

An Analysis of Public Expenditure on Children in Northern Ireland

PART 2

Government Financial Support for Children Across the United Kingdom: How Does Northern Ireland Compare?

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EXECUTIVE SUMMARY

This report has been commissioned by the Northern Ireland Commissioner for Children and Young People (NICCY) to analyse the amount of government financial support for children received by families in Northern Ireland, how that compares to those in the rest of the United Kingdom, and how it has changed since 1997. The analysis uses survey data from the *Family Resources Survey* and a tax and benefit simulation model.

- Families in Northern Ireland are subject to the same tax and benefit rules as those in the rest of the UK, but support per child and family can vary through differences in their families' characteristics. Since 1997, changes to child-contingent support have expanded means-testing, increased and then reduced the bias towards the first child, and altered the amount of child support that is contingent on paid work.
- Compared with the rest of the UK, a higher proportion of families in Northern Ireland have children, and those that do have more children, on average.
- The proportion of all families with children who are lone parents is slightly lower in Northern Ireland compared to the rest of the UK. Lone parents in Northern Ireland have similar numbers of children, on average, as lone parents in the rest of the UK, and are less likely to be in work. Couples with children in Northern Ireland have more children, on average, than the rest of the UK, but working patterns are fairly similar across the UK, on average, with around two thirds of couples with children having two working adults.
- The private incomes (chiefly earnings) of both lone parent families and couples with children in Northern Ireland are lower, on average, than those in England and Scotland, but higher than those in Wales.
- Starting from a position where average spend per child on child-contingent support in Northern Ireland was identical to the UK average (£24.13 per child, in 2006–7 prices), such spending has increased more rapidly in Northern Ireland than in England, about the same rate as Wales, but more slowly than Scotland. In 2006–07, average spending was £39.28 in Northern Ireland, and £38.92 across the UK.
- There is much variation by family type: one-child families in Northern Ireland have seen spending on child-contingent support per child rise faster than equivalent families in the rest of the UK, on average, and four-child families in Northern Ireland have seen spending on child-contingent support per child rise slower than equivalent families in the rest of the UK. On average, lone parent families in NI have seen a smaller rise in child-contingent support than lone parents in the rest of the UK, and now receive less per child than lone parents in the rest of the UK. Couples with children have seen a faster rise than equivalent families elsewhere in the UK, and receive more per child than both England and Scotland but less than (poorer) Wales.

- The increase in child-contingent support has not been even over time. In particular, there was been very little change in average child-contingent support since 2004–05. There are also important differences between the countries of the UK since 2002–3, a period dominated by the introduction of the child and working tax credits. Since 2002–03, growth in child-contingent support has been lower in Northern Ireland than elsewhere in the United Kingdom.
- One important factor was the abolition of child additions to non-means-tested benefits in April 2003 (incapacity benefit and carer’s allowance) for new claimants, and this will eventually have a greater impact in Northern Ireland than the rest of the UK. Another factor is that April 2003 saw the expansion of in-work support to poor families without children. This means that some support previously provided to families with children through WFTC is now provided through the WTC and is no longer conditional on having children: instead, it is conditional only on having a low income in work. This change means that the amount of support that is conditional on having children has fallen for some low-income working families, even though the total amount of state support for such families has not fallen. It must be stressed, then, that this apparent decline in child-contingent support amongst couples with children – which particularly affects couples with children in Northern Ireland – is matched by an equal and opposite rise in the support for the working poor.

INTRODUCTION

Is the government more or less generous to children in Northern Ireland than those in the rest of the country? This report provides a description and quantitative analysis of the financial support for children that families in Northern Ireland (NI) receive from the government compared with the rest of the United Kingdom, and of how this has changed since 1997. It updates and expands Adam and Brewer (2004) and Adam et al (2002) to include the period since 2003, to include Northern Ireland and by breaking down results for Great Britain by country.

Whilst at the most fundamental level, families in NI are treated in exactly the same way as those in the rest of the country – benefit and tax credit rates and rules are not a devolved matter and are the same throughout the UK¹ – the amount of support ultimately received by families can vary across countries because of differences in families' characteristics. If family size, employment status and income differ across countries, support per child will also differ. Furthermore, the period since 1997 has seen major changes to the system of support for children that are likely to have had an impact upon the distribution of support across the UK. This report uses micro-data from the *Family Resources Survey* and the Institute for Fiscal Studies' tax and benefit micro-simulation model, TAXBEN, to estimate the amount of government financial support families receive and how this varies across country, family types and family sizes.

There are a number of things that we do not attempt in this work. The changing composition and characteristics of families with children have been analysed elsewhere, and this commentary does not duplicate such work (it does, however, detail some key differences between NI and the rest of the UK in 2004). It does not provide an exhaustive description of the tax and benefit system in relation to children, nor does it aim to analyse all potential factors affecting how much support families receive. For simplicity and conciseness, it focuses on how and why the amount of support families in NI receive for their children differs from other parts of the UK.

The remainder of this report is structured as follows. Section 1 defines what we mean by support for children and provides a brief description of support for children in the tax and benefit system and the changes that have occurred to these since 1997 and illustrates how these changes have affect the amount received by example families. Section 2 presents some key demographic and socio-economic statistics for children and families in Northern Ireland, England, Wales and Scotland that will aid subsequent analysis of child-contingent benefits. This analysis is found in Section 3, which provides a detailed quantification of support for children in Northern Ireland relative to the rest of the UK, both overall and for different types of family, and analyses the reasons for the key differences. This is followed by conclusions. Additional information on our methodology can be found in the Appendix.

¹ Except local tax (domestic rates in Northern Ireland, council tax elsewhere during the period under consideration).

Section 1.

THE SYSTEM OF CHILD-CONTINGENT SUPPORT SINCE 1997

Financial support for children in the UK has seen several changes in structure and a significant increase in generosity since 1997, with most of this occurring between 1999 (with the introduction of working families' tax credit) and 2003 (with the creation of child tax credit and working tax credit).

Support for children has been delivered through both the tax and benefit systems, with the changes since 1997 shifting decisively towards tax credits. Other reforms have changed whether it is paid to the main earner or to the main carer in couples, changed how it treats small and large families, and altered treatment of lone parents relative to two-parent families.

The main aim of this section is to describe the main sources of child-contingent support and how these have changed since 1997 (sub-section 1.2). Sub-section 1.3 analyses how these reforms affect the amount of support different types of family receive, and the increase in generosity over time is illustrated. Many of the themes highlighted in sub-section 1.3 are returned to in Section 3 where they help provide explanations for the differing levels and trends of child-contingent support across the constituent countries of the UK and for different types of families. But we start by defining what we understand by 'government financial support for children'; our choice of definition is important, as it is different from that used by others.

1.1 Defining Government Financial Support for Children²

All governments support children and their parents in many different ways: through public services programmes, with direct help through the tax and benefit system, and through innumerable laws and regulations. A parallel report by the Economic Research Institute of Northern Ireland (ERINI) examines spending on public services for children; our focus is on cash support provided through the tax and benefit system.³

² This section is drawn almost entirely from Adam et al (2002), and more discussion can be found there.

³ The boundary between public services and the tax and benefit system is not a firm one. Two forms of support for children that could be included in either category are benefits in kind (such as free prescriptions and means-tested grants for school uniforms) and education maintenance allowances (EMA). For this project they are counted within ERINI's report [ref] rather than here, because these items fall within Departmental Expenditure Limits (EMA is part of the education budget, for example), not Annually Managed Expenditure that covers spending on social security benefits and tax credits by the Department for Work and

Our definition of a child (or 'dependent child') follows that used for child benefit: someone aged under 16, or under 19 and in full-time education. This report examines personal taxation and social security benefits, meaning that we do not count:

- how indirect taxes help families with children (through, for example, zero-rating children's clothes for VAT purposes);
- child maintenance payments, even when they are only made as a result of state enforcement through the CSA.

Our definition of support for children includes any transfer that an otherwise-equivalent family without children would not receive (we call this a 'child-contingent transfer', and this report uses the phrases 'child-contingent support' and 'support for children' interchangeably). This is not limited to those parts of the tax and benefit system that are explicitly labelled as being child-related, such as the child tax credit; but it does not mean *all* support provided to families with children, since we exclude the support that families would receive even if they did not have children. We count as child-contingent support any part of any tax payment or cash benefit that changes in value with the presence of (or age of or number of) children, and any tax payment or cash benefit where eligibility is conditional on having children at all. Further details are given in the Appendix, but we would highlight that we do include, for example:

- the whole of child benefit, child tax credit and the old additional personal allowance for non-married people with children;
- the whole of family credit (FC) and working families' tax credit (WFTC) payments, since no equivalent benefit existed for those without children and without a disability;⁴
- the difference in earnings disregards between a single person and a lone parent in means-tested benefits, and the difference in working tax credit between a single person and a lone parent.

We do not include as child-contingent support certain maternity benefits which mostly perform the role of state-operated earnings insurance. For example, we do not regard statutory maternity pay and maternity allowance as being child-contingent support, because the eligibility conditions are concerned with a woman being pregnant and working before the birth, but we do count the Sure Start maternity grant, because it is available to any parent on means-tested benefits with a child under one.

Pensions and HM Revenue and Customs. As an exception, we do include the value of free school meals in this report's analysis of child-contingent support.

⁴ It is possible that some people would not agree with counting all of FC/WFTC as child-contingent support. After all, both credits consisted of a basic element plus additional per-child elements, and it is argued by some that the basic element represented support for the adults, and only the per-child elements represented support for children. On the other hand, there was no equivalent benefit or credit available for adults without children in otherwise-identical circumstances to those who were entitled to FC/WFTC: the basic credit may not have been labelled as child-related, but entitlement to it was conditional on having children.

There are several elements of child-contingent support that we would count as child-contingent support but which we are not able to model. We discuss these in the Appendix, but three are particularly important and deserve mention here. First, we do not model disability living allowance (DLA) received in respect of children, since our data do not allow us to distinguish whether a family's observed receipt of DLA is in respect of an adult or a child. Secondly, given that we are unable to model entitlement to DLA for children and entitlement to the disabled child and severely disabled child elements of the child tax credit is based upon entitlement to DLA, we cannot model these aspects of the new tax credit system. Whilst these are fairly significant expenditures⁵ it is also possible to argue that these represent support for the disabled rather than children, and hence should not be part of our definition. Lastly, we do not model the future entitlement to the basic state pension or widowed parent's allowance that is accrued as a result of child benefit receipt. This is, in principle, a way of supporting children: it reduces the number of years in which mothers have to make National Insurance contributions, to recognise the work they do in raising children. It is extremely difficult, though, to value this benefit, which is effectively deferred until a woman retires.

Quantifying child-contingent support

Our analysis is based on applying a computer simulation of the tax and benefit system to data from a large-scale household survey. Full details are given in the Appendix, but some key features of our methodology should be noted:

- We compare families' incomes to what those incomes would have been in the absence of child-contingent support. We do this as a purely arithmetical exercise: we ignore the fact that, if such support were really abolished, people might respond by changing their hours of work, housing tenure, savings or even family structure.
- We look at families' entitlements rather than what they actually receive; hence we ignore non-take-up and over-/under-payments of tax credits.⁶
- When looking at changes over time, we use the same 2004–05 household survey data throughout (though with financial variables adjusted – earnings in line with average earnings growth, etc.) so that we identify the effects of policy reforms rather than demographic or sampling changes.

⁵ The DWP estimates that £895 million (in 2006-07 prices) was spent on disability living allowance for children in Great Britain in 2004-05, for instance. Expenditure on the disabled child and severely disabled child elements of the child tax credit are not available, however in 2004-05 just over 200,000 families received these elements, about 100,000 at the severely disabled rate. See http://www.dwp.gov.uk/asd/asd4/medium_term.asp Table 5 for nominal expenditure on DLA (real terms calculations by authors). Child tax credit statistics available at <http://www.hmrc.gov.uk/stats/personal-tax-credits/cwtc-annual-0405.pdf>.

⁶ It is not known whether overpayments are proportionately higher or lower in Northern Ireland than GB. Official estimates suggest that take-up of income support and housing benefit seems to be similar in NI to GB, take up of JSA is slightly higher in NI, and take-up of child and working tax credit (in 2003-4) slightly lower. But note that these comparisons are based on the mid-point of the estimate, and the range given for take-up rates in NI is considerable because estimates are based on a small sample size. See:]

- We ignore transitional arrangements for policy reforms (different provisions for new and existing benefit claimants, for example), treating them as if the full effect of the reform were felt immediately. This is necessary because of data limitations, but again serves to highlight the effect of reforms.

1.2 The Changing System of Support for Children Since 1997

Financial support for children can be broken down into several categories:

- **universal:** payable to all families regardless of income or National Insurance contributions, but which may vary by number of children, disability status or number of adults;
- **contributory:** payable to those who have satisfied rules based upon past National Insurance contributions;
- **income-related:** payable to families with low incomes (and possibly satisfying additional criteria) and withdrawn ('tapered') as income increases.⁷

The following outlines the main programmes that fall in to each category, the structure and functioning of each programme, and reforms to them since 1997.⁸

Universal

Child benefit is payable to all families with children, regardless of income, and is paid at a higher rate for the eldest or only child, and then at a lower rate for all subsequent children. An additional component for lone parents was abolished for new claimants in 1998.⁹ The period since then has seen little change to the structure of the benefit, but it has become more generous, with a particularly large increase in the amount for the first child in 1999.

Contributory

Before 2003, those claiming **incapacity benefit, state retirement pension** or **widowed parent's allowance** who had dependent children were entitled to child

⁷ The additional personal allowance and the children's tax credit could not exceed income tax liability, so at low income levels a 'reverse' means test operated whereby an increase in income saw an increase in entitlement to these forms of support.

⁸ For a broader description of the UK benefits system see Phillips and Sibieta (2006), and for full details see Child Poverty Action Group (2006). See Yaniv (1997) and Besley and Coate (1992) for more academic papers discussing how benefit structure affects their ability to meet objectives at minimum cost.

⁹ Whilst existing claimants were still eligible for the higher lone parent rate after 1998, as explained above our modelling strategy ignores such transitional arrangements, in effect assuming that everyone is a new claimant each year, and hence from 1998 onwards we model all lone parents as receiving the standard rate. Similar comments apply to the child additions to contributory benefits discussed in the following paragraph.

additions to those benefits. Interestingly, unlike most other programmes these additions were lower for the first child than for subsequent children. These additions were abolished for new claimants in 2003.

Income-Related

Means-tested programmes are those for which the amount payable decreases as income increases. The income thresholds above which entitlement begins to be withdrawn are typically uprated with inflation each year (working tax credit is an exception: it has been uprated only once since its introduction); since private incomes generally grow more quickly, entitlements falls over time by default: this is known as fiscal drag. In 1997, the two most important benefits of this type that supported children were **family credit** and **income support and income-based jobseeker's allowance**.

