

Office of the Children's Commissioner

**A Child Rights Impact Assessment of Budget Decisions:
including the 2013 Budget, and the cumulative impact of tax-benefit
reforms and reductions in spending on public services 2010 – 2015**

June 2013

Abbreviations

AHC	After Housing Costs
BHC	Before Housing Costs
CPI	Consumer Price Index
CTC	Child Tax Credit
FE/HE	Further Education/Higher Education
FRS	Family Resources Survey
ICESCR	International Covenant on Economic, Social and Cultural Rights
LCF	Living Costs and Food Survey
MIS	Minimum Income Standard
NICs	National Insurance Contributions
OCC	Office of the Children's Commissioner for England
RPI	Retail Price Index
UC	Universal Credit
UNCom RC	United Nations Committee on the Rights of the Child
UN Com ESCR	United Nations Committee on Economic, Social and Cultural Rights
UNCRC	United Nations Convention on the Rights of the Child
VAT	Value Added Tax

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

Contents

	<u>Executive Summary</u>	5
1	<u>Introduction</u>	9
1.1	The Office of the Children's Commissioner	9
1.2	Introduction to this assessment	10
1.3	The 'maximum extent of their available resources': turning children's rights into realities	11
1.4	Responding to economic crises	12
1.5	Children's budgets and impact assessment	13
1.6	A child rights framework for budget impact assessment	13
1.7	Methodology	15
2	<u>The impact of tax, tax credit and welfare measures on children's rights</u>	16
2.1	Overview: tax – benefit reforms and children's rights	16
2.2	UNCRC rights engaged	16
2.3	Poverty and rights: what children say	17
2.4	The impact of tax, tax credit and welfare benefit measures on children's right to an adequate standard of living	18
	2.4.1 Introduction	18
	2.4.2 The impact of tax, tax credit and welfare benefit changes on child poverty	19
	2.4.3 The impact of tax, tax credit and welfare benefit changes on families living below Minimum Income Standards	20
	2.4.4 The impact of tax, tax credit and welfare benefit changes on children who are affected by material deprivation	21
2.5	The distributional impact of tax, tax credit and welfare measures	22
	2.5.1 Introduction	22
	2.5.2 The impact of tax, tax credit and welfare benefit changes, by family type	24
	2.5.3 The impact of tax, tax credit and welfare benefit changes by income decile	28
	2.5.4 The impact of tax, tax credit and welfare benefit changes by family size	31
	2.5.5 Impact of tax, tax credit and welfare benefit changes by ethnicity	33
	2.5.6 Impact of tax, tax credit and welfare benefit changes on families where there is a disabled child or disabled adult	34
2.6	The impact of tax and benefit changes announced between November 2012 and March 2013	35

2.7	Conclusion : the impact of tax, tax credit and welfare benefit changes on children's rights	37
3	<u>The impact of public spending decisions on children's rights</u>	39
3.1	Overview: spending on public services and children's rights	39
3.2	UNCRC rights engaged	39
3.3	Public spending and services: what children say	41
3.4	Methodology	43
3.5	Changes in spending allocations by central government	44
3.6	The distributional impact of public spending decisions	45
	3.6.1 The impact of cuts, by family type	45
	3.6.2 The impact of cuts by income decile	48
	3.6.3 The impact of cuts by number of children in family	51
	3.6.4 The impact of cuts by ethnicity of adults in the family	53
	3.6.5 The impact of cuts on families with disabled children	53
3.7	Public expenditure, local decision-making and children's rights	54
3.8	Conclusion: the impact of spending cuts on children's rights	56
4	<u>Changes to child care and early years learning support</u>	59
4.1	Introduction	59
4.2	UNCRC rights engaged	59
4.3	The measures	60
4.4	The impact of child care and early years provision measures on children's rights	60
5	<u>Conclusion: assessing the impact of budgetary decisions on children's rights</u>	62

Executive Summary

Introduction

This Child Rights Impact Assessment considers the impact of tax, tax credit and welfare benefit changes and of changes to spending on public services implemented (or scheduled to be implemented) between May 2010 and April 2015.

As a State Party to the United Nations Convention on the Rights of the Child (UNCRC), the UK is obliged under international law to use the maximum extent of its available resources to fulfil children's right to an adequate standard of living, to social security, health, education and other economic and social rights.

The purpose of the assessment is to identify the likely impact of budgetary decisions on the realisation of the rights of children in England, and to assess how far the UK Government has met its obligations to make the best interest of children a primary consideration in decisions – including budgetary decisions – affecting children.

The assessment is based on analysis carried out for the Office of the Children's Commissioner by a team from Landman Economics, using microsimulation models to assess the likely impact of tax-benefit and public expenditure changes on children living in different kinds of families.

This is the first time such analysis has been undertaken and it provides a comprehensive breakdown of the impact some of the Government's key policies have had, and will have, on families with children. **Despite some progressive policies, families with children have lost more as a result of the economic policies modelled than those without children, and some of the most vulnerable groups have lost the most.**

The impact of changes to taxes, tax credits and welfare benefits

Section 2 looks at the impact of tax, benefit and tax credit changes implemented (or scheduled to be implemented for changes which have not yet taken place) between May 2010 and April 2015.

It includes a detailed analysis of the impact of tax and benefit changes **on levels of child poverty**. It shows a remarkably consistent pattern, whatever measure of poverty is used:

- the number of children in the UK living in poverty (below 60 percent of median income Before Housing Costs) is expected to **rise by around 700,000 from 2.3 to 3 million between 2010-11 and 2015**. Including Universal Credit leads to a slightly smaller child poverty figure of 2.9 million.
- the number of children living in households below 50 percent of median income Before Housing Costs is expected to rise by 300,000 to 1.5 million children during the same period.
- the **number of children living below a 'minimum income standard' is expected to rise by 400,000** children to 6.8 million children (around 52% of all children).

Overall, the reforms have had significant financial impact on families with children. While families with children make up around 32 percent of working age families in England, they will bear 51 percent of the costs of fiscal consolidation (benefit and tax credit cuts and increases in personal tax) undertaken over the 2010-15 Parliament. Once the number of

children and adults in families is taken into account, children will lose 5.1% of their family income on average compared to working age adults who will lose on average 4.6% of their family income.

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

The analysis contained in the report also demonstrates:

- On average, **couples with children have experienced the largest losses in cash terms of any type of household**. The **largest percentage losses have been felt by lone parents**, before and after the introduction of Universal Credit.
- The relationship between family size and the impact of reforms is complex. Couples with children experience greater percentage losses the more children they have, whereas for lone parents, the number of children has less impact on losses.
- **Families with disabled children suffer slightly bigger average losses than average in percentage terms**. Children with disabled parents are also more affected than average.
- **Measures announced between November 2012 and March 2013 are regressive**, but their impact is relatively small in the context of the total package of reforms since 2010.

The analysis of the tax, benefit and tax credit systems has shown that successive policies have led to families with children losing a greater share of their income than those without children. It is also of great concern that some of the most vulnerable families with children are losing **proportionally** the most. The Government has a responsibility under the UNCRC to address this as quickly as possible.

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

Impact of cuts to spending on public services

Section 3 analyses the impact of changes in public spending on goods and services which are consumed by households “in-kind”. These include public services like schools and early years services that are specifically for children, and those services like health, housing and transport, that both children and adults use. These services are given a cash value in order to assess the impact of cuts to expenditure on different households.

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

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

It is important to note that some spending decisions did realise a positive benefit to some groups. For example, protecting some of the schools budget produced a significant benefit to families with 4 or more children, and early years provision benefited the second income decile of couples with children and the bottom four income deciles of lone parents. In all but one case these positive steps did not compensate for losses in other areas.

Compared with families as a whole (for whom the cuts amount to the equivalent of 5.2 percent of net income), **families with disabled children are hit harder by the cuts under all disability definitions**. Depending on the definition of disability used these families have lost between 6.3 and 7 percent of their net income.

The analysis undertaken in this section is based on data that describes how different households use public services, and it is clearly stated that what is modelled is the proportional impact of national spending decisions on local services and the consequent impact on families. The conclusions drawn from the model have been compared to evidence from a wider body of other research – particularly focused on how local authorities have responded to expenditure cuts. This research suggests considerable variation in how different areas have been affected, and in the way that authorities are prioritising different services.

Impact of changes to child care and early years learning support

Section 4 highlights the positive impact that changes to childcare subsidy and support are likely to have from late 2015 for families with younger children in the higher income deciles. However, changes to subsidies for childcare through the tax credit and benefits system have been regressive and have had a significant negative impact on the lowest earning families.

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

The cumulative or combined impact of tax-benefit and spending measures for families with children is regressive by income decile. **The poorest 10 percent of families with children are experiencing average reductions in living standards equivalent to a fall of around 22 percent in net income, while the richest ten percent of families with children have seen an equivalent fall in net incomes of only around 7 percent.** This is not surprising, given that the overall impact of the tax/benefit measures is regressive, and so is the overall impact of the other spending measures.

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

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

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

1. Introduction

1.1 The Office of the Children's Commissioner

The Office of the Children's Commissioner is a national organisation led by the Children's Commissioner for England, Dr Maggie Atkinson. The post of Children's Commissioner for England was established by the Children Act 2004. The United Nations Convention on the Rights of the Child (UNCRC) underpins and frames all of our work.

The Children's Commissioner has a duty to promote the views and interests of all children in England, in particular those whose voices are least likely to be heard, to the people who make decisions about their lives. She also has a duty to speak on behalf of all children in the UK on non-devolved issues which include immigration, for the whole of the UK, and youth justice, for England and Wales. One of the Children's Commissioner's key functions is encouraging organisations that provide services for children always to operate from the child's perspective.

Under the Children Act 2004 the Children's Commissioner is required both to publish what she finds from talking and listening to children and young people, and to draw national policymakers' and agencies' attention to the particular circumstances of a child or small group of children which should inform both policy and practice.

The Office of the Children's Commissioner (OCC) has a statutory duty to highlight where we believe vulnerable children are not being treated appropriately in accordance with duties established under international and domestic legislation.

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.

1.2 Introduction to this assessment

This paper presents the Office of the Children's Commissioner's (OCC's) child rights impact assessment of the 2013 Budget delivered by the Chancellor of the Exchequer to Parliament on 20 March 2013.

In order to set the 2013 Budget measures in context, the assessment considers the impact of tax, benefit and tax credit changes and changes to public expenditure implemented (or scheduled to be implemented) between the election of the Coalition Government in May 2010 and April 2015.

The purpose of our assessment is to identify the likely impact of these changes on the realisation of children's rights, and to assess how far the UK Government has met its obligation to make the best interests of children a primary consideration in decisions affecting children.

We assess the Budget measures against the rights set out in the United Nations Convention on the Rights of the Child (UNCRC), drawing where relevant on the International Convention on Economic, Social and Cultural Rights (ICESCR). We also have regard to the interpretative comments of the UN Committee on the Rights of the Child (UN ComRC) and the UN Committee on Economic, Social and Cultural Rights (UN ComESCR).¹

The UNCRC was ratified by the UK on 16 December 1991. Although it has not been incorporated into domestic law, it has important consequences for the rights of children, since "all domestic legislation has to be construed as far as possible to comply with international obligations".² The UK is a state party to the UNCRC and in December 2010 the then Children's Minister Sarah Teather committed that the Government would give 'due regard' to the UNCRC when making new policy and legislation and, in so doing, would always consider the recommendations of the UN Committee on the Rights of the Child.

The UNCRC is the most widely ratified international human rights treaty in history. It sets an ambitious vision for the rights and well-being of all children, and challenges governments and societies to do everything in their power to meet their obligations to children. The OCC's Child Rights Impact Assessments (CRIAs) reflect the UNCRC's ambition: we point out areas of progress in implementing the UNCRC, together with potential breaches. But we also highlight where more could be done to achieve full realisation of children's rights.

Our Child Rights Impact Assessments aim to draw on the views and experiences of children who are likely to be affected by the measures under consideration.

¹ 'For an in-depth treatment of the relationship between budgets, the UNCRC and ICESCR, see A. Nolan Economic and Social Rights, Budgets and the Convention on the Rights of the Child, *International Journal of Children's Rights*, 2013, forthcoming

² *Smith v Secretary of State for Work and Pensions* [2006] UKHL 37; [2006] 1 WLR 2024 at [78] per Lady Hale referring to the UNCRC

1.3 The ‘maximum extent of their available resources’: turning children’s rights into realities

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

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

Childhood is a time of great potential, of great change, and of particular vulnerabilities. Breaches of economic and social rights have a deep and long-lasting effect on children. Children cannot usually meet their own needs for income, shelter and food – they rely on others to support them. Nor are they generally able to make effective use of legal or democratic processes to claim their rights. The challenges are particularly great for children – for example, disabled children or Traveller children - who face discrimination.³

States are required to respect, protect and fulfil children’s rights :

“States have three types of obligations relating to human rights ... to respect the freedoms and entitlements, to protect both freedoms and entitlements against third parties or against social and environmental threats, and to fulfil the entitlements through facilitation or direct provision.”⁴

States therefore have an *“obligation ... to strive to ensure the widest possible enjoyment of the relevant [children’s] rights under the prevailing circumstances paying special attention to the most disadvantaged groups”*.⁵ Importantly these are requirements and obligations on the UK Government. They are not transferable, and the responsibility cannot be delegated or devolved.

To demonstrate they have met this obligation, governments must show that their choices comply with the following three key principles -

- i. **‘progressive realisation’** – governments must move as quickly as possible towards meeting all economic, social and cultural rights for all children.
- ii. **‘non-retrogression’** – governments must ensure children’s realisation of their rights never gets worse.
- iii. **‘non-discrimination’** – governments must make sure that decisions about resources do not have negative impacts on particular groups of children. This is an ‘immediate obligation’, regardless of whether finances are tight.

³ For a detailed discussion of these arguments see A.Nolan, *Children’s Socio-economic Rights, Democracy and the Courts* (Oxford: Hart Publishing, 2011), Chapter 1

⁴ UN Committee on the Rights of the Child General Comment No. 15 (3) on the right of the child to the highest attainable standard of health, para 71

⁵ UN Committee on the Rights of the Child, General Comment No. 5 (2003), General Measures of implementation of the Convention on the Rights of the Child

Regardless of the resources at their disposal, all governments must meet '**minimum core obligations**' ensuring that everybody has the basics that they need to live in dignity. These obligations include things like essential food, health care, shelter and housing, social assistance, basic education and family protection.

The obligation to devote 'maximum available resources' requires states to prioritise and use resources effectively to fulfil economic and social rights.⁶ However, it goes beyond the way a given budget envelope is allocated. It is widely interpreted by the UN Committee on the Rights of the Child and other UN Treaty Monitoring Bodies as requiring governments to take the steps needed to resource children's rights adequately, if necessary through adjustments to taxation and other sources of revenue, and through macro-economic policy.⁷

1.4 Responding to economic crises

States are obliged to ensure that children – and particularly disadvantaged children – are "protected from the adverse effects of economic policies or financial downturns".⁸

Recognising that the global economic crisis has posed challenges to governments, the Committee on Economic, Social and Cultural Rights wrote to States Parties in May 2012, warning them *to "avoid at all times taking decisions which might lead to the denial or infringement of economic, social and cultural rights"*.

The Committee acknowledged that States Parties have a margin of appreciation in policy responses to economic crisis. However, it set out four requirements for these policy responses : they must

- be temporary,
- be proportionate (that is, the alternatives would be more detrimental to rights);
- not be discriminatory and include all possible measures (including tax measures) *"to mitigate inequalities that can grow in times of crisis and to ensure that the rights of the disadvantaged and marginalised individuals and groups are not disproportionately affected"*,
- protect a clear set of 'minimum core obligations'.⁹

⁶ QUB Budget Analysis Project 'Budgeting for Economic and Social Rights: A Human Rights Framework', Queens University Belfast School of Law, Belfast, 2010

⁷ See, for example, UN Committee on the Rights of the Child 'Day of General Discussion on Resources for the Rights of the Child – Responsibility of States', 2007, and General Comment No. 15 (2013) on the Right of the Child to the Highest Attainable Standard of Health; Elson, Balakrishnan and Heintz, 'Public Finance, Maximum Available Resources & Human Rights (2011) in C. Harvey, A. Nolan and R.O'Connell (eds) Human Rights and Public Finance: Budget Analysis and the Advancement of Economic and Social Rights, Hart Publishing, 2013; and Ortiz, Chai, and Cummins 'Identifying Fiscal Space: Options for Social and Economic Development for Children and Poor Households in 184 Countries' (2011), together with the detailed discussion in the background paper.

⁸ UN Committee on the Rights of the Child, General Comment No. 5, 2003, para 51

⁹ Letter from CESCR Chairperson to States Parties in the context of the economic and financial crisis, CESCR/48th/SP/MAB/SW, May 2012

1.5 Children's budgets and impact assessment

The UN Committee on the Rights of the Child recommends that states “*identify the proportion of national and other budgets allocated to the social sector and, within that, to children, both directly and indirectly*”¹⁰, in order to demonstrate how they are meeting their obligations under Article 4. Work has been undertaken internationally¹¹, and in Wales¹², to develop and pilot methodologies which identify and assess budgetary allocations to children.

The Committee also calls for states to take (ex-ante) child impact assessment and (ex-post) child impact evaluation of budget processes¹³ to understand the likely impact of decisions on children's rights and how far the best interests of the child have been a primary consideration in decision-making. The obligation to consider children's best interests “*extends .. to the approval of budgets, the preparation and development of which require the adoption of a best-interests-of-the-child perspective for it to be child-rights sensitive.*”¹⁴

In its examination of the UK in 2008, the UN Committee on the Rights of the Child noted

*“The Committee notes with appreciation the increase in expenditures on children in recent years. Nevertheless, the Committee is concerned that the increases are not sufficient to eradicate poverty and tackle inequalities and that the lack of consistent budgetary analysis and child rights impact assessment makes it difficult to identify how much expenditure is allocated to children across the State party and whether this serves to effectively implement policies and legislation affecting them.”*¹⁵

The Office of the Children's Commissioner is not aware of work undertaken since 2008 by the UK government to undertake child rights impact assessment in relation to budget decision-making.

1.6 A child rights framework for budget impact assessment

This Child Rights Impact Assessment does not attempt to quantify the share of the budget allocated to children. Nor does it review the process of budget-decision-making to find out how far these decisions took children's best interests into account. Instead, it considers the likely impact of budget decisions – particularly those relating to tax, tax credits, welfare benefits, and public expenditure - on children's rights. The Assessment asks how far the government has met its obligations to devote maximum available resources to the progressive realisation of children's rights.

