



Office of the Children's Commissioner

An adequate standard of living

A child-rights-based quantitative analysis of tax and social security policy changes in the Autumn Statement 2013 and the Budget 2014

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About the Office of the Children's Commissioner

The Office of the Children's Commissioner (OCC) is a national public sector organisation led by the Children's Commissioner for England, Dr Maggie Atkinson. We promote and protect children's rights in accordance with the United Nations Convention on the Rights of the Child and, as appropriate, other human rights legislation and conventions.

We do this by listening to what children and young people say about things that affect them and encouraging adults making decisions to take their views and interests into account.

We publish evidence, including that which we collect directly from children and young people, bringing matters that affect their rights to the attention of Parliament, the media, children and young people themselves, and society at large. We also provide advice on children's rights to policy-makers, practitioners and others.

The post of Children's Commissioner for England was established by the Children Act 2004. The Act makes us responsible for working on behalf of all children in England and in particular, those whose voices are least likely to be heard. It says we must speak for wider groups of children on the issues that are not-devolved to regional Governments. These include immigration, for the whole of the UK, and youth justice, for England and Wales.

The Children and Families Act 2014 changed the Children's Commissioner's remit and role. It provided the legal mandate for the Commissioner and those who work in support of her remit at the Office of the Children's Commissioner to promote and protect children's rights. In particular, we are expected to focus on the rights of children within the new section 8A of the Children Act 2004, or other groups of children whom we consider are at particular risk of having their rights infringed. This includes those who are in or leaving care or living away from home, and those receiving social care services. The Act also allows us to provide advice and assistance to and to represent these children.

Our vision

A society where children and young people's rights are realised, where their views shape decisions made about their lives and they respect the rights of others.

Our mission

We will promote and protect the rights of children in England. We will do this by involving children and young people in our work and ensuring their voices are heard. We will use our statutory powers to undertake inquiries, and our position to engage, advise and influence those making decisions that affect children and young people.

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This report uses data from the following data sources: the Family Resources Survey 2011–12 and the Living Costs and Food Survey 2011. 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

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Executive summary

Landman Economics has been commissioned by the Office of the Children's Commissioner (OCC) to undertake a quantitative analysis of tax and social security measures announced in the 2013 Autumn Statement and the 2014 Budget and their impact on children's human rights, as defined by the UN Convention on the Rights of the Child (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 certain UK public taxation and spending measures announced in the period November 2013 to April 2014.

The Budget measures covered include changes in taxes, welfare benefits and certain public expenditure measures. The analysis is undertaken within an assessment framework based on articles from the UNCRC. This analysis extends the previous analysis by Landman Economics of measures between 2010 and 2013 published by the OCC in June 2013.¹

The assessment of quantitative impacts is one of the three components of the method of Child Rights Impact Assessment (CRIA) proposed by the Office of the Children's Commissioner. The other two components are qualitative impacts, to be assessed in consultation with children and young people (Robinson ET AL, 2014), 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 (Office of the Children's Commissioner, 2014).

The structure of the report is as follows:

- Section 1 explains states' obligations under the UN Convention on the Rights of the Child and how they relate to Budget measures.
- Section 2 gives a summary of the methodology used in this report (more detail can be found in the appendices accompanying the report).
- Section 3 assesses the specific impact of tax and welfare measures announced in the 2014 Budget and the 2013 Autumn Statement.
- Section 4 presents analysis of the overall impact of the changes to taxes, benefits and tax credits introduced in the 2010-15 Parliament (including Universal Credit), showing in particular what impact the new announcements in the 2013 Autumn Statement and 2014 Budget have on the overall distributional impacts of all tax and social security measures introduced in the current Parliament, plus announcements scheduled to take effect after 2015.

¹ H Reed, D Elson and S Himmelweit (2013), *An Adequate Standard of Living: A Child Rights Based Quantitative Analysis of Budgetary Decisions 2010-13*. London: Office of the Children's Commissioner.

- Section 5 offers conclusions.

Section 1 explains that the UNCRC, ratified by the UK in 1991, protects a range of rights – including civil and political rights and social, economic and cultural rights. States Parties must respect, protect and fulfil the UNCRC rights and this requires the allocation of resources. Economic, social and cultural rights must be progressively realised, to the maximum extent possible and paying special attention to the most disadvantaged groups. Irrespective of their resources, States must not discriminate in the enjoyment of these rights and must take immediate steps towards their realisation. These obligations extend to macro-economic policy and require that *‘children, in particular marginalised and disadvantaged groups of children, are protected from the adverse effects of economic policies or financial downturns.’*²

Section 2 sets out the methodology of this report, namely that of impact assessment, allowing 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. This report uses microsimulation modelling to analyse the cumulative impact of changes to taxes and benefits and funding for public services on the incomes³ 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.⁴

This analysis is supplemented with descriptive statistics on aspects of changes to funding for services which cannot be modelled in the same way. A microsimulation 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 is used to model the distributional impacts of changes to the tax and welfare systems. 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. The report is informed by the key principles of the UNCRC and considers quantifiable impacts of the measures on UNCRC rights. It should be noted that it is not possible to include data not covered by household surveys in our analysis, for example looked after children in residential facilities or Traveller children on halting sites.

Section 3 of the report looks at the distributional impact of specific changes to the income tax system, Universal Credit, and other child relevant measures (such as Tax Free Childcare and Free School Meals) announced in the 2013 Autumn Statement and/or the 2014 Budget. The quantifiable impact of the measures in terms of gains or losses in average household income is presented by household type (e.g. lone parent, couple pensioner etc) and for all households with children, by income decile, in order to determine whether

²²For more details, see UN Committee on the Rights of the Child, General Comment No On General Measures for the Implementation of the Convention on the Rights of the Child (2003), para 51.

³ Public services are treated as providing an additional income for those who use them

⁴ A similar approach was used by Corak, Lietz and Sutherland, 2005, to analyze the impact of tax and benefit systems on children in 15 EU countries,

the measure is discriminatory and/or the degree to which it is progressive and pays particular attention to the most disadvantaged groups.

The income tax measures modelled in this way result in gains to around 75% of households with children, although for around 10% of households with children the total gain from the reform is less than £1 per week. On average the measures increase the incomes of lone parents and couples with children, and such an increase may have a positive impact on children's rights, depending on how their parents spend the extra income. However, the increase in household income is not well-targeted from a child rights point of view. Lone parents gain less than almost all other household types. In addition the gains are lowest in percentage terms for the households with incomes in the lowest 20%, and mainly accrue to households in the middle of the income distribution.

The childcare subsidy measures have the potential to have positive impact on children's rights, especially to life and to 'develop to the maximum extent possible' (Article 6 UNCRC); to care (Article 18 (2)); and to education (Article 28 and 29). However, the realisation of these rights also depends on the supply of high quality childcare. These measures do nothing to address the deficit in high quality childcare, and may drive up the price of childcare. Moreover, they are not well targeted to address the rights of the most deprived children. Most of the gains from the Tax Free Child Care scheme, in particular, go to better off households.

The freeze in Universal Credit work allowances results in average losses to all types of household with children, with lone parents losing most on average. Households with children in the lowest 40 percent of the income distribution lose a lot more in percentage terms than higher deciles. This measure reduces assistance to parents in the performance of their child-rearing responsibilities and is a setback for children's rights to social security (Art 26) and to an adequate standard of living (Art 27). It does not comply with the requirement for States, whatever their economic circumstances, to pay special attention to the most disadvantaged groups', and is retrogressive.

The extension of free school meals to all children in Reception and Years 1 and 2 result in average gains for households with children in all income deciles, with some of the greatest percentage gains in the lowest deciles. This measure has a positive impact on children's rights, especially the right to life and to develop to the maximum available extent (Article 6 UNCRC); to enjoy the highest attainable standard of health (Article 24); and to an adequate standard of living (Article 27). Although it is a universal measure, it is well-targeted, as the net income gain is higher for households in the bottom five deciles than in the top five deciles. It ensures an end to discrimination against those children who enjoy this entitlement (in compliance with Article 2 UNCRC).

The indirect tax and energy bill measures result in average gains for all household types and for households with children in all income deciles, with the greatest percentage gains in the lowest deciles. These measures do

increase the disposable income of households including households with children and thus might be thought to have a positive impact on children's rights, especially the right to an adequate standard of living (Art 27 UNCRC). But it is important to look beyond the impact on disposable income to influences on behaviour: reductions in alcohol duties and a freeze on fuel duty may have negative impacts on, for example, children's rights to the highest attainable standard of health (Article 24).

The cap on the amount spent on most welfare (social security benefits, tax credits and Universal Credit – with some exclusions, in particular the State Pension) expenditure in the Annually Managed Expenditure accounts¹, which has been set at the level of the Office for Budget Responsibility's forecasts for in-scope welfare spending over the next four fiscal years, is arbitrary and is not related to the allocations that are needed to ensure the enjoyment of economic and social rights. If spending on in-scope welfare exceeds the cap (plus a forecast error margin of 2 percent) then the Government has to either (a) cut spending, or (b) have a vote in Parliament to raise the cap. The spending cap does not, in itself, mandate any further reductions in spending in its current form. However, the cap reinforces the idea that 'welfare' spending is bad in itself, undermining children's rights to social security (Art 26). A policy of setting an arbitrary cap on social security spending, irrespective of need, is at odds with the obligation to fulfil children's rights.

Section 4 looks at the distributional impact of the complete set of tax, benefit and tax credit measures announced between 2010 and 2015 (including Universal Credit). The measures are divided into three different components: changes to **transfer payments** (benefits, tax credits and Universal Credit, which is assumed to be rolled out fully in the analysis); changes to **direct taxes** (income tax and National Insurance Contributions); and changes to indirect taxes. For each component, the distributional impact is modelled in two stages: reforms announced between the June 2010 Budget and the 2013 Budget (inclusive), as well as preannounced reforms from the previous Government; and reforms announced after the 2013 Budget, up to and including the 2014 Budget.

Measures announced up to and including the 2013 Budget resulted in average annual cash losses of around £2,000 for lone parent families (around 8% of net income), around £2,000 for couples with children (over 4% of net income) and around £2,800 for multiple benefit units with children (around 6% of net income). The changes announced in the 2013 Autumn Statement and 2014 Budget make very little average impact compared to the reforms up to 2013, but have a small positive impact for all types of household with children. For lone parents this is marginal.

For all households with children examined by income decile, measures announced up to and including the 2013 Budget resulted in losses of between approximately £1,700 and £2,100 for all deciles save the 10th (highest) decile where losses were over £3000. In percentage terms, however, the measures

^[1] Need to update footnote here

were regressive, with the greatest losses for the poorest decile (over 10% of average household income) and the smallest for the richest decile (over 3% of average household income). The 2013 Autumn Statement and 2014 Budget measures resulted in no further change for households in the first and second decile but small further losses from the third decile upwards, both in cash terms and as a percentage of average income.

The cumulative impacts were also analysed by number and age of children in the household, and according to whether households had one or more disabled children. The analysis found that households with 3 or more children; with older (as opposed to younger) children; or with a disabled child lose more than their comparators. There is also some variation in losses according to the ethnicity of the adults in the household.

Overall, comparing 2015 with 2010, there is negative impact on incomes of families with children. This has been somewhat mitigated by the measures considered in this report, but it remains substantial. Moreover, this mitigation in the negative impact on disposable income has to be considered in the light of the incentives for behaviour detrimental to children's rights implied by some of the measures, and the likelihood of further cuts to social security benefits and substantial and continuing cuts to the income in kind that families with children get from provision of public services, unless policies are changed. Families with children are harder hit than working age families without children, with lone parent families hardest hit of all groups in percentage terms. Thus there is no evidence that '*children... are protected from the adverse effects of economic policies or financial downturn*'.

Children in low income families are at highest risk of not enjoying the right to an adequate standard of living and the cumulative impact of the measures on family income is proportionately greater for lower income families than for higher income families (Figure 4.4), in disregard of the injunction of the Committee on the Rights of the Child 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.

The higher proportionate loss of income for households with disabled children is higher than those with non-disabled children (Figure 8) calls into question the rights of children to enjoy an adequate standard of living without discrimination on grounds of disability, as required by Article 2 UNCRC; and also the right of disabled children to special care and assistance (Article 23 UNCRC).

Section 5 of the report concludes that lower incomes for families mean that the obligation to 'render appropriate assistance to parents and legal guardians in the performance of the child rearing responsibilities' (Art 18 (2) UNCRC), and the right of children to an adequate standard of living for the child's development (Article 27) is compromised.

Among the individual measures, there are clear instances of retrogressive measures, such as the three-year nominal freeze in the value of the work allowances for Universal Credit that was announced in the 2013 Autumn Statement. This measure reduces assistance to parents in the performance of their child-rearing responsibilities (thus calling into question compliance with Art18 (2) UNCRC). Furthermore, this measure is also a setback for children's rights to social security (Art 26 UNCRC) and to an adequate standard of living (Art 27). But it should be noted that delays with the roll-out of Universal Credit means that this has not yet come into force for families with children.

There are some measures in Budget 2014 that have some mitigating impact, but these measures are, with the exception of the extension of free school meals, not well targeted, as the benefits are not distributed 'with special attention to the most disadvantaged groups' of children.

The evidence demonstrates that the tax/tax credit and social security measures will have a larger cumulative negative impact on working age families with children than on those without children, suggesting that they not been designed with the best interests of the child as a primary consideration (Article 3); and that the statement from the Committee on the Rights of the Child that children should be protected from the adverse impacts of economic policies⁵ has been ignored. 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 UNCRC).

The fiscal consolidation strategy of the UK government relies disproportionately on expenditure cuts, which are expected to produce about 80-85% of the planned reduction in the budget deficit, while increases in tax revenues are expected to produce 15-20%.⁶ The Autumn Statement 2013 and the Budget 2014 included several measures that in fact reduce tax revenues. The reductions in real value of excise taxes on alcohol and fuel and the reductions of the obligations of energy companies to invest in sustainable energy give incentives for behaviour that is detrimental to children's rights, especially in the longer run. These tax measures reduce, rather than maximise, the resources available for realization of children's rights.

The tax and social security measures analysed in this report also have to be seen in the light of cuts to the funding for public services relevant to a wide range of children's rights. Yet further cuts seem likely in the future, including in interpersonal services, such as education, care, social protection and recreation, which are so crucial to the realisation of the full range of children's rights under the UN Convention on the Rights of the Child.

⁵ Committee on the Rights of the Child, General Comment No 5. On General Measures for the Implementation of the Convention on the Rights of the Child (2003), para 51.

⁶ The Chancellor claimed 80% from expenditure cuts, 20% from increased tax revenues in his 2012 Autumn Financial Statement. The Institute for Fiscal Studies has estimated 85% from expenditure cuts and 15% 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

1. Resourcing for children's rights: States' obligations

This report addresses the rights set out in the UNCRC (See Appendix A for the text) to which the UK is party. Some of 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 18: The right to care
- 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 and 29: The right to education
- 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 UN Committee on the Rights of the Child (CRC) has clarified, in a series of General Comments, that States have three types of obligations in relation to the UNCRC rights: to respect, protect and fulfil. For example, General Comment No. 15 (2013) on the right of the child to the highest attainable standard of health (Article 24) specifies in paragraph 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 to meet them, although the obligation to fulfil tends to be most resource dependent. The issue of resources is covered in the UNCRC in 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.