Income support and **income-based jobseeker's allowance** are benefits paid to low-income families containing no full-time worker. Broadly speaking, income-based jobseeker's allowance is paid to the unemployed and imposes various job search requirements, while income support is paid to the inactive (mainly lone parents, disabled people and carers) of whom fewer requirements are made; the two benefits are almost identical, however, and hereafter we use the term 'income support' to refer to both. Income support tops up family income (minus any earnings disregards) to a minimum level. Prior to 2004, this minimum level was higher for families with children, via a 'family premium' for having any children in the family plus a 'child allowance' for each child. The child allowances were initially larger for older children, but over time the amounts for younger children were increased more rapidly than those for older children so that from 2000 there were only two rates and in 2003 only one rate at £38.50 per child, regardless of their age. Since April 2004, the family premium and child allowances have not been available for new claimants, who instead must apply for child tax credit (described below).¹⁰

Family credit, was, up to 1999, payable to families where at least one adult worked at least 16 hours per week. As with income support, there was a basic credit per family plus a child credit per child. Families were eligible for the maximum amount if their net (after-tax) income was below a certain threshold (£80.65 per week in 1999); benefit was withdrawn at a rate of 70p for every extra £1 of net income. The assessed entitlement was then payable for six months regardless of changes in claimants' circumstances. Starting in October 1999, family credit was replaced by **working families' tax credit (WFTC)**. In the jargon, this was a 'refundable' tax credit, i.e. payable even if it exceeded the family's income tax liability, like family credit and other benefits. Substantially more generous than the benefit it replaced, it increased the net income threshold to £90 a week initially and reduced the (net income) taper from 70 per cent to 55 per cent. This acted to increase the numbers of families subject to means testing and produced a sizeable rise in child-contingent support. WFTC was subsumed into the new tax credit system from April 2003.

¹⁰ Child tax credit was introduced a year before this (see below), but it was not possible to benefit from both.

Until its abolition in April 2000, the **additional personal allowance (APA)** reduced the income tax bills of unmarried people with children; there was no equivalent child-contingent support for married people, since the married couple's allowance (MCA) was given at the same rate to those with and without children. For two years, 2001–02 and 2002–03, **children's tax credit** reduced the amount of tax payable by families with children by £520 (£529 in 2002–03) with an additional £520 (£529) if the youngest child was under one year old. Like the APA, but unlike WFTC, children's tax credit was not refundable, and hence only those paying enough tax could benefit from the full amount; non-taxpayers did not benefit at all. It was tapered away from families containing a higher-rate taxpayer.

The system was further reformed in 2003 with the introduction of **child tax credit (CTC)** and **working tax credit (WTC)**, in what was the biggest change in support for children since the introduction of child benefit in 1977. Child tax credit merged together several parts of the tax and benefit system that supported families with children, while working tax credit extended in-work support to adults without children, as well as providing subsidies for childcare expenditure for some working parents previously delivered through WFTC. Child and working tax credits are refundable.

CTC is made up of a number of elements: a family element set (for 2006–07) at £545 per year (doubled for families with a child under the age of 1), a child element of £1,765 per child per year, a disabled child element worth £2,350 per child per year and a severely disabled child element worth £945 per child per year. Entitlement to CTC does not depend on employment status: both out-of-work families and lower-paid working parents are eligible for it.

WTC consists of a basic element worth £1,665 per year in 2006–07, with an extra £1,640 for couples and lone parents (i.e. everyone except single people without children) and an extra £680 for those working at least 30 hours a week (30 hours in total for couples). Families with children and workers with a disability are eligible for WTC provided at least one adult works 16 or more hours per week; for those without children or a disability, at least one adult must be aged 25 or over and working at least 30 hours per week to be eligible. All childless claimants without a disability will therefore be entitled to the 30-hour premium. In addition, for families in which all adults work 16 hours or more per week, there is a childcare credit, worth 80 per cent of eligible childcare expenditure of up to £175 for families with one child, or £300 for families with two or more children (i.e. worth up to £140 or £240).

A means test applies to child tax credit and working tax credit together. Families with gross family income below £5,220 per year (£14,155 for families eligible only for child tax credit) are entitled to the full CTC and WTC payments appropriate for their circumstances. Once family income exceeds this level, the tax credit award is reduced by 37p for every £1 of family income above this level. The main WTC entitlement is withdrawn first, then the childcare element of WTC and finally the child elements of the child tax credit. The family element of the child tax credit, however, is not withdrawn

unless family income exceeds £50,000 per year; above that level, it is reduced by £1 for every additional £15 of income.

For the purposes of this report, the key elements of the child tax credit are that it will eventually replace three other programmes that used to provide child-contingent support (WFTC, children's tax credit, IS/JSA), and that it extends income-related child-contingent support to many more families than were entitled to either WFTC or IS/JSA in the previous regime.

Table 1.1 shows the key benefit and tax credit rates since 1997 (in nominal terms), and where relevant the rate at which they are withdrawn.

Table 1.1 Key Benefits and Tax Credit Rates (£ per week, except CTC and WTC which are £ per year)

Programme	199 7- 98	199 8 -99	199 9- 00	200 0- 01	200 1- 02	200 2 -03	200 3- 04 ^a	200 4- 05	200 5- 06	2006-07
Child benefit										
1 st child	11.0 5	11.4 5	14.4 0	15.0 0	15.5 0	15.7 5	16.0 5	16.5 0	17.0 0	17.45
Subsequent child	9.00	9.30	9.60	10.0 0	10.3 5	10.5 5	10.7 5	11.0 5	11.4 0	11.70
Lone parent extra	6.05									
Child tax credit										
Family element							545	545	545	545
Baby addition							545	545	545	545
Child element							1,44 5	1,62 5	1,69 0	1,765
Working tax credit										
Lone parent addition							1,50 0	1,54 5	1,59 5	1,640
CTC/ WTC 1st Taper^b WFTC							37%	37%	37%	37%
Basic Credit			52.3 0	53.1 5	59.0 0	62.5 0				
Child credit ^c			19.8 5	25.6 0	26.0 0	26.4 5				
Taper ^b			55%	55%	55%	55%				
Family credit										
Basic Credit	47.6 5	48.8 0 ^d								
Child credit ^c	12.0 5	12.3 5 ^d								
Taper ^b	70%	70%								
Income support										
Family premium	10.8 0	11.0 5	13.9 0	14.2 5	14.5 0	14.7 5	15.7 5			
Child allowance ^c	16.9 0	17.3 0	20.2 0	26.6 0	31.4 5	33.5 0 ^e	38.5 0			

^a In 2003-04 both child tax credit and child elements of income support were available, but it was not possible to benefit from both.

^b Note that the taper rate for CTC/WTC refers to a reduction in tax credit of 37p for every £1 of gross income, whereas for WFTC and Family Credit, the rates are for net income. For those paying basic rate income tax and standard rate National Insurance contributions a net rate of 55 per cent is equal to a gross rate of 37 per cent, so for many primary earners the move from WFTC to CTC/WTC did not change the effective withdrawal rate.

^b Where the rate depends on age, the rate shown is that for the youngest age category.

^c Rate from April to October 1998. A higher rate applied for the remainder of the fiscal year.

^d Rate from April to September 2002. A higher rate applied for the remainder of the fiscal year.

1.3 The Changing Structure of Support for Children

This sub-section discusses how the reforms identified in sub-section 1.2 have affected the relative treatment of families headed by one or two adults, with different numbers and ages of children, and of varying income levels.

Child-Contingent Support and Family Structure

A key feature of the system of child-contingent support throughout this period is the 'bias' in favour of the first child of the family, in the sense that many of the programmes provide more support for the first child in a family than for subsequent children. This arises either through explicitly higher rates for the first child, or through a 'family element' on top of the 'per child' element that is the same regardless of the number of children. Child benefit, family credit, income support, WFTC, CTC, and WTC all display this 'bias'.¹¹ However, not all benefits acted in this way; for contributory benefits such as the dependent child element of the state pension, the rate for the first child was lower than that for subsequent children.

Between 1997 and 2002, rises in the first-child element of child benefit would be expected to increase the first child bias, as would the replacement of additional personal allowance and married couples allowance with children's tax credit (expanding a form of support given once per family). At the same time, more rapid increases in child elements relative to family elements in income support and WFTC would reduce it. And since 2003, the introduction of more generous per-child support in the child tax credit and the subsequent freezing of the family element in nominal terms would lead to a reduction in the bias.

It is also worth noting that the position of lone parents relative to couples has changed significantly since 1997. Initially, reforms favoured couples more than lone parents. Abolition (for new claimants) of the higher lone-parent rate of child benefit in 1998 led to reduced child-contingent support to lone parents from that year; and the replacement of MCA and APA with children's tax credit increased child-contingent support particularly for married couples, because the reform not only made support for those with children more generous but also withdrew support from married couples without children, thus making

¹¹ Note that first-child bias in the rate structure of a programme does not necessarily mean more support for the first child than subsequent children across the whole income distribution. To take CTC as an example, a family with one child and income of £18,925 would receive only the family element of £545, since at this income level the child element would be tapered away. If, however, the family had two children, they would also receive the full child element for the second child, an extra £1,765: thus at this income level a second child more than doubles the support provided. This bias in favour of a second child exists for family incomes between £15,628 and £22,222 in 2006–07; there are equivalent bands of income in which there is a bias in favour of further children. In fact, this feature existed under FC in 1997, but it has become more important as the taper rate has fallen, meaning that more families fall into this situation.

more of the support for married couples child-contingent. However, the introduction of WTC in April 2003 led to a relative increase in child-contingent support for lone parents compared with couples. This was not because the amount of support received by families with children was changed, but instead because some previously child-contingent support became payable to families without children: it became contingent on being a low-income family with a worker, rather than being a low-income family with children and a worker. This reduction in child-contingent support affected couples with children more than lone parents, because support for couples without children was introduced at the same rate as for couples with children, whereas support for single people without children was introduced at a rate well below that for lone parents.

Child-Contingent Support, Family Income and Employment

Since 1997, means-tested benefits and tax credits have increased in generosity at a significantly faster rate than non-means-tested benefits such as child benefit. There have been two ways in which this generosity has come about. The most obvious has been that the replacement of WFTC by WTC and CTC has entailed a significant extension of means-testing up the income distribution, with around 90 per cent of families with children now entitled to some form of income-related child-contingent support. The more important expansion, though, has been the significant rise in the maximum entitlement to child-contingent support for poorer families, and the effective reduction in the taper rate that means many more families with children are now entitled to the per-child elements of the CTC than were entitled to family credit or income support in 1997. This second expansion in income-related support means that that poorer families have gained more than richer ones.

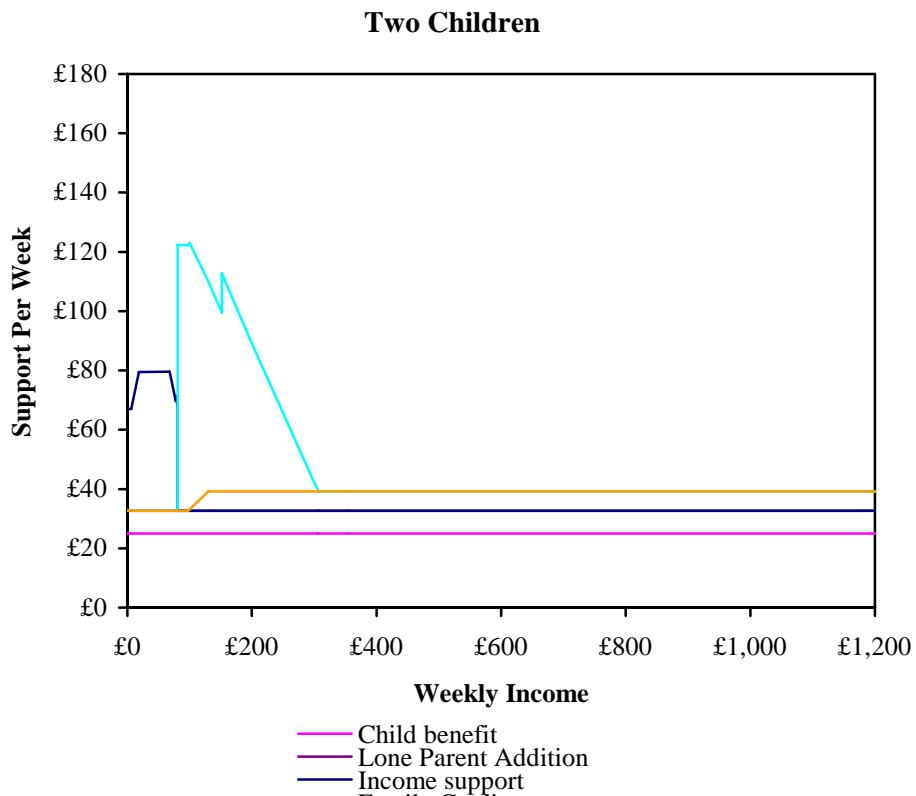
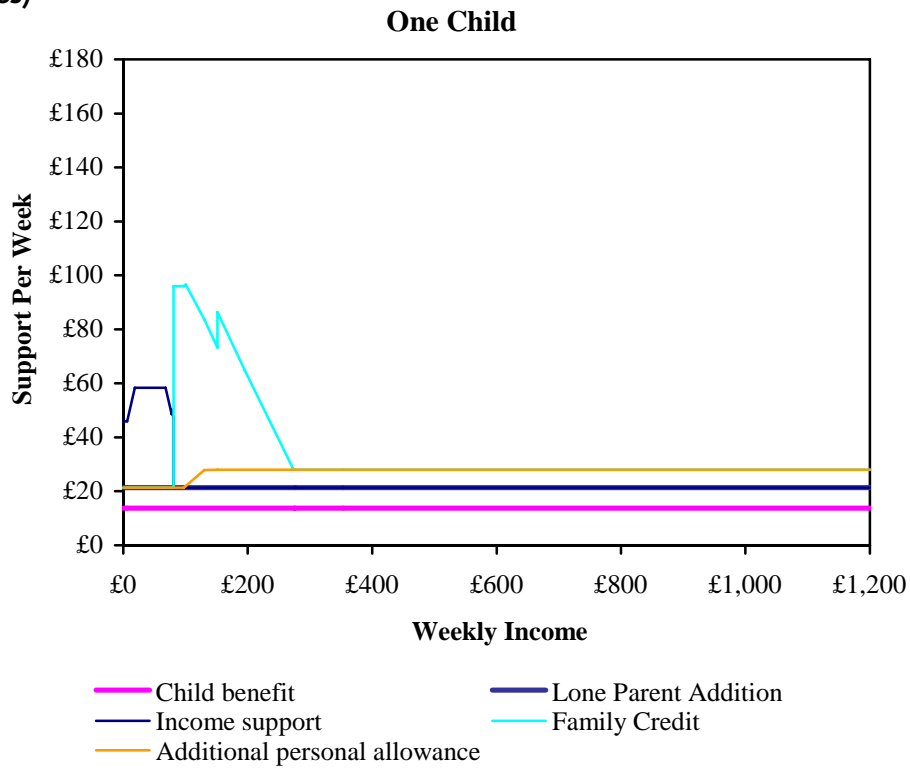
With respect to employment status, the replacement of family credit with the more generous WFTC saw support for low-income working families rise relative to families where no-one worked. The introduction of CTC and WTC, on the other hand, saw bigger increases in child-contingent support for non-working families because in-work support was extended to families without children, and therefore the amount that was child-contingent declined. Again, this reflects not a decline in the amount received by poor working families with children but increased generosity to those without.

How the Amount of Child-Contingent Support Varies by Income: 1997, 2002, 2006

Figures 1.1 to 1.3 show how the amount of child-contingent support for an example lone parent varies with gross income and number of children in 1997, 2002 and 2006 (all in 2006 prices). The graphs for two-parent families would be very similar, and so are omitted to avoid unnecessary duplication.

Careful comparisons of the pictures reveals changes in the overall generosity of child-contingent support (conditional on income), changes in the first child bias, and changes in the degree to which support is means-tested.