¹⁰ UN Committee on the Rights of the Child, General Comment No. 5, 2003, para 51

¹¹ Save the Children/HAQ Child Rights Centre, 'Budget for Children Analysis', 2010

¹² National Assembly of Wales, Children & Young People's Committee 'Children's Budgeting in Wales', 2009

¹³ UN ComRC, General Comment No. 5 (2003), op cit.

¹⁴ UN ComRC, General comment No. 14 (2013) on the rights of the child to have his or her best interests taken as a primary consideration, para 31

¹⁵ UN ComRC, Concluding Observations, United Kingdom, 2008, para. 18

The UNCRC contains a range of substantive rights which apply to all children. Where possible, the assessment looks at how budget decisions have affected children's realisation of these rights.

All children's rights require resources. For example, the state's obligation to safeguard children's privacy (Article 16), or to make sure that children are protected from violence (Article 19) require capable institutions, legal frameworks and mechanisms to support children whose rights are violated.

However, economic and social rights are particularly resource-intensive. In the light of this, our assessment focuses mainly on these rights, including the state's obligation to support parents in raising children (Article 18); children's right to an adequate standard of living (Article 27); to social security (Article 26); health (Article 24), and education (Article 28 and 29). In addition, ensuring the rights of particular groups of children - such as disabled children (Article 23) and young children (UNCom RC General Comment No. 7, 2005) – are realised is likely to involve additional resources.

None of these rights can be considered in isolation: for example, we know that children who are poor or live in deprived areas are less likely to achieve well at GCSE level than their peers, and more likely to suffer from ill-health¹⁶. Furthermore, each right also has to be understood through the lens of the four 'general principles' of the UNCRC: best interests of the child (Article 3); non-discrimination (Article 2); children's right to be heard (Article 12); and their right to survival and development (Article 6).

In theory, we would also want to consider whether the 'minimum core obligations' had been met in relation to each right. However, it is beyond the scope of this paper to gather sufficient evidence to assess whether core minimum obligations for children have been met. Additionally, the scope of minimum core obligations has not been clearly defined for every right¹⁷.

Section 1.3 above describes the principles that must guide States' parties' as they work to meet their obligations to fulfil children's economic and social rights: progressive realisation, non-retrogression, and non-discrimination. Our assessment uses these principles as a starting point for assessing how far the UK is meeting its duties toward children through budget decision-making.

Put simply, our child rights impact assessment of budgetary decisions asks two questions:

- 1. *What impact have budget measures had on children's rights?***
- 2. *Has the UK government devoted 'the maximum extent of available resources' to ensure the progressive realisation of children's rights?***

¹⁶ HM Government, A New Approach to Child Poverty: Tackling the Causes of Disadvantage and Transforming Families' Lives, 2011

¹⁷ Queen's University Belfast, Budgeting for Economic and Social Rights: A Human Rights Framework', 2010, QU School of Law, Belfast

1.7 Methodology

This assessment is based on a study commissioned by the Office of the Children's Commissioner and carried out by a team from Landman Economics. Their report is published separately as a background paper, and includes more detail on findings and methodologies.

The impact assessment in this report uses microsimulation modelling to analyse the cumulative impact of changes to taxes, benefits and funding for public services on the incomes¹⁸ 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.¹⁹

Two different microsimulation models developed by Landman Economics were used to assess the impact of Budget measures:

- 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 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 the background paper.
- A microsimulation model of the impact of changes to spending on 'in-kind' public services (such as health, education, social care and transport) on household living standards. The model combines aggregate data from HM Treasury on spending on public services by Government department and service function with information from a variety of household data sets on individuals and families' use of various public services to estimate the impact on living standards of changes to spending on different public services. Full details of the model specification and the public services which are modelled can be found in Appendix C of the background report.

The assessment also drew on the expertise of an advisory group of academics, child rights specialists and economists

¹⁸ Public services are treated as providing an additional income for those who use them

¹⁹ A similar approach was used by Corak, Lietz and Sutherland, *The Impact of Tax and Transfer systems on children in the European Union*, Unicef Innocenti Research Centre, 2005, to analyse the impact of tax and benefit systems on children in 15 EU countries,

2. The impact of tax, tax credit and welfare changes

2.1 Overview

This part of the assessment looks at the cumulative impact²⁰ of tax, benefit and tax credit changes implemented (or scheduled to be implemented, for changes) between the election of the Coalition Government in May 2010 and April 2015²¹.

It covers

- The key UNCRC rights engaged by these changes (sec.2.2)
- Poverty and rights: what children say (sec.2.3)
- The impact that tax, tax credit and welfare benefit measures have had on children's right to an adequate standard of living (sec.2.4)
- The distributional impacts of tax and benefit changes (sec.2.5)
- The specific impact of measures announced in/around Budget 2013 (sec. 2.6)
- An assessment of the impact of tax-benefit changes on children's rights (sec. 2.7)

2.2 UNCRC rights engaged

The UNCRC rights engaged most directly by these changes are

Article 2	All children should enjoy all rights, whatever their ethnicity, gender, religion, abilities and whatever type of family they come from
Article 3	The best interests of the child must be a top priority in all decisions that affect children
Article 4	Governments must do all they can to make sure every child can enjoy their rights
Article 6	Every child has the right to life. Governments must do all they can to ensure that children survive and develop to their full potential.
Article 18	Governments must support parents by giving them the help they need, especially if the child's parents work.
Article 26	Governments must provide extra money for children of families in need.
Article 27	Every child has the right to a standard of living that is good enough to meet their physical, social and mental needs. Governments must help families who cannot afford to provide this.

²⁰ Chapter 5 of the Background Report considers a number of individual measures – changes in child benefit, changes to tax credit and the uprating of benefits, and the benefit cap in more detail.

²¹ These changes include benefits (changes to Child Benefits, Income Support, Jobseekers Allowance, Council Tax Benefits etc); changes to the tax credit system; changes to income tax and National Insurance contributions system; changes to the indirect tax system (particularly the increase in standard rate of VAT from 17.5% to 20% and reductions in taxation of road fuels in real terms); the introduction of Universal Credit (compared with the April 2015 rates for the tax credit and benefits that it replaces).

2.3 Poverty and rights: what children say

This short section highlights some of the issues arising from work conducted and commissioned by the Office of the Children's Commissioner between 2011 and 2013 to understand how children and young people understand poverty, and how an inadequate standard of living impacts on the realisation of children's rights. All quotes are from this work.²²

Children see income as important and told us about the consequences of poverty.

Money enables children and those who support them to buy basic goods, and live in decent housing with warmth. People in poverty

"can't afford healthy foods, so they just won't eat healthily".

"can't afford a decent standard home with heating and they will be overcrowded with like two or three children in one room."

"If someone is really struggling in the house, has no heating and can't afford anything else, then they are poverty stricken."

Money also makes it possible for children to make use of services and so realise their rights to education, health and leisure.

"In our school you have to buy your own pens, otherwise they say you're not 'ready to learn' ... if we haven't got a pen and pencil, we'd just sit there"

"schools are becoming computer-oriented, and it can be a problem if you haven't got that access, or you've got very limited access."

Children link poverty to stigma, discrimination, and bullying

"If you're in poverty, or you don't have much money and you're just trying to get by, you suffer mentally, because you get bullied unless you are strong enough to shrug it off."

"[Poverty] says what people can and can't do because of who they are."

"A lot of teachers just can't be bothered ... a lot of [students] are violent and don't care about working ... it's linked to poverty, and people not caring ... if something bad's happening, everyone just turns a blind eye."

and to a stressful home life

"It [having no money] may cause arguments between the parents over how they are going to pay for everything, which might affect the children [who] are hearing this."

"with not having any space really you tend to go out more, you just go out and do nothing on the streets."

²² For more detail see, Office of the Children's Commissioner 'Measuring child poverty: a consultation on better measures of child poverty', February 2013, and 'Trying to get by: consulting with children and young people on child poverty', 2011, together with work by the OCC's young people's advisory group Amplify on the impact of poverty on opportunities and aspirations, and by the University of Central Lancashire on the impact of low income on disabled children's rights, both to be published in the summer of 2013.

2.4 The impact of tax, tax credit and welfare benefit changes on children's right to an adequate standard of living

2.4.1 Introduction

Under article 27 of the UNCRC, children have the right to an adequate standard of living

"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."

Thus, parents have clear responsibilities to support their children. Governments should support families to fulfil these responsibilities, but they are also required to step in where necessary to ensure an adequate standard of living.

The UN Committee has not quantified an 'adequate of standard of living'. However, the definition in the Convention demonstrates that an adequate standard of living for children goes beyond mere subsistence; it embraces what is needed for the child's full development – including their social development: their participation in the life of their community and the development of friendships.

This section uses two approaches to assess the impact of tax, tax credit and welfare benefit measures on children's rights under Article 27. The first considers the impact of these measures on the number of children living below the poverty line. The second looks at the Minimum Income Standard; a measure which is designed to reflect what ordinary people think should go into a minimum household budget, that is, what is regarded as an 'adequate standard of living' in the UK today.

The analysis shows that, as a consequence of these reforms

- the number of children in the UK living in poverty is expected to rise by around 500,000 to 2.8 million children between 2010-11 and 2015.
- the number of children living in households with an income of less than 50% of the median (before housing costs) is expected to rise by 300,000 to 1.5 million children during the same period.
- the number of children living below an adequate standard of living (the minimum income standard) is expected to rise by around 400,000 children to 6.8 million children (around 52% of all children).
- children who are already identified as materially deprived under various definitions are worse off from the reforms on average than other children

2.4.2 Impact of tax, tax credit and welfare benefit changes on child poverty

Analysis using the Landman Economics tax-benefit model of the impact of the overall package of tax, tax credit and benefit measures, excluding Universal Credit, in Budgets between 2010 and 2013 (inclusive) on child poverty shows that the number of children in the UK²³ below the official poverty line (60 percent median Before Housing Costs (BHC) equivalised disposable incomes²⁴) is estimated to increase from approximately 2.3 million children in 2010-11 to around 3.0 million children by 2015-16. Including Universal Credit leads to a slightly smaller child poverty figure of 2.9 million children – an increase of around 600,000 rather than 700,000. Approximately forty percent of the additional children moving into poverty as a result of these changes (plus Universal Credit) are in lone parent families, with the other sixty percent in couple families. Around 400,000 of the additional children moving into poverty are in households in which one or both parents work, whereas the other 200,000 are in households in which no parent is in employment. In-work child poverty is thus likely to grow as a result of changes to the tax and transfer system.

These results assume the poverty line is measured in relation to median income at the 2010/11 level. Table 2.1 shows the impact of a range of different poverty line assumptions (measuring child poverty to the nearest hundred thousand) on estimates of the number of children who will be placed in poverty as a result of the tax – benefit changes over the period 2010-15 (including Universal Credit).

Table 2.1 Impact of reforms on child poverty

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

²³ Numbers for the increase in the number of children in poverty and the number of children below the Minimum Income Standard are presented for the UK as a whole due to limitations of the Landman Economics tax-benefit model for modelling poverty at levels below the UK. All other distributional results in this report are presented for England only.

²⁴ The income measure used is the Department for Work and Pensions' Households Below Average Income (HBAI) measure, which is net income (i.e. income after direct taxes, benefits and tax credits). Incomes are adjusted via a process known as 'equivalisation' to take account of the idea that larger families need less income per head to reach the same living standards as smaller families, due to economies of scale in the purchase of certain household goods and services. The 'median' income is the income of the household in the middle of the income distribution, arranging households from poorest to richest, and weighting the sample of responding households in the Family Resources Survey so that it is as representative as possible of the UK population.

Table 2.1 shows that, measuring child poverty in relation to median income in 2015 terms (taking account of likely reductions in gross incomes over the 2010-15 period), child poverty is set to increase by slightly less in 2015 than when child poverty is measured using the 2010-11 level of median income. This is because real gross earnings are set to fall significantly across the parliament, which shifts the real-terms poverty line downwards when incomes are measured in 2015, compared with the 2010-11 level. However, child poverty still rises by around half a million even when the 60% BHC poverty line is adjusted to take account of falls in real earnings. The After Housing Costs (AHC) poverty line also increases by around half a million. The number of children below the severe poverty line (50% of median BHC equivalised disposable incomes) increases by 300,000 by 2015 compared with 2010-11.

2.4.3 *The impact of tax, tax credit and welfare benefit changes on families living below Minimum Income Standards*

An analysis conducted for the TUC in March 2013²⁵ also looked at the impact of all tax and benefit measures between 2010 and 2015 on the number of children in families under the Minimum Income Standard (MIS). MIS was established by Joseph Rowntree Foundation sponsored research (conducted by the Centre for Research in Social Policy (CRSP) at Loughborough University in partnership with the Family Budget Unit at the University of York) in 2008.²⁶

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

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

²⁵ TUC, *A Bleak Future for Families*, March 2013. Available at <http://www.tuc.org.uk/tucfiles/549/BleakFutureForFamilies.pdf>

²⁶ Further information about recent MIS research is available at http://www.minimumincomestandard.org/downloads/2012_launch/mis_report_2012.pdf

2.4.4 *The impact of tax, tax credit and welfare benefit changes on children who are affected by material deprivation*

Another way to consider the likely impact of reforms on children's right to an adequate standard of living is to examine how those children who are already identified as materially deprived²⁷ are likely to fare as a result of the reforms.

The table below shows that **children identified as materially deprived under various definitions are worse off from the reforms on average than other children**. Overall, the package of direct tax, benefit and tax credit reforms plus Universal Credit is estimated to lead to average losses of between 3.9 and 5.4 percent of net income for materially deprived families (under various definitions) compared with average losses of 3.3 percent for the population of families with children as a whole.

Table 2.2. Effects of reforms in percentage terms according to material deprivation

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

²⁷ The Family Resources Survey asks a range of questions to families with children which relate to material deprivation.

2.5 The distributional impact of tax, tax credit and welfare benefit changes

2.5.1 Introduction

Article 2 of the UNCRC addresses non-discrimination, and requires

“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 2 applies to all children's Convention rights. The scope of Article 2 is broad and non-exhaustive.²⁸ Importantly, it provides protection for children against 'discrimination or punishment' based on the actions of parents or family members.

This right *“requires appropriate proactive measures taken by the State to ensure effective equal opportunities for all children to enjoy the rights under the Convention”*.²⁹ Breaches occur **both** where provisions which directly or indirectly discriminate against particular groups of children, **and** where there are systematic inequalities in outcomes which mean that some groups of children are unable to enjoy their rights. The starting point for action should be those children who are furthest from realising their rights: for instance in the context of health, *“Children in disadvantaged situations and under-served areas should be a focus of efforts to fulfil children's right to health.”*³⁰

The Committee on Economic, Social and Cultural Rights has set out the human rights obligations which governments have during times of economic hardship. Although states have a margin of appreciation in dealing with economic crises, they are expected to ensure that - *inter alia* –

*“the policy is not discriminatory and comprises all possible measures, including tax measures, to support social transfers to mitigate inequalities that can grown in times of crisis and to ensure the rights of the disadvantaged and marginalised individuals and groups are not disproportionately affected”*³¹

²⁸ UNComRC has highlighted additional grounds in examinations of states parties. A.MacDonald 'The Rights of the Child: Law and Practice', 2011 (p.166) describes positive obligations linked to Article 2.

²⁹ UN Committee on the Rights of the Child, General Comment No. 14 (2013) on 'The right of the child to have his or her best interests taken as a primary consideration.'

³⁰ UN Committee on the Rights of the Child, General Comment No. 15 (2013) on 'The right of the child to enjoyment of the highest attainable standard of health'.

³¹ G Pillay, Chair, Committee on Economic, Social and Cultural Rights, letter to States Parties, May 2012, CESCR/48th/SP/MAB/SW

Taken together, these requirements mean that governments

- must not implement policies which discriminate against specific groups of children,
- must ensure that policies to deal with economic crises do not result in disproportionate impacts on disadvantaged members of society – including children as a group, and particular groups of children
- must take positive steps to ensure that all groups of children can realise their rights, starting with the most disadvantaged children

This analysis assesses the overall distributional impact on household income of all the changes to the tax, benefit and tax credit systems (including the introduction of Universal Credit) that will have come into effect by April 2015 that can be modelled using the Landman Economics tax benefit model, against a baseline of the April 2010 tax-benefit system (i.e. the final system before the Coalition Government took office in May 2010) uprated to 2015 using the uprating rules in force under the previous Government.³²

The analysis starts by looking at whether families with children have been affected differently than households where there are no children. Then it considers the impact of the reforms on families with different incomes. Finally, the analysis looks at how other family characteristics – including the number of children in a family, the ethnicity of adults in a household, and families with disabled children or adults – affect the impact of the changes.

The analysis finds that:

- On average, couples with children have experienced the largest losses in cash terms. The largest percentage losses have been felt by lone parents, both before and after the introduction of Universal Credit.
- The reforms are strongly regressive with low-income families with children losing more as a percentage of net income than high income families.
- The relationship between family size and the impact of reforms is complex. Couples with children experience greater percentage losses the more children they have, whereas the number of children has less impact on the losses experienced by lone parents.
- Families with white parents and families with Asian parents lose slightly more on average from the reforms than any other ethnic group.
- Families with disabled children suffer slightly bigger average losses than average in percentage terms. Children with disabled parents are also more affected than average.
- Measures announced November 2012 and March 2013 are regressive, but their impact is relatively small in the context of the total package of reforms implemented during the 2010-15 Parliament.

³² The inflation measures used for uprating for 2010-11 and previous years were the Rossi index for most means-tested benefits and the Retail Price Index for non-means-tested benefits, tax credits and income tax and National Insurance thresholds. In the June 2010 Budget the Coalition Government announced changes to the uprating rules, with the Consumer Price Index (CPI) used for means-tested benefits, tax credits and thresholds from April 2011 onwards. CPI is generally a lower measure of inflation than RPI and so this change accounts for some of the losses from benefit and tax credit changes shown in this section.

2.5.2 The impact of tax, tax credit and welfare benefit changes, by family type

This section shows how children living in different family types have been affected by tax-benefit reforms, and compares this to the impact on families without children.

Table 2.3 shows the cash and percentage impacts of the reforms on different types of families, together with the combined impacts for working age families without children, working age families with children, and all families combined. It includes analysis of the distributional impacts excluding Universal Credit (in the two columns on the left-hand side) followed by the distributional impacts including Universal Credit (in the two columns on the right).