The CRC has clarified this further in General Comment No. 5. General measures of implementation of the Convention on the Rights of the Child (2003), paragraphs 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 realisation' 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 circumstancesWhatever their economic circumstances, States are required to undertake all possible measures towards the realisation of the rights of the child, paying special attention to the most disadvantaged groups.

In 2007, the CRC 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 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 (paragraph 25) The Committee recommended that 'progressive realisation 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 realisation of economic, social and cultural rights of children' (paragraph 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 realisation of those rights' (paragraph 47). The Committee also underlined that 'there are obligations requiring immediate implementation, irrespective of the level of available resources: i.e. the obligation to guarantee non-discrimination in the enjoyment of these rights and the obligation to take immediate steps towards their realisation' (paragraph 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 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 (paragraph 48).

The Committee made a number of recommendations for managing government budgets so as realise children's rights (paragraph 34) and also recommended that 'the macroeconomic framework of growth targets should be harmonised 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' (paragraph 31.)

Mr Kamal Siddiqui, a member of the Committee on Economic, Social and Cultural Rights, and the keynote speaker for the day commented, inter alia, on the factors which may affect the availability of resources, emphasising 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, including: monetary policy, financial regulation and government borrowing.

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

The concern with overall economic policies is also present in General Comment No 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 marginalised and disadvantaged groups of children, are protected from the adverse effects of economic policies or financial downturns’ (paragraph 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 CRC has made specific reference to analysis of Government budgets in General Comment No. 5 (2003) General measures of implementation of the Convention on the Rights of the Child (Articles 4, 42 and 44, paragraph 6), which in paragraph 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 paragraph 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 marginalised 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% of expenditure in 2007–8, 2008–9 and 2009–10 was allocated to children and young people, who comprise 21.6% of the population (p.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% 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 General Comment, 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 some of the measures introduced have only recently been implemented, or are yet to be brought in.

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, 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, 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 (IFS) 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 IFS (Browne, 2010). The IFS uses a microsimulation model to examine the impact of changes introduced in the 2010 Welfare Reform Act (NI), 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 microsimulation model to do this.

The impact assessment in this report also uses microsimulation modelling to analyse the cumulative impact of changes to taxes and benefits and funding for public services on the incomes 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. This analysis is supplemented with descriptive statistics on aspects of changes to funding for services which cannot be modelled in the same way.

A microsimulation 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 is used to model the distributional impacts of changes to the tax and welfare systems. The model is comparable in functionality to other tax and transfer microsimulation models in existence in the UK (such as the Institute for Fiscal Studies' 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 (e.g. the increase in VAT from 17.5% to 20% 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.

Last year's report (OCC, 2013) also featured an analysis of the impact of changes to spending on 'in-kind' public services (such as health, education, social care and transport) on household living standards, using a model 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. This report does not contain an updated version of the in-kind public spending analysis, mainly because the spending plans for 2015–16 laid out in the 2013 Spending Review made only minor changes to the assumed spending plans for 2015–16 laid out in the 2013 OCC report.

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

- Indivisibility and interdependence of children's rights: civil, political, economic, social and cultural. All are included in the Convention on the Rights of the Child.
- 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 a 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 of the UNCRC, 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 Child Rights Impact Assessment 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' (p.7). The Child Rights Impact Assessment for England of the Welfare Reforms Bill 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 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 child's best interests being a primary consideration and the impacts on the child's rights to life, survival and development. Moreover, we recognise 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 CRC 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.

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, which require not only experiential knowledge but also a degree of expertise. 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. 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 Equality 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 assessment model proposed by the Office of the Children's Commissioner. 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 this has been carried out for the OCC by the University of Brighton in their report *Identifying and understanding the impact on children and young people* (Robinson et al, 2014).

3. Impact of individual measures

This section of the report looks at the distributional impact of specific changes to the income tax system, Universal Credit, and other child relevant measures (such as Tax Free Childcare and Free School Meals) announced in the 2013 Autumn Statement and/or the 2014 Budget.

3.1 Income tax measures

Five changes to the income tax system were announced in the 2013 Autumn Statement and the 2014 Budget:

1. An increase in the **personal allowance** for income tax from £10,000 to £10,500 in April 2015. This is estimated to cost the Exchequer around £1.4 billion in 2015–16.
2. The introduction of a **transferable tax allowance** for married couples and civil partners from April 2015. For eligible couples where one partner earns below the income tax personal allowance, this measure allows the couple to transfer up to £1,000 of that partner's unused personal allowance to the other partner (provided that the other partner's gross income is below the higher rate threshold for income tax). This measure is worth a maximum of £200 per couple (the £1,000 value of the allowance multiplied by the income tax basic rate of 20%). This is estimated to cost the Exchequer around £500 million in 2015–16.
3. The reduction in the 10% rate of income **tax on interest from savings** for low-income savers to zero, and the increase in the amount of savings taxed at this rate from £2,880 to £5,000 from April 2015. This zero rate only applies to individuals with total taxable income of less than £5,000 in the 2015–16 tax year; individuals with taxable income of more than £5,000 will be taxed at 20% on all taxable income. This measure is estimated to cost the Exchequer around £300 million by 2016–17.
4. The tax-free savings limit for **Individual Savings Accounts** (ISAs) has been increased from £11,880 to £15,000 from July 2014.
5. For individuals who are about to receive benefits from a **private pension**, the requirement to use 75% of their pension savings to buy an annuity has been abolished, and income drawn down from the pension pot will now be taxed at the individual's marginal rate rather than a rate of 55%.

The distributional analysis in this models the first three of these reforms only but we also discuss the impact of the other reforms later in the section. The three reforms to income tax will cost the Exchequer a total of £2.8 billion pounds per year by 2016–17.

Figure 1 shows the impact of the personal allowance increase, transferable tax allowances and the reductions in savings tax for the year 2015–16 by household type in cash terms (number of pounds gained per year in each group) at April 2014 prices. This analysis divides the FRS household sample into eight types

- single adults with no children
- lone parents
- couples with no children
- couples with children
- single pensioners
- couple pensioners
- multiple benefit unit households without children (a multiple benefit unit household is one that contains more than one FRS benefit unit⁷)
- multiple benefit unit households with children.

Figure 1: Average cash gains from income tax reforms by household type

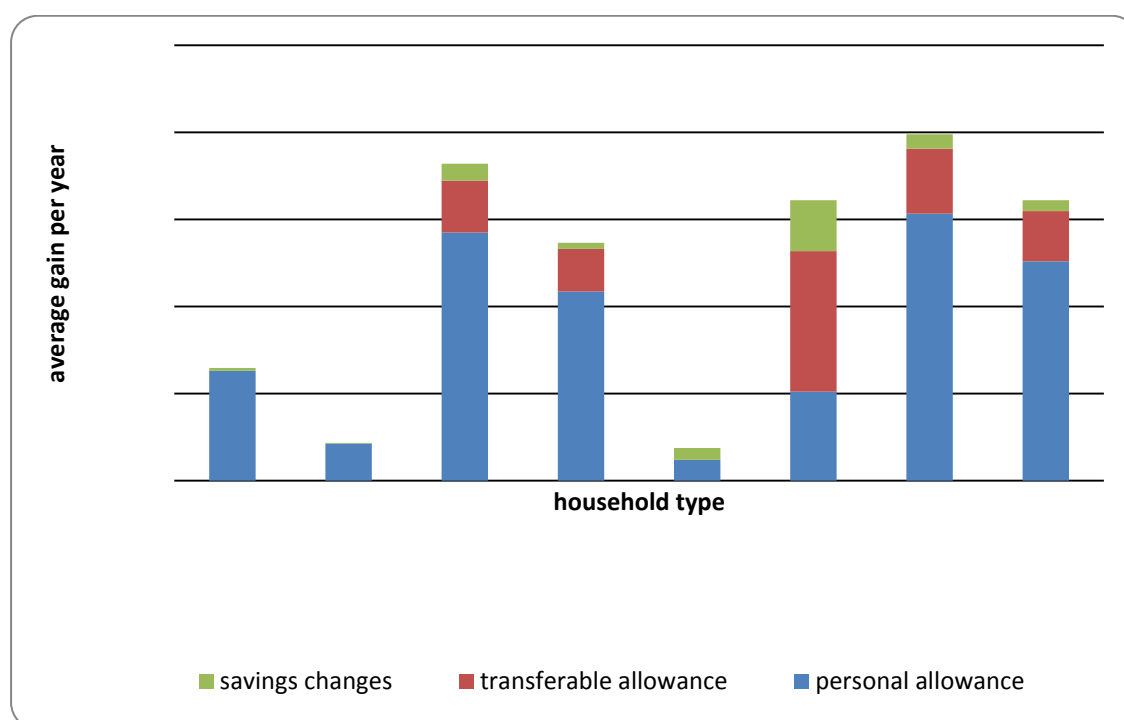


Figure 1 shows that the personal allowance increase has the biggest cash impact for all household types except for couple pensioners, for whom the biggest impact comes from the transferable allowance. This is mainly because couple pensioners are more likely to have one partner with an income above the personal allowance (but below the higher rate threshold) and the other partner below the personal allowance than any other group. The transferable

⁷ A benefit unit in the FRS is a single adult or a (married or cohabiting) couple with any dependent children. So for example, an adult couple living with their parents or two or more single people sharing an address would constitute a multiple benefit unit household in the FRS.

allowance is of no benefit to single households, lone parents or couples who are not married or civil partners. Its impact on couples with and without children is roughly equal in cash terms, but only 18% of families with children benefit from the measure, as opposed to 31% of married couples, 64% of whom do not have children (Women’s Budget Group, 2012). The reductions in savings taxation have a relatively minor impact for all groups except for couple pensioners.

Figure 2 shows the distributional impact of these changes as a percentage of net household income. The biggest percentage gains are for couple pensioners, followed by couples with no children and multiple benefit units with no children. The smallest percentage gains are for lone parents, who benefit relatively little from the personal allowance increase as most lone parents have gross incomes of less than £10,000 per year.

Figure 2: Average percentage gains from income tax reforms by household type

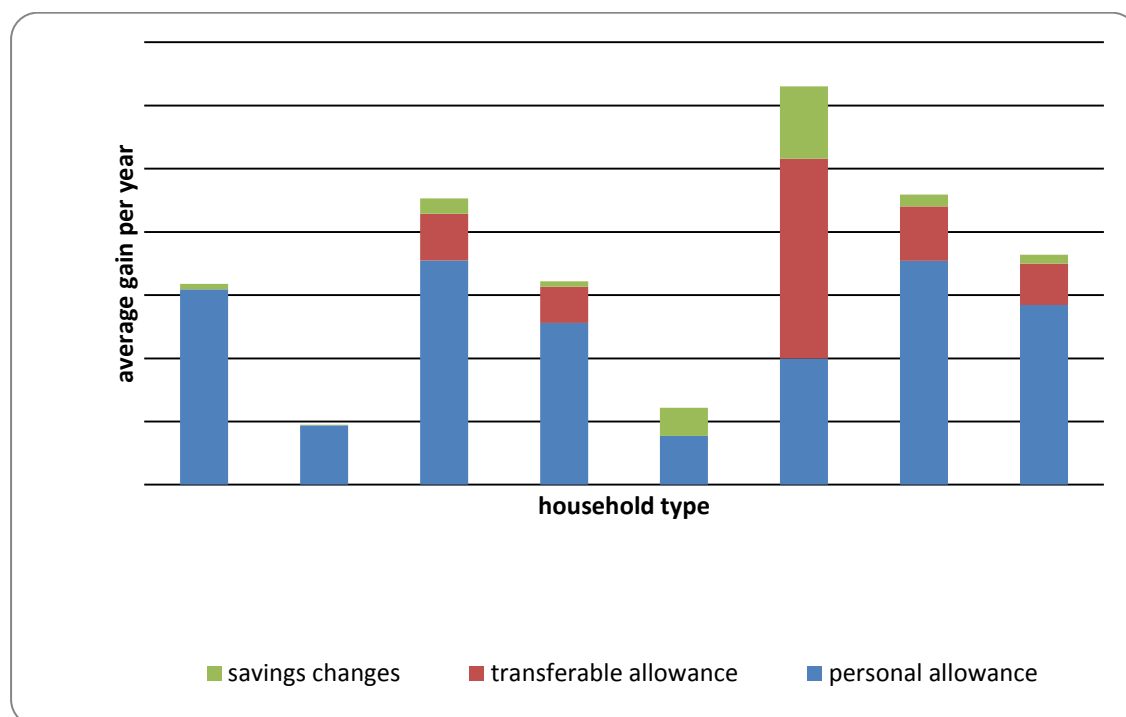


Figure 3 shows the impact of the income tax changes in percentage terms for families with children by net household income decile⁸. Note that these are the average percentage gains across *all* households in each decile (rather than the percentage gain across just those households who gain from the policy). The impact of the personal allowance changes is highest in percentage terms in the 6th, 7th and 8th deciles of household income. The

⁸ Note that the deciles are defined across all households rather than across households with children only. There are relatively few households with children in the bottom decile because tax credits (in cases where the household is eligible for them) and child benefit provide sufficient income in most cases to lift families out of the very bottom part of the net income distribution.

impacts of the changes to savings tax are relatively small in percentage terms and uneven distributionally, with the largest percentage gains in the middle and top of the income distribution.

Figure 3: Average percentage gains from income tax reforms by household income decile



Around 75% of households with children gain from the income tax reforms, although for around 10% of households with children the total gain from the reform is less than £1 per week. On average the measures increase the incomes of lone parents and couples with children, and such an increase may have a positive impact on children’s rights, depending on how their parents spend the extra income. For instance, it could have a positive impact on the right of the child to an adequate standard of living (Article 27); to life and to ‘develop to the maximum extent possible’ (Article 6); to enjoy the highest attainable standard of health (Article 24) ; and to rest and leisure (Article 31). However, the extra income is not labelled as being for children (unlike increase in child benefit or child related tax credits) which may mean that it is not so likely to be spent on children as increases in benefits that are specifically child- related.

Moreover, the increase in household income is not well-targeted from a child rights point of view. The gains in cash terms and in percentage terms go more to couples without children (including both working age and pension age couples) than with children; and lone parents gain less than other groups, with the exception of single pensioners. In addition the gains are lowest in percentage terms for the households in the lowest quintile, and mainly accrue to households in the middle of the income distribution. Finally, the income tax measures will cost £2.8 billion annually that might have been better spent on welfare benefit measures and public services directly linked to children. It

does not appear that the budget is allocating the 'maximum available resources' to realise children's rights.