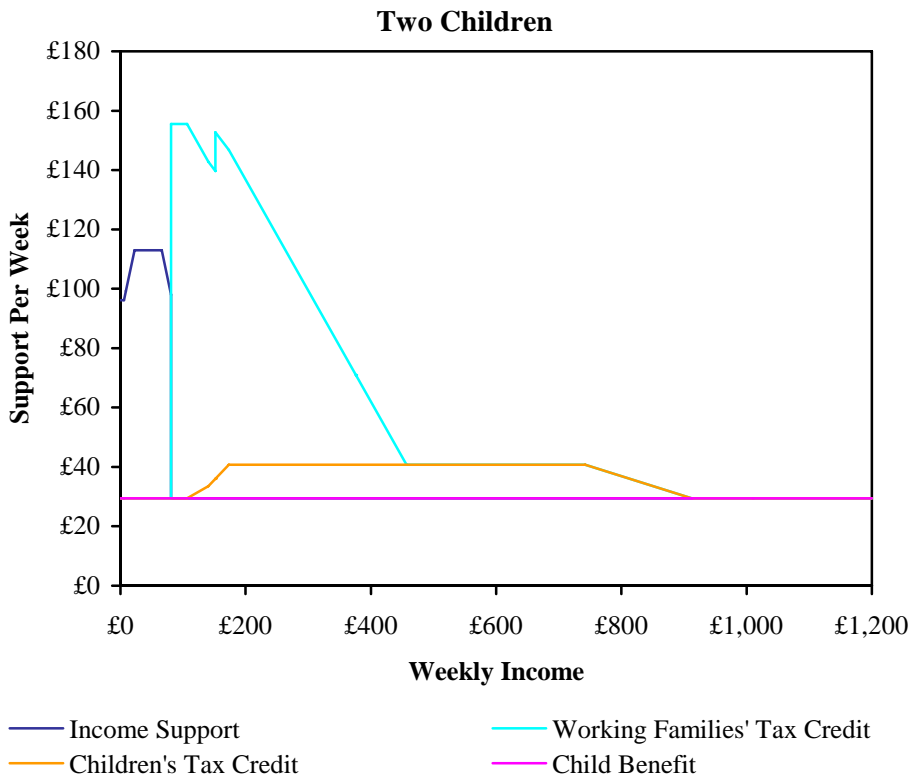
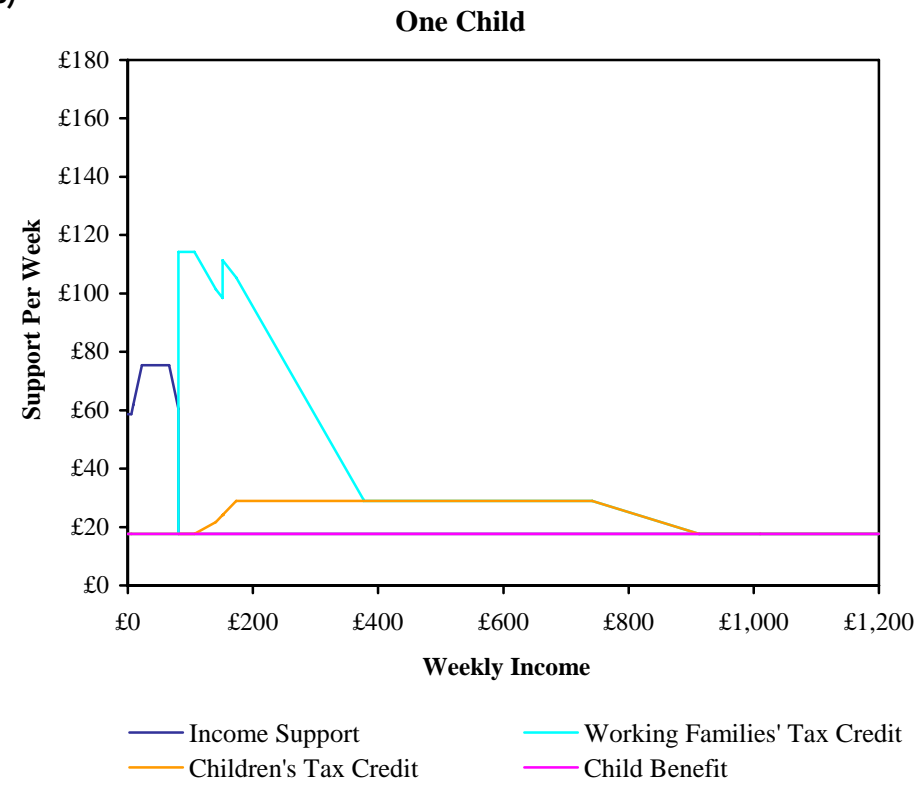
Figure 1.1 Child-Contingent Support for Lone Parents by Programme, 1997-98 (2006 prices)



Note: Assumes a real wage of £5.05 per hour (the minimum wage between October 2005 and September 2006), children aged between 1 and 5, and no housing costs or council tax liability.

Source: Authors' calculations using TAXBEN.

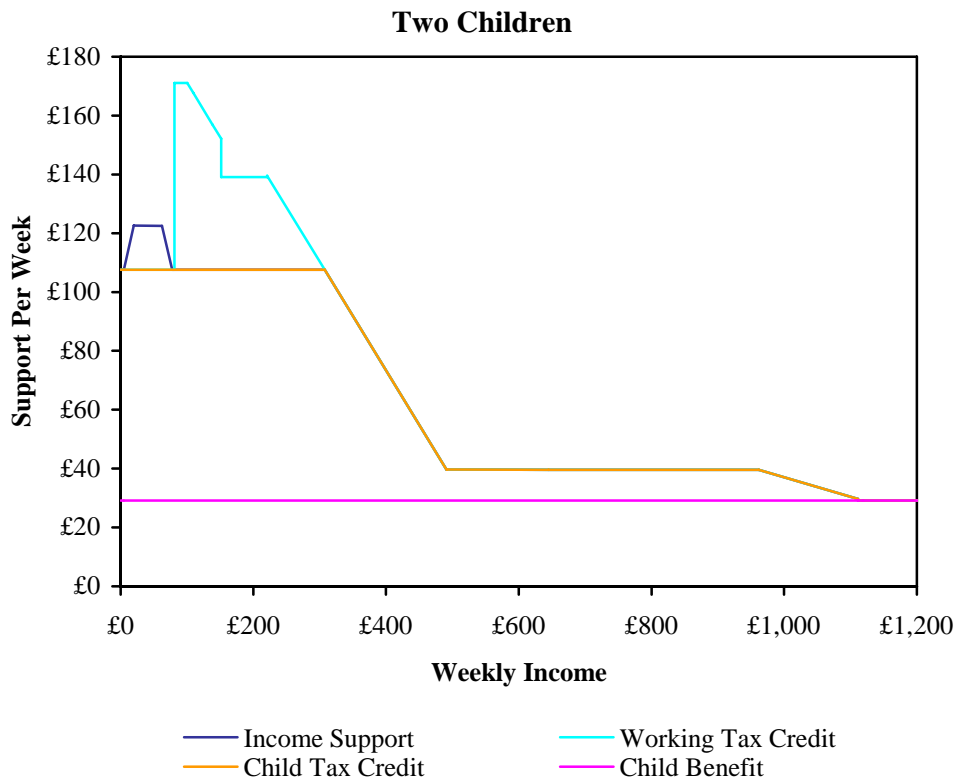
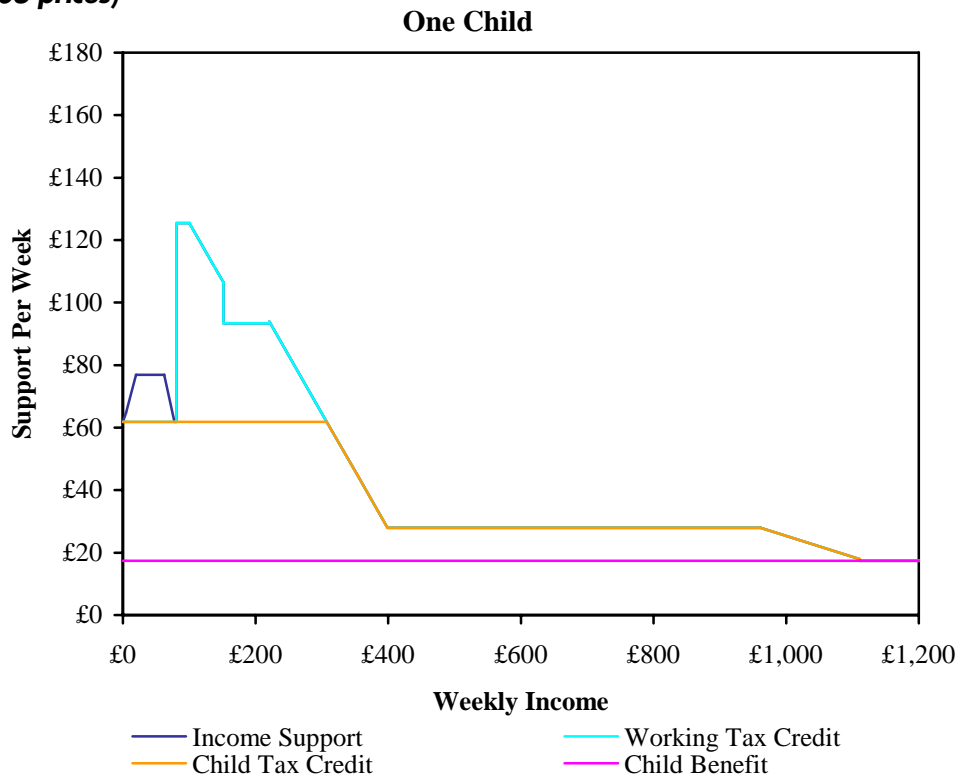
Figure 1.2 Child-Contingent Support for Lone Parents by Programme, 2002-03 (2006 prices)



Note: Assumes a real wage of £5.05 per hour (the minimum wage between October 2005 and September 2006), children aged between 1 and 5, and no housing costs or council tax liability.

Source: Authors' calculations using TAXBEN.

Figure 1.3 Child-Contingent Support for Lone Parents, by Programme, 2006–07 (2006 prices)



Note: Assumes a real wage of £5.05 per hour (the minimum wage between October 2005 and September 2006), children aged between 1 and 5, and no housing costs or council tax liability.

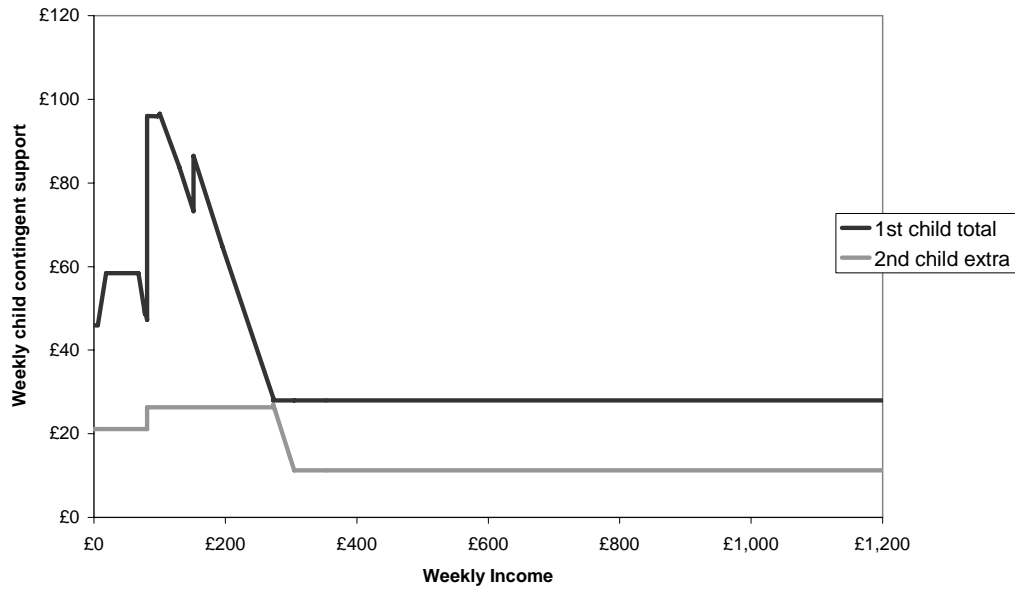
Source: Authors' calculations using TAXBEN.

Comparing Figure 1.1 with Figure 1.2 shows that support grew between 1997–98 and 2002–03 for lone parent families with pre-tax incomes of up to about £800 per week: even for those not benefiting from the introduction of WFTC, the abolition of the higher lone parent rate of child benefit was compensated for with the higher first child rate of child benefit and the replacement of the additional personal allowance with the more generous children’s tax credit. Increases are concentrated at lower income levels, however, because of both an increase in the ‘maximum’ amount of support (i.e. entitlement for someone meeting the hours requirement for WFTC but with very low income) and a reduction in the taper from 70 per cent to 55 per cent. These figures suggest a fall in first-child bias, with the ‘maximum’ amount growing by 18 per cent for a one-child family but 27 per cent for a two-child family.

Figure 1.3 shows the amount of child-contingent support for one and two-child lone parent families in 2006–07. The reforms of 2003 represent another increase in the importance of means-tested support with a further increase in maximum support, although the switch to a gross income taper of 37 per cent (versus a net income taper of 55 per cent) does not represent any real reduction in the rate of withdrawal when income exceeds the basic rate income tax threshold. Nevertheless, the introduction of child tax credit extended means-tested support a long way up the income distribution. In contrast to the earlier period, there is little change in first-child bias: a 10 per cent increase in ‘maximum’ support for one child families, compared with an 8 per cent increase for the two-child families. Overall, Figures 1.1 to 1.3 illustrate an increase in generosity that was biggest for families with low and middle incomes.

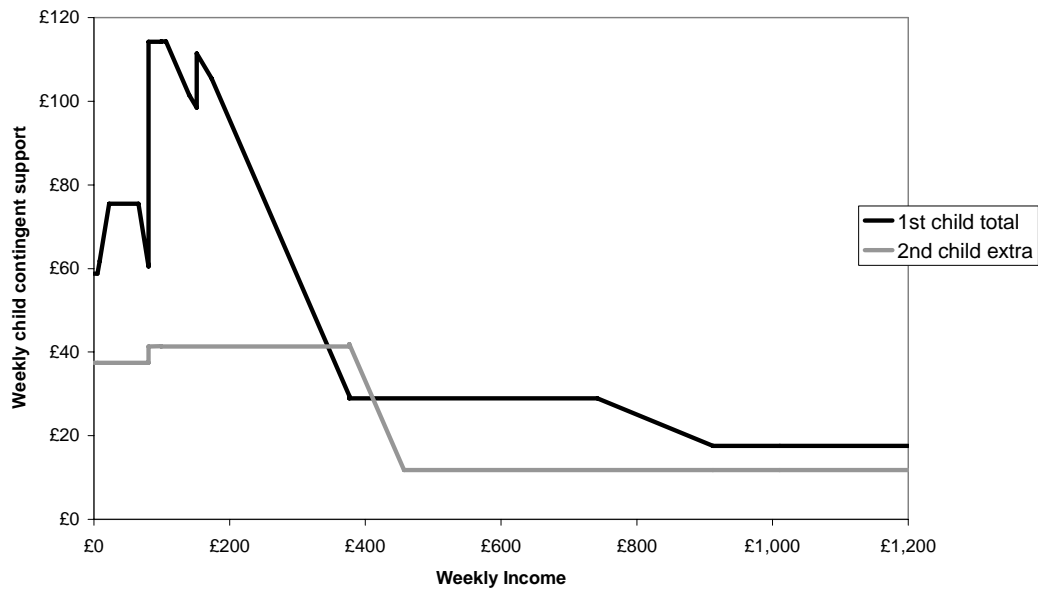
Figures 1.4 to 1.6 focus directly on the degree of first-child bias in each year and at different income levels, by showing separately the support received for the first and second children. The darker line indicates the amount received by a lone parent with one child (the same as the upper graphs in Figures 1.1 to 1.3), whilst the paler one indicates the additional support received for a second child. Total support for a two-child family (the lower graphs in Figures 1.1 to 1.3) is the sum of the two lines. The figures show a substantial rise in support for both the first and the second child in families with incomes below £500, but highlight the reduction in the degree of first-child bias since 1997. Indeed, in 2002–03 and 2006–07 there is even a second-child bias at incomes around £400 per week (see footnote 11 for an explanation).