Table 2.3: Distributional effects of all reforms 2010-15 by family type, all families

Family type	Impacts excluding Universal Credit		Impacts including Universal Credit ³³	
	Cash terms (£/week)	Overall impacts (% of income)	Cash terms (£/week)	Overall impacts (% of income)
All working age families with children	-£41.07	-5.9%	-£35.04	-5.0%
lone parent	-£32.67	-7.8%	-£30.29	-7.2%
couple, children	-£43.86	-5.6%	-£36.62	-4.6%
All working age families without children	-£15.06	-3.6%	-£16.03	-3.8%
single adult, no children	-£11.59	-4.5%	-£12.65	-4.9%
couple, no children	-£21.91	-2.9%	-£22.68	-3.1%
All pensioners	-£21.27	-5.3%	-£26.79	-6.6%
single pensioner	-£17.51	-6.1%	-£18.34	-6.4%
couple pensioner	-£25.55	-4.9%	-£36.11	-6.9%
All families	-£23.67	-4.9%	-£24.18	-5.0%

The results in Table 2.3 indicate that, excluding Universal Credit, the largest cash impacts are on couples with children (who lose just under £44 per week on average), followed by lone parents (who lose approximately £33 per week on average).

When Universal Credit is included in the analysis, couples with children are still the largest losers, but their average losses are cut to around £37 per week and lone parents' average losses are reduced to around £30 per week, whereas couple pensioners' average losses increase to £36 per week.³⁴ As a percentage of net

³³ The results for Universal Credit are calculated on the assumption that all eligible claimants have been moved onto the Universal Credit system by 2015, and exclude the impacts of transitional protection for families who will be entitled to less under Universal Credit than under the existing system. In reality, while Universal Credit is scheduled to be fully rolled out for new claimants by autumn 2013, the process of moving the existing caseload of benefit and tax credit claimants is unlikely to be complete until 2017 at the earliest.

³⁴ The losses from Universal Credit for couple pensioners arise primarily because Universal Credit is significantly less generous than the current benefit system in most cases where a couple consists of one partner over state pension age and the other partner below state pension age. Under the current system such couples are eligible for Pension Credit whereas under the new system they will not be eligible for Pension Credit but will instead be eligible for Universal Credit, which is less generous in most cases.

income, lone parents lose the most, both before and after Universal Credit. Their losses are bigger than the losses for couples with children, because couples with children have higher average net incomes (average weekly income in the FRS in January 2013 prices is around £780 for couples with children compared with £413 for lone parent families).

In general it is clear that a greater proportion of fiscal consolidation (i.e. reduction in the budget deficit via changes in benefits, tax credits and taxes) is being demanded of working age families with children compared to families without children.

Additional detailed analysis conducted for this assessment demonstrates that

- Once the number of children and adults in families is taken into account, children will lose 5.1% of income on average compared to working age adults who will lose on average 4.6% of income.³⁵
- Families with children make up around 32 percent of working age families in England, but will bear 51 percent of the costs of fiscal consolidation (through benefit and tax credit cuts and increases in personal tax) undertaken over the 2010-15 Parliament³⁶

Not all reforms have a negative impact on household income, but those that do tend to outweigh the reforms that have a positive impact, demonstrating the importance of examining the reforms as a package. Figure 2.1 shows how the overall effects (in cash terms) broken down into different types of reform, distinguishing between five sets of reforms which took place between 2010 and 2015:

- a) The changes to the benefits system (e.g. changes to Child Benefit, Income Support, Jobseekers Allowance, Council Tax Benefit etc.);³⁷
- b) Changes to the tax credit system (not including the introduction of Universal Credit);
- c) Changes to the income tax and National Insurance contributions systems;
- d) Changes to the indirect tax system (principally the increase in standard rate of VAT from 17.5% to 20% and reductions in taxation of road fuels in real terms);
- e) The introduction of Universal Credit (compared with the April 2015 rates for the tax credit and benefits that it replaces).

The stacked bars on Figure 2.1 show the impact (positive or negative) of the different types of measures, with the purple line showing the total impact of all measures combined. The changes to benefit and tax credits have an especially large cash impact for families with children, with the average magnitude being roughly similar for lone parent families and couple families. The income tax and NICs changes have positive average impacts overall for all family groups except for single pensioners but the impacts are biggest for couples without children because this group have two

³⁵ Background paper Table 3.2, This analysis takes account of the number of children and adults in families to derive figures for the average losses to children and working age adults.

³⁶ Background paper Table 3.3

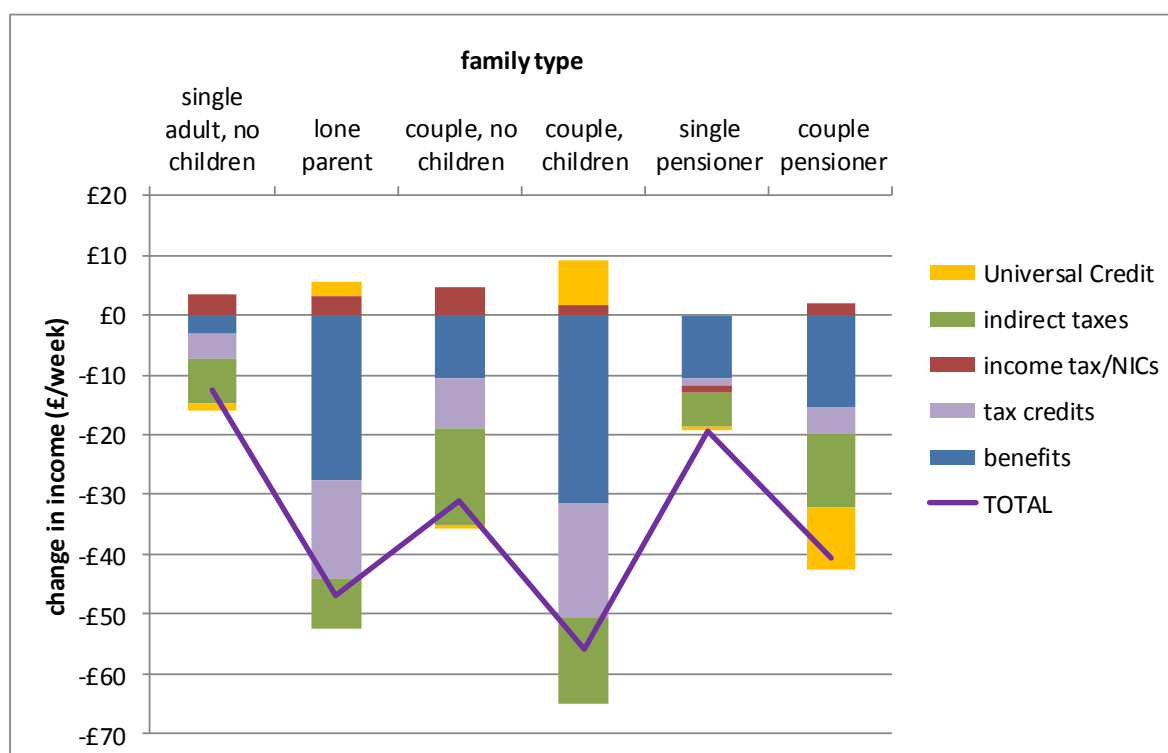
³⁷ Note that a few of the benefit changes (e.g. the replacement of Disability Living Allowance by the Personal Independence Payment from 2013 onwards) could not be modelled because the FRS does not contain enough information on the characteristics of benefit recipients to enable accurate modelling. The Appendix gives full details of the benefit changes which are modelled and those which cannot be modelled.

adults who are more likely to be in employment than in couples with children, many of whom have only one earner. The incentive to enter employment for second earners, who in practice are mainly women, is relatively weak for families with children on low-to-middle incomes due to the Working Tax Credit taper, and this situation does not improve overall under Universal Credit.³⁸

The negative impacts of increases in indirect taxes on living standards are bigger for couples than for single adult families. However, the fact that a large proportion of child-related expenditure under VAT is zero-rated means that the impact of the indirect tax measures (of which the most important in revenue terms is VAT) is not worse for families with children than for childless families.³⁹

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

Figure 2.1: Breakdown of impacts of reforms in 2010-15, by family type, cash terms

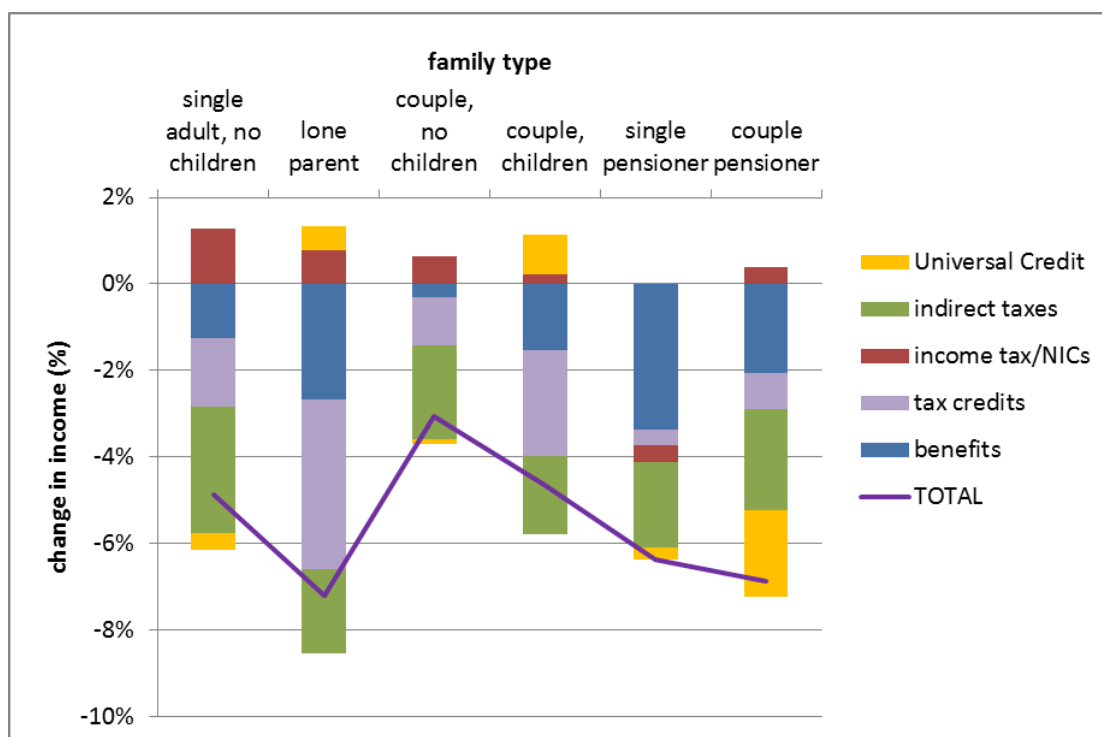


³⁸ Section 6 of the background document includes detailed analysis on how changes in tax and benefits have affected how much employment pays.

³⁹ Zero-rating food and many child related commodities is a feature of the UK indirect tax system that makes it more child-friendly and less regressive than that of many other countries. See Caren Grown and Imraan Valodia (eds.) (2010) *Taxation and Gender Equity: A Comparative Analysis of Direct and Indirect Taxes in Developing and Developed Countries* Routledge, IDRC

Figure 2.2 shows the same results as Figure 2.1 but with the distributional impacts expressed as a proportion of net incomes rather than in cash terms. From this graph it is clear that as a percentage of net income, the benefit and tax credit changes have a much bigger impact on lone parents than on couples with children, because lone parents have lower average incomes.

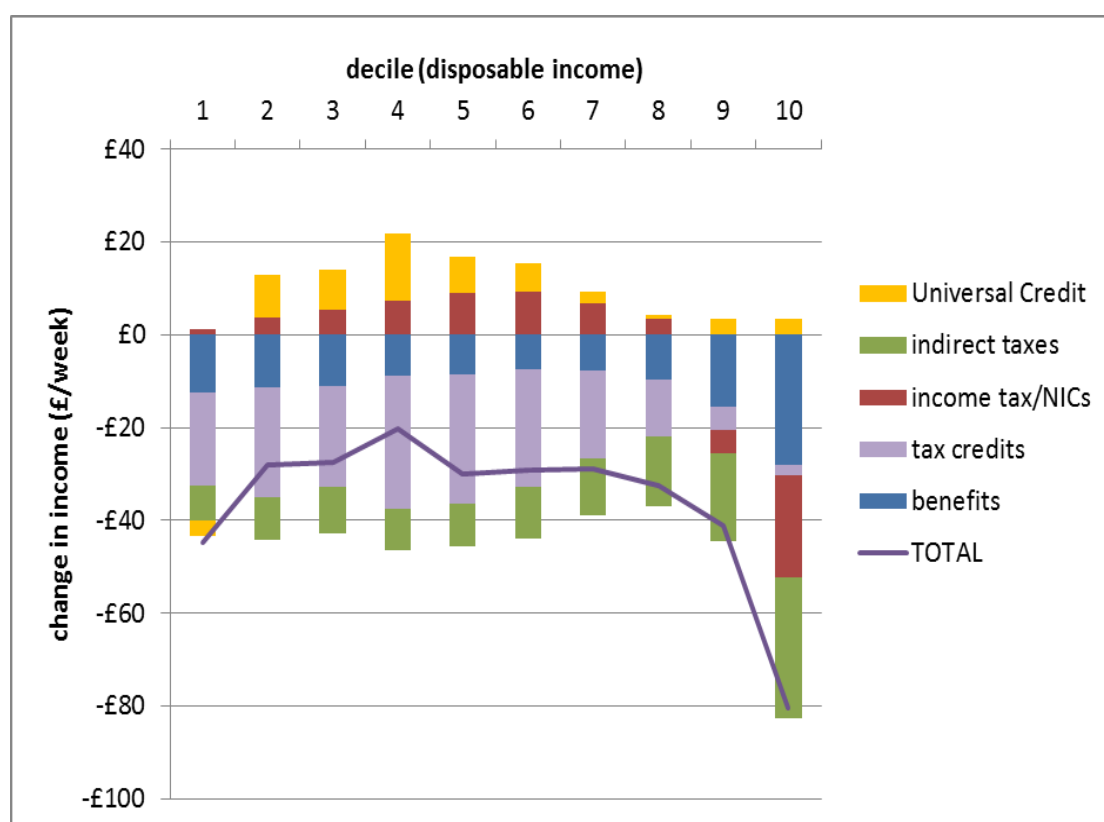
Figure 2.2: Breakdown of impacts of reforms in 2010-15, by family type as percentage of net income



2.5.3 The impact of tax, tax credit and welfare benefit changes by income decile

This section compares how children whose families are from different income groups have been affected by tax-benefit reforms. Figure 2.3 shows the average losses in cash terms for families with children divided into income deciles, modelled using the 2010-11 Family Resources survey. Families with children are divided into ten deciles representing equal proportions of the population, from the ten percent of families with the lowest incomes (decile 1) to the richest ten percent (decile 10). Figure 2.3 shows the average cash impact of the tax - benefit changes in each income decile.

Figure 2.3. Families with children by income decile: Impacts of tax-benefit reforms in 2010-15 in cash terms



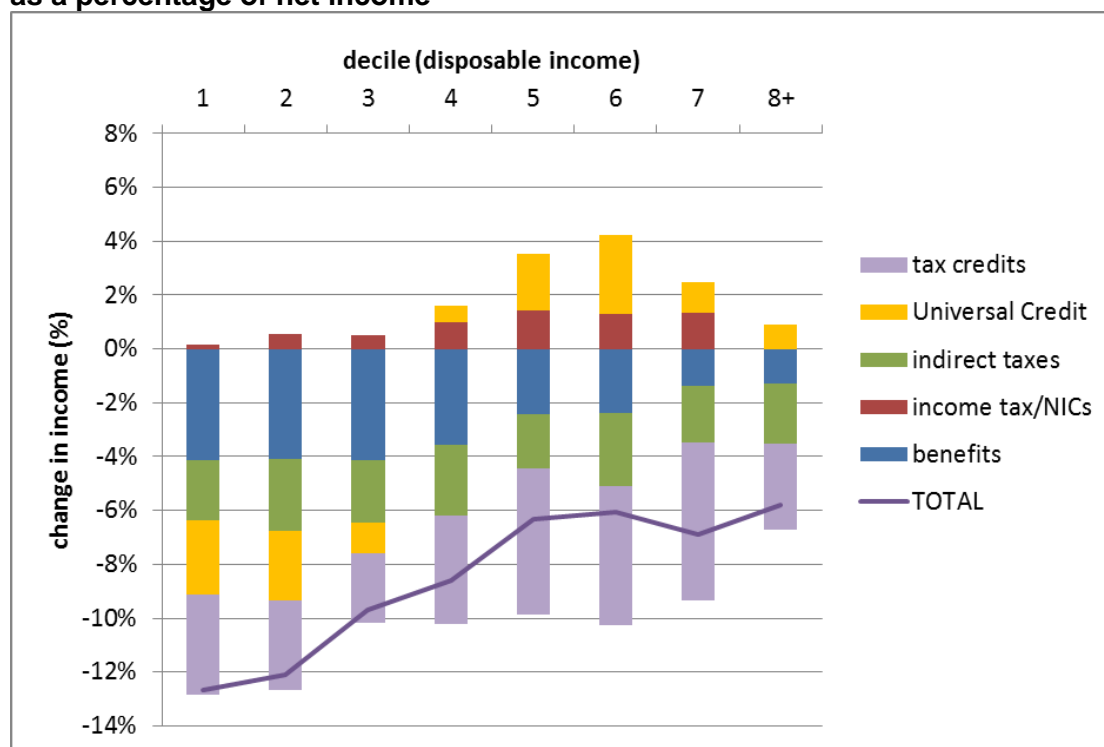
Looking just at the benefit and tax credit measures, average cash losses from these are roughly constant over the bottom half of the income distribution, averaging around £30 to £35 per family. The poorest families lose more from benefits on average than families in the middle of the income distribution,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

The income tax and NICs changes have a positive impact on the bottom eight deciles with the effects being biggest in the middle of the income distribution. The impact of income tax and NICs changes in the top 20 percent of the income distribution is negative due to a combination of increases in employee and employer NICs rates and below-inflation increases in the higher rate income tax threshold.