Turning to the impact of the other income tax changes, the increase in the ISA limit from £11,880 to £15,000 will mainly affect only the richest households, as to take advantage of the increased limit, a one-adult household needs to have more than £11,880 of disposable income to save per year, while a two-adult household would need to have more than £23,760 of disposable income. Statistics from HMRC show that in 2011–12 (the latest tax year for which statistics are available), only 771,000 adults – around 1.5% of the UK adult population – saved the full amount into a stocks and shares ISA (which in that year was £10,680); presumably even fewer adults would have been in a position to save the full £15,000 if the higher limit had been in place back in 2011/12.⁹ The changes to pension taxation will mainly affect households approaching retirement in the short term, the majority of which do not have children aged under 16 (or under 19 and in full-time education) in the household.

3.2 Childcare subsidy measures

This section shows the impact of two measures announced in the 2014 Budget which will provide increased support for childcare costs for families with children:

- The **Tax Free Childcare** initiative, which provides a childcare subsidy payment to families with children who are not claiming Universal Credit, has been increased from £6,000 to £10,000 per child. The scheme is also being rolled out more quickly than originally intended (in the revised timetable, it will be rolled out to all eligible families with children under 12 within the first year of the scheme's operation).
- The increase in the percentage of childcare costs eligible for payment under **Universal Credit** from 70% to 85% of costs, which was previously only available to Universal Credit claimants with gross incomes above the Income Tax personal allowance, is now being extended to all Universal Credit claimants.

Figure 4 shows the distributional impact of these two policy measures as a percentage of net income, for households with children only, by income decile. The scale for the graph has been chosen to match Figure 3 above, to give an impression of the size of the distributional impacts of these policies relative to the income tax changes.

⁹ Figures taken from HMRC *ISA Statistics*, Table 9.7, available at: https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/305285/statistics.pdf

Figure 4: Average percentage gains from childcare subsidy measures by household income decile

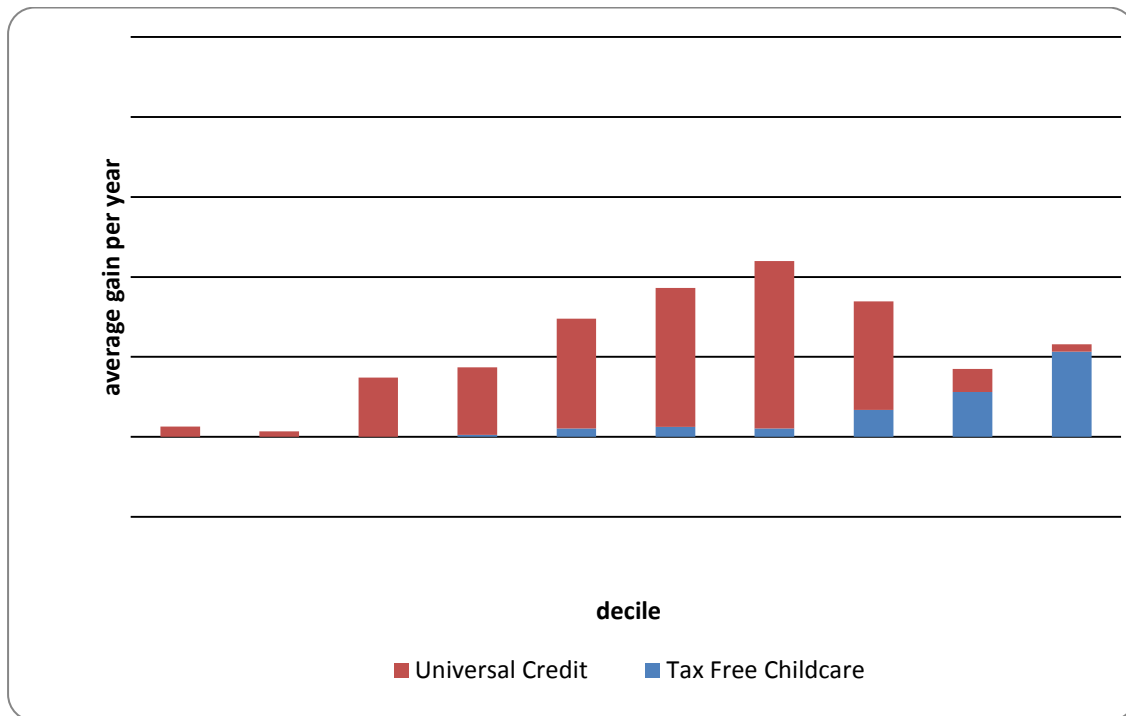
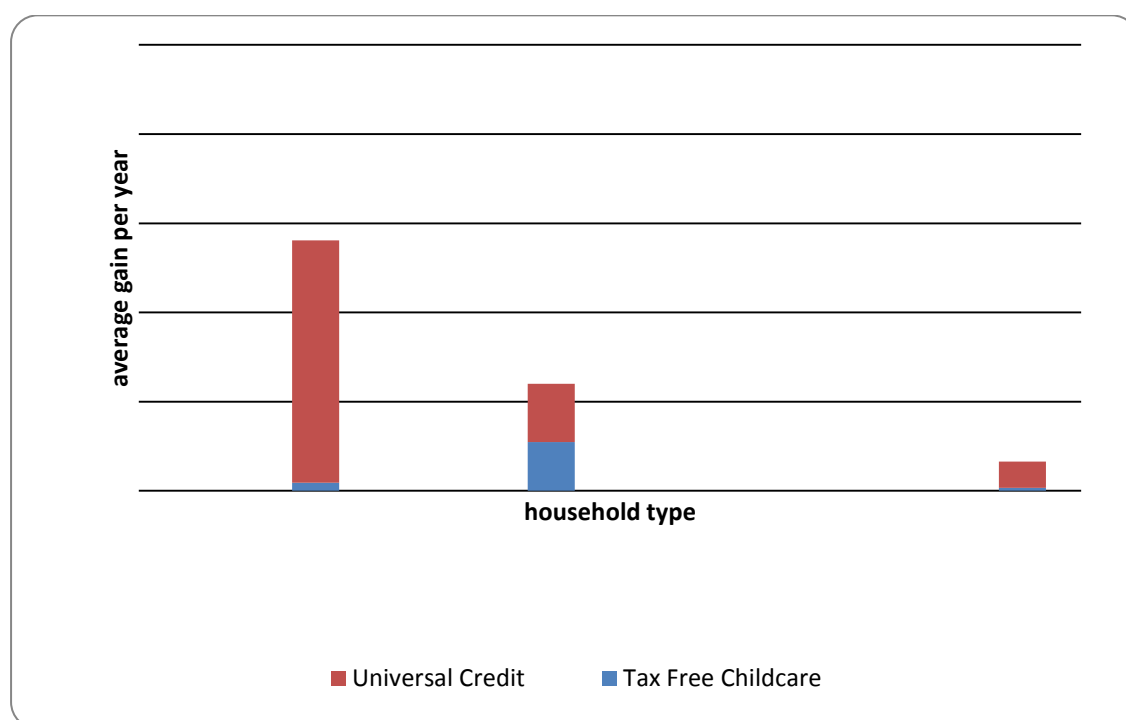


Figure 4 shows that the increased generosity of the Tax Free Childcare scheme is distributionally regressive, with most of the gains going to households in the upper income deciles (in cash terms, over half the gains from the measure go to households in the top income decile). This makes sense given that the only families who can afford to spend between £6,000 and £10,000 per child on childcare are those with high incomes. The increased generosity of Universal Credit has the biggest positive impacts in the 6th and 7th deciles of the income distribution, because families claiming Universal Credit who are in the middle of the income distribution are much more likely to be in work and using paid childcare than families lower down the income distribution.

Figure 5 shows the percentage impacts of the increased childcare subsidies by family type. Lone parents gain relatively little from Tax Free Childcare but a relatively large amount from the Universal Credit changes. For couples with children, the gains are equally split between Tax Free Childcare and Universal Credit (although as shown above, the distributional impact of each of these policies by income decile is very different).

Figure 5: Average percentage gains from childcare subsidy measures by household type



The childcare subsidy measures have the potential to have positive impact on children’s rights, especially to life and to ‘develop to the maximum extent possible’ (Article 6); to care (Article 18 (2)); and to education (Articles 28 and 29). However, as noted in our analysis of the 2013 Budget (Reed et al, 2013), the realisation of these rights also depends on the supply of high quality childcare. States are obliged to ensure the development of institutions, facilities and services for the care of children (Article 18 (2)). Standards of quality of provision are addressed in Articles 3 and 29.

These measures do nothing to address the deficit in high quality childcare, and may drive up the price of childcare. Moreover, they are not well targeted to address the rights of the most deprived children. Ofsted inspections in 2012 found that only 64% of nurseries and child-minders in the most deprived areas were judged ‘good’ or ‘outstanding’ compared to 79% in the country as a whole. The Tax Free Child Care scheme is highly regressive with most of the gains going to the better off households (Ibid.). Reallocating the additional money spent on this scheme (around £600 million by 2016–17)¹⁰ to childcare provision targeted to more deprived children, such as Sure Start centres, would be more in line with the requirement for States to pay special attention to the most disadvantaged groups as advised by the Committee on the Rights

¹⁰ See HM Treasury (2014), pp56-57. This net cost comprises additional spending of £745 million on Tax Free Childcare minus a reduction in spending of £145 million on the previous Employer-Supported Childcare Scheme which is being closed to new entrants when the Tax Free Childcare scheme launches in Summer 2015.

of the Child in General Comment No. 5.

3.3 Freeze in Universal Credit work allowances

A three-year nominal freeze in the value of the work allowances for Universal Credit was announced in the 2013 Autumn Statement. These are the amounts which families claiming Universal Credit are allowed to earn before being subject to the 65% taper on net earnings. The freeze in the work allowances is forecast to save the Exchequer £300m by 2016–17. Figure 6 shows the impact of the three-year freeze in work allowances by 2016–17 relative to a situation in which the previously announced uprating rules (1% nominal for April 2013, April 2014 and April 2015 and then CPI for April 2016) had remained in place, and assuming that all households have been moved over to the Universal Credit system by April 2016. (Note that in reality, full migration of the existing benefit and tax credit caseload onto Universal Credit will not occur until 2017 at the earliest).

Figure 6: Average percentage losses from freeze in Universal Credit work allowances by household type

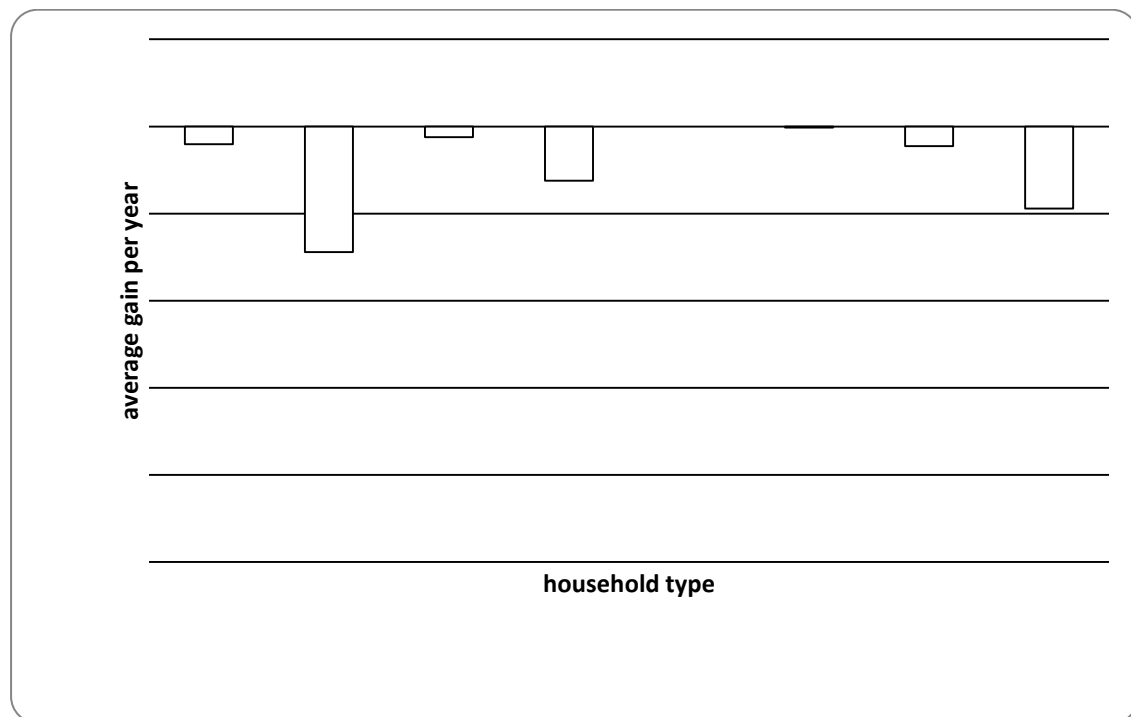


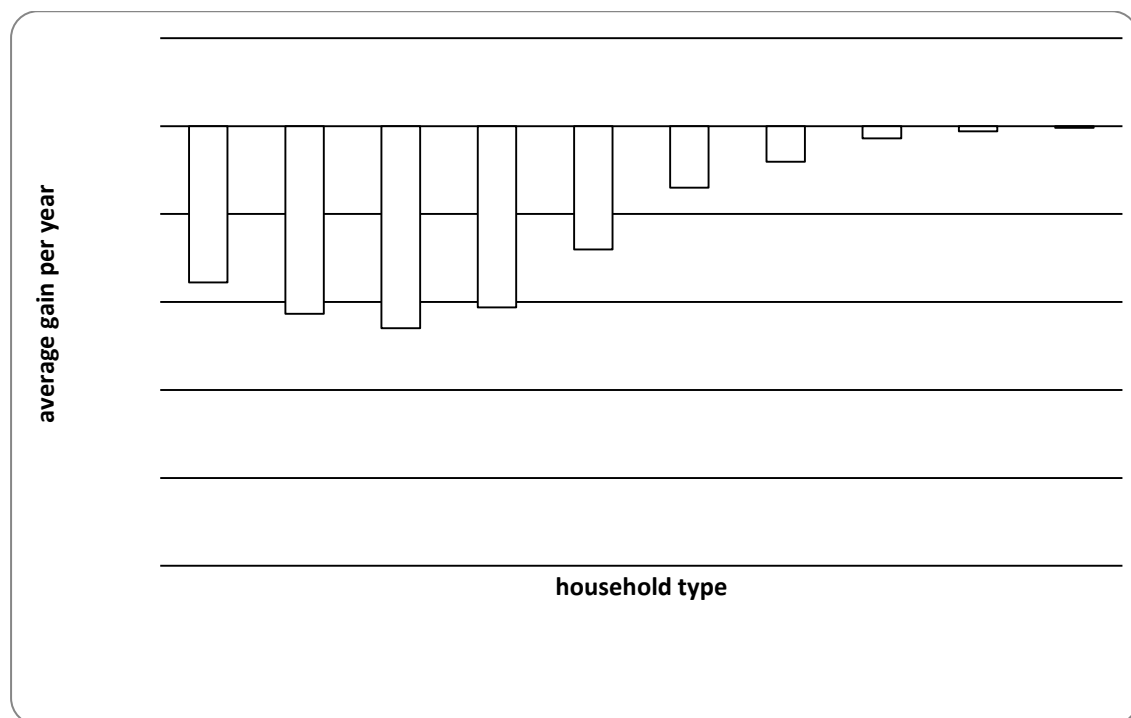
Figure 6 illustrates that lone parents lose most on average from the freeze in Universal Credit work allowances, followed by couples with children. This is not surprising given that these groups have more generous work allowances than families without children.