Figure 1.4 Child-Contingent Support for Lone Parents, by Child, 1997-98 (2006 prices)



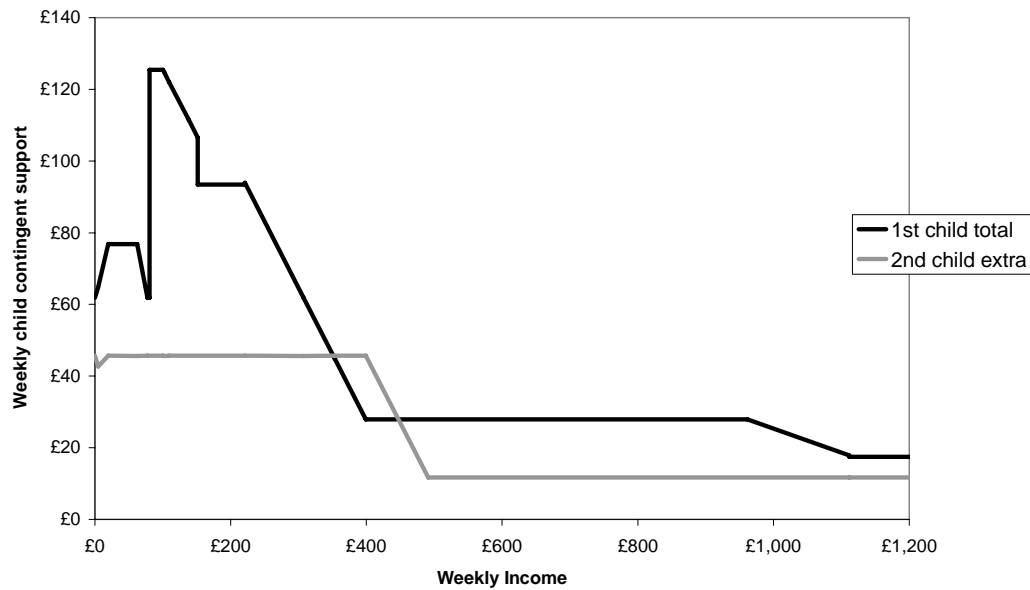
Note: Assumes a real wage of £5.05 per hour (the minimum wage between October 2005 and September 2006), children aged between 1 and 5, and no housing costs or council tax liability.
Source: Authors' calculations using TAXBEN.

Figure 1.5 Child-Contingent Support for Lone Parents, by Child, 2002-03 (2006 prices)



Note: Assumes a real wage of £5.05 per hour (the minimum wage between October 2005 and September 2006), children aged between 1 and 5, and no housing costs or council tax liability.
Source: Authors' calculations using TAXBEN.

Figure 1.6 Child-Contingent Support for Lone Parents, by Child, 2006–07 (2006 prices)



Note: Assumes a real wage of £5.05 per hour (the minimum wage between October 2005 and September 2006), children aged between 1 and 5, and no housing costs or council tax liability.

Source: Authors' calculations using TAXBEN.

Summary

Since 1997 the main changes to the system of financial support for children have been:

- an increase in generosity of child benefit, and abolition of the lone parent rate;
- replacement of family credit with WFTC, with increased generosity and a reduced withdrawal rate, thereby spreading means testing;
- replacement of married couple's allowance and additional personal allowance with children's tax credit, a move which increased child-contingent support; and
- the introduction of CTC and WTC, and the associated abolition of child elements in several benefits.

This has led to:

- A rise then fall in the first child bias in child-contingent support.
- A greater percentage and absolute increase in the value of child-contingent support for non-working and low-income working families.

These trends will of course be very important when understanding the changes in child-contingent support actually received by different groups of families since 1997, as explored in Section 3.

Section 2.

THE CHARACTERISTICS OF FAMILIES IN NORTHERN IRELAND

This section describes the key characteristics of families with children in Northern Ireland and compares them with the rest of the United Kingdom. Except where otherwise noted, this section uses estimates calculated from the *Family Resources Survey 2004–05* and an application of tax and benefit rules using TAXBEN. More detail is provided in [the ERINI report needs ref] and in Kenway et al (2006).

2.1 The Number of Families and Children

Table 2.1. Number of Families with Children in our Sample

Number of Children	England	Wales	Scotland	Northern Ireland	UK
1	2,659	169	546	272	3,646
2	2,630	136	478	261	3,505
3	835	42	151	115	1,143
4+	309	17	50	61	437

Source: *Family Resources Survey 2004–05*

There are a total of 8,731 families with children in our data, of which 709 are in Northern Ireland (see Table 3.1); using the grossing factors supplied with the dataset, this implies a total of 7.3 million families with children in the UK as a whole, containing 13.0 million dependent children, and 233 thousand families with children in Northern Ireland, containing 430,000 dependent children.¹² Dependent children represent some 25.6 per cent of all individuals in Northern Ireland, as opposed to 22.1 per cent in the UK as a whole. Children, therefore, make up a larger proportion of the population of Northern Ireland, which is not unexpected given its traditionally higher birth rate.

¹² For comparison, HMRC (2006) estimates that, at different points in 2004–05, it was paying child benefit in to between 7.2 and 7.4 million families (between 12.8 and 13.2 million children) in the UK, of which between 225,000 and 230,000 families (426,000 and 442,000 children) were in Northern Ireland.

Country	Children per Family (All)	Proportion of Families with Children	Children per Family (All with children)	Children per Family (Lone parents)	Children per Family (Couples with children)
England	0.42	23.4	1.79	1.66	1.84
Wales	0.42	23.8	1.78	1.60	1.84
Scotland	0.37	22.1	1.68	1.56	1.73
NI	0.50	27.0	1.84	1.66	1.91
UK	0.42	23.4	1.78	1.65	1.83

Source: Authors' calculations using the *Family Resources Survey 2004–05*

Table 2.2 shows the number of children per family, the proportion of families containing children and the average number of children per family for each of the four countries in the United Kingdom. The higher number of children per family in Northern Ireland is due both to a higher proportion of families containing children and to a greater number of children per family amongst those that have them. This is more marked for two-parent families than for one-parent families, where the average number of children per family is no greater than that for England. Scotland has the lowest proportion of families with children and the lowest number of children per family, with England and Wales somewhere between Scotland and Northern Ireland.

The proportion of children growing up in families of different sizes varies in the way that the above figures suggest. Table 2.3 shows that most children in Northern Ireland, like the rest of the UK, live in families where they are either the only dependent child or have only one sibling in the family. However, the proportion (about 63 per cent) is considerably less than that in Great Britain (73 per cent in Scotland, 69 per cent in England and 67 per cent in Wales). Conversely, more children grow up in families where there are three children and particularly four or more children, who represent 14.6 per cent of Northern Irish children compared with just 8 per cent in Scotland, for instance. Further disaggregation of the data (not shown) shows that most of this difference is due to NI two-parent families being larger than those in the rest of the UK, rather than a difference in one-parent family size. The lower proportion of only children and higher proportion living in large families has a potentially important impact upon the average amount of support per child for each country, given the varying first-child bias that the system displays.

Table 2.3. Proportion of Children in Families of Differing Numbers of Children

Country	1 Child families	2 Child families	3 Child families	4+ Child families
England	24.2	45.0	20.6	10.3
Wales	26.4	40.1	21.0	12.5
Scotland	29.6	43.6	18.9	8.0
NI	23.5	39.9	22.0	14.6
UK	24.7	44.5	20.5	10.4

Source: Authors' calculations using the *Family Resources Survey* 2004–05

Table 2.4 shows that lone parent families make up over a quarter of families with children in Northern Ireland and contain 23 per cent of children. However, this percentage is somewhat lower than in England and Wales and considerably lower than in Scotland. Across the UK, one-parent families are smaller than two-parent families, with this being particularly apparent in Northern Ireland and Wales. In Northern Ireland's case this is due to the province having unusually large two-parent families rather than unusually small one-parent families.

Table 2.4 One-Parent and Two-Parent Families

Country	Proportion of Families with Children headed by Lone Parent	Proportion of Children in One-Parent Families	Proportion of Families headed by Two Parents	Proportion of Children in Two Parent Families
England	26.3	24.3	73.7	75.7
Wales	26.1	23.4	73.9	76.6
Scotland	28.8	26.8	71.2	73.3
NI	25.8	23.2	74.2	76.8
UK	26.5	24.5	73.5	75.5

Source: Authors' calculations using the *Family Resources Survey* 2004–05

2.2 Employment

Although the gap has narrowed considerably over time, the overall economic activity and employment rates in Northern Ireland in 2004 remained lower than those for the other constituent countries of the United Kingdom (and still are as of September 2006). This is also the case for Northern Irish lone parents (see Table 2.5a), who are less likely to work than their counterparts in the rest of the UK. Fewer work part-time than in England, and fewer work full-time than in Scotland. Overall, some 46.6 per cent work in NI, compared

with 50.0 per cent in Wales, 53.0 per cent in Scotland and 53.3 per cent in England. However, amongst couples with children, the proportion with no-one in work is only slightly higher than in England and Scotland, and lower than in Wales by a considerable margin. Furthermore, the proportion of families where both partners work full time, at 37.0 per cent in Northern Ireland, is considerably higher than in England and Wales.¹³ Table 2.5b details the employment status of two-parent families for the constituent countries of the United Kingdom.

Country	Not working	Working part-time	Working full-time
England	46.7	26.3	27.0
Wales	50.0	22.1	27.9
Scotland	47.0	20.6	32.4
NI	53.4	20.2	26.5
UK	47.1	25.4	27.6

Source: Authors' calculations using the *Family Resources Survey 2004–05*

Country	No workers	One part-time	One full-time	Two part-time	One FT, one PT	Two full-time
England	6.5	2.7	26.8	0.7	32.5	30.8
Wales	8.9	3.5	26.8	1.2	29.4	30.1
Scotland	7.0	2.3	22.2	0.9	32.0	36.1
NI	7.4	3.2	25.2	0.6	26.6	37.0
UK	6.7	2.7	26.4	0.7	32.1	31.4

Source: Authors' calculations using the *Family Resources Survey 2004–05*

2.3 Position in the Income Distribution

On average, children in Northern Ireland live in families that have higher private incomes than those in Wales, but lower incomes than those in England and Scotland. In order to demonstrate and explore this, we order children in the United Kingdom by their family's gross income and then divide them into ten equal-sized groups called decile groups. This is done separately for lone parent and two parent families. By definition, 10 per cent of all children in the UK are in each decile group, but this need not be true for each

¹³ This report defines work as full-time if hours are at least 30 per week; work of between 0 and 30 hours is part-time.

constituent country. This allows one to compare the position of children in each of the countries to each other: numbers greater than 10 per cent indicate that children in that country are disproportionately concentrated in that part of the income distribution.

Northern Irish children living in two-parent families are better off than their Welsh counterparts but poorer than those in England and Scotland, the exception being that Northern Irish children are under-represented in the lowest-income decile group. Lone parent families in Northern Ireland appear to be the poorest in the UK, as one might expect given their low employment rate.

Income decile group	England	Wales	Scotland	Northern Ireland
Poorest	10.0	13.2	9.3	7.6
2	9.7	13.1	9.0	15.3
3	9.9	12.3	9.7	10.5
4	9.7	14.7	9.2	12.5
5	9.7	13.3	10.0	12.3
6	9.9	9.2	10.9	11.2
7	10.1	8.0	10.9	7.5
8	10.1	5.9	12.4	8.7
9	10.4	4.6	10.7	6.9
Richest	10.5	5.7	7.9	7.8

Source: Authors' calculations using TAXBEN and the *Family Resources Survey* 2004–05

Income decile group	England	Wales	Scotland	Northern Ireland
Poorest Half	50.2	51.1	46.3	54.1
6	10.0	8.1	8.9	13.2
7	9.8	12.4	11.7	7.0
8	9.9	13.6	10.2	7.8
9	9.7	8.7	13.3	9.1
Richest	10.3	6.1	9.6	9.0

Source: Authors' calculations using TAXBEN and the *Family Resources Survey* 2004–05

¹⁴ Over 40% of lone parents have no private income, and for this reason, we combine the bottom 5 decile groups, corresponding to lone parents with no or very low private income.

2.4 Benefit and Tax Credit Entitlements

Tables 2.7a and 2.7b, show, respectively, our estimates of the proportion of couples with children and lone parents entitled to various elements of child-contingent support in 2004–05. Entitlement to benefits and tax credits depends upon family structure, income and the work patterns of the adults in the family, so these tables reflect some of the cross-country differences that we have shown above.

The tables show that a higher proportion of two-parent families in Northern Ireland were entitled to claim income support, working tax credit or the child element of CTC than in the UK as a whole, presumably because those families had more children and somewhat lower levels of private income. A considerably higher proportion of lone parents were entitled to claim income support in Northern Ireland than in the UK as a whole, reflecting the lower employment rate. Also because of this lower employment rate, fewer lone parents were entitled to working tax credit than in Great Britain. In NI, like the rest of the UK, few lone parents did not qualify for at least some child element of child tax credit.

Table 2.7a Proportion of Two-Parent Families Entitled to Different Benefit and Tax Credit Elements, by Country (%)					
Country	Just CB	CB FE	CB, FE & CE	CB, FE CE & WTC	CB, FE, CE & IS
England	15.2	45.0	22.5	9.8	7.5
Wales	8.1	38.8	32.9	11.0	9.3
Scotland	11.6	48.9	22.5	9.8	7.2
NI	9.2	39.9	29.1	13.4	8.3
UK	14.3	44.9	23.2	10.0	7.6

Source: Authors' calculations using the *Family Resources Survey* 2004–5

Table 2.7b Proportion of One-Parent Families Entitled to Different Benefit and Tax Credit Elements, by Country (%)

Country	Just CB	CB FE	CB, FE & CE	CB, FE CE & WTC	CB, FE, CE & IS
England	0.3	7.5	12.8	30.4	49.0
Wales	0.0	8.2	14.2	28.0	49.6
Scotland	0.0	7.0	13.3	32.5	47.1
NI	0.0	5.3	13.3	24.5	56.9
UK	0.2	7.4	12.9	30.3	49.1

Source: Authors' calculations using the *Family Resources Survey 2004-05*

Key: CB = Child Benefit FE = Family Element of Child Tax Credit CE = Child Element of Child Tax Credit
WTC = Working Tax Credit IS = Income Support

2.5 Summary

The key demographic and socio-economic characteristics of Northern Irish families are:

- A higher proportion of families have children, and those that do have on average more children than those in Great Britain.
- Lone parent families contain almost one quarter of all children, a somewhat lower proportion than in England and Wales and considerably lower than in Scotland.
- Lone parents are less likely to be working than elsewhere in the UK. Amongst couples with children, there is greater polarisation of work, with a higher fraction of couples workless and a higher fraction having two full-time workers than elsewhere in the UK.
- On average, children live in families with lower private incomes, on average, than Scotland and England, but with higher incomes than those in Wales.
- A higher proportion of two-parent families are entitled to the child element of the child tax credit than in England or Scotland, and working tax credit eligibility is the highest in the UK. Lone parents in Northern Ireland are particularly dependent on income support and unlikely to be entitled to working tax credit.