These outweigh the impact of the reduction in the additional rate of income tax (on incomes above £150,000 per year) from 50% to 45% in April 2013, which only affects a few individuals in the Family Resources Survey. Indirect taxes have a larger impact in cash terms on richer families. Finally, Universal Credit has a slight positive impact across all deciles except for the poorest decile (with the impact being largest in the 4th decile) but this is not enough to offset the negative impact of the other changes. The impact of Universal Credit at the very bottom of the distribution is slightly negative (average losses of around £3 per week).

In **percentage terms the reforms are strongly regressive** with low-income families with children losing more (as a percentage of net income) than high-income families. Figure 2.4 shows the impact of the reforms as a percentage of net income for lone parents, whereas Figure 2.5 shows the same information for couples with children.

Figure 2.4. Lone parents by income decile: Impacts of tax-benefit reforms in 2010-15 as a percentage of net income



Note: the top three deciles for lone parents have been combined into one column to ensure the statistical reliability of the results for deciles 8-10 because very few lone parents have a high enough income to be in these deciles.

Figure 2.4 shows that the combined impact of the tax, benefit and tax credit measures is particularly regressive for lone parents. This is largely because of the effect of Universal Credit which reduces incomes for parents in the poorest three deciles, while increasing it in the higher deciles. Lone parents in the poorest two deciles lose over 12 percent of their net income from the reforms. By contrast, for lone parents in the fifth decile and above, average losses are just over 6 percent of net income, because their losses due to cuts in benefits and tax credits, and increases in indirect taxes, are partially offset by reductions in income tax and NICs.

Figure 2.5. Couples with children by income decile: Impacts of tax-benefit reforms in 2010-15 Parliament as a percentage of net income

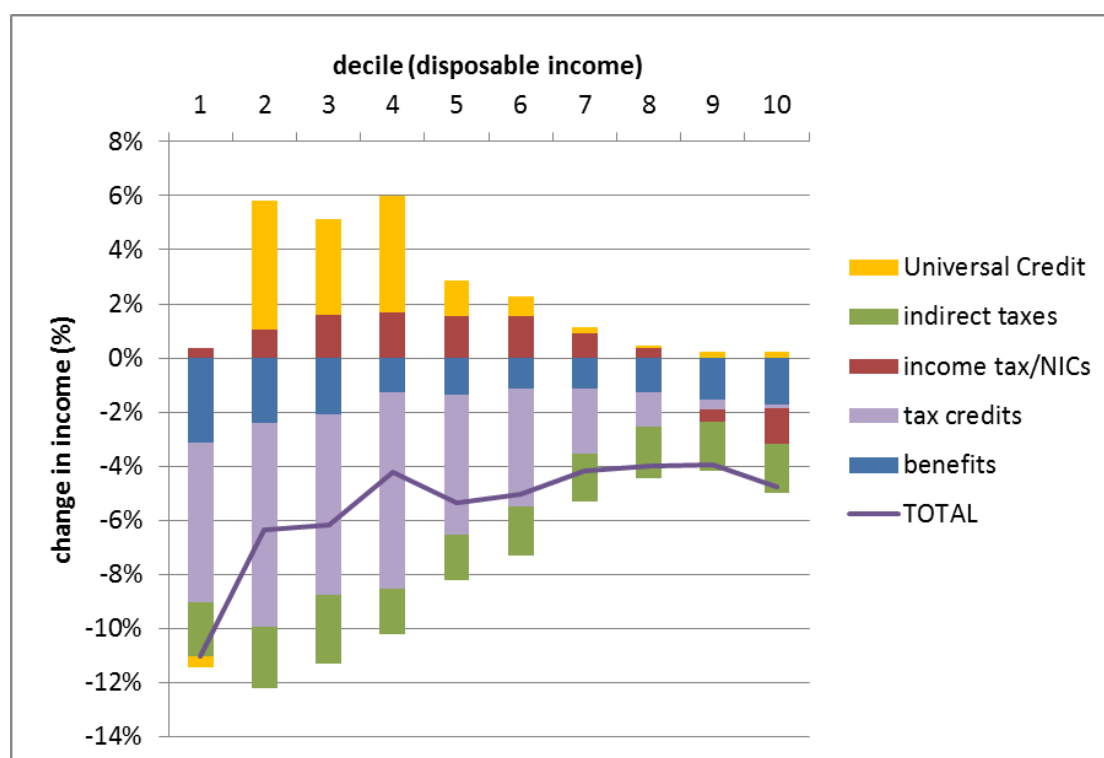


Figure 2.5 shows that **the combined impact of tax, benefit and tax credit reforms is also regressive for couples with children**, although not to the same degree as for lone parents. This is partly because Universal Credit has a more progressive impact for couples with children than it does for lone parents, increasing the incomes of most of those at the lower end of the distribution (though not in the lowest decile) more than of those higher up the distribution.⁴⁰ And in middle and higher deciles changes to benefits and tax credits do not impact as severely on couples with children as they do on lone parents. This results in a more regressive, but generally less negative impact for couples with children than for lone parents.

Additional analysis⁴¹ shows the impact of changes to income tax and NICs in isolation from other reforms, showing that changes will benefit those in the middle deciles most, and that – on average - the reforms benefit working age people without children a lot more than families with children. Because parents are less likely to be in employment, and more likely to be part-time or on low wages, they are less likely to benefit from the increase in the real terms value of the income tax personal allowance and the National Insurance lower earnings limit.

⁴⁰ The main reason why UC is less generous to lone parents compared with the tax credit system which it replaces has to do with the absence of a WTC premium for working 16 hours or more (or indeed, the full time premium for working 30 hours or more) in UC compared with WTC, and also the structure of the income disregards in UC compared with WTC. See p24 of Brewer, Browne and Jin, *Universal Credit: A Preliminary Analysis*, IFS Briefing Note 116. <http://www.ifs.org.uk/bns/bn116.pdf>, for a detailed explanation.

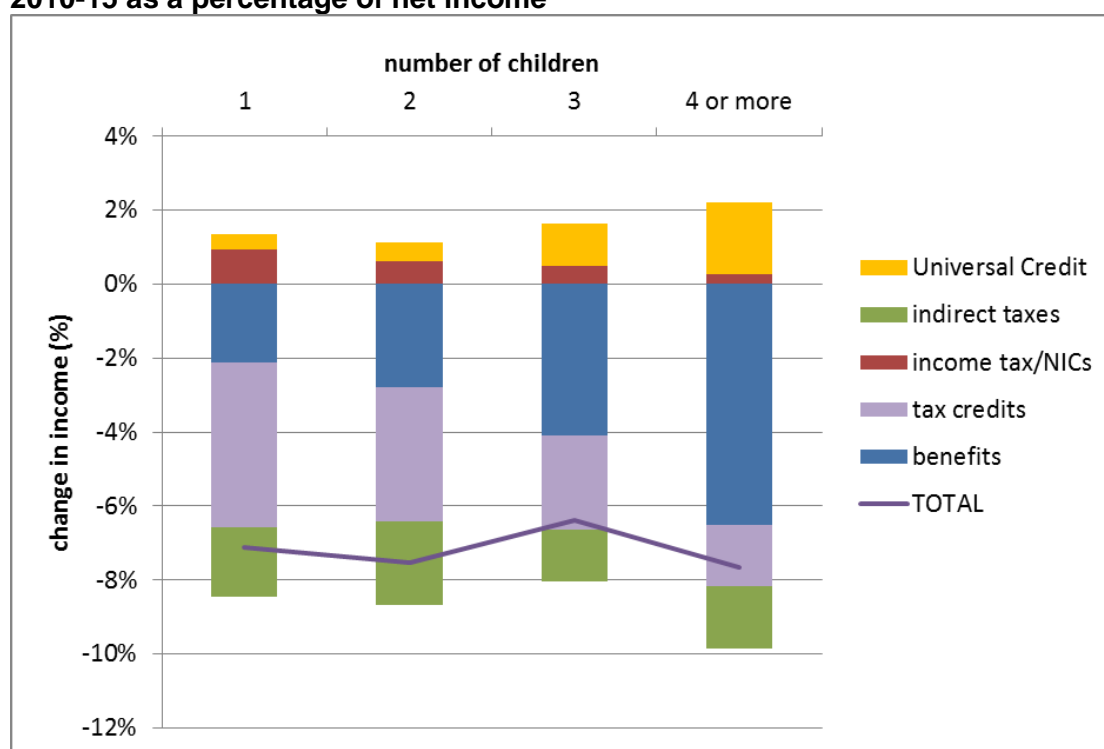
⁴¹ Background document, figure 3.6

2.5.4 The impact of tax, tax credit and welfare benefit changes by family size

Figures 2.6 and 2.7 below show the average percentage impact of the complete 2010-15 package of reforms for lone parent families and couples with children respectively, broken down according to the number of children in each family.

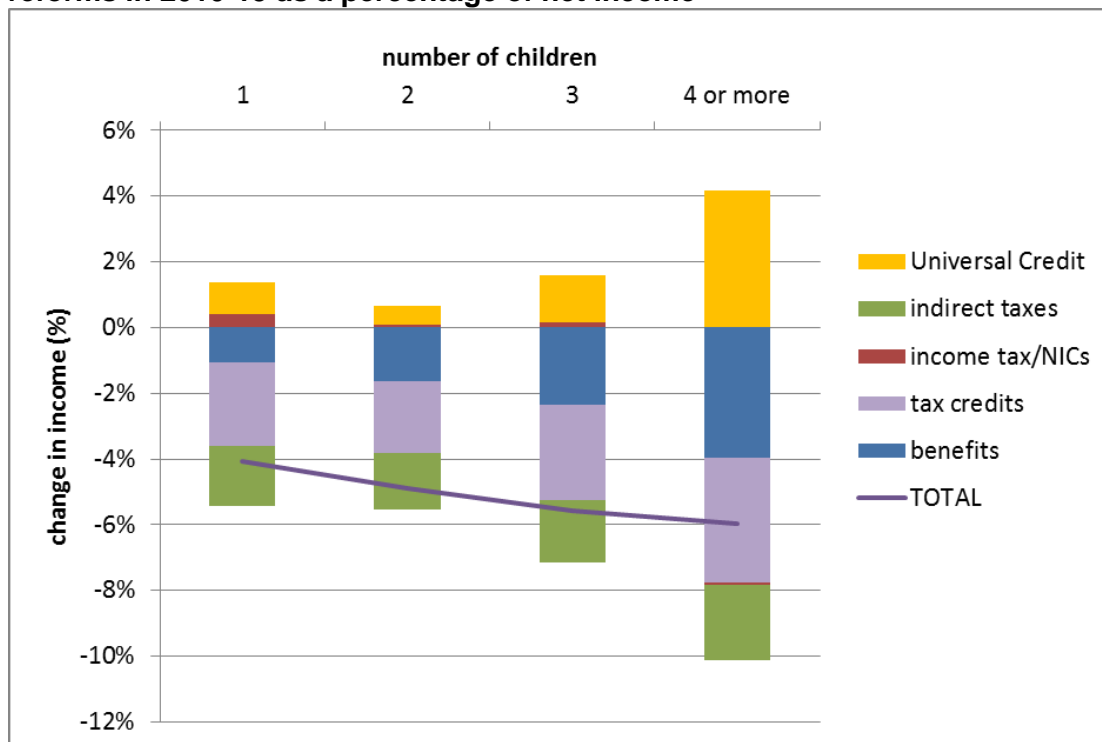
Figure 2.6 shows that lone parent families with three or more children lose more from the benefit changes on average than lone parent families with one or two children. However the reverse is true for the tax credit changes, which hit smaller families harder on average because the only reform which increased the generosity of the tax credit system between 2010 and 2015 was a real terms increase in the per child amount of CTC, which is worth more to bigger families. Lone parent families with larger numbers of children also benefit more from Universal Credit. Overall, average losses from the 2010-15 reforms are between 6% and 8% of income for all lone parent family sizes.

Figure 2.6. Lone parents by number of children: Impacts of tax-benefit reforms in 2010-15 as a percentage of net income



Whereas the distributional impact of the 2010-15 reforms is roughly flat by family size for lone parents, Figure 2.7 shows that the pattern is different for couples with children: here, larger families lose out more, and lose more than lone parent families with the same number of children unlike smaller families, where the families of lone parents fare worse. This is largely because both benefit *and* tax credit losses increase as a proportion of income with family size. The average gains from Universal Credit are higher for couples with three or four children than for couples with one or two children but this is not enough to offset the overall negative pattern. Couples with four children lose around 6 percent on average from the reforms, compared with 4 percent for couples with one child.

Figure 2.7. Couples with children by number of children: Impacts of tax-benefit reforms in 2010-15 as a percentage of net income

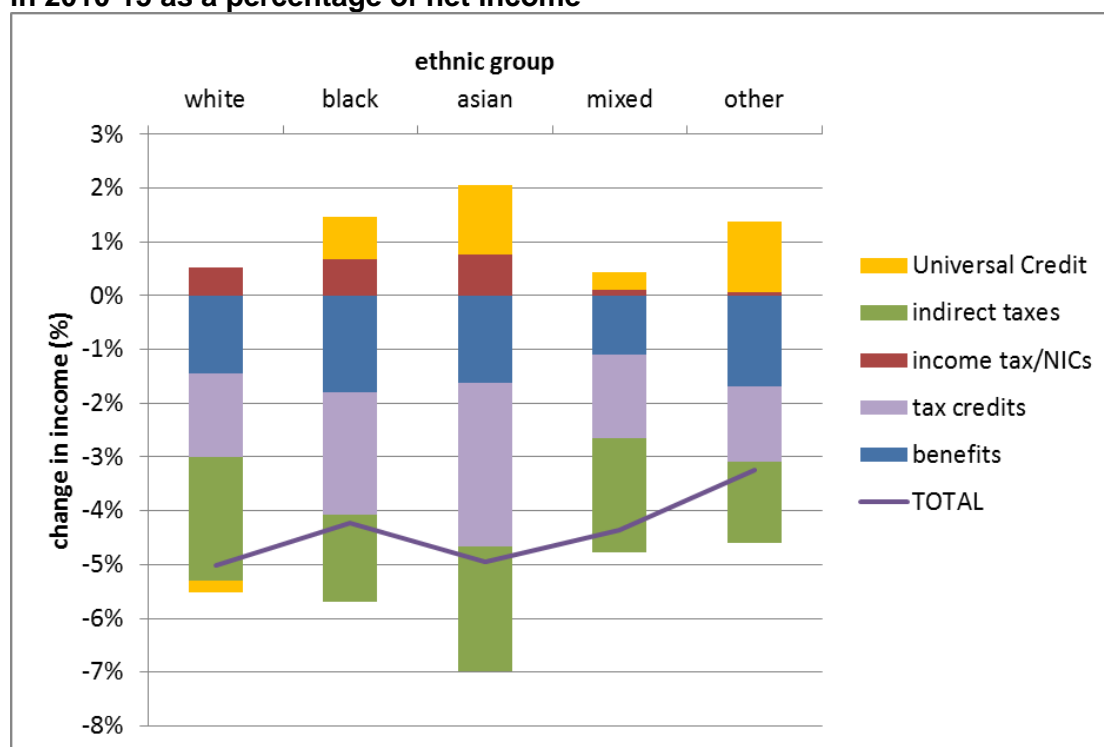


2.5.5 The impact of tax, tax credit and welfare benefit changes by ethnicity

This section looks at whether the reforms have differential impacts on children from different ethnic backgrounds.

Figure 2.8 shows the average impacts by ethnic group (defined according to the ethnicity of each family's parents, as the ethnicity of the children themselves is not recorded in the FRS data). Families with white parents and families with Asian parents lose out slightly more on average from the reforms than any other ethnic group. Note that the sample sizes in the FRS for the non-white ethnic groups are relatively small and so these results should be treated as indicative only.

Figure 2.8. Families with children by parental ethnicity: Impacts of tax-benefit reforms in 2010-15 as a percentage of net income



2.5.6 The impact of tax, tax credit and welfare benefit measures on families where there is a disabled child or disabled adult

This section looks at whether children who are disabled or who have a disabled sibling are affected differently by the reforms than children living in other families.

Table 2.4 shows that families with disabled children suffer slightly bigger average losses than average in percentage terms. Depending on the definition of disability used, the overall impact of tax, benefit and tax credit changes (excluding indirect taxes, but including Universal Credit) is an average loss of between 3.6 and 4.7 percent, compared with an average loss of only 3.3 percent across families with children as a whole.

The largest average losses are for families with a child who is registered as disabled with their local authority, who are the most severely disabled children with their families constituting just 2.6% of all families with children, who lose most from benefit and tax credit changes and gain least from income tax and NICs cuts, since they are less likely to have parents in full-time employment. (The effects on parents of children with lesser levels of disability suggest that they are no less likely to be employed full-time than other parents).

