

# Families with children in the UK: Tax and Benefit policies

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# Social security in the UK: General

- Emphasis on means-tested support (social assistance), not insurance benefits
  - Flat-rate amounts for all, rarely related to past earnings
  - No child allowances within income tax; some differences in value-added tax (VAT)
- One mostly universal benefit, Child Benefit, for children
- Centralised
- Historically, rates set at subsistence levels (1940s)
- Historically, annually increased in line with inflation
- Large redistribution under New Labour (Blair) 1997-2010 towards families

# Social security in the UK: examples for families with children

- Means-tested benefits – called ‘child tax credit’ – pay about £230 per month per child (more if disabled)
  - After 2017, limited to two children
  - Withdrawn once earnings/income increase
    - Payable to most families ... if they claim
- One universal benefit for children – Child Benefit – since 1978
  - About £90 per month for first child, then £60 for each extra child
  - Recently removed from higher earners (at £5,000+ per month)
  - This replaced any tax-related support for children

# Child maintenance

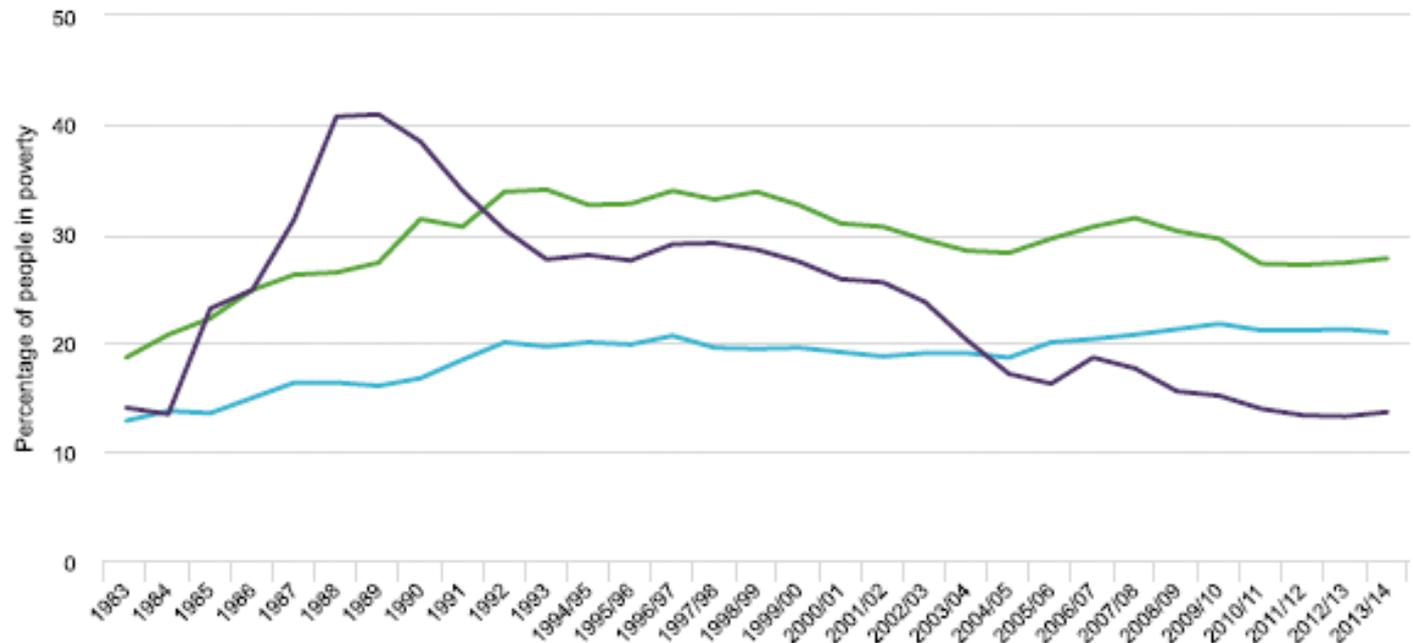
- Unusually, any child maintenance does not count as income against benefits
  - Though no tax reliefs either
- Couples expected to resolve this themselves, with fee-charging state system if not
- Online guidance on amounts to pay
  - Based on % of non-resident parent's income (e.g. 12% for one child)

# Child poverty remains stubbornly high

Indicator: 7A

At almost 30 per cent, the poverty rate among children has been consistently high since the 1990's. For working-age adults it has remained around 20 per cent but for pensioners it is less than 15 per cent following considerable long-term falls.