Section 3.

AN ANALYSIS OF CHILD-CONTINGENT SUPPORT

Having described the structural changes in support for children in Section 1, and the characteristics of families with children in across the UK in Section 2, in this part we quantify the child-contingent support received by families since 1997 and analyse the main differences between NI and the rest of the UK.

Sub-section 3.1 discusses some of the broad trends since 1997 in spending on child-contingent support. Sub-section 3.2 presents our findings on support per child, broken down to show the key ways in which Northern Ireland differs from the rest of the UK and explains the differences. Sub-section 3.3 shows the proportion of families' total income that comes from child-contingent support, while sub-section 3.4 summarises the findings. All amounts shown in tables and graphs in this chapter are in 2006 prices and years refer to the fiscal year beginning that year (e.g. 1997 refers to 1997–98).

3.1. Trends in child-contingent support by country

Child-contingent support has grown rapidly since 1997, with most of this increase occurring between 1998/9 and 2003/4. At the UK level this translates into an estimated increase in child-contingent support from £16.3 billion in 1997 to £25.8 billion in 2003 and then £26.3 billion in 2006, a real increase of over 60 per cent overall.

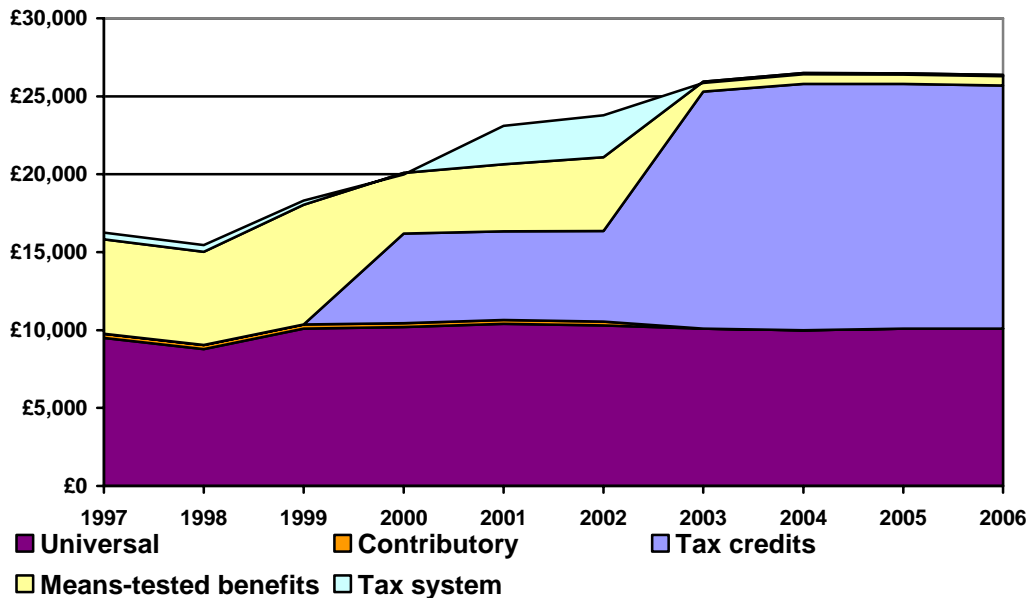
Table 3.1 provides a breakdown of the amounts spent in each part of the UK in 1997 and 2006, the corresponding proportions of the UK total, and the percentage increase for each country over the period. Since 1997, expenditure has grown slightly more quickly in NI, Scotland and Wales than in England.

	England	Wales	Scotland	NI	UK
Spending in 1997 (£m per year)	13,562	866	1,285	539	16,252
Proportion of 1997 UK spending (%)	83.4	5.3	7.9	3.3	100
Spending in 2006 (£m per year)	21,845	1,411	2,117	878	26,250
Proportion of 2006 UK spending (%)	83.2	5.4	8.1	3.4	100
% increase since 1997	61.1	62.8	64.7	62.8	61.5
Proportion of children (%)	83.9	4.9	7.9	3.3	100

Note: Spending expressed in 2006 prices. Rounding means proportions may not sum to 100%.
Source: Authors' calculations using TAXBEN and the *Family Resources Survey* 2004–05.

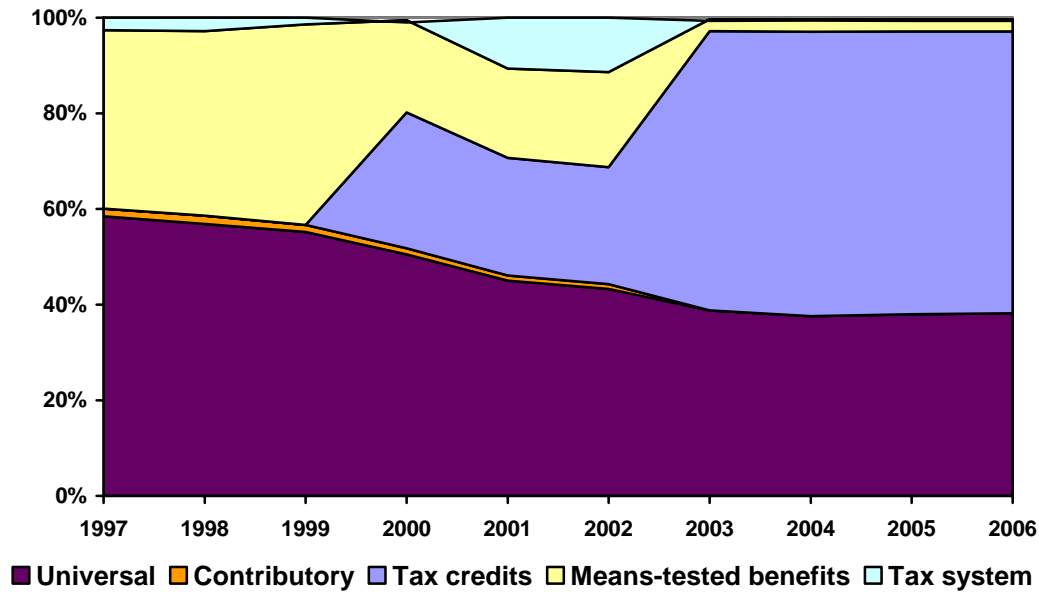
The majority of spending growth has taken the form of higher means-tested benefits and tax credits. Across the UK as a whole, spending on these has risen from £6.8 billion to £16.2 billion in this period, or from 41.6 per cent of total child-contingent spending to 61.6 per cent; universal benefits (almost entirely child benefit) have therefore become relatively less important, although these have also increased in real terms (from £9.5 billion to £10.1 billion). Figure 3.1 shows total spending broken down into categories and Figure 3.2 shows the corresponding proportions; the upper three blocks in the graphs are payments that vary by family income. It should be noted again (see sub-section 1.1 and the Appendix) that we ignore transitional arrangements. One implication of this is that we model all parents on income support as receiving their child-contingent support through child tax credit; in practice, some who have been claiming income support with child elements since before April 2004 instead receive the same amount through income support. This is purely a transitional administrative arrangement – the amount received is the same in either case – but it does affect the classification of spending.

Figure 3.1. Spending on Child-Contingent Support by Type of Programme (£million per year, 2006 prices)



Source: Authors' calculations using TAXBEN and the *Family Resources Survey* 2004–05.

Figure 3.2. Spending on Child-Contingent Support by Type of Programme (% of total)



Sources: Authors' calculations using TAXBEN and the *Family Resources Survey* 2004–05.

Means-tested benefits and tax credits are relatively less important than in England than in the other three countries of the UK (Table 3.2), as one might expect given its higher average family income.

	England	Wales	Scotland	NI	UK
Means Tested Benefits	2.2	2.7	2.1	2.7	2.2
Tax Credits	59.2	62.0	60.0	59.5	59.4
<i>Total Means Tested</i>	<i>61.4</i>	<i>64.7</i>	<i>62.1</i>	62.2	61.6
Universal	38.6	35.3	37.9	37.8	38.4

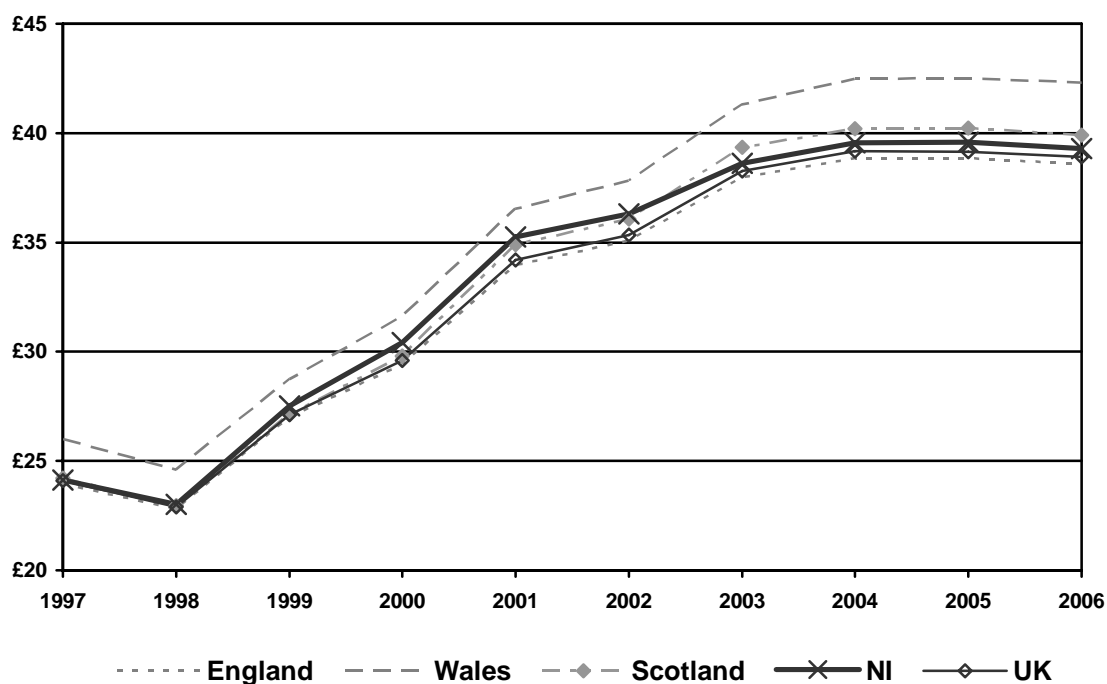
Note: No child-contingent support is provided through contributory benefits or the tax system in 2006.

Source: Authors' calculations using TAXBEN and the *Family Resources Survey* 2004–05.

3.2 Trends in child-contingent support for different family types

Between 1998/9 and 2003/4, support per child increased rapidly across the United Kingdom, but has changed little since 2004. We estimate that average support per child per week in 2006 is £38.92, nearly 61 per cent higher than the 1997 figure of £24.09. As Figure 3.3 and Table 3.3 show, however, support per child varies by country, and this variation has increased over the past 10 years.

Figure 3.3 Average Support per Child (£ per week, 2006 prices)



Source: Authors' calculations using TAXBEN and the Family Resources Survey 2004–05.

Table 3.3 Average Support per Child (£ per week, 2006 prices) and % Increase since 1997, by Country

	England	Wales	Scotland	NI	UK
Support per child 1997 (£/wk)	23.96	25.99	24.23	24.13	24.09
Support per child 2002 (£/wk)	35.07	37.82	36.06	36.31	35.33
Support per child 2003 (£/wk)	37.97	41.30	39.34	38.62	38.26
Support per child 2006 (£/wk)	38.60	42.31	39.92	39.28	38.91
1997–2006 Increase (%)	61.1	62.8	64.7	62.8	61.5

Source: Authors' calculations using TAXBEN and the Family Resources Survey 2004–05.

Support for children in Northern Ireland has increased more rapidly than in England, at about the same rate as in Wales, and more slowly than in Scotland. If one examines the series for Northern Ireland in detail, it is possible to distinguish two sub-periods:

- between 1997 and 2000, spending per child in NI grew more quickly than in any other part of the United Kingdom

- however, NI did not benefit as greatly from the new spending associated with the introduction of the child and working tax credits in 2003: support has risen by only 8.2 per cent in NI since 2002, compared with over 10 per cent in Great Britain.

The following sub-sections aim to explain the different levels of spending per child across the UK and the different evolutions seen since 1997.

Trends by Religious Denomination (Northern Ireland Only)

The data-set used for our analysis enables child-contingent support to be analysed by religion for families in NI only, and results are shown in Table 3.4. Expenditure on child-contingent support is highest per child for Catholic families, and lowest for those that we define as “Other”. Growth in support per child has been slightly quicker for Roman Catholic families than Protestant ones; support for Other families has grown most rapidly from the low base.

Catholic families receive the most support because they have significantly lower gross income than Protestant families (a median of £352 versus £511 in 2004–05, for instance). That Catholic families do not receive even more relative to Protestants is partly due to them containing, on average, more children than Protestant ones (1.97 versus 1.74) and there is a bias in child-contingent support towards the first child. The relatively low level of support for Other families reflects their position in the income distribution; although their median income is lower than that for Protestants, they are less likely to be in the very bottom of the income distribution, where support is particularly concentrated.¹⁵

	Protestant	Roman Catholic	Other
Support per child 1997 (£/wk)	23.42	25.63	21.08
Support per child 2006 (£/wk)	37.80	41.58	35.83
1997 – 2006 % Change	61.4	62.2	70.0

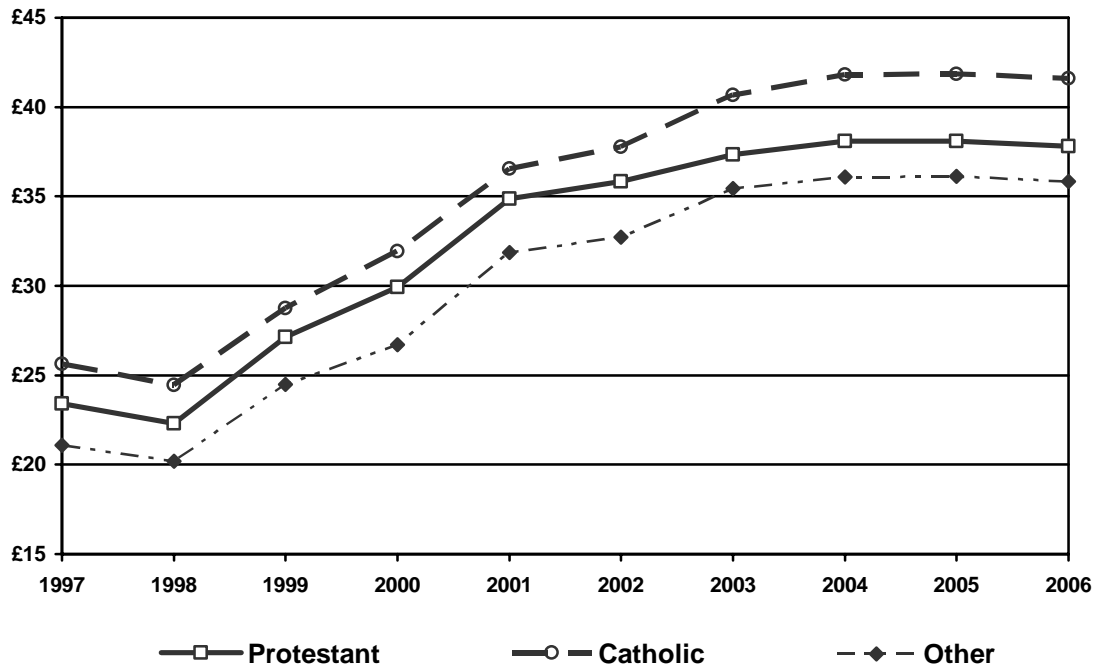
Source: Authors' calculations using TAXBEN and the *Family Resources Survey* 2004–05.