Table 2.4. Effects of tax-benefit reforms in percentage terms for families with at least one disabled child, by disability definition

Disability definition	Benefits	Tax credits	income tax/ NICs	UC	TOTAL
Limiting disability	-2.4%	-2.8%	0.5%	0.8%	-3.9%
Long-standing health condition	-2.1%	-2.9%	0.4%	0.9%	-3.6%
FRS published disability definition	-2.4%	-3.0%	0.4%	1.0%	-4.0%
DDA disability definition	-2.2%	-2.9%	0.4%	0.8%	-3.9%
LA registered disabled	-2.7%	-3.1%	0.1%	0.9%	-4.7%
All families with children (for comparison)	-1.7%	-2.7%	0.3%	0.8%	-3.3%

Average losses for families with disabled adults are larger than for families with no disabled adult (and indeed larger than those for families with disabled children), mainly because the cuts to their benefits and tax credits are greater. ⁴²

⁴² See Background report, Table 3.5

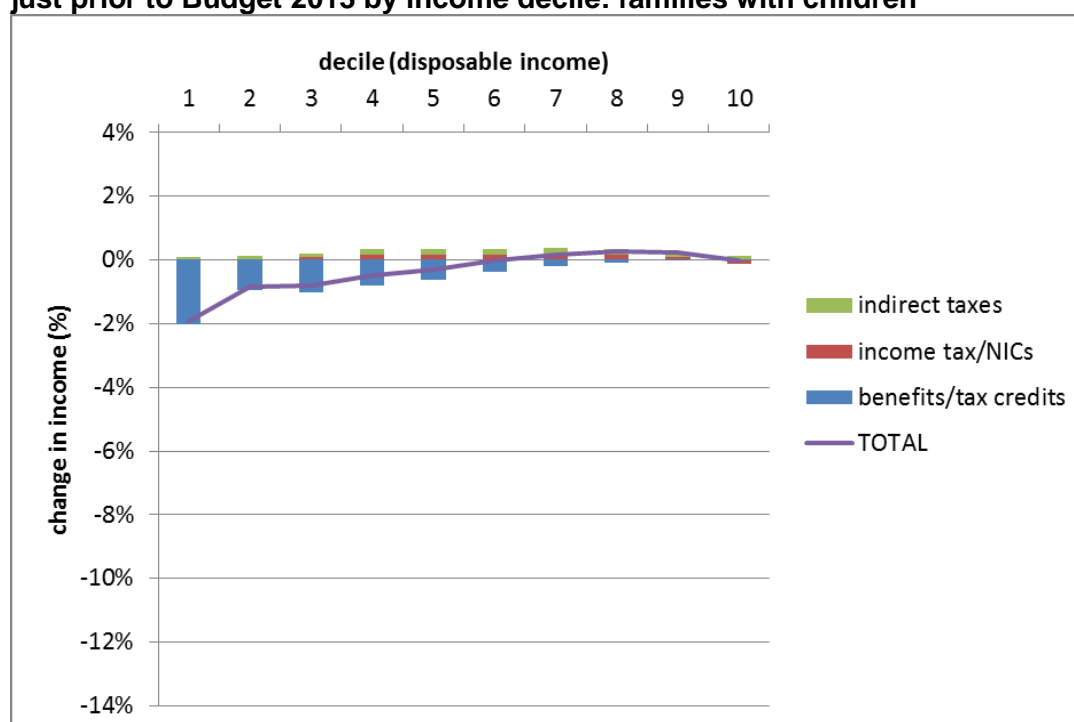
2.6 The impact of tax and benefit changes announced between November 2012 and March 2013

Previous sections have looked at the cumulative impact of reforms since 2010. This section focuses on measures announced at Budget 2013 or Autumn Statement 2013 or thereabouts which are due to be introduced in April 2014 or April 2015.⁴³

Figure 2.9 shows a decile breakdown of the impact of these measures for families with children. It shows that

- these impacts are relatively small in the context of the total package of reforms implemented during the 2010-15 Parliament.
- the announced changes to benefits and tax credits – principally the decision to uprate benefit levels for working age adults and children (except disabled adults and children) by only 1% rather than the rate of inflation, which carries over into the benefit levels announced in the Universal Credit system – have a regressive impact, but the impact is small relative to those changes previously announced.
- the changes to income tax and National Insurance contributions result in small average gains across most of the income distribution, but these are not enough to offset the losses from 1% nominal uprating of benefits, tax credits and Universal Credit (except in deciles 7, 8 and 9). In the top decile, lower-than-inflation rises in the higher rate income tax threshold mean that families are slightly worse off on average.

Figure 2.9. Average impacts of tax, benefit and tax credit measures announced in, and just prior to Budget 2013 by income decile: families with children



⁴³ This analysis does not include the proposals announced just before the Budget for the Tax Free Childcare scheme or additional support for childcare expenditure for families in receipt of UC and paying income tax, as these are not planned to be introduced until autumn 2015 at the earliest.

Figure 2.10 presents a breakdown of the distributional impact of the reforms announced in the 2013 Budget and the lead-up to the Budget by family type, along the lines of (and presented to the same scale as) Figure 2.2.

Figure 2.10. Impacts of tax, benefit and tax credit measures announced in, and just prior to, Budget 2013 by family type

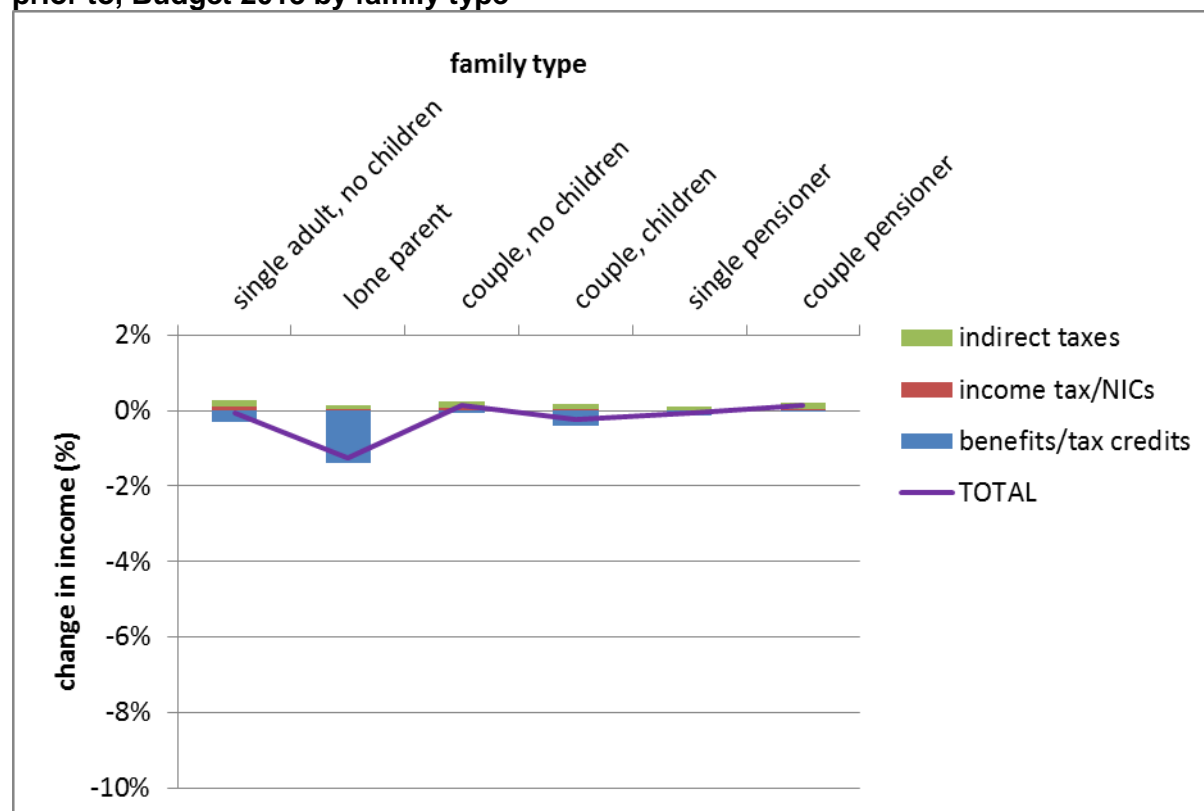


Figure 2.10 shows that the impact of Budget 2013 (and the announcements leading up to it) is dominated by the uprating changes to benefits/tax credits/Universal Credit, which have a larger average negative impact on families with children than those without, and the largest on lone parents. Other changes have a negligible impact.

2.7 Conclusion: The impact of tax, tax credit and welfare changes on children's rights

This section has looked at the likely impact of tax, tax credit and welfare benefit reforms between 2010 – 2015 on levels of child poverty, and has analysed the distributional impact of reforms between families with and without children, families with different levels of income, families with different ethnic backgrounds, and families where there are disabled children⁴⁴.

The introduction (section 1) set out two questions, “What impact have budget measures had on children's rights?”, and “Has the UK government devoted ‘the maximum extent of available resources’ to ensure children's rights are realised?”.

The UNCRC does not provide a specific benchmark for a standard of living adequate for the child's development. However, the analysis shows that as a consequence of tax-benefit reforms, there is a substantial predicted increase in the number of children living in income poverty, and children living below a ‘minimum income standard’. This is a strong indication that there **is likely to have been retrogression in relation to children's Article 27 right to an adequate standard of living** as a result of Government measures.

Of course, these are predicted changes and much depends on levels of economic growth and how far children at the lower end of the income distribution benefit from any growth.

In 2008, the UN Committee on the Rights of the Child recommended that the UK

*“Adopt and adequately implement the legislation aimed at achieving the target of ending child poverty by 2020, including by establishing measurable indicators for their achievement;
Give priority in this legislation and in the follow-up actions to those children and their families in most need of support”⁴⁵*

Recently published survey data shows no change between 2010/11 and 2011/12 in the number of children living below the (relative) poverty line – largely as a result of a decline in the median wage - but a two percent increase in absolute poverty⁴⁶. This data indicates that there has been **no progressive realisation in children's right to an adequate standard of living since 2010**.

UNCRC requires that children – and particularly disadvantaged children – are protected from the adverse effects of economic downturns. **Our analysis provides no evidence that children have been protected in practice**. The analysis of tax-

⁴⁴ We have focused on the overall impact of tax-benefit reforms, with a particular focus on their impact on family incomes. However, the way the reforms have been put into practice may well have consequences for children's rights. For example, see section 3 of the background paper for issues around the design of Universal Credit – including the potential impact of making payments to a single adult in the family, and of ceasing to pay housing benefit direct to landlords.

⁴⁵ UN Committee on the Rights of the Child, Concluding Observations on the UK, 2008

⁴⁶ Households Below Average Income (HBAI), Department for Work and Pensions, Statistical release, June 13th 2013

benefit reforms shows that families with children are having to pay a somewhat larger share (51%) of the net fiscal savings that the government is making than families without children (49%), even though families with children only comprise around 32% of working age families in England.

Where possible, we have analysed the distributional impact of tax-benefit reforms on children from different family and income profiles. The cumulative impact of these changes has generally been regressive as a percentage of net household income. Although some specific measures have been progressive, tax-benefit reforms as a whole have hit low income families, lone parent families, and families with disabled children and disabled adults hardest. We consider that the **overall impact of the tax-benefit reforms is likely to be in breach of Article 2 of the UNCRC – non-discrimination.**

Our engagement with children highlights the range of challenges that children from disadvantaged backgrounds already face. Families living below the poverty line generally lack the resources to cope with even modest percentage reductions in incomes without cuts in consumption which are likely to result in breaches of the rights that children have to nutrition, housing and clothing highlighted in UNCRC Article 27, and potentially of other rights – including to health (Article 24); rest, play and leisure (Article 31).

3. The impact of public spending decisions on children's rights

3.1 Overview: spending on public services and children's rights

Between the 2010 Spending Review and 2015/16, an estimated £61 billion of cuts will have been made to central government spending allocations, outside the social security budget. Using a model of the effects of changes in public spending on household resources developed by Landman Economics, this section addresses the impact of public spending reductions on children's rights.

It covers

- the key UNCRC rights engaged by the expenditure cuts (sec. 3.2)
- what children say about public services in their area (sec. 3.3)
- the methodology used (sec. 3.4)
- changes in spending allocations by central government (sec 3.5)
- how spending allocations by central government have affected families with and without children, and how children from different kinds of families have been affected (sec. 3.6)
- what other research tells us about how local authorities are responding to spending cuts, particularly in relation to children's services (sec. 3.7)
- an assessment of the impact on children's rights (sec.3.8)

3.2 UNCRC rights engaged

The UNCRC provides a framework for states' obligations to children. Article 4 requires that governments must do all they can to make sure every child can enjoy their rights. Full realisation of any one of the children's rights it contains would be impossible without deployment of resources by the state. Choices about public expenditure have the potential to affect any or all of children's rights.

However for the purposes of this section we focus on the following economic and social rights in the UNCRC:

Article 23	the right of disabled children to special assistance
Article 24	the right to the highest attainable standard of health
Article 28 & 29	the right to education
Article 31	the right to leisure, culture and play

Governments are required to use the maximum resources available to fulfil their obligations to children, ensuring the progressive realisation of these rights without discrimination. These obligations go beyond providing a particular service. For example, realising children's right to health involves good child and maternal health services, but also – to give a few examples - prevention of violence against children, decent living conditions, good food and exercise, access to information about health and the body, awareness of issues such as smoking, and interventions which are

relevant to particular groups: such as teenagers a risk of mental health problems, or children in custody⁴⁷.

States also have immediate and pressing obligations to protect children from violence (Article 19) and from abuse and exploitation (Article 34): these rights are not subject to progressive realisation, and they require governments (in the UK's case, particularly local governments) to invest significant resources in prevention, intervention and support activities.

Each right has to be interpreted in the light of the UNCRC's general principles:

- | | |
|------------|--|
| Article 2 | All children should enjoy all rights, whatever their ethnicity, gender, religion, abilities and whatever type of family they come from |
| Article 3 | The best interests of the child must be a top priority in all things that affect children |
| Article 6 | Every child has the right to life. Governments must do all they can to ensure that children survive and develop to their full potential. |
| Article 12 | Every child has the right to express their views and to be listened, in matters affect them. |

⁴⁷ UN Committee on the Rights of the Child, General Comment No.15. (2013), 'The Right of the Child to the enjoyment of the Highest Attainable Standard of Health'

3.3 Public spending and services: what children say

As part of the preparation for this assessment, we spoke to children aged between 7 and 11 years in Plymouth and Newham, East London. The purpose of our discussions was not to research the impact of public expenditure cuts on local services and on children, but to learn more about how children view services and what they value.

The children in both areas had very clear views about their local areas and services and facilities.

Both groups of children said how important that safe clean public spaces were to them. Sometimes safety issues made it difficult for children to use services.

“[...] area is bad and noisy at night, you hear all this stuff and then you go out in the morning and there’s something like a smashed toilet, or broken bottles in the street.”

“My street is bad because it has so much rubbish in it. The workers clean it up and the next day there’s just so much rubbish again.”

“My neighbour has all these friends and they don’t act nice.”

“My brother went to the new skatepark, and some teenagers said you can’t go in because you are too young and you are not cool. He argued with them and said anyone can use – so he went in and then they ran him over.”

Parks and open spaces were an important part of the local area – perhaps most important of all in Newham – where children do not have other ways of accessing green spaces. Children like it when there are different things for different age groups to do, but they also appreciate beauty and tranquillity.

“We are so lucky because we have the beach and Dartmoor.”

“West Ham park has got a little pond. There’s an area where you can play. There are little huts which are painted on the top and you climb up the stairs and you just walk around. It’s really nice.”

“We’ve got a park next to us, so when Mum says ‘Go out, you’re being lazy’, we can just go out to the park and go on the swings. It’s such fun.”

Children really wanted the chance to have fun, to ‘go wild’

“I go to Southend with my cousin. There’s a place called Adventure Island, and the rides are terrifying and exciting.”

An arcade. A theme park. A place where children can let loose their feelings and go wild. [Children’s suggestions for how their area could be improved].

Children appreciated that some services were vital to everyone, and they were critical of waste

“The hospital is the most important thing. Because without it you could die if you hurt yourself. And all the babies – well people could have them at home – but there might be an explosion of blood.”

“They’ve put up new [promotional] signs all over the place. They’ve spent so much money on it but the signs don’t help anyone. What is the point of that?”

Some children have lots of different opportunities to do activities, while others rely much more on school for wider opportunities

“I like coming to school because I get to do arts and sports, and I like some of the subjects as well.”

“What’s missing? It would be really good to have something for children, even little rides, to keep them happy when there’s nothing else to do.”

Children don’t just rely on publicly-provided services. They also access community and voluntary sector organisations. Shops are important for children. For many children, faith-based organisations play an important part in their life outside school. Children know that some services are important for people who have specific problems.

“I go to weekend school at a mosque. There are some nearby but we go to [...], because my dad says it’s the best.”

“My family goes to all the pasty shops on Friday and Saturday and we pick up the pasties so that they can be given to homeless people at church.”

“Lots of pocket money shops have shut down. There was one shop – it even had a flying pig. Now you can get things on the internet, but you can’t try things out first.”

“If widows are lonely then they can go to the Salvation Army and meet new people”

3.4 Methodology

The results in this section use a model of the effects of changes in public spending on household resources, developed by Landman Economics. The model combines information on aggregate public spending by department and function from HM Treasury with information on the use of different public services from a variety of household datasets including the Family Resources Survey and the British Household Panel Survey.

The starting point for this analysis is that changes in public spending on goods and services which are consumed by households “in-kind” rather than directly affecting their disposable income have an effect on the resources available to households (and can be measured by a cash equivalent).

More information about this model can be found in the background paper (including a detailed specification in Appendix C).

The analysis has two important limitations:

- it focuses on expenditure and does not capture any changes in organisation, efficiencies, or quality changes which may have resulted in services for children getting better or worse
- it focuses on central government and cannot account for the choices that local decision-makers have made – either to cut or to protect services which are important for children (although section 3.8 summarises recent research on local authority expenditure on children)

For this reason, this assessment does not provide conclusions on the ultimate impact of public spending decisions on children’s rights, but highlights changes in the resources available to fulfil these rights and distributional issues relevant to UNCRC Article 2 (non-discrimination).

3.5 Changes in spending allocations by central government

Table 3.1 gives details of the size of the total cuts to UK funding budgets, estimated using data from the UK's October 2010 Spending Review, revised according to any further spending announcements made between the Spending Review and the 2013 Budget.⁴⁸

Overall, by 2015/16 we estimate that there will be have been around £61 billion of spending cuts (expressed at January 2013 price levels) to services excluding the social security budget, relative to a situation in which public spending totals grew in line with price inflation between the 2009/10 and 2015/16 tax years. Approximately £32 billion of these cuts fall on areas of spending which cannot be allocated to families based on service use information in household-level datasets such as the FRS. Mainly this is because these areas of spending relate to services which are collectively consumed (such as defence or environmental protection)⁴⁹. The remaining £29 billion of spending cuts are allocated as explained in Table 3.1.

Table 3.1. Size and percentage of cuts by spending category, 2010-15⁵⁰

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

It is also important to note that although the Government has argued that schools spending in England is ringfenced, the ringfence only applies to the *current* expenditure budget; *capital* expenditure on schools is not ringfenced and has been cut sharply, implying an 11 percent cut in overall spending by 2015.

⁴⁸ It is particularly important to take announcements in subsequent Budgets into account for transport, which suffered cuts of more than 6% in the 2010 Spending Review but where additional funds have been allocated for infrastructure investment in the 2012 Budget.

⁴⁹ It should be noted that if we were to include the other £32 billion of spending cuts (which cannot be allocated based on household data on use of public services) as 'flat rate' cuts per household, the impact of the spending cuts would be even more regressive as a proportion of income than is shown in this Section. This was the approach taken by T Horton and H Reed (2010), in their analysis of the distributional impact of the October 2010 Spending Review: *Where the Money Goes: How We Benefit From Public Services*. London: TUC

⁵⁰ These figures are for the UK. The remainder of our analysis focuses on England only.