Figure 7 shows the percentage impact of the freeze in Universal Credit work allowances for households with children by net income decile. The impact of this measure is regressive, with the lowest 40% of the income distribution losing a lot more in percentage terms than higher deciles. This measure will

also have an adverse impact on the incentive to work for Universal Credit claimants as it reduces net income for working families with gross incomes above the disregard level while leaving income unchanged for non-working families.

The freeze in the work allowances has been justified on the grounds of reducing the deficit, but given that the cuts to income tax analysed in Section 3.1 will cost the Exchequer a total of around £2.8 billion¹¹ by 2016–17, relative to a saving of around £300 million from freezing the work allowances for three years, it is difficult to interpret the overall package of reforms in 2014–15 as one which prioritises deficit reduction.

Figure 7: Average percentage losses from freeze in Universal Credit work allowances by household income decile



This measure reduces assistance to parents in the performance of their child-rearing responsibilities (thus calling into question compliance with Article 18(2)). Furthermore, it is a setback for children’s rights to social security (Article 26) and to an adequate standard of living (Article 27). It does not comply with the requirement for States, whatever their economic circumstances, to pay special attention to the most disadvantaged groups’, as advised by the Committee on the Rights of the Child in General Comment No. 5. It is a retrogressive measure. It is hard to see why this measure was introduced as it also has an adverse impact on work incentives, contradicting the Government’s policy objective of improving work incentives. It should be noted that the delays in rolling out the Universal Credit system mean that this measure has yet to come into force for households with children.

¹¹ Based on policy costings in 2013 Autumn Statement and 2014 Budget documentation.

3.4 Free School Meals: Extension to all Reception, Year 1 and Year 2 schoolchildren

The 2013 Autumn Statement announced the roll-out of free school meals to all schoolchildren in Reception and Years 1 and 2 of primary school from September 2014, a policy which is costed at £740 million for 2015-16 (including £590m of revenue funding, and £150m of capital funding). Previously, only children in families in receipt of certain means-tested benefits (Income Support, income-based Jobseekers Allowance, income-related Employment and Support Allowance and the guarantee element of Pension Credit) as well as children in families in receipt of Child Tax credit (but not Working Tax Credit) were eligible for Free School Meals. The extension of Free School Meals could thus be expected to mainly benefit middle and higher-income families on the grounds that most low-income families were already entitled due to receiving the relevant means-tested benefits and/or tax credits.

Figure 8 below shows that the cash impact of universal Free School Meals for all children in Years 1 and 2 is higher for families in the 3rd decile and above than it is for families in the lowest 20% of the income distribution. However, the impact for families in the bottom two deciles is still positive, and the analysis of the average percentage gains by decile (in Figure 9) shows that the average gains in decile 1 are higher than for any other decile except decile 3. This is because data from the 2010–11 Family Resources Survey show that many low-income families *do not claim* Free School Meals, even though they are entitled to them in theory. This may be because Free School Meals have a stigma attached to them because of the means-testing of the entitlement. To the extent that this is the case, universal Free School Meals entitlements are a progressive policy because they ensure that *all* children in this age group will take up their entitlement.

Figure 8: Average cash gain from extension of Free School Meals to all children in Years 1 and 2 by family income decile

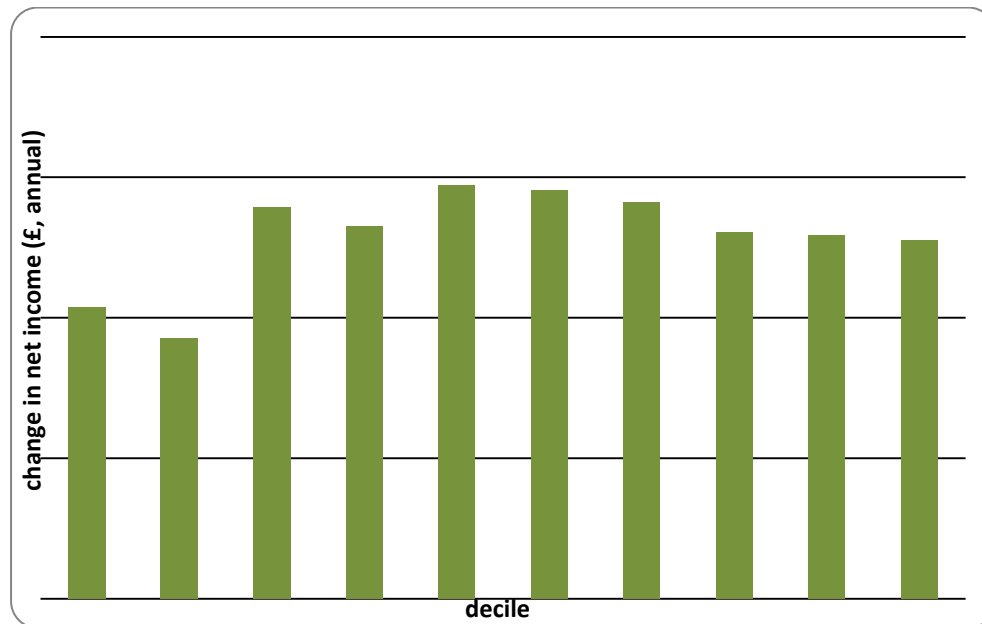
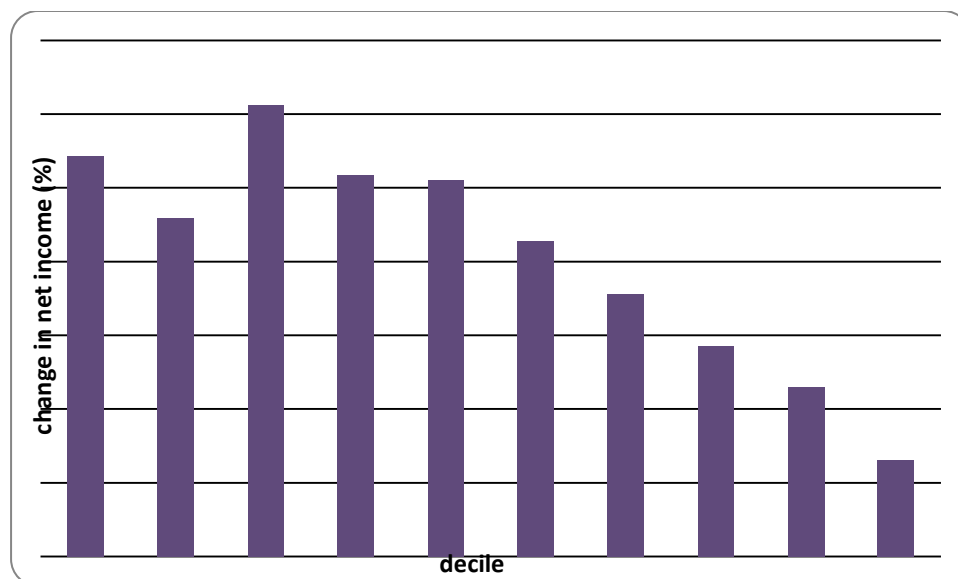


Figure 9: Average percentage net income gain from extension of Free School Meals to all children in Years 1 and 2 by family income decile



This measure has a positive impact on children’s rights, especially the right to life and to develop to the maximum available extent (Article 6); to enjoy the highest attainable standard of health (Article 24); and to an adequate standard of living (Article 27). Although it is a universal measure, it is well-targeted, as the net income gain is higher for households in the bottom five deciles than in the top five deciles. It ensures an end to discrimination against those children who enjoy this entitlement (in compliance with Article 2). It is a good example of how a universal entitlement can be a well targeted measure, if the target is realising the rights of children.

3.5 Indirect tax and energy bill measures

The 2013 Autumn Statement announced that the planned **fuel duty increase** scheduled for September 2014 would be cancelled, at a cost of £750 million in 2015–16 the Exchequer.¹² This is the latest in a series of cancellations of fuel duty increases since 2010. **Additional real-terms reductions in excise duties on beer, cider, spirits and wine** were announced in the 2014 Budget. The 2013 Autumn Statement also announced measures to reduce domestic energy bills by, on average, £50 per household:

- Suppliers will deliver £12 rebates to all domestic electricity accounts for the next two years. This will cost Government at least £600m in total
- Reform of the Energy Company Obligation (ECO) saving, on average, £30-£35
- Voluntary action by the electricity distribution network companies to reduce network costs in 2014-15 (savings on average £5)
- A consequential VAT saving of £2.

The 2013 Autumn Statement also announced that the Government was consulting on a package of measures which it was claimed would **reduce household domestic energy bills by scaling back the Energy Company Obligation (ECO) scheme** which reduces the fuel usage of poor households, which HM Treasury calculated would be worth around £50 per household on average. This section assesses the distributional impact of these measures, using information on spending patterns for households of different types and by household net income from the 2011 Living Costs and Food Survey.¹³

Figure 10 shows the distributional impact of the indirect tax and energy bill measures by household type. Overall, single pensioners gain the most in percentage terms from the changes, and this result is driven mainly by the energy bill measures (energy bills for single pensioners are a higher proportion of net income than for any other household type on average). The cancellation of the fuel duty increase has a slightly bigger impact for couples with children and multiple benefit unit households than for other household types.

It should be noted that Figure 10 shows the maximum potential short-run impact of the energy bill measures, based on the assumption that energy

¹² See details at HM Treasury (2013), p7.

¹³ There are other relevant potential impacts for instance, reduction in real value of excise duties on alcohol may encourage more alcohol consumption, which may lead to more violence against children. The reduction in the real value of excise duties may on fuel, which may lead to harmful climate change. In both cases there may be adverse impacts on children's rights, such as their rights to life and to the highest attainable standard of health. However, it is beyond the scope of the model used in this report to quantify such impacts.

companies pass on to consumers all of the cost reduction from the removal of obligations to invest in sustainable energy, rather than increasing their profits. Also in the long run, reduced investment in renewable energy could lead to the imposition of higher costs on households due to the dangerous impacts of climate change (Stern and Dietz, 2014).

Figure 10: Impact of indirect tax and energy bill measures as a percentage of net income by household type

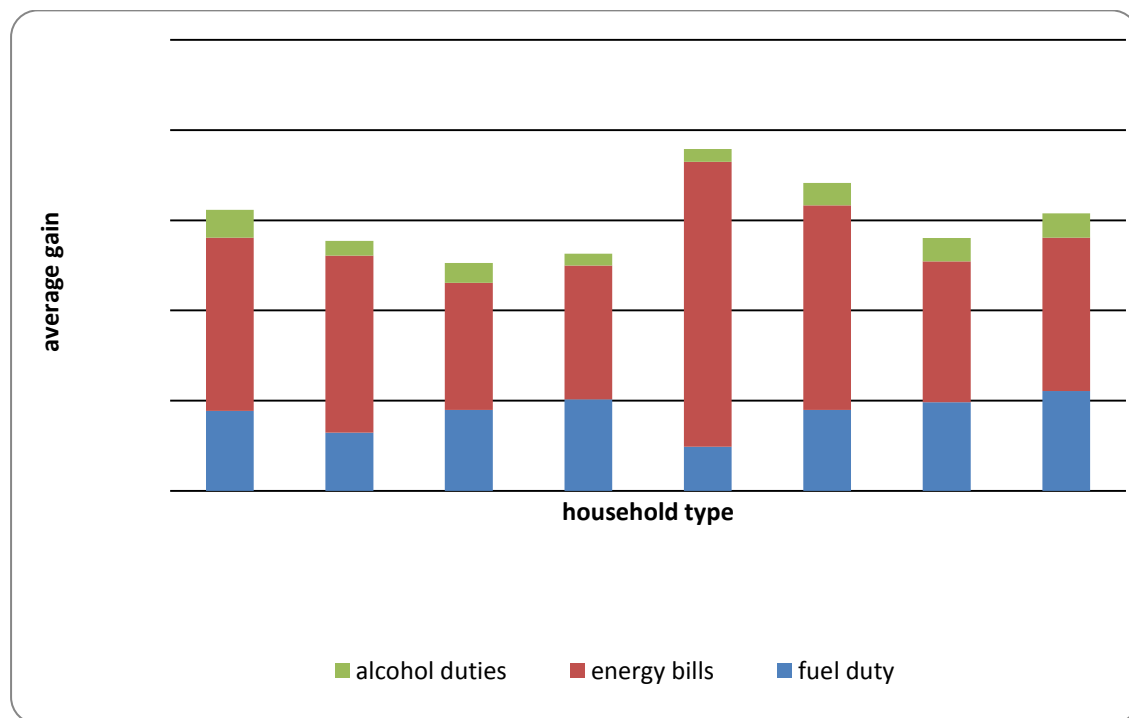
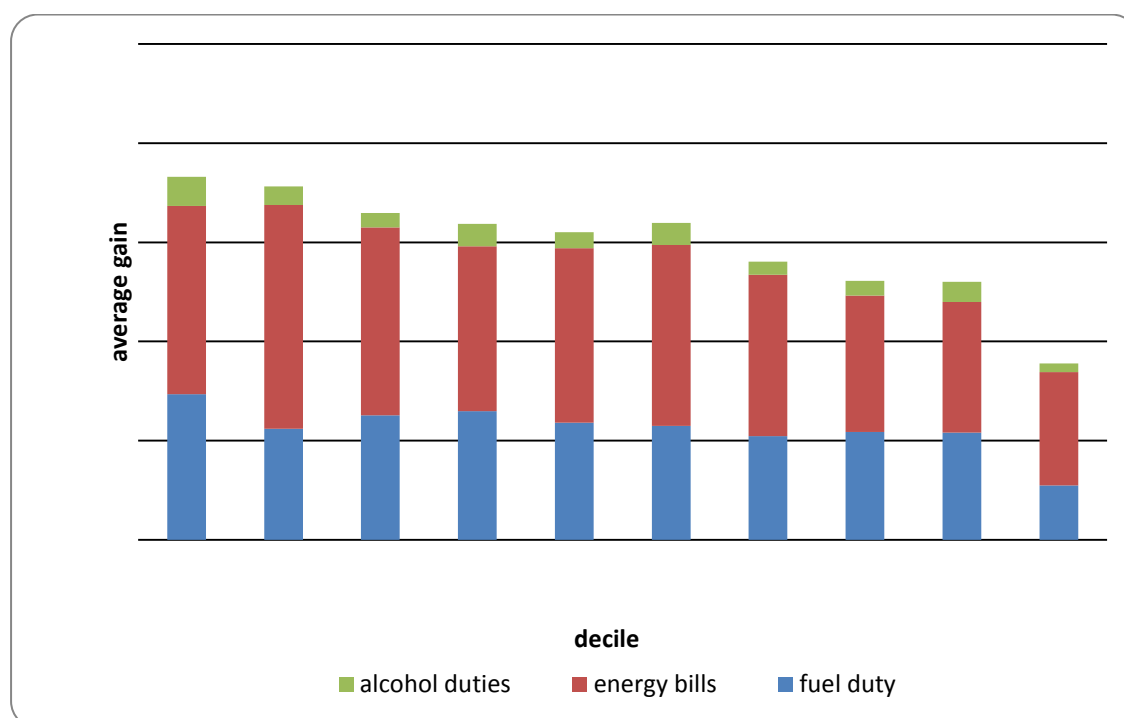


Figure 11 shows the distributional impact of the indirect tax measures by household income decile (for households with children only). Overall the impacts are slightly progressive, with lower income households gaining slightly more as a percentage of net income than higher income households. However, the impact of the fuel duty and alcohol duty reductions will be uneven within each decile. Households who do not drive a car will not benefit from the fuel duty reductions; likewise, households who do not drink alcohol will not benefit from the reductions in alcohol duties. Analysis of the 2011 Living Costs and Food Survey shows that car ownership and alcohol consumption are strongly negatively related to income. 95% of households in the top net income decile own at least one car or van, compared with only 39% of households in the lowest income decile. Meanwhile, 58 percent of households in the lowest decile spent nothing at all on alcohol in the two-week diary period covered by the LCF, compared with only 14 percent of households in the top decile.