Note: For lone parent families, this is simply the religion of the parent. For two parent families, household religion is designated as Protestant or Catholic if both parents are of the same denomination. Hence the Other category includes mixed Protestant-Catholic families, as well as those where at least one of the parents is not religious, or is of a religion other than Christianity. It also includes those that refuse to answer or for whom a response is not recorded.

¹⁵ Quoted figures are the authors' calculations using the *Family Resources Survey* 2004–05.

¹⁶ For lone parent families, this is simply the religion of the parent. For two parent families, household religion is designated as Protestant or Catholic if both parents are of the same denomination. Hence the Other category includes mixed Protestant-Catholic families, as well as those where at least one of the parents is not religious, or is of a religion other than Christianity. It also includes those that refuse to answer or for whom a response is simply not recorded.

Figure 3.4 Average Support per Child (£ per week, 2006 prices) by Family Religion (NI only)



Source: Authors' calculations using TAXBEN and the Family Resources Survey 2004-05.

Disaggregating by Region of Northern Ireland

The Department of Social Development of Northern Ireland (DSDNI) classifies communities in Northern Ireland by both their geographical position in the province (East versus West) and by their size (whether they are urban, rural or part of the Belfast Metropolitan Urban Area – BMUA).¹⁷ Combining these categories we are able to break Northern Ireland into five 'regions'; the BMUA, the Urban East, the Urban West, the Rural East and the Rural West.

Doing this we find that support per child is greatest in the urban areas, particularly the Urban West and BMUA, and that support is low in the Rural areas, especially the Rural East. This is to a great extent explainable by differences in the level of family income (e.g. a median of £391 per week in Belfast and £322 in the Urban West versus £574 in the Rural East) and its distribution: for instance, whilst median income is very similar for the urban and rural East, those in the rural areas are much less likely to have zero or low incomes.

Growth in support per child has been slowest in the BMUA and fastest in the Rural West, where support is now nearly as high as in the urban areas.

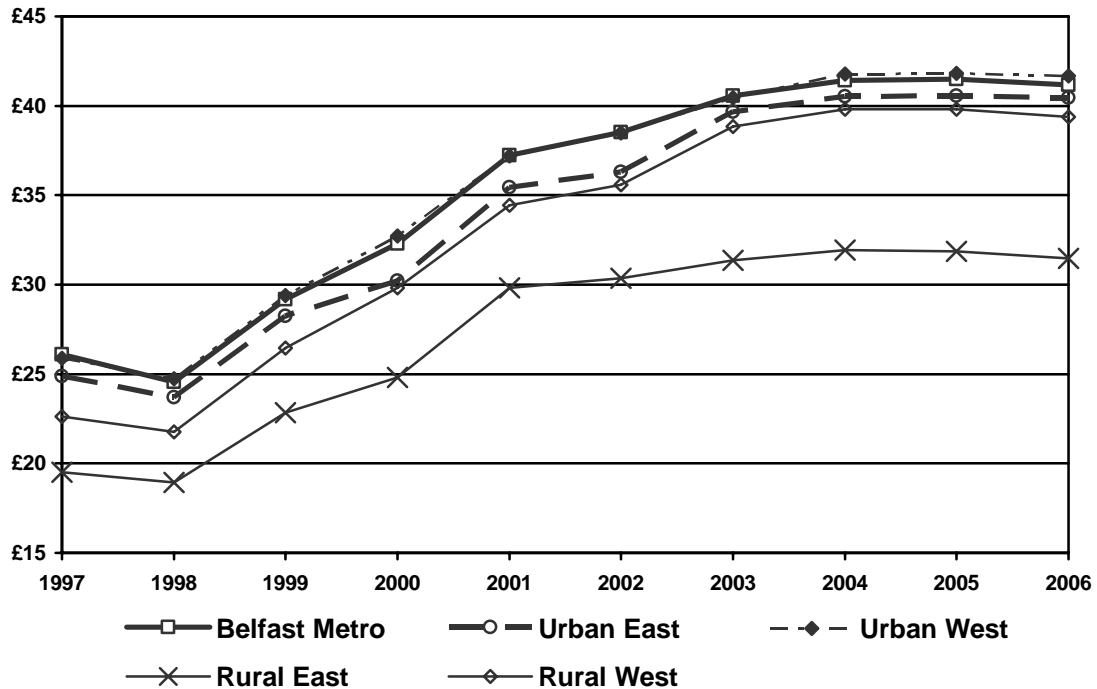
¹⁷ See the Urban Rural Northern Ireland Report 2004-05 for further details. Available at http://www.dsdni.gov.uk/u_r_report_0405.doc

Table 3.5 Average Support per Child (£ per week, 2006 prices) and % Increase Since 1997, by Region of Northern Ireland (NI Only)

	BMUA	Urban East	Urban West	Rural East	Rural West
Support per child 1997 (£/wk)	26.09	24.89	25.87	19.53	22.64
Support per child 2006 (£/wk)	41.17	40.46	41.66	31.48	39.38
1997 – 2006 % Change	57.8	62.6	61.0	61.2	73.9

Source: Authors' calculations using TAXBEN and the Family Resources Survey 2004–05.

Figure 3.5 Average Support per Child (£ per week, 2006 prices) by Region of Northern Ireland



Source: Authors' calculations using TAXBEN and the Family Resources Survey 2004–05.

Disaggregating by Number of Children

Across the UK, one-child families receive more per child than larger families, due primarily to the first child bias in most programmes (discussed in sub-section 2.3). Table 3.5 and Figure 3.5 show that support for one-child families is greatest in NI at £50.11 in 2006, but spending per child for families of four or more children is lowest in NI, at £38.55. Spending per child in two and three-child families is closer to the UK average.

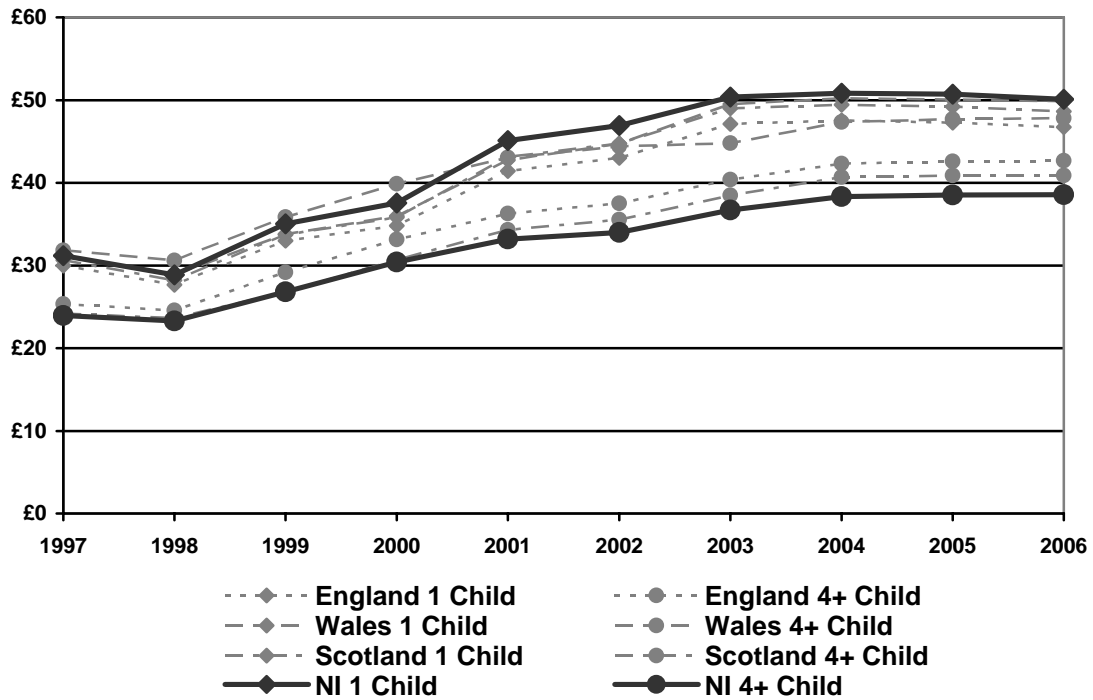
One important factor explaining this is that one-child families in Northern Ireland have lower private incomes and are more likely to be headed by a lone parent than in the rest of the UK, while conversely four-child families have higher private incomes and are less likely to be headed by a lone parent than elsewhere in the UK.

The table also shows that in Northern Ireland and Wales, it is children in two and three-child families that have gained most since 1997; in England and Scotland, support per child has risen fastest for those children in three and four+ child families. Child-contingent support has grown least quickly amongst one-child families in all countries (except for four+ child families in Wales), confirming the reduction in first-child bias discussed in subsection 1.3. Indeed, Figure 4.6 also shows that support for one-child families has been falling, on average, since 2004, reflecting the freeze (real-terms cut) in the family element of the child tax credit and fiscal drag, as incomes that rise relative to the income thresholds for means-tests act to reduce entitlements.

Table 4.6 Average Support per Child (£ per week, 2006) by Country and % Increase Since 1997 and 2002					
Support Per Child 2006 (£/wk)	England	Wales	Scotland	NI	UK
1 child families	46.74	49.85	48.61	50.11	47.18
2 child families	34.82	36.23	35.14	35.26	34.92
3 child families	35.24	41.18	36.92	35.50	35.67
4+ child families	42.66	47.80	40.88	38.55	42.67
% Increase Since 1997					
1 child families	55.9	60.3	58.6	60.7	56.5
2 child families	61.9	68.9	68.6	63.8	62.8
3 child families	63.4	66.3	67.5	65.8	63.9
4+ child families	68.3	50.2	69.1	61.0	66.7
% Increase Since 2002					
1 child families	8.7	11.4	8.6	6.7	8.7
2 child families	9.6	10.8	10.7	6.6	9.6
3 child families	11.1	17.6	13.1	9.7	11.6
4+ child families	13.7	7.6	15.0	13.4	13.3

Source: Authors' calculations using TAXBEN and the *Family Resources Survey* 2004–05

Figure 4.6 Average Support Per Child (£ per week, 2006 prices) by Number of Children (one and four+ child families only)



Source: Authors' calculations using TAXBEN and the Family Resources Survey 2004-05

Disaggregating by Number of Adults

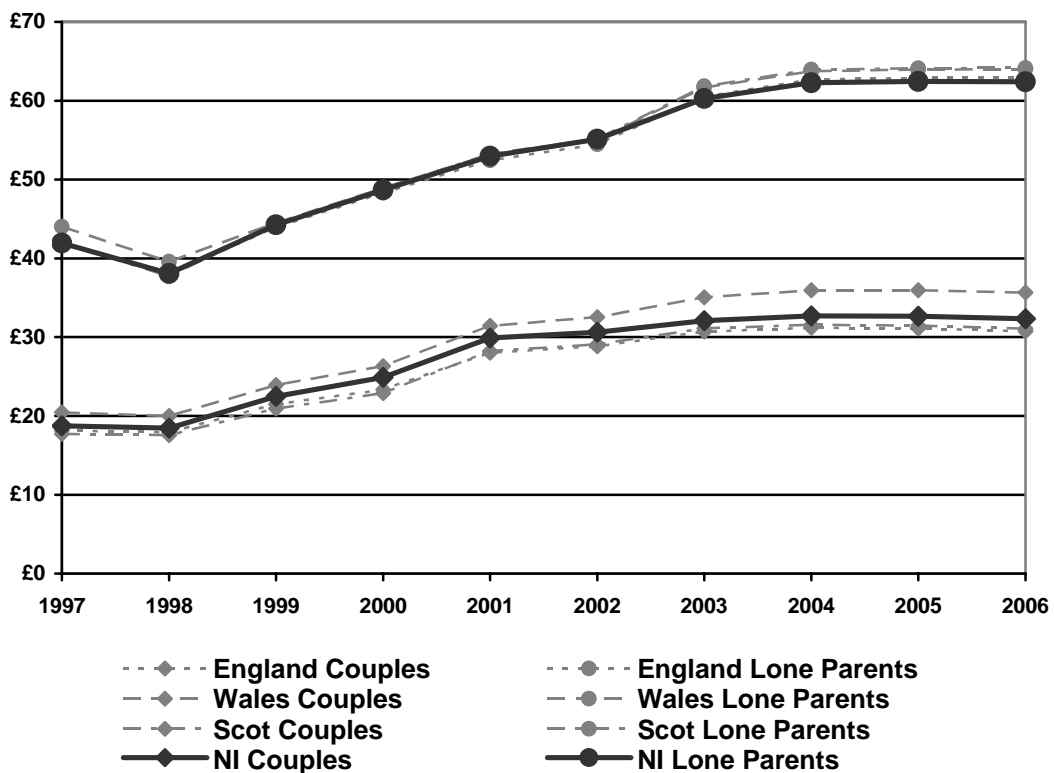
Table 3.7 and Figure 3.7 show support per child for one-parent and two-parent families. Unsurprisingly, in every part of the UK lone parents receive considerably more per child than couples. But in 2006, lone parents in NI received, on average, least per child of the four countries, while couples in NI received more per child than in England or Scotland.

Table 3.7 Average Support Per Child (£ per week, 2006 prices) and Increases Since 1997 and 2002, by Number of Adults and Country

	England	Wales	Scotland	NI	UK
Support Per Child 2006					
One Parent	62.98	64.00	64.14	62.38	63.11
Two Parent	30.75	35.66	31.08	32.32	31.08
% Increase 1997–2006					
One Parent	50.0	45.5	52.6	48.7	49.9
Two Parent	69.3	74.2	75.2	72.4	70.2
% Increase 2002–2006					
One Parent	15.6	16.3	16.3	13.1	15.6
Two Parent	6.7	9.5	6.8	5.5	6.8

Source: Authors' calculations using TAXBEN and the Family Resources Survey 2004–05.

Figure 3.7 Average Support Per Child (£ per week, 2006 prices), by Number of Adults and Country



Source: Authors' calculations using TAXBEN and the Family Resources Survey 2004–05.

Looking at the changes since 1997, lone parents in NI have seen a smaller rise in support per child than lone parents in England or Scotland. Couples with children in NI saw a larger rise in support per child than those in England, on average, but a smaller rise than those in Wales or Scotland.

However, in 2002, lone parents in NI received, on average, more per child than those in England or Wales, and it is from this point on that they fall behind. Since 2002, lone parents in NI have seen an increase in child-contingent support of 13.1 per cent, compared with 15.6 per cent in the UK as a whole, and for couples the increase was only 5.5 per cent compared with nearly 7 per cent. The different characteristics of Northern Irish families must explain the lower rate of growth in the province relative to the rest of the UK since 2002.

The following two sub-sections investigate this.

Explaining Northern Ireland's Slower Growth after 2002: Couples

Table 3.8 and Figure 3.8 split couples with children into those that are workless (fewer than 10 per cent), those with two workers (around two thirds) and those with one worker. Average support per child is highest for workless families. For each employment status, families in Northern Ireland receive more support per child than the UK average throughout the period. Over the period as a whole, couples with at least one partner working have seen a larger percentage increase in average support than workless couples, although workless couples have seen faster growth since 2002.