3.6 The distributional impact of public spending decisions

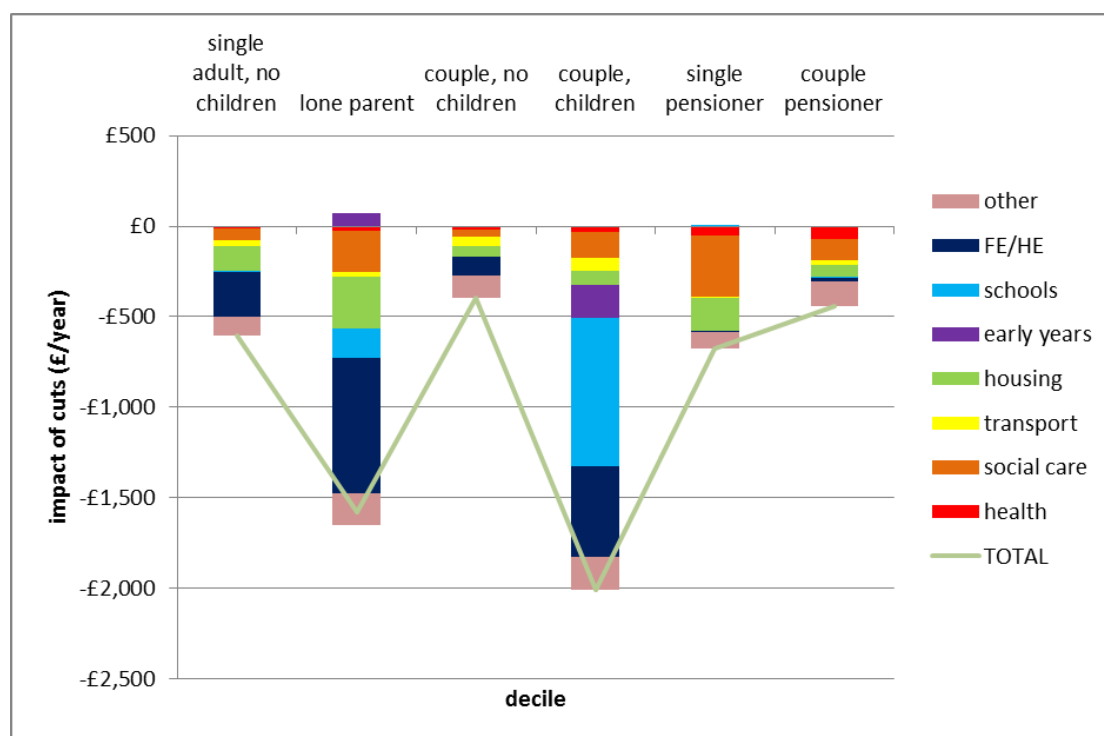
3.6.1 The impact of cuts, by family type

Figure 3.1 shows the impact of spending cuts by family type, measured in terms of the cash value (per year) of the public services which families lose. It shows that

- average losses for families with children are much greater than for families without children, because families with children use school services whereas the other groups do not⁵¹, and families with children, particularly lone parents, also use further and higher education services more than other family types.⁵²
- The cuts to spending on early years services also have a negative impact for couples with children, although not for lone parents (because they are more likely to be the parents of disadvantaged two-year olds for whom the Coalition Government has increased expenditure on early years education).
- Cuts to social housing and social care expenditure have more impact on lone parents and single pensioners than on other family types.

The overall result of the spending cuts is that although the impact of early years spending is positive for lone parents (i.e. an increase in expenditure), overall, the value of public services lost by lone parents is almost as much (just over £1,500) as for couples with children (around £2,000) on average.

Figure 3.1. Impact of spending cuts for families by family type



⁵¹ A few pensioner families have school age children and use school services, but this is rare.

⁵² Note that full-time students aged 16 to 18 count as children for the purposes of FRS family definitions. Further and higher education impacts also assign spending cuts to families who have student children aged between 18 and 21 who are away from home during term time living at institutional addresses which are not in the FRS sampling frame (e.g. university halls of residence).

Figure 3.2 shows the same results as Figure 3.1, but as proportion of net income rather than in cash terms. Because lone parents have a lower average income than couples with children, lone parents' losses in percentage terms are bigger – averaging over 7% of net income compared with just less than 5% for couples with children, who are the families whose losses are the second greatest in proportion to their income. While the cuts to school spending continue to impact more on couples with children, even proportionately to their income, lone parents lose out more strongly from cuts to social care, reflecting the proportionately greater number of disabled children brought up by lone parents, and their greater rates of disability themselves. When expressed in this way, the cuts to FE/HE can also be seen to impact particularly strongly on lone parents, which may adversely affect their efforts to find better employment. Among those without children, single adults, both working age and pensioners, are harder hit relatively than couples by the cuts.

Figure 3.2. Impacts of spending cuts as a percentage of net income by family type

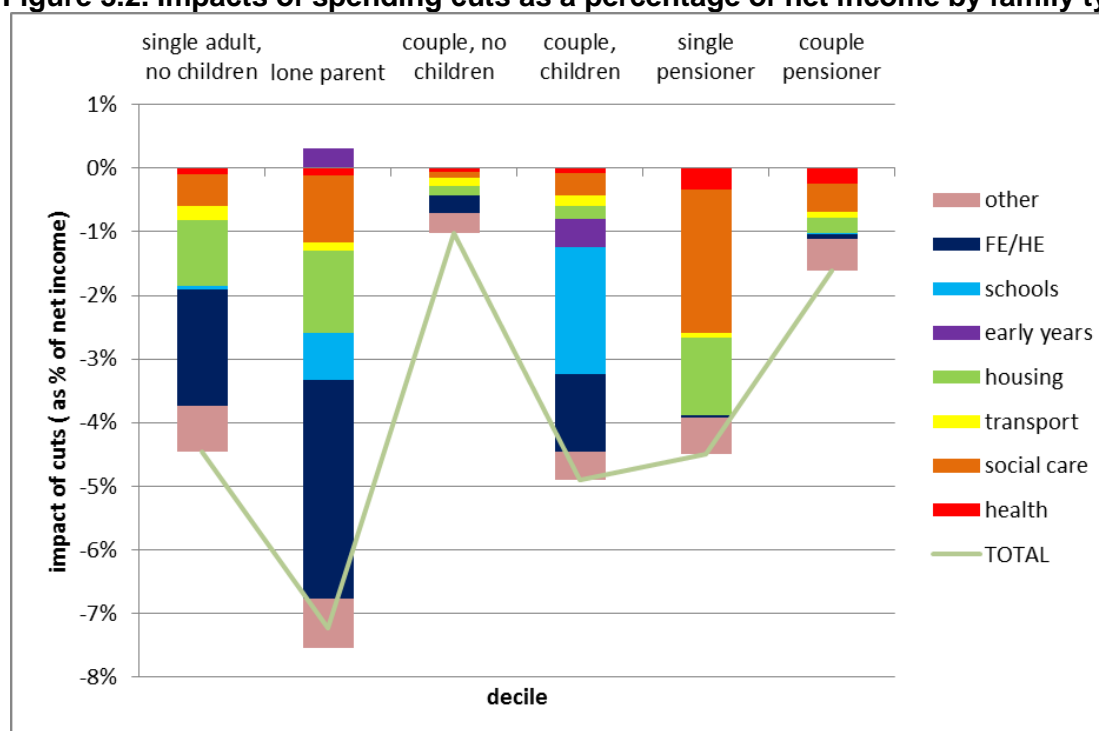


Table 3.2 shows (for working age families only) how the cuts to each spending category break down in terms of the proportion of cuts falling on families with children compared with those without children. As shown at the bottom of the table, families with children make up 32 percent of working age families.

Without exception, every spending category of cuts affects families with children (on average) to a greater extent than would be the case if the cuts were shared out equally per family. This is most obviously the case for early years (where 100 percent of the cuts fall on families with children) and schools spending (where almost 100 percent do⁵³); cuts to further education and higher education, and working age social care spending, also mainly affect families with children.

Table 3.2. The proportion of cuts falling on families with children compared with families without children: working age families

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

⁵³ The reason that there is a small amount of schools spending going to the 'families without children' category is that there are some people aged 16 or over in the FRS who are attending school, but classified as adults (for example, 16-18 year olds married or cohabiting with another adult).

3.6.2 The impact of cuts by income decile

Figures 3.3 and 3.4 show cuts in cash terms by decile of the family income distribution for lone parents and couples with children respectively.

For lone parents, changes to schools funding have a positive impact for deciles 3 and 4 but a negative impact in other deciles. This is because the proportion of lone parents with children in receipt of free school meals (which is the statistic used for distributing the pupil premium) is highest in deciles 2, 3 and 4, but is relatively low in decile 1 – largely because the take-up of free school meals is low for lone parents in decile 1. The redistribution of early years funding via the early intervention grant means that the impact of changes to early years funding is positive across deciles 1 to 5, but negative for the top half of the income distribution. Cuts to housing and social care have a larger impact in cash terms for lone parents in lower income deciles. Overall, lone parents lose more than £1,500 worth of public services on average across all deciles except the 3rd and 4th deciles.

The spending cuts have a relatively flat impact in cash terms across the income distribution for couples with children (averaging around £2,000 per family) and while the redistribution of early years funding reduces the impact of cuts to early years spending for families with children in the lowest deciles, it is only in decile 2 that the impact of the early years funding changes is large enough that couples with children gain from the early years funding change on average.

Figure 3.3. Impacts of spending cuts in cash terms by income decile: lone parents

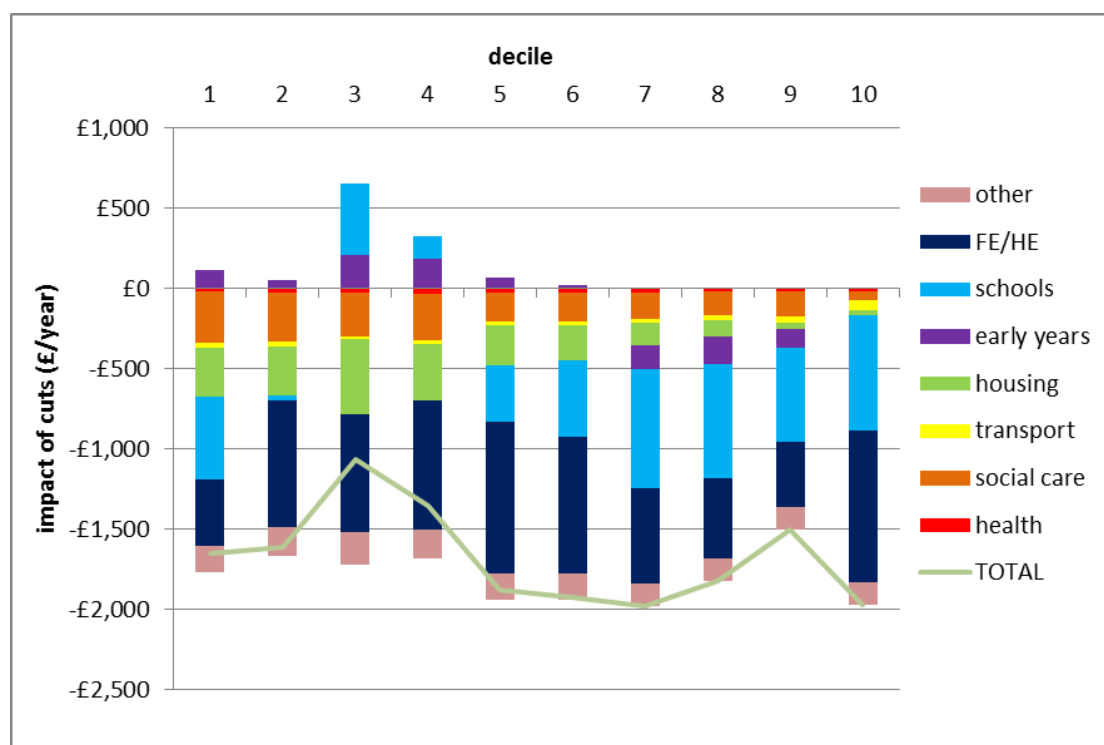
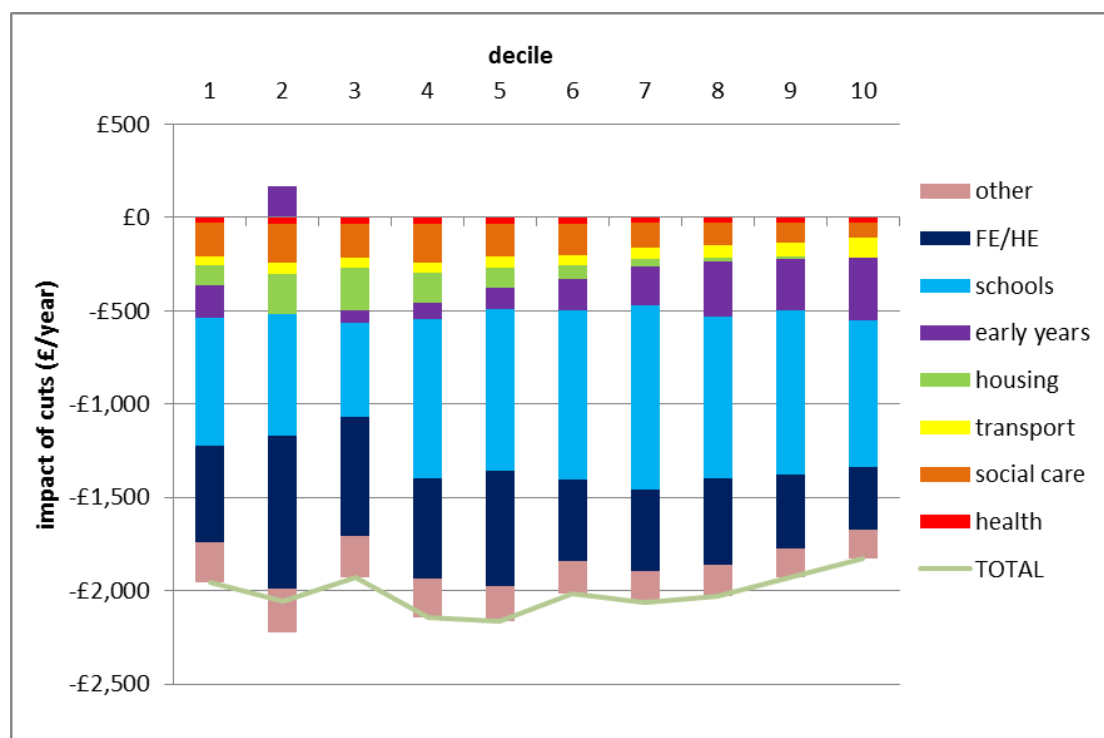


Figure 3.4. Impacts of spending cuts in cash terms by income decile: couples with children



Figures 3.5 and 3.6 show the impact of the cuts across the income distribution for lone parents and couples with children as a percentage of net income. The impact of the cuts is strongly regressive for couples with children across the whole income distribution. For lone parents, impacts are regressive across most of the distribution, although lone parents in deciles 3 and 4 do slightly better than lone parents in deciles 5 to 7 due to the pupil premium and the redistribution of early years funding.

Figure 3.5. Impacts of spending cuts in percentage terms by income decile: lone parents

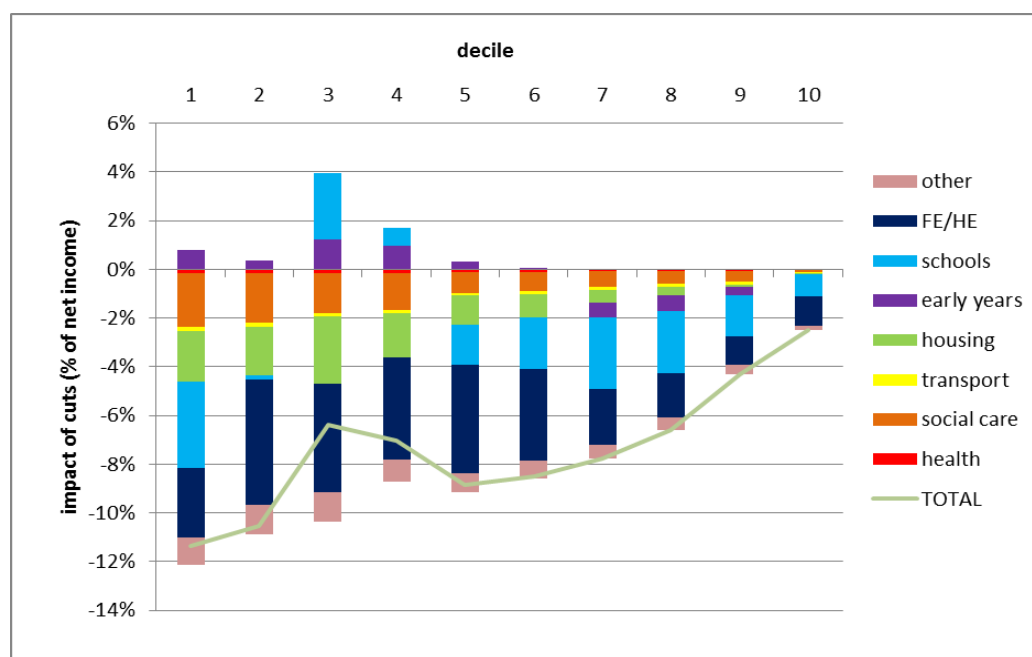
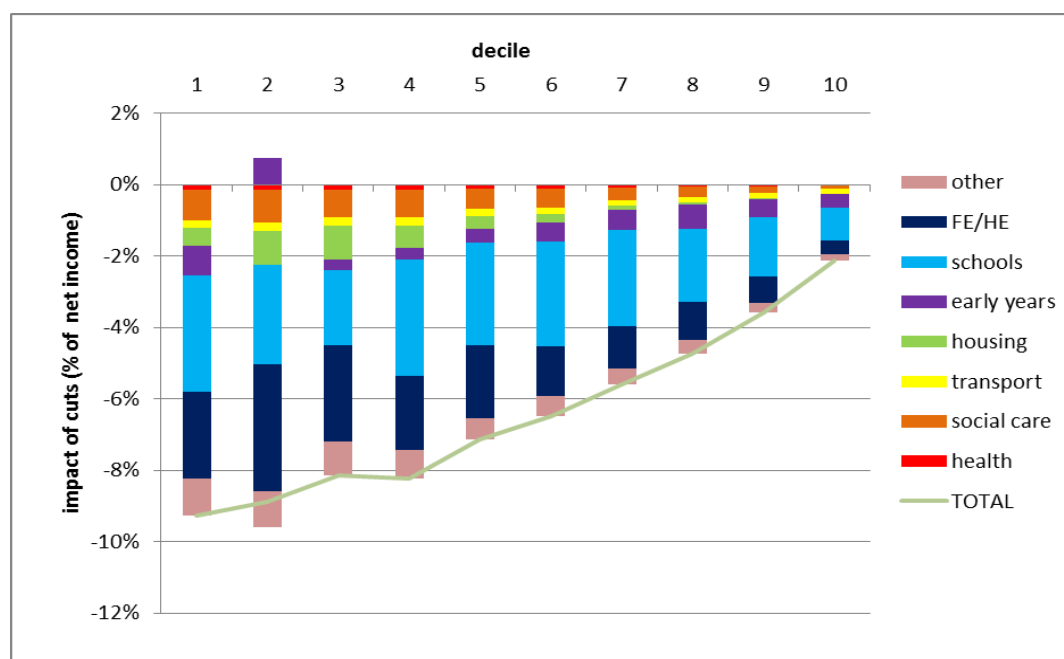


Figure 3.6. Impact of spending cuts in percentage terms by income decile: couples with children



3.6.3 Impact of cuts by number of children in family

Figures 3.7 and 3.8 show the impact of the spending cuts with the value of services lost expressed as a percentage of net income, for lone parent families and couples with children broken down by the number of children in each family. Overall losses for lone parents with three children are less in percentage terms than losses for lone parents with one or two children, mainly because of the impact of the pupil premium: lone parents with three or more children are more likely to have children in receipt of free school meals than lone parents with one or two children. For lone parents with four children, the impact of the pupil premium and the early intervention grant means that the impact of the spending changes is actually *positive*; the increase in schools and early years funding outweighs the cuts to other services.

