and Sport, not to mention substantial further spending through the devolved administrations.

[98] In terms of the categories in the chart, 'General public services' refers to spending on executive and legislative organs, financial and fiscal affairs, external affairs and public debt transactions. 'Economic affairs' refers to spending on transport, communications, fuel and energy, agriculture, forestry, fishing and hunting, and so on. 'Recreation, culture and religion' refers to spending on recreational and sporting services, cultural services, broadcasting and publishing services, and so on. 'Social protection' refers to spending on benefits, payable tax credits, and personal social services. Total Expenditure on Services (TES) was £555.3 billion in 2007-08 (numbers in the chart above may not sum to this total due to rounding). Source: PESA (HMT, 2009).

The Horton/Reed model uses a breakdown of expenditure on services at a very fine level of detail, decomposing the ten broad categories given in the chart above into hundreds of smaller categories. For example, 'Health' in the chart above, which is a category at the 'functional' level, is broken down further into 'Medical Services' and 'Medical Research' at the 'sub-functional' level; 'Medical Services' is then broken down into many further categories, such as 'NHS Trusts', 'Hospitals and Community Services', 'General Medical Services', 'Pharmaceutical Services' and so on – a level we will call the 'sub-sub-functional level'.[99] The sub-sub-functional level has been the most appropriate one to use for analysing the distribution of spending as it specifies spending on service areas at a level that tends to correspond to 'everyday' categories in which people think about services (such as, in health, 'GP services', 'dental services', 'in-patient treatment', etc). This allowed the *Where the Money Goes* report[100] to take advantage of a wide range of information about how much different households use such services.

The model uses spending data for the fiscal year 2007-08, which was the most up-to-date year for which PESA data were available when the original analysis was conducted. The data on spending cuts to different service categories is taken from the October 2010 Spending Review, modified in the light of subsequent announcements on spending up to and including 2014-15. We do not include spending changes for the 2015-16 fiscal year as these have not been announced in any detail yet.

The allocation process

Having identified total government spending in each area of service provision, the Horton/Reed model then allocates this spending to households on the basis of a range of information concerning which households receive and use particular services and how much they use them.

First, and most straightforwardly, the model incorporates policy-driven constraints on how particular types of spending are distributed, such as, means-test thresholds for access to a service. For example, in 2007-08, households could only get public support towards the cost of a residential care if their assets were less than £22,250. As we have data on household assets across the population, the model can incorporate this constraint quite simply in allocating the £3.3 billion spent on residential care for older people in 2007-08.[101]

The main sources of information used to allocate spending to households in the Horton/Reed model were household surveys, conducted by the Office for National Statistics, which contain data on whether and how much households use different types of services, or data that allowed the authors to deduce this. For example, the

[99] The finest level of detail tabulated in the PESA documents is the sub-functional level – see Table 5.2 of *Public Expenditure Statistical Analyses 2009* (Cm 7630, HM Treasury, June 2009). This level is broadly consistent with the UN's COFOG level 2 categories in its Classification of the Functions of Government.
[100] T Horton and H Reed (2010), *Where the Money Goes: How We Benefit From Public Services*. London: Trades Union Congress.
[101] This £.3 billion is a net figure, taking into account income from clients' fees and charges.

General Household Survey asks people how often they use hospital or GP services; the Expenditure and Food survey asks people how often they spend on bus travel (an indicator of how often they use bus services); and so on.

All in all, the model used five different surveys as data sources for the model, shown in Table A.8 below, as no one survey contained all the information needed.

Table A.8. Household-level datasets used in the Horton/Reed model

Name of dataset	Examples of public services that the dataset provides information about
British Crime Survey (BCS)	Police
British Household Panel Survey (BHPS)	social care (except residential care for old people)
Expenditure and Food Survey (EFS)	transport
General Household Survey (GHS)	health museums & galleries
Family Resources Survey (FRS)	education housing programmes for the unemployed

For all of these surveys, we use a single wave of data.[102] In each case, we have used data from 2007-08 or the nearest available year. This enables us to analyse service use for the same financial year for which we have data on government spending and household incomes – which makes the analysis as coherent and integrated as possible.