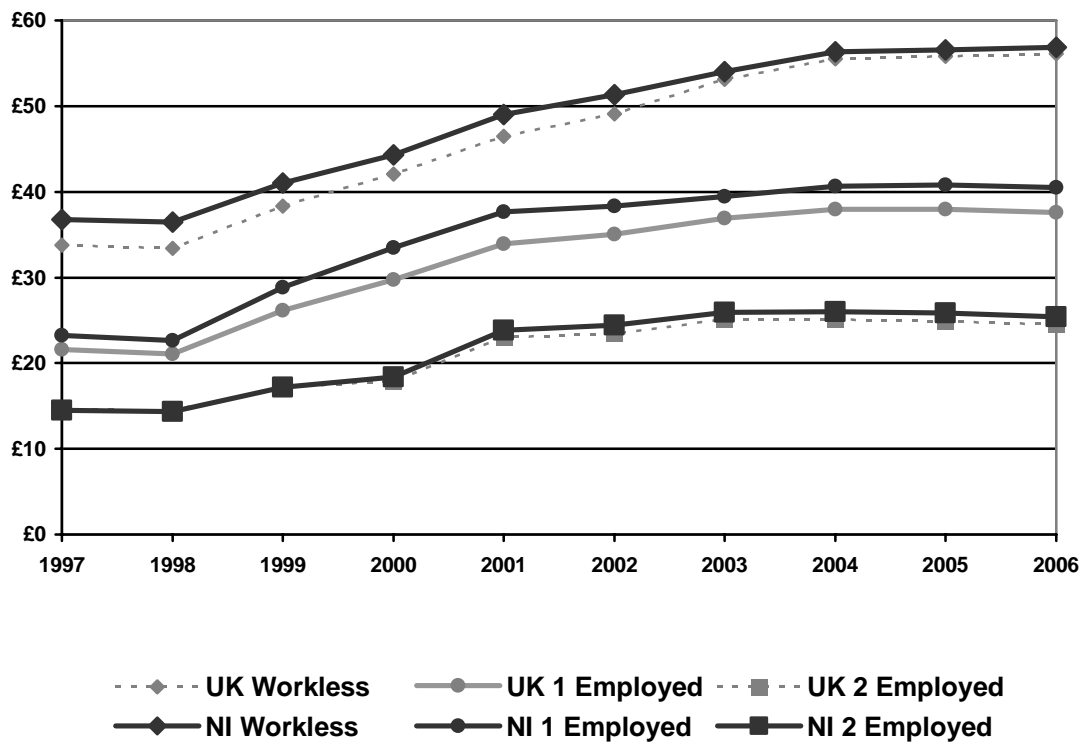
For the majority of couples, where both adults work, support per child in NI has grown by around the UK average: slightly more than in England but less than in Wales and Scotland. The relatively slow growth in Northern Irish couples' child-contingent support has been for couples with no-one in work – 10.8 per cent, compared with a UK average of 14.3 per cent – and for couples with one worker – 5.6 per cent, compared with 7.3 per cent for the UK as a whole.

Table 3.8 Increase in Average Child-Contingent Support for Couples, by Employment Status

	England	Wales	Scotland	NI	UK
% Increase 1997–2006					
Workless	67.4	48.6	73.2	54.5	65.9
One Working	73.8	75.4	74.8	74.2	74.0
Both Working	66.5	85.6	76.0	75.8	68.5
% Increase 2002–2006					
Workless	14.6	9.7	17.4	10.8	14.3
One Working	7.4	8.6	5.4	5.6	7.3
Both Working	4.0	10.5	4.9	4.2	4.4

Source: Authors' calculations using TAXBEN and the Family Resources Survey 2004–05.

Figure 3.8 Average Child-Contingent Support per Child for Couples (£ per week, 2006 prices), by Employment Status



Source: Authors' calculations using TAXBEN and the Family Resources Survey 2004–05.

The slow growth in support for workless couples seems to relate to a higher proportion of such couples in NI (together with Wales) being in receipt of carer's allowance (CA, previously called invalid care allowance) prior to the abolition of the child addition to that benefit in 2003: there is no specific replacement for this child addition in the child tax

credit. Other work has confirmed that Northern Irish families are far more likely to receive disability benefits.¹⁸

Table 3.9 Change in Child-Contingent Support per Child for Non-Working Couples provided in Carer's Allowance and Means-Tested Programmes, £/wk

	England	Wales	Scotland	NI
Change in Support via CA, 2002-03 to 2003-04	-1.94	-4.25	-2.10	-3.37
Change in Means-Tested Support, 2002-03 to 2003-04	9.56	10.39	11.90	9.71

Source: Authors' calculations using TAXBEN and the *Family Resources Survey* 2004-05.

The slower rate of growth amongst Northern Ireland's one-worker families is restricted to those where that worker is employed full time. For these families, average support per child in NI fell slightly from £36.65 in 2002-03 to £36.63 in 2003-04, while it rose by £1.66, £0.75 and £0.82 in England, Wales and Scotland respectively (though with England and Scotland still seeing lower levels of spending per child than NI).

This probably arose because a considerably higher proportion of such families in NI would have been eligible for working tax credit even without children. As noted in subsection 1.3, the replacement of working families' tax credit with working (and child) tax credit often led to a fall in child-contingent support for families receiving them, not because of reduced overall entitlement, but because the extension of in-work benefits to those without children made less support child-contingent even though total support was higher. We estimate that in 2003-04 23.1 per cent of one-earner families with children in Northern Ireland were entitled to the non-child-contingent element of working tax credit, compared with 13.5 per cent in England, 18.1 per cent in Wales and 15.2 per cent in Scotland: this probably reflects the lower earnings in Northern Ireland.

Overall, therefore, it appears that NI's relatively slow increase in child-contingent support for couples after 2002 reflects support becoming more generous in the absence of children and a high proportion of families receiving carer's allowance prior to the abolition of child additions.

Explaining Northern Ireland's Slower Growth after 2002: Lone Parents

The pattern of support by employment status is different for lone parents than for couples with children: it is those working part-time that receive the most support per child. These people are generally eligible for most or all of the child tax credit, and in many cases also

¹⁸ See, for instance Kenway et al (2006).

receive the extra parts of working tax credit that a single adult gets if they are responsible for children.¹⁹

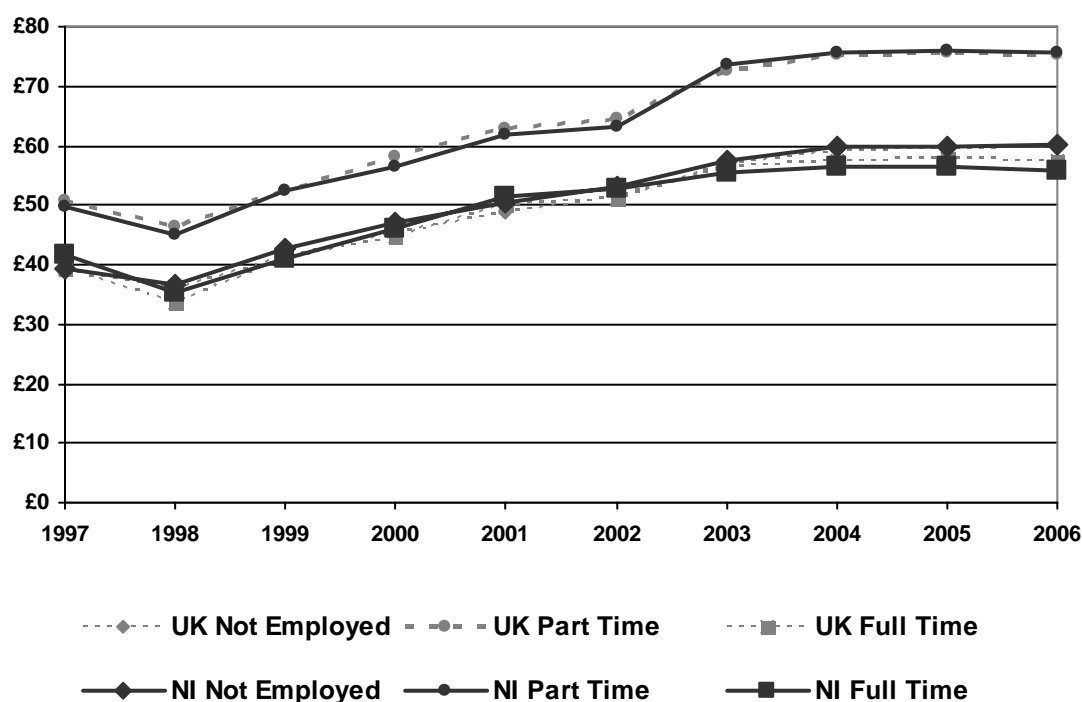
Since 1997, average support per child for lone parents in NI has grown more quickly than the UK average for those not working or working part-time, but more slowly for those few working full-time. As with couples, the slow growth in child-contingent support relative to the rest of the UK after 2002 is driven by those working full-time and those not working at all.

Table 3.10 Increase in Average Child-Contingent Support for Lone Parents, by Employment Status					
	England	Wales	Scotland	NI	UK
% Increase 1997–2006					
Not Working	52.6	54.1	53.3	53.2	52.8
Working Part Time	47.7	49.2	52.9	52.1	48.3
Working Full Time	47.4	24.9	51.2	33.9	46.1
% Increase 2002–2006					
Not Working	16.1	23.5	17.0	13.3	16.4
Working Part Time	16.9	15.1	16.3	19.4	16.8
Working Full Time	12.7	3.9	15.1	5.7	12.3

Source: Authors' calculations using TAXBEN and the *Family Resources Survey* 2004–05

¹⁹ In particular, there is still no in-work support available to single adults working part-time if they do not have children.

Figure 3.10 Average Child-Contingent Support per Child for Lone Parents (£ per week, 2006 prices), by Employment Status



Source: Authors' calculations using TAXBEN and the *Family Resources Survey 2004–05*

For non-working lone parents, carer's allowance (and, to a lesser extent, severe disablement allowance) again seems to play a role: the Northern Irish received, on average, approximately £1.20 per child though this benefit, considerably more than in the rest of the UK. However, for lone parents this difference is not enough to explain the gap in overall growth of support.

For lone parents working full-time the discrepancy between Northern Ireland (together with Wales) and England and Scotland in growth of child-contingent support after 2002 is more dramatic. However, it is difficult to pin down a reason for this. Unlike for couples, the extension of in-work support to those without children does not provide an explanation: the proportion of such families in receipt of the non-child-contingent element of working tax credit was no higher in NI than in the rest of the UK.

3.3. The Proportion of Income Provided by Child-Contingent Support

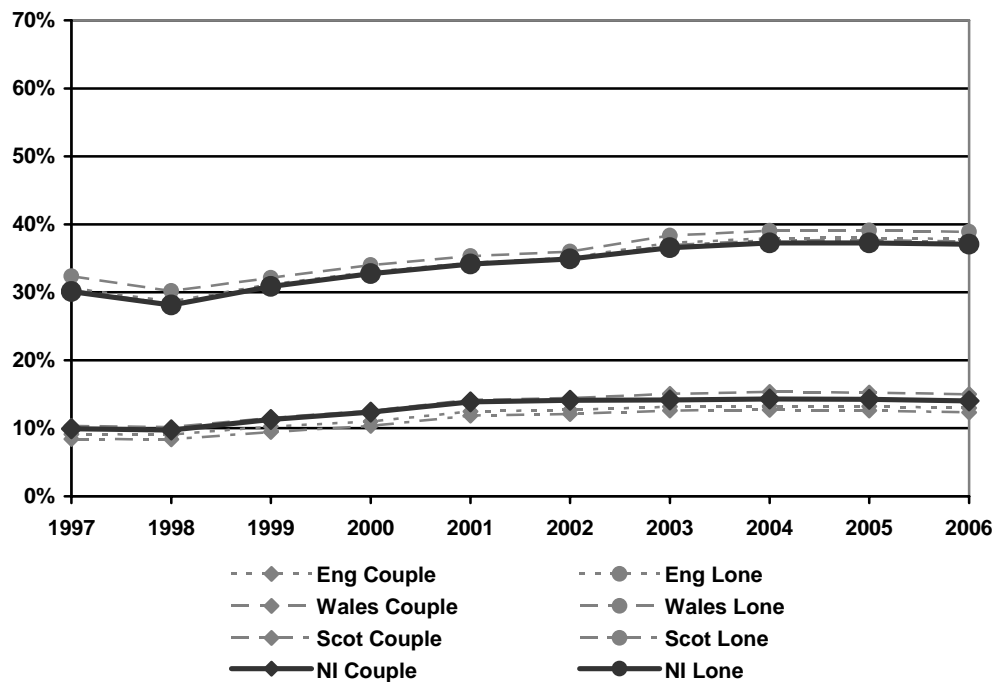
The proportion of a family's disposable income that is made up of child-contingent support is a useful indicator of how reliant different types of family are on such support. Differences in this proportion, of course, reflect both differences in entitlements and differences in private incomes.

Figures 3.11 to 3.13 show that, across the UK, child-contingent support makes up a larger proportion of net income for lone parent families (Figure 3.11), and larger families

(Figures 3.12 and 3.13). These qualitative conclusions are perhaps unsurprising, but the scale of the differences is large: in 2006 child-contingent support makes up less than 10 per cent of income for couples with one child, but around 60 per cent for lone parents with four or more children.

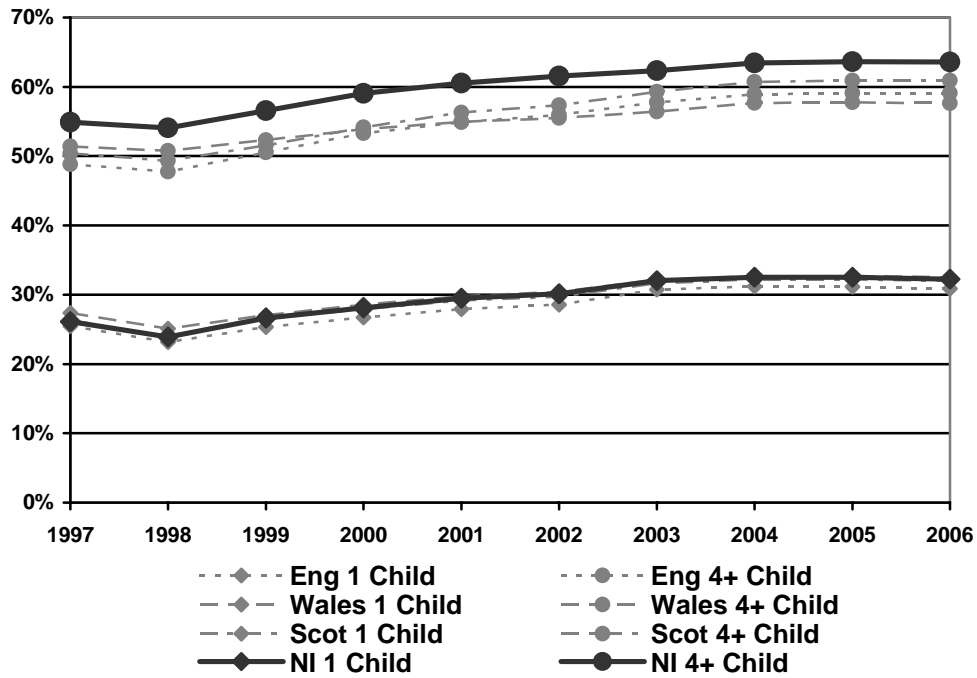
Comparing countries, Northern Irish lone parents receive a smaller proportion of their income from child-contingent support than those elsewhere in the UK, on average, but two-parent families in NI receive a higher proportion of their income from child-contingent support than their counterparts across the Irish Sea. However, neither of these features persists when we condition on having one or four+ children. Most striking is that couples with four or more children in Northern Ireland have a significantly smaller proportion of income as child-contingent support than similar families in the rest of the UK. This is because, although Northern Irish families are typically poorer than those in England and Scotland, this is not the case amongst large two parent families: it seems that having a large family (in this case, four or more children) is a stronger marker of disadvantage outside Northern Ireland than it is within Northern Ireland.