Figure 11: Impact of indirect tax and energy bill measures as a percentage of net income by household income decile



These measures do increase the disposable income of households including households with children and thus might be thought to have a positive impact on children’s rights, especially the right to an adequate standard of living (Art 27 UNCRC). But it is important to look beyond the impact on disposable income to influences on behaviour. Real terms reduction in duties on alcohol may influence behaviour in ways that undermine children’s rights. For instance, cheaper alcohol may encourage more alcohol consumption, both by adults and children, in ways that undermine the right to life and development to the maximum extent possible (Article 6) and to the highest attainable standard of health (Article 24). Cheaper petrol and diesel may encourage more intensive use of petrol and diesel in ways that contribute to harmful climate change; and the loosening of obligations on energy companies to invest in sustainable energy may do the same (Stern and Drietz, 2014). Harmful climate change threatens children’s rights to life and development to maximum extent possible (Article 6) and to highest attainable standard of health (Article 24), if not for this generation of children, then for the next. We may question whether these measures are in the best interests of children, as required by Article 3.

3.6 The cap on AME welfare spending

The 2014 Budget announced a cap on the amount spent on most welfare (social security benefits, tax credits and Universal Credit) expenditure in the Annually Managed Expenditure accounts. The only items of social security expenditure not included in the cap are Jobseekers Allowance (JSA) (and the equivalent spending for Universal Credit claimants in the full conditionality group who are not currently in work), Housing Benefit for JSA claimants (and

the equivalent spending on housing costs for Universal Credit claimants), and the State Pension. All other spending is defined as "in-scope" welfare and subject to the cap, which has been set at the level of the Office for Budget Responsibility's forecasts for in-scope welfare spending over the next four fiscal years. This is an arbitrary cap, and is not related to the allocations that are needed to ensure the enjoyment of economic and social rights. If spending on in-scope welfare exceeds the cap (plus a forecast error margin of 2%) then the Government has to either (a) cut spending, or (b) have a vote in Parliament to raise the cap. The spending cap does not, in itself, mandate any further reductions in spending in its current form. However the cap reinforces the idea that 'welfare' spending is bad in itself, undermining children's rights to social security (Article 26). Many children are already left below the poverty line by the current social security system – and forecasts by a range of modellers including IFS and Landman Economics show that child poverty is set to increase significantly in the years after 2014 on current policies. It would certainly be possible to make a coherent argument that current spending on social security is too low rather than too high to ensure children's rights to social security and to an adequate standard of living. A policy of setting an arbitrary cap on social security spending, irrespective of need is at odds with the obligation to fulfil children's rights. As the Committee of the Rights of the Child states in General Comment No. 5:

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.

4. Cumulative impact of tax and transfer

measures on household disposable income

This section looks at the distributional impact of the complete set of tax, benefit and tax credit measures announced between 2010 and 2015 (including Universal Credit). The measures are divided into three different components:

- changes to **transfer payments** (benefits, tax credits and Universal Credit, which is assumed to be rolled out fully in the analysis)
- changes to **direct taxes** (income tax and National Insurance Contributions)
- changes to indirect taxes.

For each component, the distributional impact is modelled in two stages:

- reforms announced between the June 2010 Budget and the 2013 Budget (inclusive), as well as preannounced reforms from the previous government
- reforms announced after the 2013 Budget, up to and including the 2014 Budget.

4.1 Impacts by family type

Figure 12 shows the cumulative cash impact of all measures in cash terms by family type. The light blue bars show the impact of transfer payment measures announced up to and including the 2013 Budget; these result in average annual cash losses of around £1,600 for lone parent families and couple pensioner families, slightly larger losses for multiple benefit unit households, and losses of around £1,300 for couples with children. Losses for single people without children, couples without children and single pensioners are smaller at between £700 and £1,000 per year. The dark blue bars show the impact of the changes to Universal Credit and Tax Free Childcare announced in the 2013 Autumn Statement and 2014 Budget; compared to the reforms up to 2013 these are barely visible on the diagram, making very little average impact.

The pink and red bars show the impact of direct tax measures up to and including the 2013 Budget and since the 2013 Budget respectively. These have a positive net impact for all groups except single pensioners. The direct tax measures announced since the 2013 Budget have a bigger impact than the measures up to 2013 for all groups except couples without children (where pre-2013 and post-2013 measures are of approximately equal size) and multiple benefit unit households (where the pre-2013 measures have a bigger impact than the post-2013 measures).

The light green bars show the impact of indirect tax measures up to and

including the 2013 Budget, which are negative overall for all family types, leading to average losses of between £235 and £705 in each case. The real terms reductions in fuel and alcohol duties announced since the 2013 Budget have a positive impact on net household incomes, but this is relatively small compared to the losses up to and including the 2013 Budget.

The two black lines on Figure 12 show the overall impact of all measures taken together. The dotted line is the impact of all measures up to and including the 2013 Budget while the unbroken line is the impact of all measures up to and including the 2014 Budget. The difference between the two lines is, therefore, the additional impact of measures in the 2013 Autumn Statement and 2014 Budget. This additional impact is positive for all groups but particularly so for working age couples (with or without children), couple pensioners and multiple benefit-unit families. This largely reflects the impact of the transferable allowance policy which only benefits couples.

Figure 12: Cumulative impact of tax, benefit and tax credit measures (including Universal Credit) in cash terms by household type

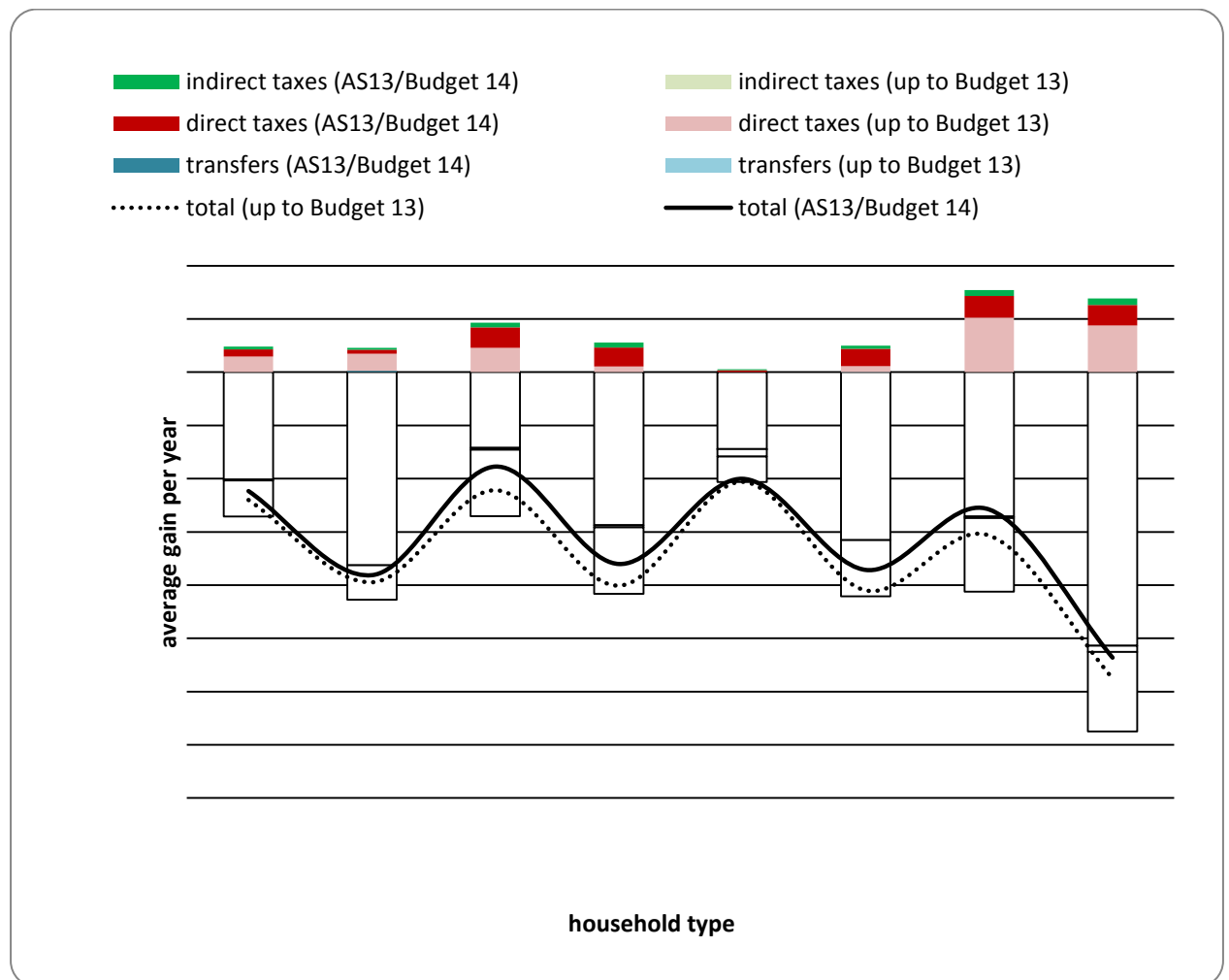
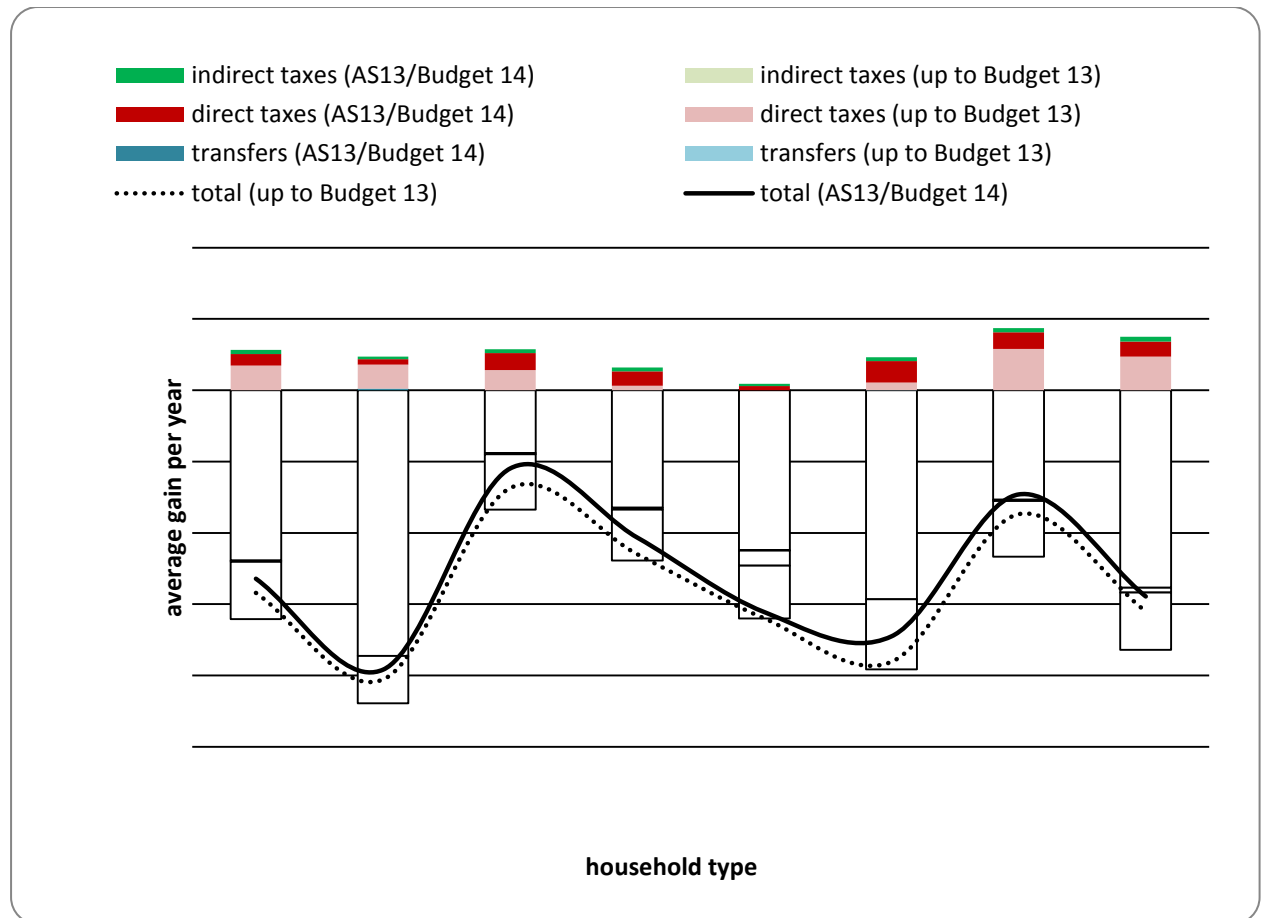


Figure 13 shows the same impacts as Figure 12 but as a percentage of household net income rather than in cash terms. As a percentage of net

income, the distributional impacts of all measures between 2010 and 2014 look slightly different. Lone parents and couple pensioners are the biggest losers in percentage terms at around 7% of net income, followed by single pensioners and single people with no children. Couples with children lose around 3.5 %of net income on average, about the same as multiple benefit unit households. Couples without children lose the least in percentage terms.

Figure 13: Cumulative impact of tax, benefit and tax credit measures (including Universal Credit) as percentage of net income by household type



4.2 Impacts by income decile

Figure 14 shows average impacts in cash terms by household net income decile (for households with children only). Changes to transfer payments up to and including Budget 2013 have the largest net impact in the middle of the income distribution. The changes to Universal Credit and Tax Free Childcare announced in the 2013 Autumn Statement and 2014 Budget have a small negative impact on average in the bottom half of the income distribution, but a positive impact in the top half of the distribution.

Direct taxes up to and including the 2013 Budget had a positive average impact in the lowest seven deciles, were roughly neutral in the eighth decile and had a negative impact on the top two deciles. By contrast, the new

measures announced since Budget 2013 have positive impacts all the way up the income distribution.