Beyond this household-level survey data, the model also occasionally drew on external academic studies of factors affecting service use in order to allocate spending for particular services. For example, none of the surveys listed above covers people in residential care – such as local-authority-funded care homes. In order to model the probability of entering residential care for adults in the FRS, the model used information on the probability of being in residential care (by characteristics such as age and gender) from research by the Personal Social Services Research Unit.[103]

Categories of public spending

Public spending in the Horton/Reed model is divided into the following categories:

- **Health** – NHS services including hospital services, GPs, and subsidy for dental services, optical services and prescriptions.

- **Social care** – public subsidy for social care services provided or funded by local authorities.

[102] Although the BHPS is a panel, we use it as a cross-sectional dataset.
[103] Darton, R., Forder, J. et al. (2006) *Analysis to Support the Development of the Relative Needs Formula for Older People: Final Report*, PSSRU Discussion Paper 2265/3.

- **Transport** – public subsidy for road building and maintenance, rail operators and infrastructure, subsidised bus services and other publicly funded transport infrastructure spending.

- **Housing** – subsidy to newly built social housing, the maintenance of existing public and social housing stock, and the implicit subsidy to below-market rents in the social housing sector.

- **Early years** – public funding for nursery places, Sure Start children's' centres, etc.

- **Schools** – state schooling up to year 11 (16 year olds).

- **Further education and higher education** – sixth form schooling and FE colleges, and public subsidy for universities and other HE provision, and adult learning.

- **Other** - other public services where information exists that allow us to allocate spending according to service use (eg police services, welfare-to-work services and culture and recreation spending).

Using the public spending model in a CRIA of Budget measures

As regards the impact of changes to public spending, the Landman Economics public spending model currently assesses the distributional impact of changes to public spending by "sub-function" (as set out in *PESA* chapter five) against a 2008 baseline. This was chosen partly because when the model was developed in 2010 the most recent data on public expenditure and service use available were from 2007-08, and partly because it was the last year before the recession of 2008-09.

The data on spending cuts in different departments is as up to date as possible (reflecting the 2010 Spending Review and adjustments to planned spending since then) but the service usage patterns used to provide the model baseline are from 2008. This service usage data will become out-of-date as time goes on but is adequate for assessing the distributional impact of service cuts at present.

In particular, analysis of changes in public spending can contribute to an assessment of the impact of the Budget on children's' rights with regard to the following UNCRC articles:

- Article 18 (impact on Sure Start provision via impact on local authorities' budgets);

- Article 23 (impact on local authority-provided public services for disabled children);

- Article 24 (impact on public funding for health services in England);
- Article 27 (impact of changes to public spending on households with children, and hence on a wider measure of living standards);
- Article 28 (impact of changes to public spending on education and related services);
- Article 31 (impact of public spending changes on local authority resources to provide cultural, artistic and leisure services).

The main limitations of the data available to look at impact of public spending changes are:

- The data on social care service use cannot be updated because the data series has changed from BHPS to Understanding Society and the social care questions are no longer asked in Understanding Society. In the future this will require finding an alternative source of household survey data on social care usage.
- Not all the service usage data are available specifically for children (eg public transport usage data is household-level only). However, service usage data for the biggest spending functions (eg health, education) is available at the child level.
- Data on the extent of cuts to services which are the responsibility of local authorities rather than central government is hard to analyse because it is not collected centrally in a convenient format. This is a key area for future work (either doing more work ourselves to produce an easy-to-understand database or making use of existing research on local government services).
- The subfunction level used in the PESA data is still very aggregated and doesn’t allow us to look at changes in the mix of services (eg in the NHS) resulting from spending cuts in most cases.

Appendix D: Data Sources used in the Report

Household-level data sets

Family Resources Survey

The Family Resources Survey (FRS) is the main source of household data with information on incomes for a sample of UK households. The survey samples around 26,000 households (reduced to 20,000 households from 2011-12 onwards due to a reduction in the resources available for carrying out the survey). The survey is conducted annually from April to March. The most recent available data is currently 2010-11.