Figure 3.11 Child-Contingent Support as Proportion of Net Income



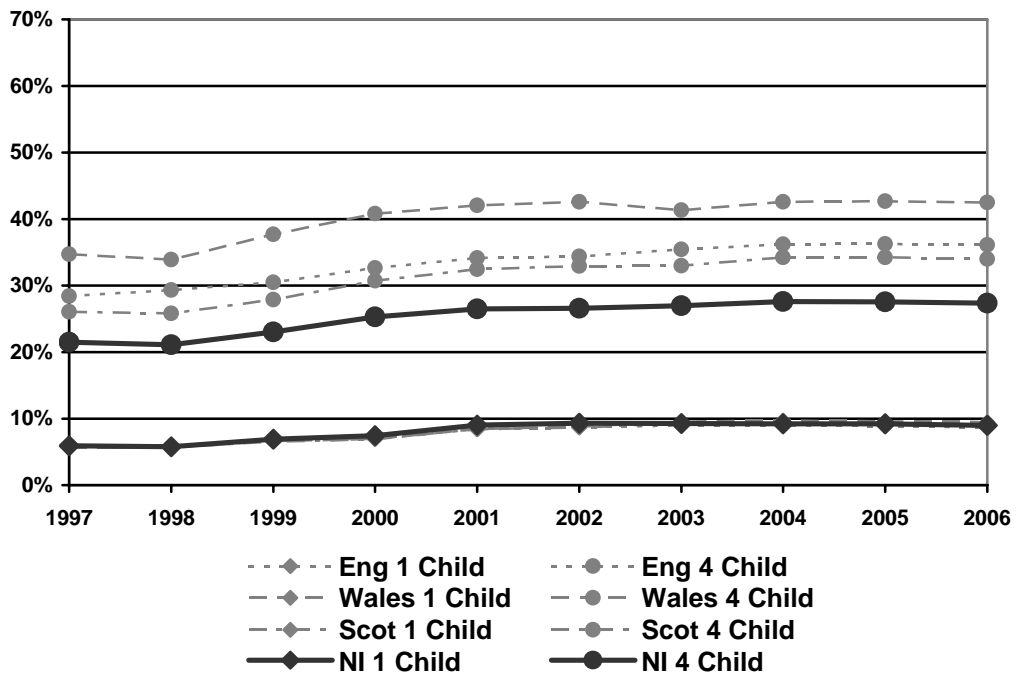
Source: Authors' calculations using TAXBEN and the *Family Resources Survey* 2004–05

Figure 3.12 Child-Contingent Support as Proportion of Net Income for Lone Parents, by Number of Children



Source: Authors' calculations using TAXBEN and the Family Resources Survey 2004-05

Figure 3.13 Child-Contingent Support as Proportion of Net Income for Couples, by Number of Children



Source: Authors' calculations using TAXBEN and the Family Resources Survey 2004-05

3.4. Summary

- In 2006–07, average child-contingent support per child is £39.28 in Northern Ireland, compared with a UK average of £38.92. In 1997 expenditure was £24.13 for both, indicating more rapid growth in Northern Ireland.
- Since 1997, spending on child-contingent support has grown most quickly in Scotland, at about the same rate in Wales and Northern Ireland, and most slowly in England. Across the UK as a whole, it is 61 per cent higher in 2006 than it was in 1997. Means-tested benefits and tax credits now make up the majority of expenditure: over 60 per cent in 2006 compared with around 40 per cent in 1997.
- Across the UK, support per child is highest for one and four+ child families, and lowest for two and three-child families. Northern Ireland has the highest expenditure per child for one-child families (£50.11) and the least for four+-child families (£38.55) in 2006–07, primarily reflecting different working patterns from the rest of the UK.
- Northern Irish lone parents receive less per child than lone parents in the UK as a whole. This is because their low employment rate means they are less likely to benefit from the in-work support that is a very important component of child-contingent support for lone parents.
- Northern Irish couples with children on the other hand receive more per child than both England and Scotland, but less than Wales.
- Since 2002–03, growth in spending on child-contingent support has been lower in Northern Ireland than elsewhere in the United Kingdom. Amongst couples, this is primarily related to the high numbers eligible for the working tax credit in the province. Amongst both couples and lone parents, the abolition of child additions to non-means-tested benefits in April 2003 (for new claimants) will have a greater impact in Northern Ireland than the rest of the UK.
- Our measure of child-contingent support does not capture all financial support for families with children; these families also receive support that is non child-contingent (i.e. that they would still have got if they did not have children), such as the working tax credit. Indeed, families in Northern Ireland with and without children benefit more than other countries from the working tax credit – which now provides support to working families conditional on having a low income, rather than conditional on having children – primarily due to the lower levels of earnings in Northern Ireland.

CONCLUSIONS

So what has happened to child-contingent support since 1997, and how does Northern Ireland compare to the rest of the United Kingdom?

Our estimates are that child-contingent support per child has increased rapidly across the United Kingdom (UK) since 1997–98 from an average of £24.13 to £38.92 by 2006–07 (an increase of 61 per cent). Northern Ireland (NI) has seen a rate of growth somewhat greater than England, the same as Wales and somewhat less than Scotland, with expenditure increasing from £24.13 in 1997–98 to £39.28. The three smaller countries have all gained somewhat more than England because of their lower incomes; they have therefore benefited most from the expansion and increased generosity of means-tested benefits and tax credits. Such means-testing of benefits and tax credits means that child-contingent support was and remains concentrated upon workless families, poor working families, and particularly lone parents.

However, it is useful to split the data into two sub-periods; 1997–98 to 2002–03, which saw family credit replaced with the working families' tax credit and a substantial increase in the generosity of child-contingent support, and 2003–04 onwards, which encompasses the introduction of the child and working tax credits. In the earlier period, Northern Ireland saw a growth in expenditure that was the greatest in the UK; in the later period expenditure grew at a slower rate than the rest of the UK. This seems to occur amongst both lone parents and parent couples. Policy interacting with demographic differences between the home nations can explain this:

- The working families tax credit (WFTC) saw increased generosity for poor working families, particularly those with several children; Northern Ireland has proportionally more such families and therefore its average figures increased relatively rapidly up until 2002.
- The introduction of the working tax credit in April 2003, replacing WFTC, saw a system of in-work support for childless couples and singles that had previously not existed. Whilst this change did not reduce support for those with children – it actually increased it – but it did reduce the amount that was contingent upon having children. Northern Ireland has a lot of these families, particularly amongst two-parent families with one full time worker. It is important to note that any fall in child-contingent support is (more than) balanced by an increase in non child-contingent support, so that families affected in this way were not worse off following the April 2003 reforms.
- The introduction of the child tax credit in April 2003 heralded a phasing out of child-additions in most other benefits; we apply these changes immediately in 2003–04 to accentuate policy changes and in order to make modelling tractable. Although existing claimants were not affected, new claimants of non-means-tested benefits (carer's allowance and incapacity benefit) will no longer receive child

additions, a change which will have a larger impact in Northern Ireland than elsewhere in the UK because it has relatively more families receiving such benefits.

Our report has not considered the 'costs' of children to their families, although this would likely be lower in the poorer regions of the UK if wages are lower (leading to lower opportunity costs) or the price goods is lower (leading to lower direct costs). Neither does it account for all child-contingent financial support (e.g. DLA), nor does it capture all expenditure on the new tax credits, even after accounting for 'overpayments'. This means we likely somewhat under-estimate support in later years, particularly for poorer families and poorer regions of the country. Furthermore, support for children in Northern Ireland is likely to be somewhat underestimated relative to the rest of the UK due to our inability to model support related to a child's disability status; a higher proportion of Northern Irish families are in receipt of such support.

Overall, it seems, that child-contingent support has risen across the UK at a very similar rate in each of the countries; children in Wales are, on average, the poorest and receive the most in child-contingent support; Scotland and Northern Ireland are in the middle, with children in Scotland receiving high amounts because families in Scotland tend to be relatively small, and relatively more likely to be lone parent families, and children in Northern Irish families receiving high amounts because families in Northern Ireland tend to have relatively low earnings; England remains the country receiving the least per child.

It is very hard to argue that Northern Ireland has done poorly from the changes to child-contingent support of the last decade: across the entire period considered, it has seen a faster growth than the UK average, and much of the divergence since 2003–04 is the result of a larger proportion of support directed at NI families being re-classified as non child-contingent following the introduction of the working tax credit, rather than a genuine cut in support for low-income families with children. The most striking finding of this report is the large and sustained increase in child-contingent support, across family types and far up the income scale; and this occurs across the UK.

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Appendix: Methodology and Modelling Strategy

Using a tax and benefit model to calculate entitlements

As sub-section 2.1 explained, our definition of child-contingent support is not limited to those parts of the system that are explicitly labelled as being child-related; instead, we include any transfer that an otherwise-equivalent family without children would not receive. We would also like to model child-contingent support across the whole distribution of families with children. This is more sophisticated and paints a more accurate picture than looking at the rates of or spending on particular programmes that support children, because the relative importance of different programmes changes over time and the majority of families receive help from more than one programme. Indeed, child-contingent support in practice can depend upon factors such as the age of children and adults, the distribution of earnings within a family, childcare costs, housing tenure and costs, and disability. Only a complex tax and benefit simulation model will capture all these special cases and their interactions.

A tax and benefit model typically tells us about entitlement to transfers rather than their receipt. Modelled entitlements differ from receipts for several reasons: errors in the recorded data if survey respondents confuse the names of benefits or give imprecise estimates of their income; differences in the time period (for example, surveys typically collect data on weekly income, and income tax requires incomes over a fiscal year); non-take-up; imperfect administrative mechanisms for delivering entitlements to claimants; and errors in the tax and benefit simulation process.

These concerns might lead us to prefer to use data on receipts²⁰ For example, it might be misleading to describe a particular tax and benefit system as very generous if it were based upon entitlement to a benefit that had very low take-up, and so was not at all generous in reality. On the other hand, studying entitlements can be defended as a better representation of government intentions than the actual receipts of programmes²¹. Another good reason for preferring entitlements in this project is that it would prove very difficult to calculate total child-contingent support from receipts data, because it is very difficult to establish accurately in a survey where a family is receiving a something like APA or CTC through PAYE. It would also be almost impossible to separate out the proportion of a

²⁰ Dickens and Ellwood (2001) have examined trends in benefit receipt by families with children in the Family Expenditure Survey and how it relates to earned income, but they are not able to distinguish child-related benefits from adult-related benefits.

²¹ It is plausible, however, that governments deliberately build in non-take-up when designing programmes (for an economic justification of this, see Besley and Coate (1992) and Yaniv (1997)). In that case, receipts would be a better indication of a government's intentions.

given benefit that was child-contingent from the proportion that was not without computing entitlements at some point.

Having preferred entitlements for this reason, it would theoretically be possible to superimpose a take-up function onto all child-contingent transfers. Take-up of child benefit is virtually universal. Take-up of income support and housing benefit among non-working families is very high. Take-up of in-work support, though, is relatively low, and seems to have been lower under WFTC than under FC, particularly for couples, at least until 2002. Recently published figures (HMRC, 2006b) reveal that in 2003–04 79 per cent of eligible families took up their child tax credit entitlement, with the corresponding figure for working tax credit 56 per cent. Modelling non-take-up of all the programmes that support children would be rather complicated in practice; but the main reason we do not do it is that, for the programmes for which we have take-up estimates, our tax and benefit simulation model does not significantly over-predict expenditure.²² All our analysis looks at the financial position of families: we do not attempt to model any shifts in support between different members of the same family.

Calculating entitlements on a representative sample of families

To calculate how much child-contingent support changes family income after taxes and benefits, we use the IFS tax and benefit micro-simulation model, TAXBEN,²³ to create a counterfactual series of tax and benefit systems from 1997 to 2006 that do not recognise children in the tax and benefit system (in other words, a regime in which all child-contingent support is abolished). Table A.1 details how we simulate this for each benefit.²⁴ We ignore the various phase-outs and transitional protections that are often introduced when benefits are made less generous (for example, in the 1998 when the Child Benefit (Lone Parent) rate and the higher lone-parent premiums in means tested benefits were abolished). Again, this is mostly due to the limitations of the data, but it does usefully accentuate the policy changes.

In this work, we have used a constant sample of families from 2004–05. This is done by applying both the actual and counterfactual tax and benefit systems to families in the Family Resource Survey (FRS), which tells us how much was received by each family in the

²² For example, Clark and McCrae (2001) look in detail at FC and find that tax and benefit models have lower estimates of expenditure than actual spending before non-take-up is built in.

²³ TAXBEN is described in Giles and McCrae (1995)

²⁴ Inevitably, the simulation process is constrained by the limitations of the data, which can vary over time. Throughout the period, limitations in the data and/or our model mean that we cannot identify families receiving, or do not model entitlement to, the following: guardian's allowance, war widow's pension, war pension unemployability supplement, child maintenance bonus, the discretionary Social Fund, or disability living allowance received in respect of children, and various disabled child premiums in various means-tested benefits. We also (more seriously) do not model rent restrictions in housing benefit (rent restrictions can vary by the number, age and gender mix of children). This means that none of these benefits (or components of benefits) is counted in our quantification of total child-contingent support.

2004–05 FRS for their children in each year since 1997. All of our results are grossed up to the appropriate population totals²⁵.

Our figures therefore show the amount spent on child-contingent support as government policy change over time, holding the population characteristics fixed in 2004–05. This has been done so that we can isolate the effects of policy changes on child-contingent support whilst abstracting from potentially different demographic trends across countries, although of course demographic differences in 2004–05 can be an important explanatory factor in the results. In order to do this sensibly, we have to adjust the financial characteristics (incomes, rent levels etc) of families with children in our data-set so that they are appropriate to the other years. We do this by adjusting parents' earnings in line with average earnings growth over the relevant period, with similar adjustments for other financial characteristics.

Of course, families with children will alter their behaviour in response to policy changes, and governments have made policy changes in the light of changes in the characteristics of families with children. We do not model any behavioural response (such as changes in labour supply, family size, housing tenure or savings) when simulating the abolition of child-contingent support. This is clearly unrealistic, but the alternative, to allow all of these to vary simultaneously as the level of child-contingent support changes, would be prohibitively complex.

²⁵ Grossing factors are used partly to correct for sampling errors and non-response and partly so that the estimated number of people in the data-set reflects the true population size

Table A.1 Modelling Strategy by Programme

Programme	Modelling Strategy
Child tax credit	Set to zero
Working tax credit	Set childcare element to zero; set lone parent's rate equal to a single person's; set age and working hours conditions equal to those for childless people.
Children's tax credit	Set to zero
Working families' tax credit	Set all credits to zero
Family credit	Set all credits to zero
Income support	See note d
Income-based jobseeker's allowance	See note d
Housing benefit	See note d
Incapacity benefit	Set child additions to zero
Disability living allowance	DLA received on behalf of children is not modelled separately and therefore not set to zero.
Council tax benefit ^a	See note d
Sure Start maternity grant ^b	Set to zero
Child benefit	Set to zero
Carer's allowance / invalid care allowance	Set child additions to zero
State retirement pension	Set child additions to zero
Widowed parent's allowance ^c	Set child additions to zero
Severe disablement allowance	Set child additions to zero
Additional personal allowance	Set to zero

^a Including rates rebate in Northern Ireland

^b Maternity expenses payment before 2000

^c Widowed mother's allowance before 2001.

^d Set family and lone-parent premiums, child allowances and value of free school meals to zero; set lone parent's allowance and earnings disregard equal to a single person's. Disabled child premium not modelled.