The indirect tax changes up to and including the 2013 Budget have a negative impact; the changes since Budget 2013 have a small positive impact, which is bigger at the top of the income distribution. Comparing the total impact of measures announced up to and including the 2013 Budget with the total impact up to and including the 2014 Budget, the 2014 measures are roughly neutral for the bottom three deciles and then positive for the remaining seven deciles, with the average cash amount gained rising up to the 8th decile.

Figure 14: Cumulative impact of tax, benefit and tax credit measures (including Universal Credit) in cash terms by household net income decile: households with children

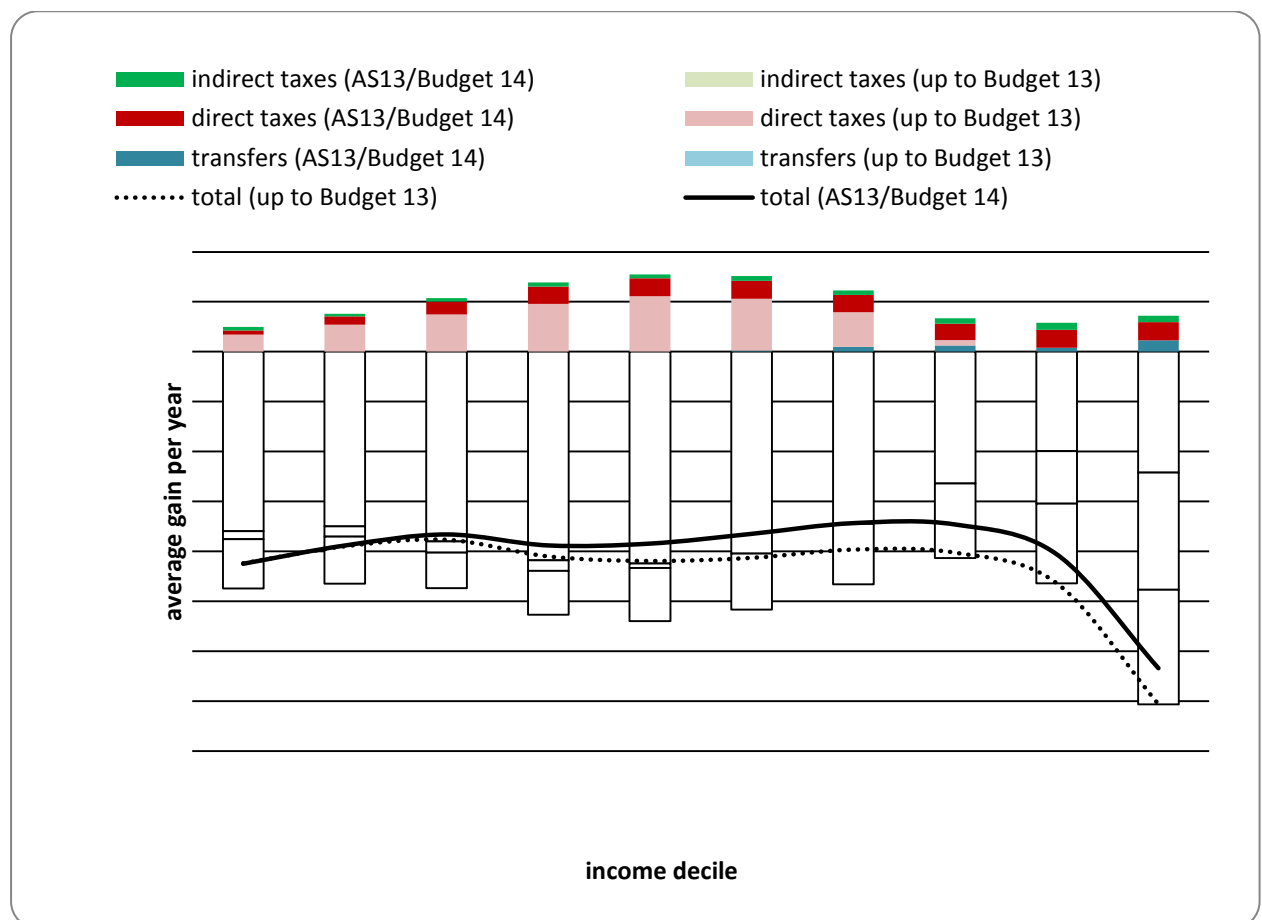
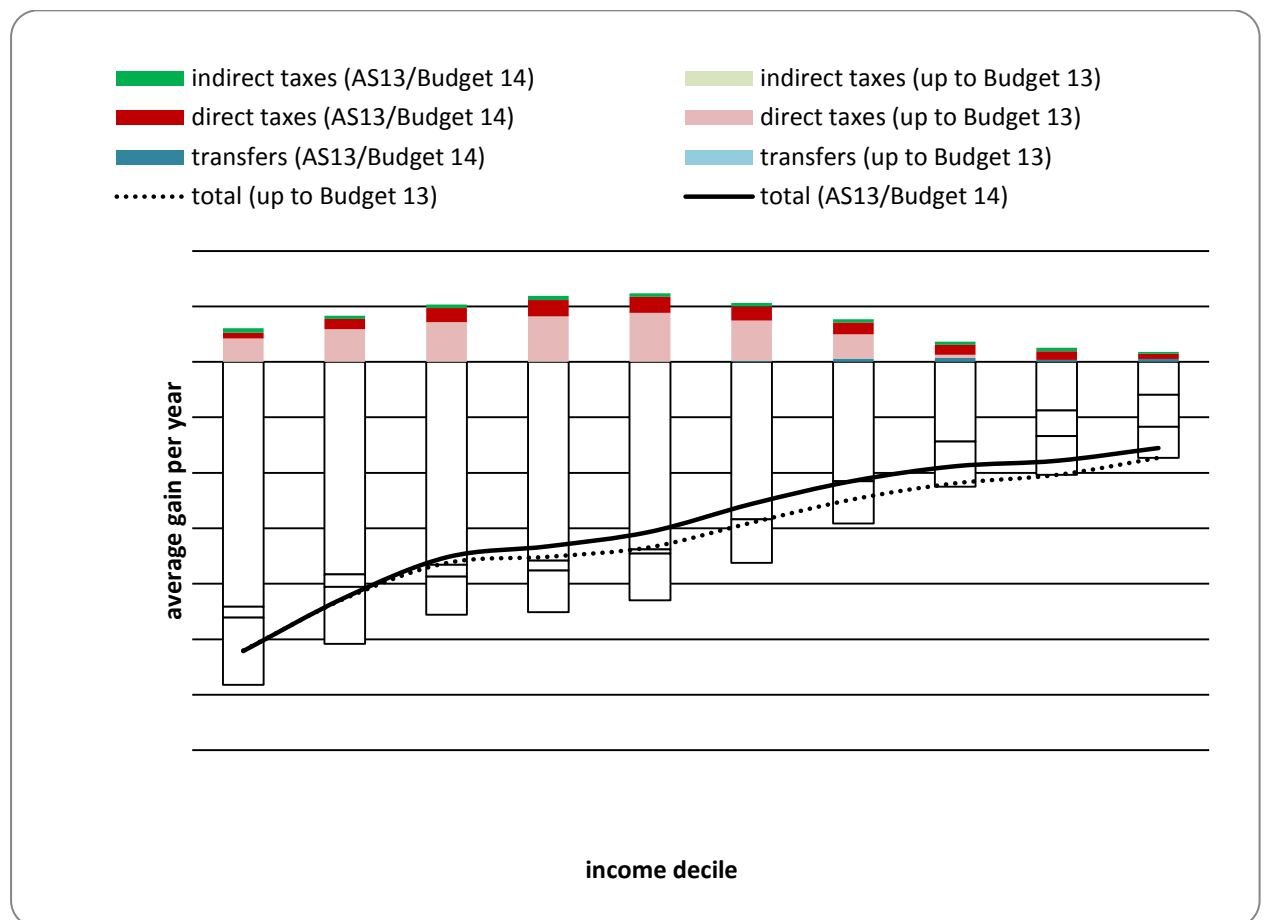


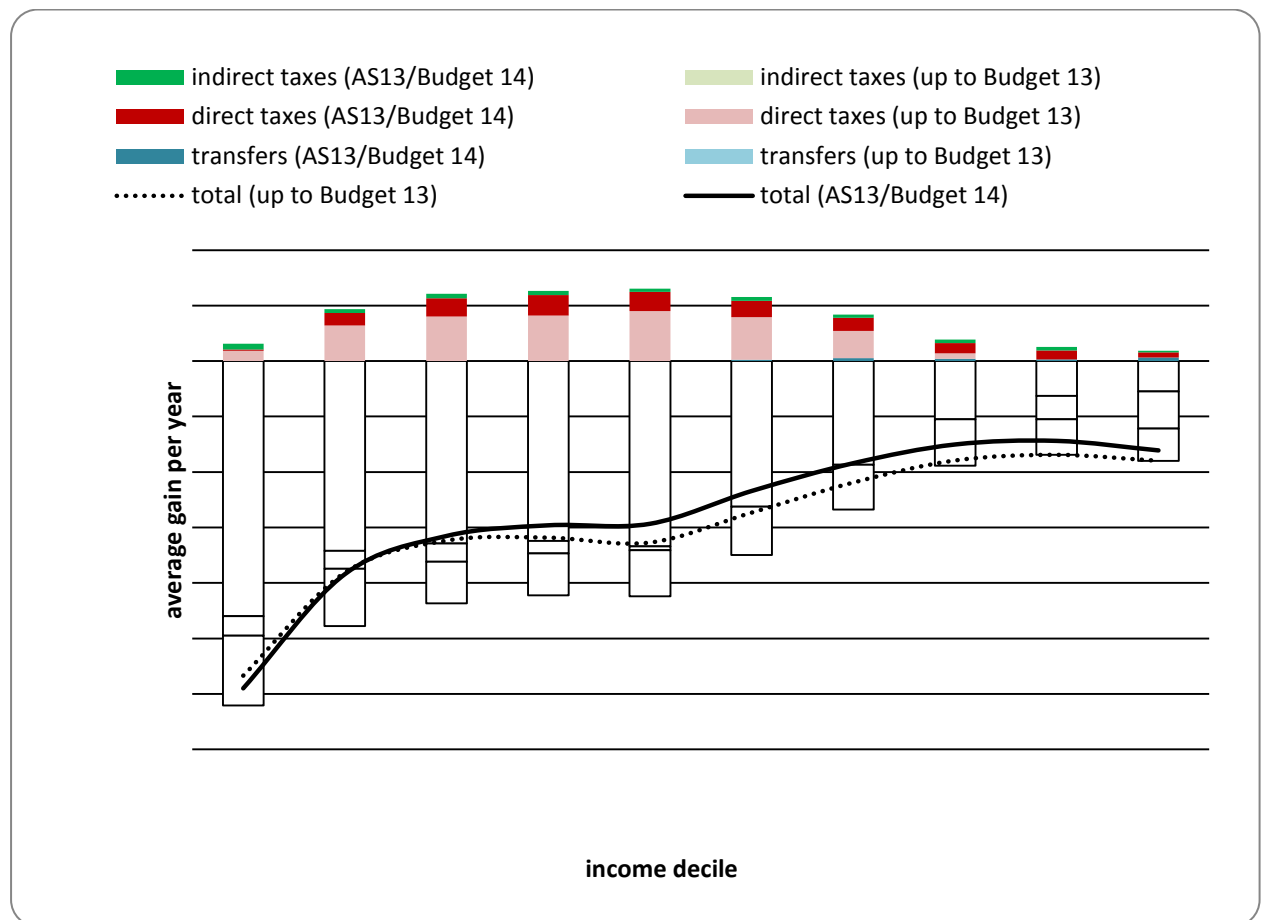
Figure 15 shows the decile impacts in percentage terms for households with children. Taken overall, the impact of all measures is regressive. Households in the bottom two deciles lose an average of 9% and 7% of net income respectively, compared to only around 3 to 3.5 % for the top three deciles. The new measures announced since the 2013 Budget increase the regressivity of the overall package slightly as they benefit households in the middle and the upper part of the income distribution more than low income households.

Figure 15: Cumulative impact of all announced tax and welfare measures as a percentage of net income: all households with children



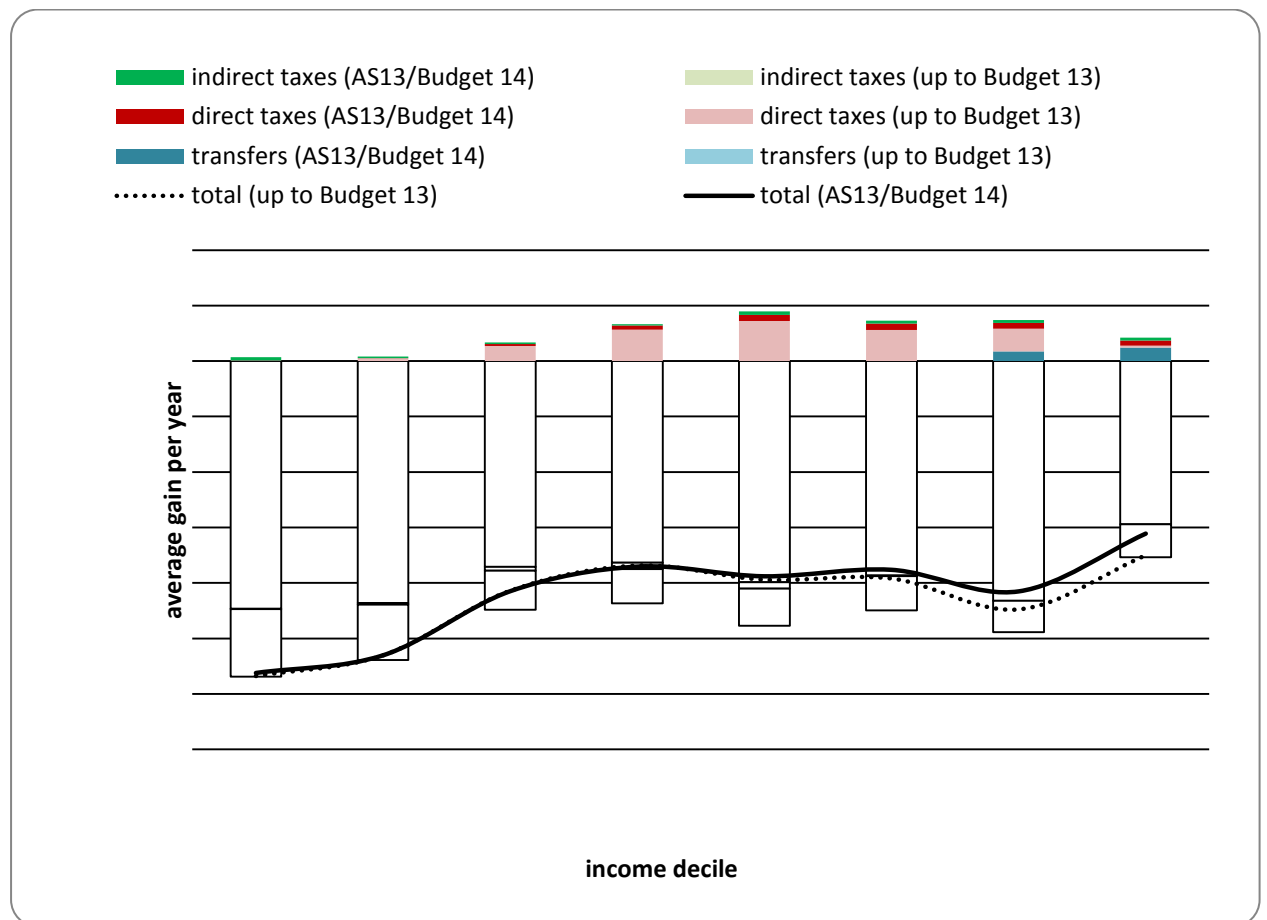
Figures 16 and 17 show the distributional impacts in percentage terms separately for couples with children and lone parents. For couples with children the distributional impacts are reasonably similar to the impacts for households with children as a whole shown in Figure 15; the main difference is that the average losses as a percentage of net income for the lowest decile are worse in this case, and the net impact of the reforms since the 2013 Budget is also (slightly) negative (due to the freeze in the Universal Credit work thresholds).