Children  
Working-age  
Pensioner



Source: Living standards, inequality and poverty spreadsheet, IFS; the data is for Great Britain to 2001/02 and for the UK thereafter

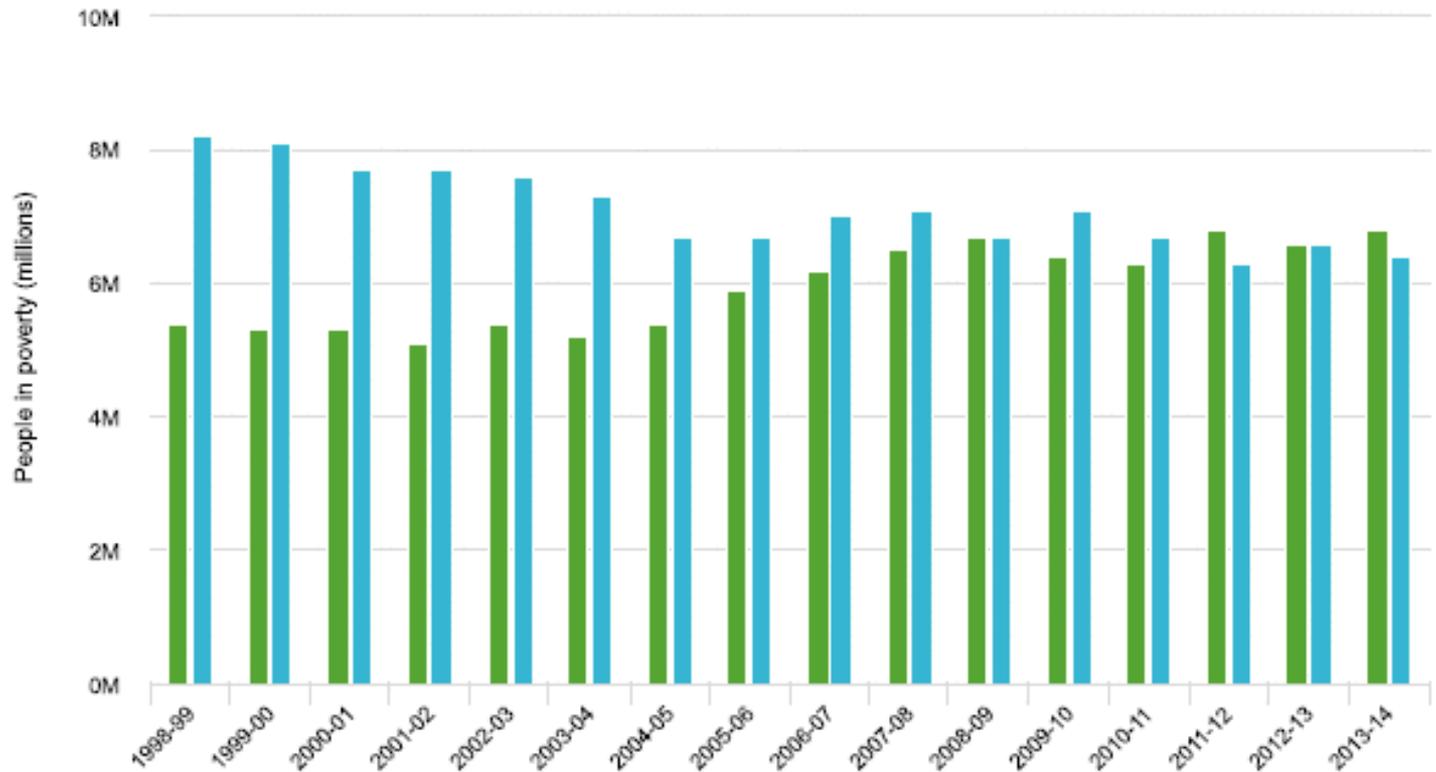
Note: charts extracted from NEP's *Monitoring Poverty & Social Exclusion 2015*.

# Poverty – more in work, than out of work

Indicator: 8A

More than half of people in poverty live in a family where someone is in work. At 6.8 million it is 1.5 million higher than a decade ago.