Figure 3.7. Impact of cuts as a percentage of net income by number of children: lone parents

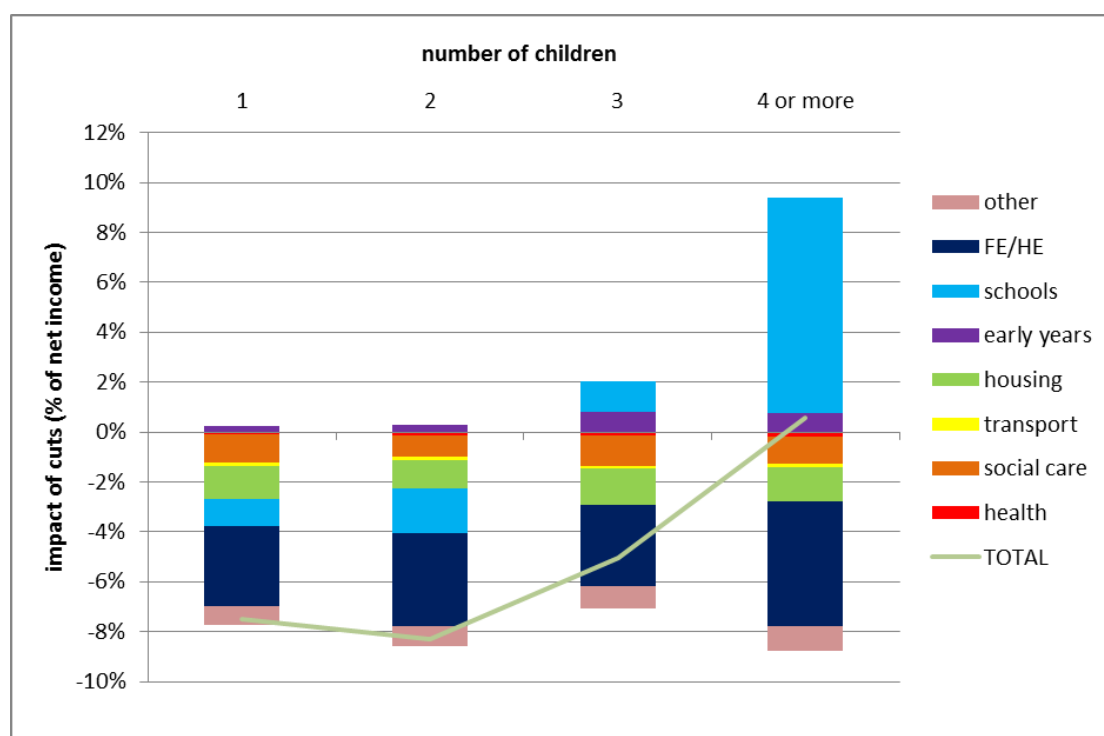
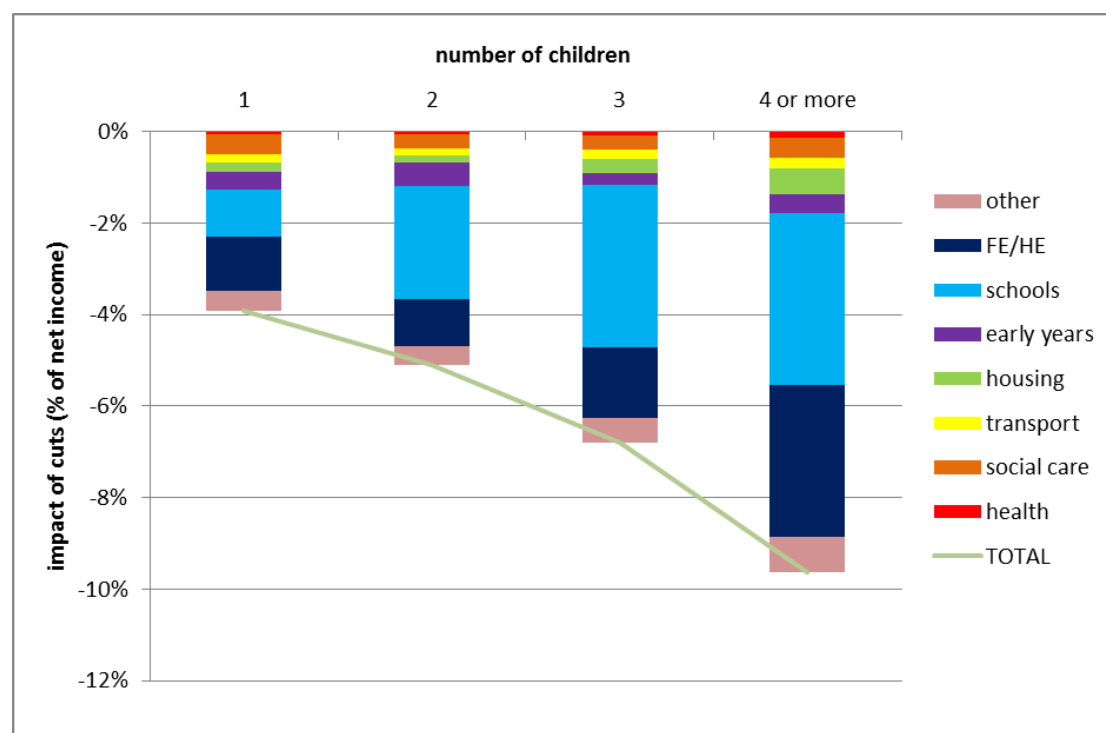


Figure 3.8 shows average cuts expressed as a percentage of net income for couples with children, by family size. In contrast to the situation for lone parents, losses for couples increase (as a percentage of income) in line with family size. This is largely driven by cuts to schools and FE and HE spending.

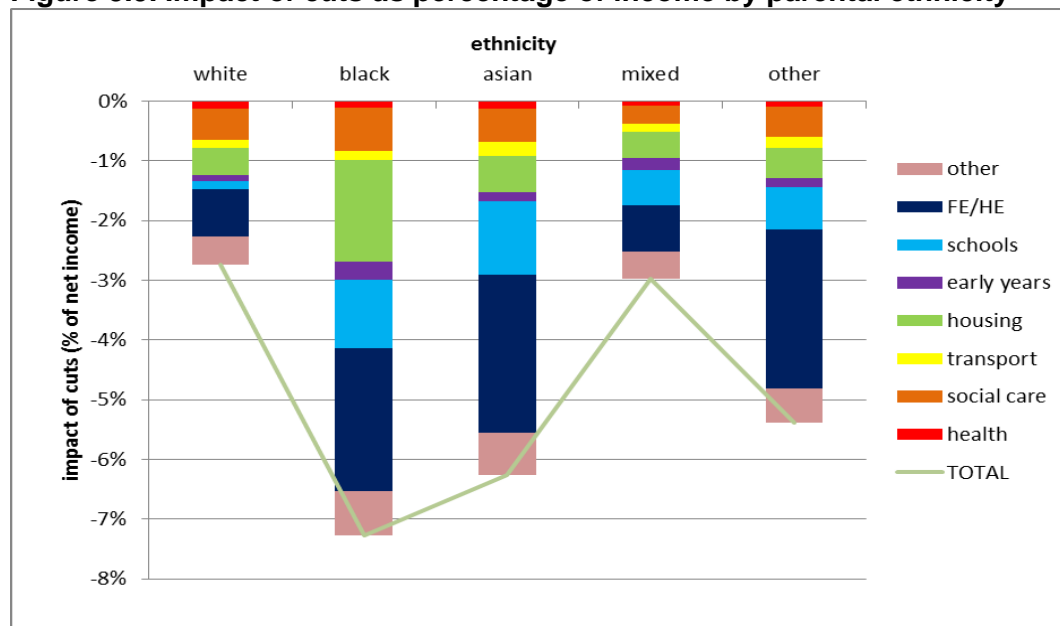
Figure 3.8. Impacts of cuts as a percentage of net income by number of children: couples with children



3.6.4 Impact of cuts by ethnicity of adults in the family

Figure 3.9 shows cuts as a percentage of income for couples with children broken down by parental ethnicity. On average, families with children where the parents are Black/Black British or Asian/Asian British are most affected. This is largely driven by cuts to FE and HE spending, including on parents own re-education, schools, social care and (particularly where parents are Black/Black British) social housing cuts.

Figure 3.9. Impact of cuts as percentage of income by parental ethnicity



3.6.5 The impact of cuts on families with disabled children

Table 3.3 shows the impact of the spending cuts expressed as a percentage of net income for families with children who are disabled under various definitions.

Compared with families with a whole (for whom the cuts amount to the equivalent of 5.2 percent of net income), families with disabled children are hit harder by the cuts under all disability definitions. This is due to a combination of increased reliance on schools spending, social housing spending and (in particular) FE and HE spending.

Table 3.4. Impact of cuts as percentage of net income: disabled children

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

3.7 Public expenditure, local decision-making and children's rights

As we have seen, the model developed by Landman Economics focuses on central government spending allocations. This section highlights some findings from recent research and analysis which has looked at how local authorities have been affected by spending cuts, and how their responses have affected services for children.

Expenditure cuts are taking place in the context of **increasing demand** for some services. These demands include the rising number of school age children in England; and higher demand for child safeguarding work and support for looked-after children⁵⁴. For example, the number of children subject to a Child Protection Plan (at 31 March) steadily increased from 29,200 in 2008 to 42,850 in 2012, and the number of care applications rose by 70 per cent between 2008/9 and 2012/13⁵⁵.

A growing number of children are living in the most vulnerable families⁵⁶, and service managers report seeing families with more severe problems, higher numbers of staff seeing cases of neglect, and increased referrals⁵⁷. This can make **budgeting and planning difficult**. One survey found that budgets for child protection had increased by 12% on average over a three year period, but despite this, rising demand had led to an average overspend of 8%.⁵⁸

Local authorities report a number of **responses to spending cuts** including: making back-office savings, focusing on evidence-based models of interventions that work, and using lower cost services – for example, mobile services, using specialist staff and community members' skills in a more focused way; mergers, and hub-and-spoke models for children's services.

Overall, the **most deprived authorities have been particularly adversely affected** by cuts, largely because of reduction of specific grants (and their integration into the Formula Grant) which were focused on poorer areas. Although responses to the in-year spending review were rather un-strategic, Local Authorities generally took a more strategic approach in dealing with the consequences of the Comprehensive Spending Review.⁵⁹ However, responses have varied widely between authorities. Hastings et al (2012) found that between one-quarter and one-third of authorities surveyed had made reductions in services in 2010/11 in special schools, children family asylum, and in 'other' children and family, and recreation/sport. They quote a number of sources to show that youth services and connexions have faced significant reductions.

It is difficult to build up a picture of the impact of cuts on children's social care.

⁵⁴ ADCS 'Safeguarding Pressures Project Phase 2: Exploring Reasons and Effect' 2010

⁵⁵ Department for Education figures quoted in Local Government Association, Submission to the Government Spending Review, 9 May 2013, section on Children's Services

⁵⁶ Landman Economics on behalf of Action for Children, the Children's Society and the NSPCC 'In the eye of the storm', 2012

⁵⁷ Action for Children Red Book, 2012

⁵⁸ ADCS 'Safeguarding Pressures Project Phase 2: Exploring Reasons and Effect' 2010

⁵⁹ Hastings, A. Bramley, G., Bailey, N. and Watkins, D. 'Serving Deprived Communities in a recession', Joseph Rowntree Foundation, January 2012

A survey by the **Association of Directors of Children's Services** (results from 26 local authorities) found that 47% of authorities reported reduction in spending on safeguarding (although this was sometimes achieved without reduction to frontline services), and 47% reported no reduction. LAs had sought to reduce costs by reducing dependence on Independent Foster Care, recruiting more newly qualified social workers, and keeping the use of agency social workers low, although in some areas there had also been an increase in the number of staff in response to rising demand.⁶⁰

A survey of budgets for children's social care budgets by the **Chartered Institute of Public Finance and Accountancy** for the National Society for the Prevention of Cruelty to Children⁶¹ (based on budget data submitted by all English and Welsh authorities to the Department for Communities and Local Government) found expected average reductions of 24% in children's social care spending in England for 2011-12, significantly more than the overall real-terms reduction in local government spending of around 10%. The cuts were most apparent in English urban areas and those authorities with a high proportion of looked after children. Forty-five councils were planning to reduce children's social care spending by more than 30%. Prevention services were particularly vulnerable to cuts.

Research by the **Family and Parenting Institute** (8 local authorities) finds that cuts have been significant in services designed to help and support children, young people and families below the threshold of social work and statutory intervention (including youth centres, and family and parenting interventions). In general cuts had been achieved through targeting services, rather than closing them altogether. Services to schools (school improvement, curriculum support, education welfare, behaviour support, school transport) accounted for around 30% of cuts to children's services. Social work services and services for children with special educational needs (SEN) had faced limited overall cutbacks, with specific cuts offset by increased expenditure to meet rising demand.⁶²

Overall, then, a complex picture emerges, with considerable variation both in the overall cuts experienced by different authorities and in how each authority is responding. Many local authorities have increased (or at least maintained) expenditure on child protection, but many have made significant reductions in prevention work, in support services to schools, and youth service provision. Several studies have found that cuts have been 'front-loaded' into the early years of the 2010-15 Parliament. Reductions are unlikely to be this large in subsequent years. However, local authorities argue that the impact on services of further cuts may be great since the scope for further efficiency savings is now very limited⁶³.

⁶⁰ Association of Directors of Children's Services, 'Safeguarding 3', 2012

⁶¹ Chartered Institute of Public Finance and Accountancy for the National Society for the Prevention of Cruelty to Children, 'Smart Cuts? Public spending on children's social care', 2012

⁶² Family and Parenting Institute 'Families on the Front Line? Local spending on children's services in austerity', 2012

⁶³ Local Government Association, Submission to the Government Spending Review, 9 May 2013

3.8 Conclusion: the impact of spending cuts on children's rights

This part of the assessment has looked at the impact of reductions in spending on public services. Our analysis is not able to take account of changes in quality or the cost-effectiveness of services since 2010, and it does not take full account of local decision-making and prioritisation. Based on our analysis, we cannot say with certainty whether or how far expenditure cuts have resulted in clear breaches of children's economic and social rights.

What is clear is that spending cuts have reduced the resources available to fulfil children's rights across a wide range of areas, including resource-intensive obligations such as children's rights to the highest attainable standard of health, to education, to an adequate standard of living, and to leisure, play and culture, and to protection from violence, abuse and exploitation.

Expenditure on services has been cut to different degrees, so that adverse impacts are likely to be greater in some areas than others:

- Children have a right to the highest attainable standard of health (Article 24): The lowest cuts are in the health budget. However, the data is for health spending as a whole, so it is difficult to draw conclusions about the impact on health services most relevant for children.
- Children have a right to an education which develops their personality, talents and abilities to the full (Article 28 and 29). Although the budget for schools has been ringfenced, there have been substantial cuts in overall spending on education, with the biggest cuts falling on further and higher education, and significant reductions in capital budgets for schools, and in budgets for support services to schools. There has been some protection for spending on low income through the introduction of the pupil premium, and for some families this has offset other reductions.
- States are required to ensure "sufficient public investment in services, infrastructure and overall resources specifically allocated to early childhood"⁶⁴ Early years spending (nursery education and Sure Start) - already lower than for other forms of education - has been cut by proportionately more than other areas of spending. Our analysis shows that the Early Intervention Grant and additional support to disadvantaged two year olds acts to mitigate these impacts for children of lone parents in the bottom half of the income distribution, and for the second decile of couple families. However this support is funded by reductions elsewhere in children's services.
- Expenditure on children's social care plays a particularly important role in fulfilling the rights of disabled children (Article 23) and children's rights to protection from violence, abuse and exploitation (Articles 19 and 34). It has not been possible to distinguish between spending on adult social care and children's social care for this analysis. However, our analysis shows that 58% of the cuts to social care of working age families fall on families with children,

⁶⁴ UN Committee on the Rights of the Child, General Comment No.7 (2005) 'Implementing child rights in early childhood'

despite the fact that families with children comprise only 32% of working age families, and that low income families, lone parent families, and families with disabled children lose more than others.

- As part of their obligation to ensure that every child has an adequate standard of living – states are required *‘in case of need [to] provide material assistance and support programmes, particularly with regard to nutrition, clothing and housing’* (Article 27) Cuts on expenditure on social housing means there are fewer resources for ensuring an adequate standard of living; the losses fell disproportionately on families with disabled children, and children in families where parents are from a Black/Black British background.