Income information

The FRS has detailed data on individual incomes for adults (aged 16 and over) in the survey as follows:

- Earnings from employment (gross and net of income tax and national insurance contribution payments).
- Self-employment income (gross and net of income tax/national insurance).
- Income from investments (specified as gross or net of tax).
- Benefit and tax credit income (with detailed information on the type of benefit or tax credit and the amount received on a weekly or monthly basis).
- Income from other sources (eg maintenance and/or child support payments from ex-partners or others, royalties, property income etc.)

For each source of income the data tells us which particular (adult) individual is receiving the income. This makes it possible to analyse the distribution of income within families to some extent (at least for adults).

In the case of benefits which can be claimed on behalf of adults or children in the family, there is information in the FRS on who the benefit claim is for. This makes it possible to analyse DLA payments specifically for children, for example.

For children there is also data on whether the child is in receipt of free school meals.

Finally, there is some information in the FRS on assets held by and income and in-kind benefits received by each child in the sample, as follows:

- Whether the child has a Child Trust Fund, and if so, how much is in it;

- Earnings received from any jobs in the child’s spare time;
- Whether in receipt of free school meals;
- Number of prescription items received in the last four weeks;
- Income received from a trust (but only about 0.3 per cent of the FRS sample for 2010-11 have any income from this source);
- Income received from the Education Maintenance Allowance (this was still running when the 2010-11 FRS sample was interviewed);
- Any savings held in the child’s own name (eg savings accounts, stocks, bonds, shares etc).

Living costs

The FRS features information on housing costs (eg rental payments, mortgage payments) and some information on local taxes (the Council Tax band of the property the household lives in is supplied in the standard FRS dataset, but not the actual council tax payment as this would (in theory) allow the local authority to be identified, and the standard End User Licence dataset does not contain local authority information for confidentiality reasons.

There is also detailed information on use of childcare and costs of childcare for each child. The variables collected are as follows:

- Whether childcare arrangements have been made in respect of each child;
- Whether the childcare is paid (for example, with a nursery or registered childminder) or unpaid (for example, with a family member outside the household);
- Whether the childcare provider is registered;
- Whether childcare is provided by an employer;
- Number of hours of childcare per week;
- Weekly costs of childcare;

If the family is making a claim for Tax Credits, whether the family claims for the costs of childcare as part of its Working Tax Credit claim (currently 70 per cent of childcare costs up to a weekly maximum of £175 for families with one child, and £300 for families with two or more children).

Public service use

The FRS has detailed information on use of some public services:

- Education (nursery, primary and secondary school, further education and higher education). This information is recorded for each individual child in the household. There is also an additional dataset with information on students at higher education institutions living away from home when the household was interviewed (although in most cases these students will be 18 or over and classified as adults rather than children).

- Social housing (rent levels, and whether the housing is provided by a local authority or a housing association).

- Receipt of prescriptions and payment of prescription charges (added for the first time in the 2010-11 FRS survey).

Characteristics

As well as basic demographic and family structure information, the FRS contains some information which allows us to identify families and children with particular vulnerabilities:

- Ethnicity (for adults only – ethnicity is not collected for children in the sample). Around 84 per cent of the FRS adult sample is white, with nine per cent BME. Ethnicity information was not collected for the remaining seven per cent of the sample.

- Country of origin and the date at which the respondent arrived in the UK (again, for adults only).

- Whether the child is a foster child.

- Disability. For children, the FRS dataset contains the following variables:
    - Whether the child is registered as disabled with their local authority;
    - Whether the child has an illness or disability which limits his or her activities (around 10 per cent of children answer ‘yes’ to this question). If the answer to this question is yes, a more detailed set of questions is answered:
        - Whether the child has difficulty in mobility (moving about)
        - Whether the child has difficulty in lifting, carrying or moving objects
        - Difficulty with manual dexterity (using hands for daily tasks)
        - Difficulty with continence (bowel or bladder control)

    - Difficulty with communication (speech, hearing or eyesight)
    - Difficulty with memory, concentration, learning or understanding
    - Difficulty with recognising whether in physical danger
    - Difficulty with physical co-ordination
    - Difficulty with other areas of life.