Figure 16: Cumulative impacts as a percentage of net income: couples with children



For lone parents, the distributional impacts are much worse in the middle of the income distribution (5th, 6th and 7th deciles) than they are for couples with children. This is mainly because losses in transfer payments (as a percentage of net incomes) are worse for middle-income lone parents than they are for middle-income couples with children. To a certain extent this reflects the introduction of Universal Credit, which is less generous on average for lone parents relative to couples with children. Lone parents in the 8th, 9th and 10th deciles have been combined into one category in this figure as the number of lone parents with net incomes above the 7th decile is relatively small.

Figure 17: Cumulative impacts as a percentage of household net income (lone parent households)



4.3 Impacts by number of children and age of youngest child

Figure 18 shows cumulative distributional impacts as a percentage of net income according to the number of children in the household. For households with one child, the overall impact of the reforms is an average reduction in net income of around 4%. Average losses for households with larger numbers of children are bigger; around 5% for households with two children, 6% for households with three children and 9% for households with four or more children. The increased losses for households with more children are mainly due to bigger losses from reforms to transfer payments, although households with two or more children also benefit less from changes to direct taxes than families with one child or no children.

Figure 18: Cumulative impacts as a percentage of net income by number of children in the household

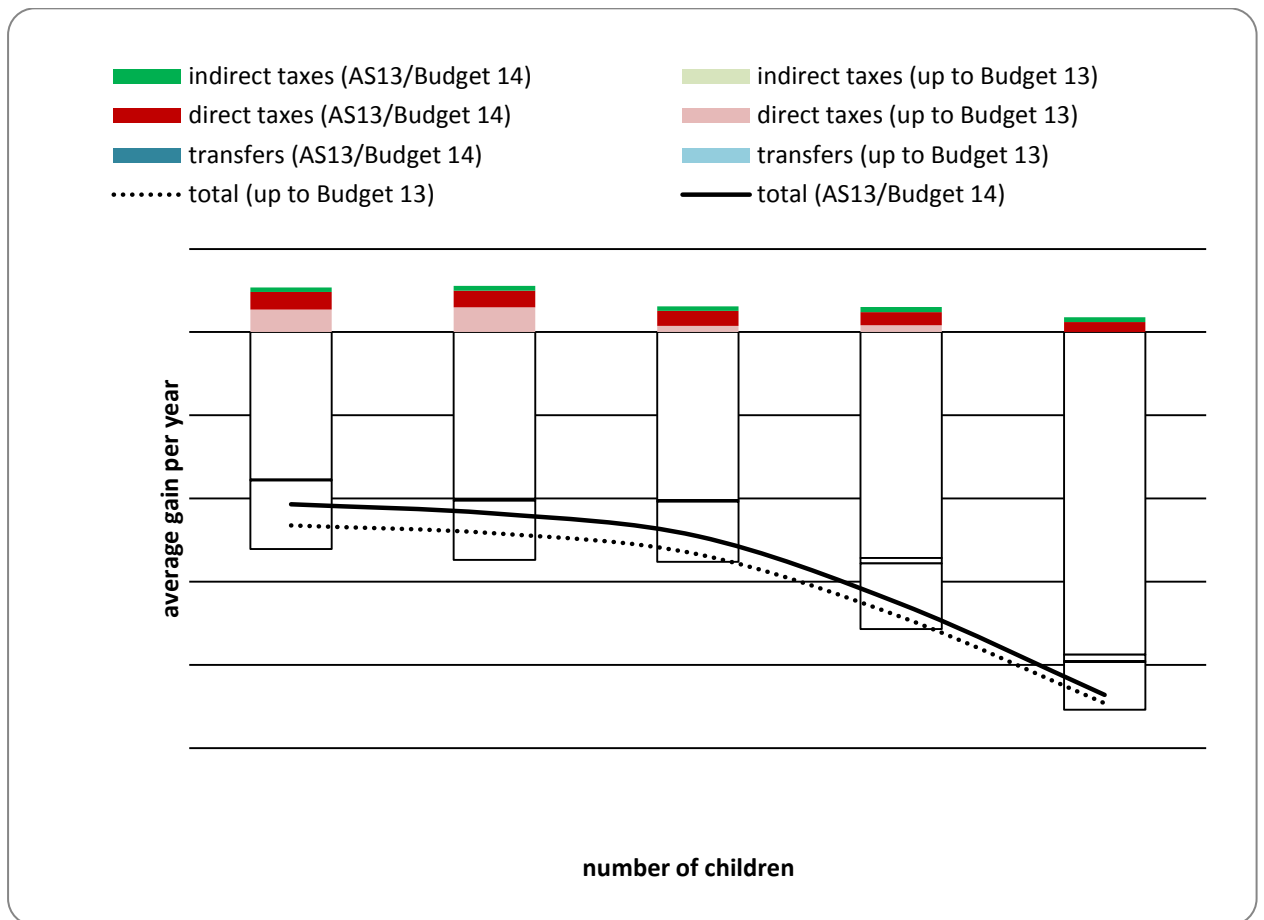
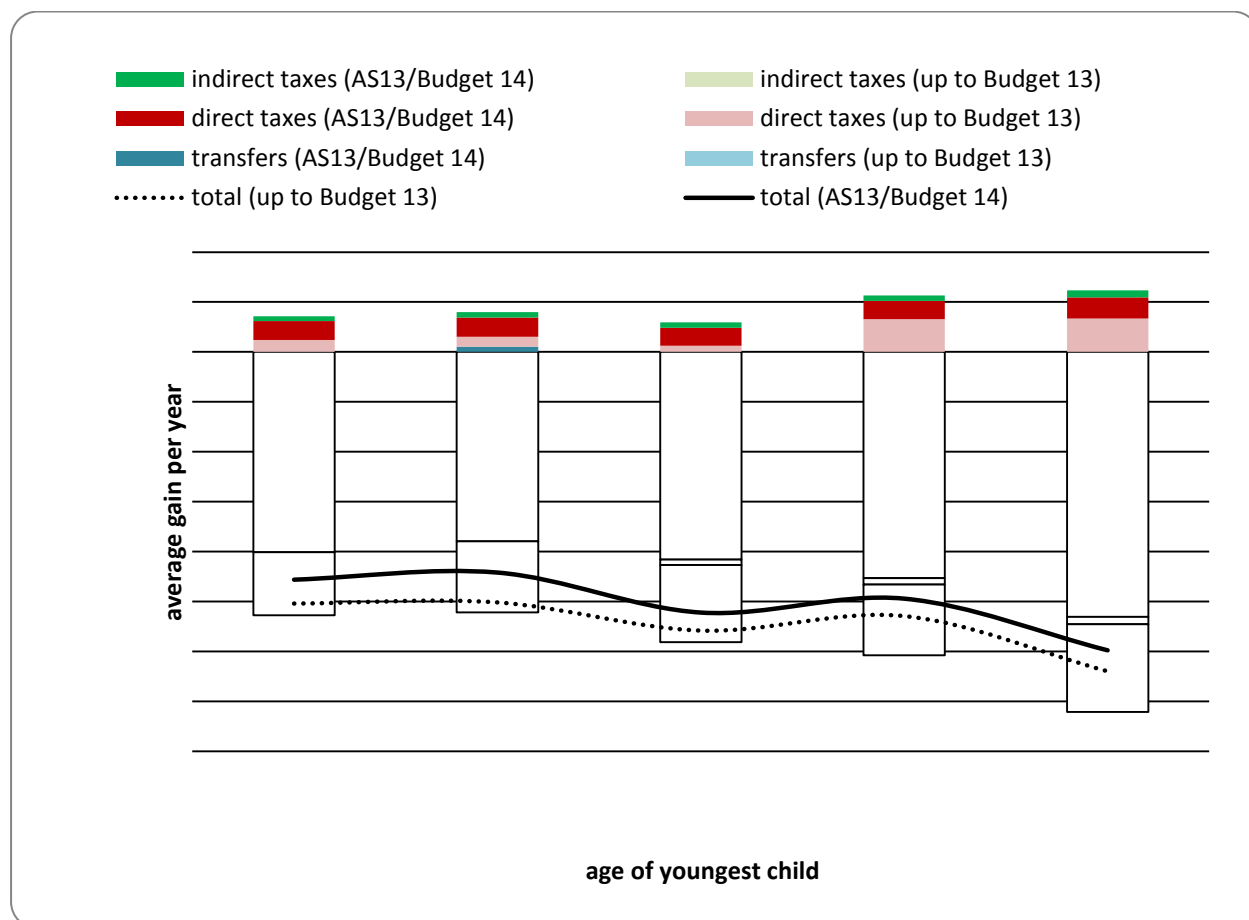


Figure 19 presents cumulative impacts for households with children according to the age of the youngest child in the household. Average losses are slightly greater for households with youngest children aged 5 to 15 compared to households with youngest children aged under five. Households with youngest children aged 16 to 18 have the largest average losses, at around 5% of net income after taking into account the impact of the changes in the 2013 Autumn Statement and the 2014 Budget.

Figure 19: Cumulative impacts as a percentage of net income by age of youngest child in the household: households with children only

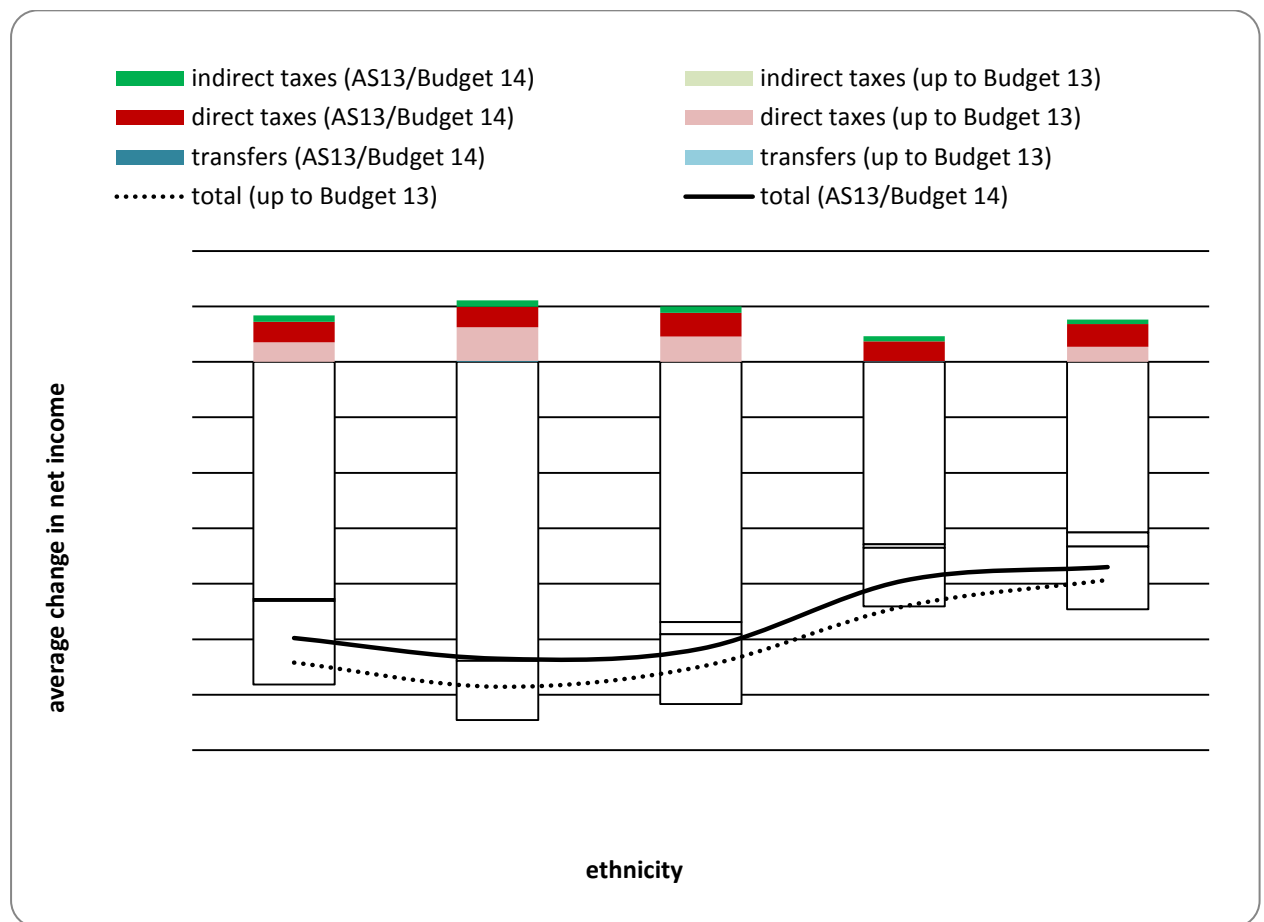


4.4 Impacts by ethnicity

Figure 20 shows cumulative distributional impacts by the ethnicity of adults in the household¹⁴ as a percentage of net income (ethnicity of children is not collected in the FRS data). The distributional impact of all announced measures is approximately equal on average for white, Black and Asian households with losses around 4.5% of net income. For mixed households and households of other ethnic groups the overall net impacts are slightly smaller at around 3 to 3.5% losses.

¹⁴ It should be noted that sample sizes for households containing BME adults in the Family Resource Survey and Living Costs and Food Survey are much smaller than the sample sizes for households containing white adults and no BAME adults, so the distributional breakdowns by ethnicity should be treated with relative caution. See Portes and Reed (2014) for a detailed analysis of confidence intervals on distributional breakdowns by ethnicity using the FRS and LCF.