States are required to protect children, and particularly disadvantaged groups of children – during times of economic hardship. However, our analysis of public expenditure cuts (excluding changes to social security) indicates that families with children have been disproportionately affected by cuts, and that – on the whole – public expenditure cuts have been regressive:

- Average losses from spending cuts have been much greater for families with children than families without children. Families with children make up 32% of working age families, but bear 63% of the cuts.
- As a percentage of net incomes, lone parents have been affected worse than other family types
- As a percentage of net incomes, the impact of the cuts is strongly regressive for couples with children, and regressive across most of the distribution for lone parents, although lone parents in deciles 3 and 4 do slightly better than lone parents in deciles 5 to 7 due to the impact of the pupil premium and the redistribution of early years funding
- In couple families, losses increase (as a percentage of income) in line with family size. The links between family size and percentage losses in income are more complex for lone parent families.
- On average, families where parents are from either a Black/Black British background or an Asian background have experienced greater losses as a percentage of income.
- Families where there is at least one disabled child have experienced greater losses on average than all families with children.

There is limited evidence that the UK government has complied with the UNCRC requirement that ‘children, in particular marginalized and disadvantaged groups of children, are protected from the adverse effects of economic policies or financial downturns’⁶⁵. Our findings provide no indication that decisions on public expenditure have been informed by consideration of UNCRC Article 2 on non-discrimination, or by the obligation under UNCRC and ICESCR to ensure that policy decisions in response to financial downturns are designed to protect children and the most vulnerable.

⁶⁵ UN Committee on the Rights of the Children, General Comment No. 5 (2003) ‘General Measures for the Implementation of the Convention on the Rights of the Child’.

The 2013 Budget included an announcement about the forthcoming spending review. While it is likely (though not certain) that the ringfence on health spending and the partial ringfence on schools spending will remain in place, these measures relate to overall departmental spending only in the face of a growing elderly and school population, with no indications of any measures to try to safeguard services for the most vulnerable, or to increase the protection for children – particularly the most disadvantaged – from the impact of cuts.

4. Changes to childcare and early years support

4.1 Introduction

This section presents a summary of the impacts of budgetary decisions on support to childcare and early years support.⁶⁶ Some of these impacts are part of the wider cumulative impacts described in sections 2 and 3 of this assessment. However, some measures – those announced in the March 2013 budget - will not begin to come into force until the autumn of 2015.

4.2 UNCRC rights engaged

The UNCRC places obligations on governments both to provide support to parents, and to ensure that young children's rights are realised. Article 18.3 sets out the State's duties to 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".

The nurturing, support and stimulation provided to children in the earliest years of life has a profound and lasting effect on the developing infant brain.⁶⁷ Babies and young children have the same rights as other children under the UNCRC, including rights to maximum development, to be treated as rights holders and to develop their personality and talents to the full, and their rights to the highest attainable standard of health (UNCRC Article 6, Article 29, Article 24). The UN Committee on the Rights of the Child's General Comment number 7 'Implementing Rights in Early Childhood' sets out the responsibilities of parents, governments and others in giving effect to these rights, bearing in mind the needs of children under 8 years, and their *"particular requirements for physical nurturance, emotional care and sensitive guidance, as well as for time and space for social play, exploration and learning."*

In recommendations to States Parties, the UN Committee on the Rights of the Child has viewed high-quality day-care places as the responsibility of the State⁶⁸. Whichever way services are provided,

*"States Parties must ensure that the institutions, services and facilities responsible for early childhood conform to quality standards, particularly in the areas of health and safety, and that staff possess the appropriate psychosocial qualities and are suitable, sufficiently numerous and well-trained."*⁶⁹

⁶⁶ For a chronology of measures which impact only on families with children, and more detailed analysis of a number of measures, see the background document, section 5.

⁶⁷ "Early Intervention: The Next Steps", An Independent Report to Her Majesty's Government, Graham Allen MP, January 2011

⁶⁸ Hodgkin, R. and Newell, P. 'Implementation Handbook for the Convention on the Rights of the Child', UNICEF, 2007

⁶⁹ Committee on the Rights of the Child, General Comment No. 7, Implementing Child Rights in Early Childhood, 2006

4.3 The measures

The government supports access to child care and early years education through a range of measures including tax credits, tax free vouchers, and funding for local authorities, as well as publically funded provision.

Since 2010, changes have included:

- Government has extended provision to free early education to 40% of the most disadvantaged 2 year olds (20% in 2013 and a further 20% in 2014).
- The £2.3 billion Early Intervention Grant for local authorities has been abolished and rolled up into local authority revenue funding - with £534 million ringfenced as a separate grant to pay for the free early years scheme
- From April 2011, the rate of subsidy for eligible childcare costs covered under the childcare element in Working Tax Credit was reduced to 70%, with no change to the maximum eligible costs eligible or subsidy since 2005, despite steep rises in childcare costs in recent years
- Universal Credit will make childcare subsidies available to all employed lone parents and couples (where both members are in employment) regardless of how many hours they are employed
- Universal Credit will mean that parents receiving Housing Benefit and Council Tax Benefit will no longer have their childcare costs disregarded in the calculation of their entitlement.

Additional changes were announced in the 2013 Budget

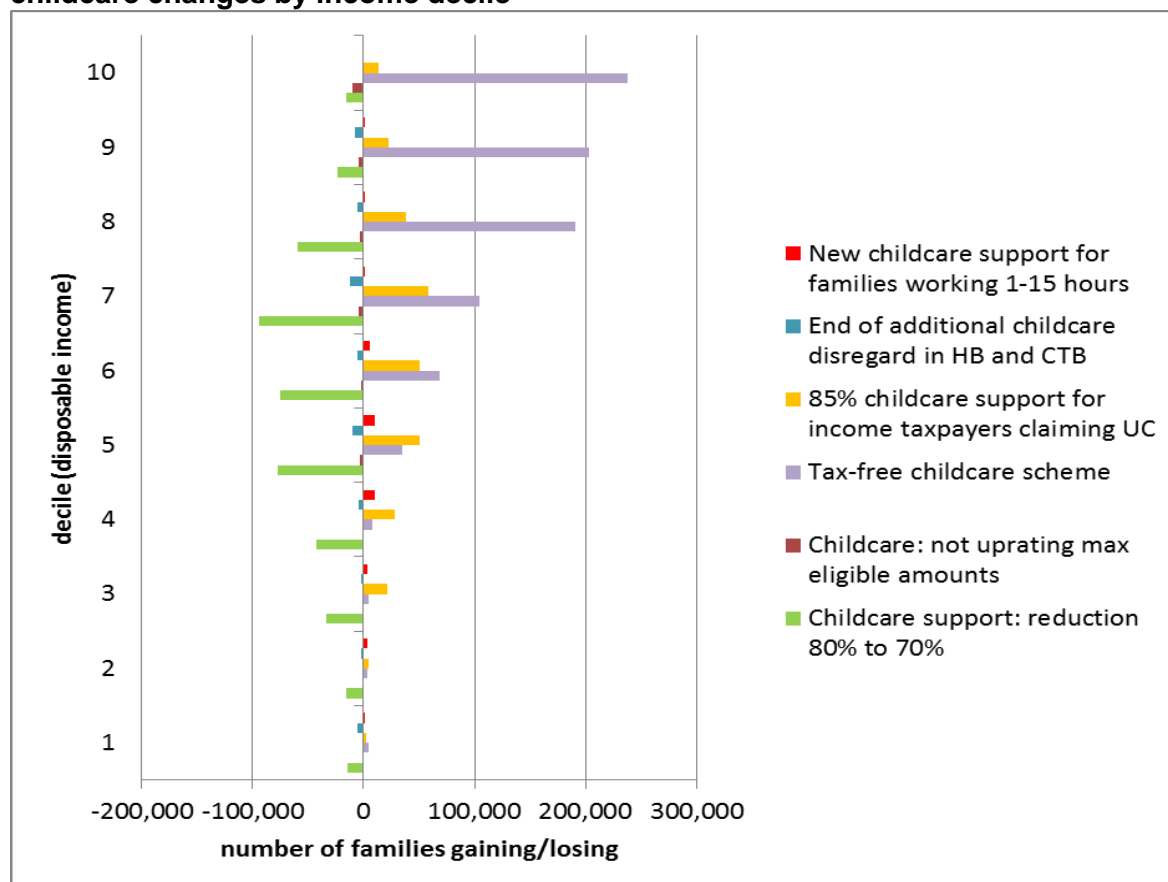
- An overhaul of the childcare voucher scheme from September 2015. Parents (except those in receipt of Universal Credit, or where both parents earn more than £150,000) will be able to pay for up to £6000 worth of childcare per child tax free: effectively a 20% subsidy.
- Under Universal Credit, childcare support will be increased to 85% of eligible costs from 2016 for those parents who pay income tax.

4.4 The impact of child care and early years provision measures on children's rights

Childcare and early years support is a complex policy area in the UK with a range of interventions. Modelling impact is difficult because many interventions are designed to lead to behaviour change. The analysis below assumes parental employment does not change – the effects of reforms are likely to be magnified if parents take up or leave employment in response to the changes. In addition, the analysis does not enable us to comment on the quality of provision: this is critical to young children's well-being and the realisation of their rights.

Figures 4.1 shows winners and losers from each change affecting childcare subsidies by income decile, where decile 1 is the poorest tenth of families, and decile 10 is the richest.

Figure 4.1. Numbers of Families gaining or losing childcare subsidies from various childcare changes by income decile



The government's decision to continue entitlements to free early education for three and four year olds, and to extend this entitlement to the most disadvantaged two year olds supports the rights of young children to education (Articles 28 and 29), to support for parents (Article 18); and the right to development to the maximum extent (Article 6). However, the decision to fund this free early education from the Early Years Intervention Grant – effectively a cut – is likely to reduce services and particularly for under-tuos. Children have rights from birth and the earliest years are formative.⁷⁰ Potential reduction of access to services during this time is of concern.

The background document provides a detailed analysis of these different impacts and what they imply for children's rights. Overall, young children from the upper half of the income distribution will have their right to child-care services and to education strengthened, mainly as a result of reforms to be implemented from 2015 and 2016. Those children whose families are in the bottom half of the income distribution are negatively affected by changes since 2010. This indicates that the Government risks not meeting its obligations under UNCRC Article 2 (non-discrimination).

⁷⁰ UN Committee on the Rights of the Child General Comment No 7 (2005) Implementing child rights in early childhood

5. Conclusion: assessing the impact of budgetary decisions on children's rights

This section presents an analysis of the combined impact of the tax, benefit and tax credit measures (including Universal Credit) discussed in section 2, and the spending cuts discussed in section 3.

The aim is to present as complete a picture as possible of the impact of the changes to tax and spending introduced over the 2010-15 Parliament. Figure 5.1 shows the impact of the tax/benefit measures (in green) with the other spending measures (in pink) by family type.

The results show that lone parents experience the largest negative impact of both the tax/benefit measures and the other public spending measures; the combined impact for lone parents is equivalent to an average loss of around 14 percent of net income. Couples with children and single adults without children experience combined losses of approximately the same magnitude (at between 9 and 10 percent.) For working couples without children, average combined losses are much smaller, at only around 4 percent. Single pensioners are the second worst hit group after lone parents with average losses of around 11 percent. Losses for couple parents are just over 8 percent.

Figure 5.1. Combined impact of tax/benefit measures and other spending measures expressed as a percentage of net income: by family type

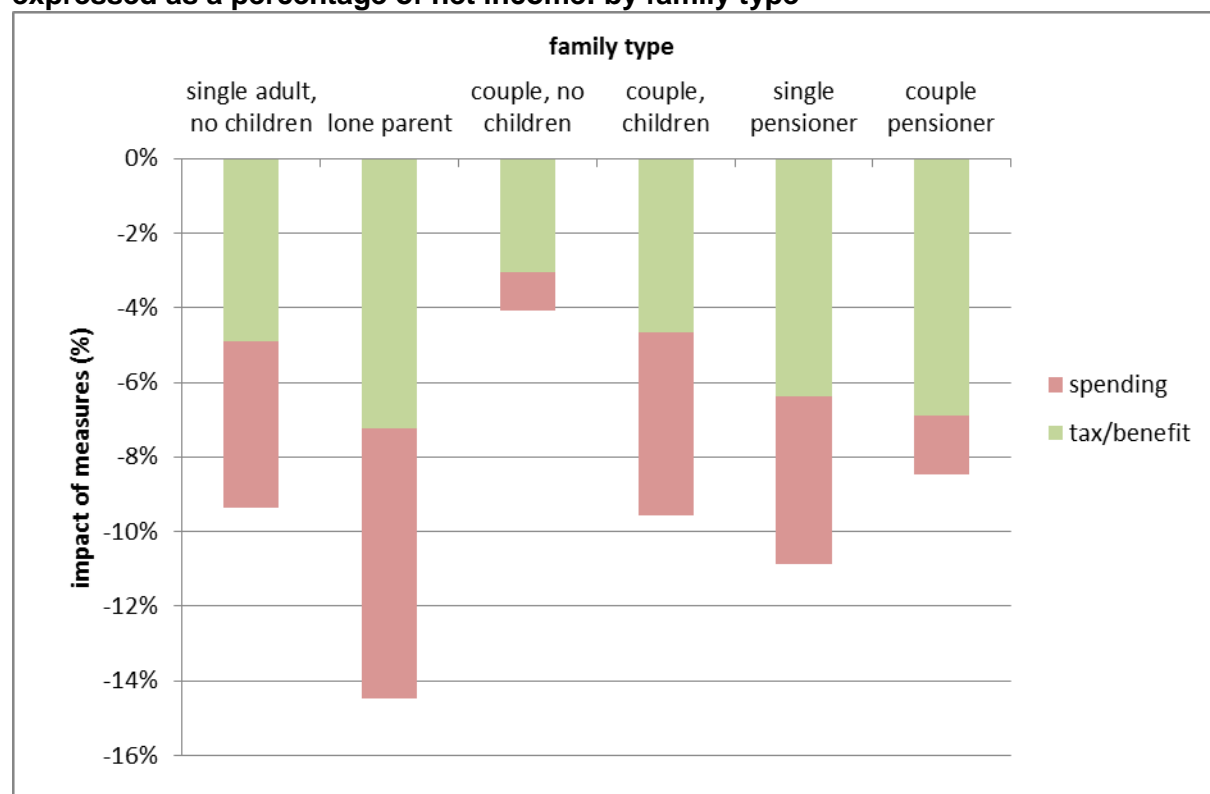
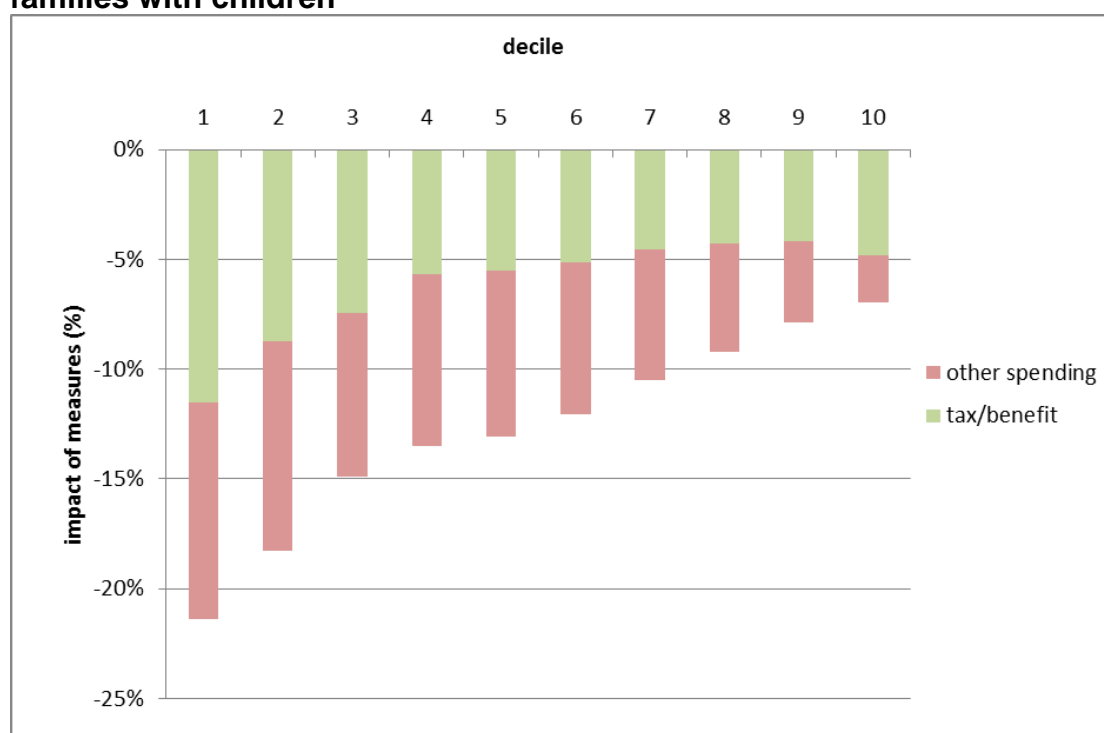


Figure 5.2 shows that the impact of the combined tax and spending measures for families with children is regressive by income decile, with the poorest decile experiencing average reductions in living standards equivalent to a fall of around 22 percent in net income, while for the richest decile the average impact is equivalent to a fall in net incomes of only around 7 percent. This is not surprising, given that the impact of the tax/benefit measures is regressive, and so is the impact of the other spending measures.

Figure 5.2. Combined impact of tax/benefit measures and other spending measures expressed as a percentage of net income: by income decile, all families with children



The analysis in this report suggests that **the cumulative impact of the measures** included in the analysis **place the Government at risk of not meeting its obligations to children and young people** under the UN Convention on the Rights of the Child.

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

- lead to a significant rise in the number of children living in poverty (across a range of measurements), which leads to questions about how the Government proposes to meet its obligation to ensure children have an adequate standard of living (UNCRC Article 27)
- see some families with children – especially those with disabled children, lone parents and those in the bottom income deciles – lose proportionally more

than others as a result of measures introduced since 2010, risking discrimination (UNCRC Article 2)

- impact on families with children disproportionately more than families without children, laying the Government open to the claim that their reforms and decisions are not made in the best interest of children (UNCRC Article 3) and that they are not doing all that they can to protect children's rights, especially those of the most vulnerable (UNCRC Article 4).

For more information

Frances Winter
Office of the Children's Commissioner
33 Greycoat Street
London
SW1P 2QF

Tel: 020 7783 8330

Email: info.request@childrenscommissioner.gsi.gov.uk

Website: www.childrenscommissioner.gov.uk