- In addition, the benefit receipt data allows us to establish which children receive DLA, and there are questions about whether the Mobility or Care components of DLA are received (although not the rates they are received at).

- Questions about whether the family is experiencing material deprivation. Several of these relate directly to children:

    - Whether each child in the family has a warm, waterproof winter coat;

    - Whether each school-age child in the family goes on a school trip at least once a term;

    - Whether each child in the family eats fresh fruit and vegetables at least once a day;

    - Whether children in the family undertake regular sports or leisure activities;

    - Whether the family goes on holiday away from home for at least one week per year;

    - Whether the family can afford celebrations on special occasions;

    - Whether there are enough bedrooms in the house for each child aged over 10 to have one of his/her own.

Living Costs and Food Survey

The Living Costs and Food Survey (LCF – formerly the Expenditure and Food Survey) is the main source of data on household *expenditure*. It also has information on incomes, meaning that it can be used to model the effect of changes to direct and indirect taxes on the same households. The income data is not quite as detailed as FRS but it is still reasonably detailed and of good quality.

LCF has a sample size of approximately 6,000 households and is conducted annually in calendar years (the most recent available survey is 2010). The sample response rate (the percentage of households contacted by interviewers who actually complete the survey) is the lowest of any of the major UK household surveys at around 50 per cent (compared with around 65 per cent for FRS).

Expenditure data

The LCF collects detailed expenditure data from households in the survey using diaries over the course of a two week period. Expenditure is classified using approximately 450 COICOP[104] codes. Adults and children in each household keep their own expenditure diaries – these are then aggregated to the household level for the main derived expenditure dataset, but the individual-level data from the diaries is also released in the 'raw' dataset files.

The LCF expenditure data is detailed enough to look at categories of expenditure specifically relating to children (eg children's clothing).

Public service use

The LCF contains information on expenditure on certain categories of public services which is useful for identifying service use, *but only for households whose members have to pay for those services*. So for example:

- Expenditure on bus and train fares (however, note that pensioners get free bus travel so their service use will not be recorded).

- Prescriptions, optical and dental services (but only for individuals who have to pay for these services rather than being exempt – so not children or pensioners or families on low incomes, for example).

Characteristics

The LCF contains similar information on other characteristics which would enable us to identify potentially vulnerable households and children (eg disability, ethnicity etc) as does the FRS, although the disability information is not as detailed as the information collected in FRS. However it does not contain material deprivation information.

Other useful information

The LCF contains similar income information to the FRS and can be used in a very similar way to look at incomes from employment, investment, benefits, tax credits etc. The main drawback of LCF is the smaller sample size and lower response rate.

[104] COICOP (Classification of Individual Consumption by Purpose) is a European standardised classification system for categories of expenditure.

Administrative Data Sets

This section looks at the various administrative datasets which are relevant to performing a quantitative analysis of the impact of the Budget on children's human rights.

Public Expenditure Statistical Analyses

HM Treasury publishes the PESA document on an annual basis. This shows total UK public expenditure disaggregated using a number of different breakdowns. The Landman Economics public spending model (see Appendix B) uses the breakdown in chapter five of PESA, "Public expenditure by function, sub-function and economic category", which breaks spending totals down into 10 different functional areas:

1. General public services (eg foreign aid, research and development etc)
2. Defence
3. Public order and safety (eg police, fire services, prisons etc)
4. Economic affairs (eg communications, transport etc)
5. Environmental protection (eg waste management, pollution abatement etc)
6. Housing and community amenities (eg social housing, water supply, street lighting etc)
7. Health
8. Recreation, culture and religion
9. Education
10. Social protection (eg benefits and tax credits)

Within these 10 categories, spending is broken down further into different subcategories (for example, the 'education' category distinguishes between pre-primary, primary, secondary and tertiary education).

For more information

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