Figure 20: Cumulative impacts as a percentage of net income by ethnicity of adults in household (households with children only)

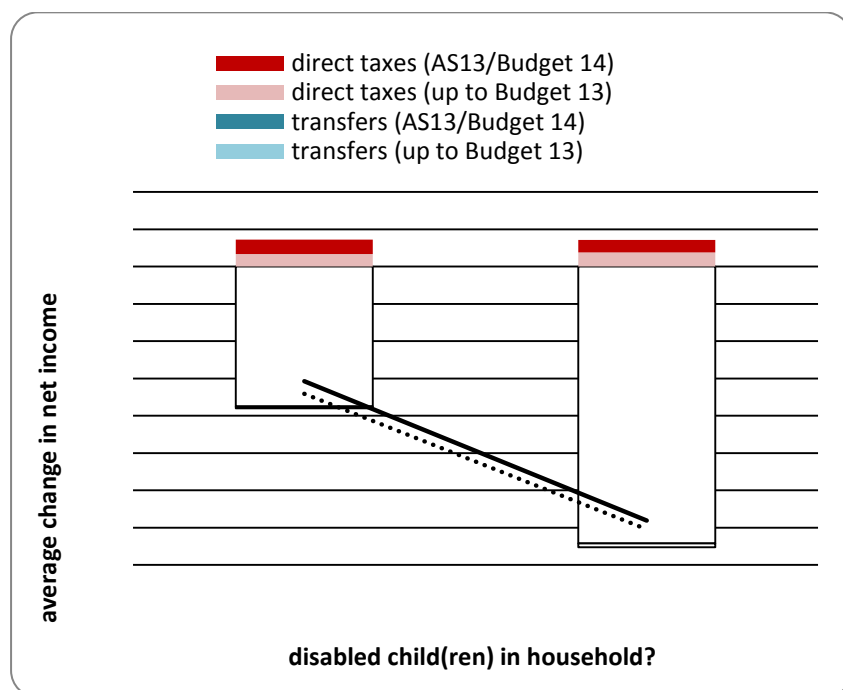


4.5 Impacts for disabled children

Figure 21 shows average impacts for households containing at least one disabled child (defined using the Disability Discrimination Act definition in the FRS)¹⁵ relative to those with no disabled children, for households with children only. It should be noted that this analysis does not include the impact of indirect taxes as the LCF does not contain a disability variable. Average losses for households with disabled children are slightly greater than for households with no disabled children (average losses of around 4 percent compared to 3 percent). This is driven by bigger reductions in transfer payments for households with disabled children.

¹⁵ See section 1 of the Disability Discrimination Act 1995.

Figure 4.10 Cumulative distributional impacts for households with disabled children compared with households with no disabled children, as percentage of net income



The tax, tax credit and benefit measures introduced since 2010 have wide ranging cumulative impacts on a wide range of children’s rights, via their impact on the resources available to families in which children live. States have an obligation to fulfil children’s rights through facilitation (CRC General Comment No.15, paragraph 71) as well as through direct provision; and systematic support for parents is included in the resources that States should mobilise for children’s rights.¹⁶ Fewer resources for families mean that the right of children to an adequate standard of living for the child’s development (Article 27 UNCRC) may be compromised. Article 27 UNCRC 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’.

Overall, comparing 2015 with 2010, there is negative impact on incomes of families with children, as shown in Figures 12, 13, 14 and 15. This has been somewhat mitigated by the measures considered in this report, as shown by comparing the dotted with the continuous line, but it remains substantial. Moreover, this mitigation in the negative impact on disposable income has to be considered in the light of the incentives for behaviour detrimental to children’s rights implied by some of the measures, and the likelihood of further cuts to social security benefits and substantial and continuing cuts to the income in kind that families with children get from provision of public services, unless policies are changed.

¹⁶ 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, para 25 <http://www2.ohchr.org/english/bodies/crc/discussion2013.htm>

Families with children are harder hit than working age families without children (Figures 12 and 13) with lone parent families hardest hit of all groups in percentage terms. Thus there is no evidence that 'children ... are protected from the adverse effects of economic policies or financial downturn', as called for by the Committee on the Rights of the Child in General Comment No. 5 (paragraph 51).

Children in low income families are at highest risk of not enjoying the right to an adequate standard of living and the cumulative impact of the measures on family income is proportionately greater for lower income families than for higher income families (Figure 4.4), in disregard of the injunction of the Committee on the Rights of the Child in General Comment No. 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.

The proportionate loss of income for households in which adults are white, Black and Asian were much the same, whereas this was somewhat lower for households in which the adults are mixed or other ethnicity, so there is no evidence of discriminatory impact in favour of the white ethnic group. However, the proportionate loss of income for households with disabled children is higher than those with non-disabled children (Figure 19). This was driven by a bigger reduction in transfer payments to households with disabled children, calling into question the rights of children to enjoy an adequate standard of living without discrimination on grounds of disability, as required by Article 2 of the UNCRC; and also the right of disabled children to special care and assistance (Article 23).

Conclusion

This quantitative evaluation has shown that the cumulative impact of tax, tax credit and social security 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.

As CRC General Comment No. 5 makes clear, States have obligations to take action to realise children's rights whatever the economic circumstances (paragraph 8). States are obliged to make children visible in budgets, and to report to the Committee on the Rights of the Child:

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 marginalised and disadvantaged groups of children, are protected from the adverse effects of economic policies or financial downturns (paragraph 51).

The incomes that households have available, on average, to meet children's rights have been reduced by the package of changes in taxes, tax credits and welfare benefits that have been introduced. Measures introduced in the Autumn Statement 2013 and the Budget 2014 do, as a package, act to mitigate somewhat this adverse impact, but the measures are far from sufficient to make good the losses since 2010.

Lower incomes for families mean that the obligation to 'render appropriate assistance to parents and legal guardians in the performance of the child rearing responsibilities' (Article 18 (2)) is compromised. It means that the right of children to an adequate standard of living for the child's development (Article 27) is 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'.

Families with children are harder hit than working age families without children, with lone parent families hardest hit of all groups in percentage terms. 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, in disregard of the injunction of the Committee on the Rights of the Child in General Comment No. 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 (paragraph 8).

Among the individual measures, there are clear instances of retrogressive measures, such as the three-year nominal freeze in the value of the work allowances for Universal Credit that was announced in the 2013 Autumn Statement. This measure reduces assistance to parents in the performance of their child-rearing responsibilities (thus calling into question compliance with Article 18(2)). Furthermore, this measure is also a setback for children's rights to social security (Article 26) and to an adequate standard of living (Article 27). But it should be noted that delays with the roll-out of Universal Credit means that this has not yet come into force for families with children.

There are some measures in Budget 2014 that have some mitigating impact, but these measures are, with the exception of the extension of Free School Meals, not well targeted, as the benefits are not distributed 'with special attention to the most disadvantaged groups' of children.

Around 75% of households with children do gain from the income tax reforms, although for around 10% of households with children the total gain from the reform is less than £1 per week. On average the measures increase the incomes of lone parents and couples with children, and such an increase may have a positive impact on children's rights, depending on how their parents spend the extra income. For instance, it could have a positive impact on the right of the child to an adequate standard of living (Article 27); to life and to 'develop to the maximum extent possible' (Article 6); to enjoy the highest attainable standard of health (Article 24); and to rest and leisure (Article 31). Moreover, the increase in household income is not well-targeted from a child rights point of view. The gains in cash terms and in percentage terms go more to couples without children (including both working age and pension age couples) than with children; and lone parents gain less than other groups, with exception of single pensioners. In addition the gains are lowest in percentage terms for the households in the lowest quintile, and mainly accrue to households in the middle of the income distribution.

A much larger mitigation could have been achieved by using the money allocated to tax reductions to social security transfers directly related to children, such as Child Benefit. For example, reversing the three year freeze in Child Benefit which took place between 2011 and 2014 would cost around £1 billion; this option would be much better targeted on children than the income tax cuts which have been implemented instead.

The evidence demonstrates that the tax/tax credit and social security measures will have a larger cumulative negative impact on working age families with children than on those without children, suggesting that they not been designed with the best interests of the child as a primary consideration (Article 3); and that the statement from the Committee on the Rights of the Child that children should be protected from the adverse impacts of economic policies¹⁷ has been ignored.

¹⁷ Committee on the Rights of the Child, General Comment No 5. On General Measures for the Implementation of the Convention on the Rights of the Child (2003), paragraph 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).

The Chair of the Committee on Economic, Social and Cultural Rights issued a letter to governments in May 2012¹⁸ in which he drew specific attention to the use of tax measures to support social transfers in the context of austerity measures:

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 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% of the planned reduction in the budget deficit, while increases in tax revenues are expected to produce 15–20%.¹⁹ The Autumn Statement 2013 and the Budget 2014 included several measures that in fact reduce tax revenues. 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 because their parents do not earn enough to pay income tax. Similarly the Transferable Allowance will benefit only 18% of families with children. The reductions in real value of excise taxes on alcohol and fuel and the reductions of the obligations of energy companies to invest in sustainable energy give incentives for behaviour that is detrimental to children's rights, especially in the longer run. These tax measures reduce, rather than maximise, the resources available for realisation of children's rights.

The childcare subsidy measures have the potential to have positive impact on children's rights, especially to life and to 'develop to the maximum extent possible' (Article 6); to care (Article 18 (2)); and to education (Articles 28 and 29). However, the realisation of these rights also depends on the supply of

¹⁸ Letter from G.Pillay, Chairperson, Committee on Economic, Social and Cultural Rights, CESCR/48th/SP/MAB/SW

¹⁹ The Chancellor claimed 80% from expenditure cuts, 20% from increased tax revenues in his 2012 Autumn Financial Statement. The Institute for Fiscal Studies has estimated 85% from expenditure cuts and 15% from increases in tax revenues. See Tetlow (2012).

high quality childcare. States are obliged to ensure the development of institutions, facilities and services for the care of children (Article 18 (2)). Standards of quality of provision are addressed in Articles 3 and 29. These measures do nothing to address the deficit in high quality childcare, and may in fact drive up the price of childcare.

The best targeted for children's rights among recent policy measures is the extension of Free School Meals to all Reception, Year 1 and Year 2 school children. This overcomes the stigma attached to when they have to be specially claimed, ensuring that those most deprived do benefit; and it is progressive across the income deciles. This measure has a positive impact on children's rights, especially the right to life and to develop to the maximum available extent (Article 6); to enjoy the highest attainable standard of health (Art 24); and to an adequate standard of living (Article 27). Although it is a universal measure, it is well-targeted, as the net income gain is higher for households in bottom five deciles than in the top five deciles. It ensures an end to discrimination against those children who enjoy this entitlement (in compliance with Article 2). It is a good example of how a universal entitlement can be a well targeted measure, if the target is realising the rights of children.

The most disquieting measure is the arbitrary cap on most social security spending (excluding Jobseekers Allowance (JSA) and benefits related to JSA, and State Pensions). This has been fixed with a complete disregard with the obligation to use the maximum available resources for progressive realisation of children's rights, and in disregard of the immediate obligations set out in Article 2 UNCRIC:

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.

In any future Parliamentary discussions about allocating more than the cap allow it will be vital to remind Parliamentarians about the obligations of Government to realise children's rights.

The tax, tax benefit and social security measures analysed in this report also have to be seen in the light of cuts to the funding for public services relevant to a wide range of children's rights. Yet further cuts seem likely in the future, including in interpersonal services, such as education, care, social protection and recreation, which are so crucial to children's rights.(see especially Articles 6, 18, 19, 20, 23, 24, 36, 27, 28, 29, and 31).

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Appendix 1: The UN Convention on the Rights

of the Child

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 ippr/Landman Economics tax benefit model

Since 2009, Landman Economics has maintained a tax-benefit microsimulation model for the Institute for Public Policy Research (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 (i.e. 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 (e.g. 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 (ten 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, male 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, e.g. proportion of children below 60% of median income);
- Impact of reforms on number of families below Minimum Income Standard.²⁰
- Changes in Marginal Deduction Rates (MDRs), i.e. 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 – 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 microsimulation 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

²⁰ 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.

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 2014 Budget and the 2013 Autumn Statement (AS), we use two tax-benefit systems: a 'before Budget 2014' system with all the reforms which are scheduled to take effect by April 2015 *except* for the reforms announced in Budget 2014 and AS 2013, and an 'after Budget 2013' system with all the reforms scheduled to take effect up to April 2015 *including* the reforms announced in Budget 2014 and AS 2013.

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 1 percent, except in cases where nominal freezes have previously been announced (e.g. Child Benefit for 2013/14). This represents a real terms cut relative to CPI, which is forecast to be around 2.5% 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;

1% 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% to 45%;

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% 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 percent, 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 receipt in the 2010-11 FRS. The baseline assumption is that rents rise in line with RPI and hence Housing Benefit payments are unchanged in real terms. The following changes introduced by the Coalition government since May 2010 affect the generosity of Housing Benefits 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 30th percentile;

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);

Housing Benefit 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. Hence 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 surprisingly, 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% 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% 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)²¹ 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 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 26% cut in CTB payments across the board for working-age families.

Modelling Disability Living Allowance and the Personal Independence Payment

²¹ See <http://www.communities.gov.uk/documents/localgovernment/pdf/19510253.pdf>

The Coalition Government has announced that 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)²² 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 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:

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.

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

Claimants who do not need either condition 1 or 2 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

²² 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>

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 and Working Tax Credit 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 percent
- Disregard for in-year income rise reduced from £25,000 to £10,000
- Eligible childcare support costs cut from 80 to 70 percent
- 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 3 months to 1 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 1% nominal

April 2014, April 2015

- All elements of CTC and WTC (except disabled elements) uprated by 1% 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 Housing Benefit is being replaced by Universal Credit (UC) – first for new claimants, and then rolled out to existing claimants by the end of 2017. This report models UC using the parameters announced by the Government in the Universal Credit legislation which went through Parliament in 2012²³. 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% on net earnings and 100% 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 removed²⁴. 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 Housing Benefit under the old benefits/tax credits system lose out because childcare costs are no longer disregarded for the purposes of calculating UC 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 Council Tax Benefit in 2013.

²³ See <http://www.legislation.gov.uk/ukxi/2013/376/contents/made> for details of the Universal Credit legislation.

²⁴ Whereas the WTC childcare support system required a minimum 16 hours of work each for couple claimants to be eligible, the UC equivalent simply requires both parents to be in work.

We are also able to model the proposed increase in generosity of childcare support in UC to 85% for UC claimants who are above the income tax personal allowance threshold from 2016 onwards.

Transitional protection for UC 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 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 2014 onwards. At the same time, all new claimants from early 2015 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 UC instead of the old system are up and running by this point). In the North West of England, Universal Credit was introduced earlier (in April 2014), and in certain other areas of England, Scotland and Wales in June 2014. The analysis here assumes that *all* families are moved over to UC by Spring 2015. In reality the stock of existing claimants is not likely to be fully migrated to UC 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* UC simply by netting off the UC 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% 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.

Child Benefit 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 percent to 20 percent. 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 (e.g. 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 of the UNCRC:

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 (e.g. increases in tax credits) because we do not know the internal distribution of resources *within* the household.

Identifying the impacts of policy measures on specific groups of children at particular risk of being disadvantaged is not straightforward – partly because of lack of data defining disadvantage (e.g. 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).

As regards 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).

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