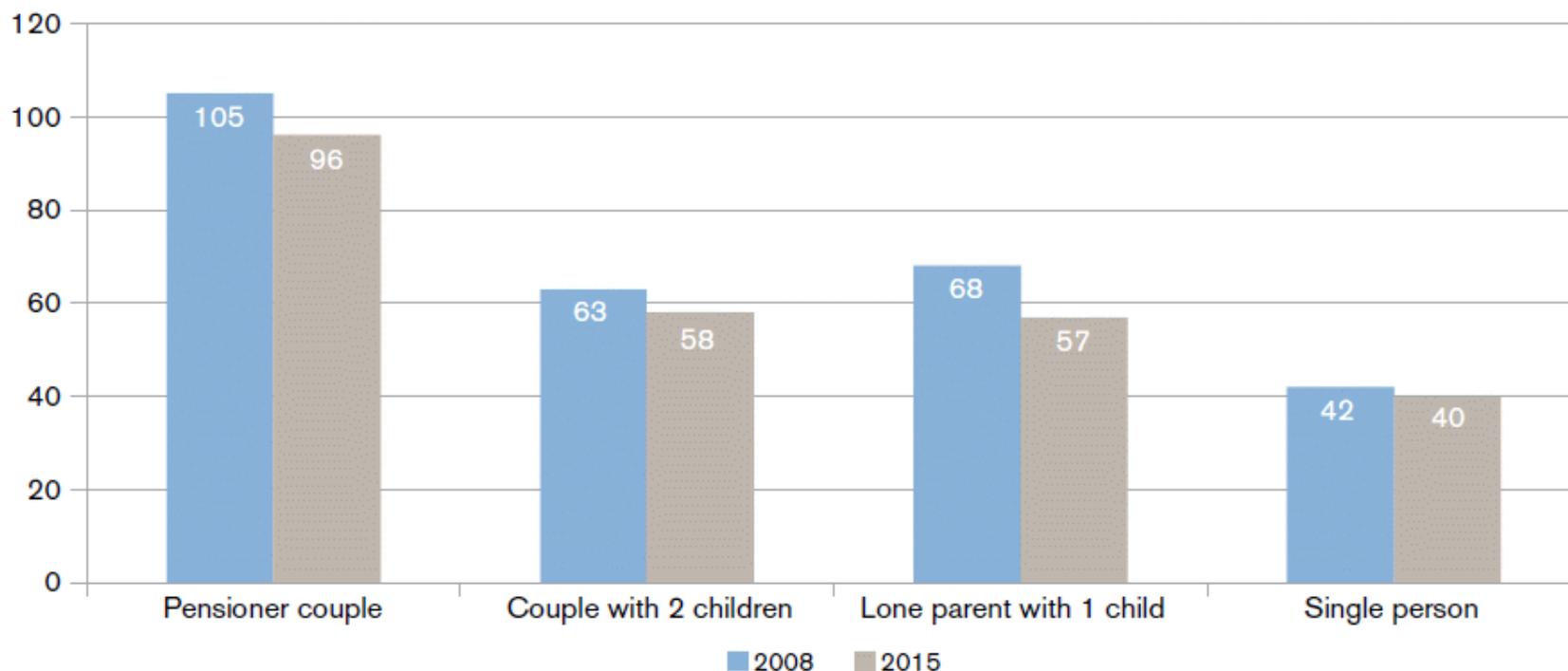
■ In a workless family  
■ In a workless or retired family



Source: Households Below Average Income, DWP; the data is for GB to 2001/02 and for the UK thereafter

Note: charts extracted from NEP's *Monitoring Poverty & Social Exclusion 2015*.

# Benefits not paid at adequate levels – compared to cost of a ‘minimum budget’



Note: charts extracted from NEP's *Monitoring Poverty & Social Exclusion 2015*.

# Recent social security policy

- Universal Credit – replacing other benefits, and both in and out of work
  - Overall ‘cap’ (limit) on amounts paid, already in place
  - Limited to two children-level (2017), withdrawn more quickly, other changes to limit amounts
- Removal of universal Child Benefit, from top earners
- Limited annual increases in benefits (1% mostly)
- Reductions in support for rent (housing costs)

# Key themes

- Government concerned about **work incentives** and **total cost**, will reduce 'cap' level
  - (also concerned about migrants ...)
- Child poverty increasingly thought of as being about parenting and behaviour, not amounts of income (resisted by others)
- Social security ('welfare') remains unpopular and hence a target for cuts
- Alarm about rise of food banks, people living on very low amounts of money, rise of insecure labour market and living arrangements