



CHILDREN CAN'T WAIT

INVESTING IN SOCIAL SECURITY TO REDUCE CHILD POVERTY IN NORTHERN IRELAND

EXECUTIVE SUMMARY

During the last year and a half, we've seen how concerted action can lift children out of poverty and support families, even in the midst of a pandemic. Steps like the £20 increase to Universal Credit and Working Tax Credits, the decision to pay families directly for free school meals and help for families with the cost of childcare in Universal Credit, have supported children and their families during a historic crisis.

But even before the pandemic, one in four children were pulled into poverty, with children in every part of Northern Ireland affected. This matters for the start a child gets in life: it puts them at greater risk of struggling with their early learning and development, education, health, and wellbeing. Poverty puts massive pressure and stress on families and can mean that children miss out on opportunities that other children have. That's not right, but we can fix it by investing in measures that make a difference for children.

The upcoming Anti-Poverty Strategy is a chance for the Northern Irish Executive to do just that. By setting out an ambitious vision, measurable targets, and by committing to investment in children, the Anti-Poverty Strategy can set us on a path to a future where no child grows up in poverty.

This briefing by Save the Children UK and Child Poverty Action Group looks at some of the ways the Executive could achieve this. It examines how changes in social security would lift children out of poverty. There are costs and trade-offs associated with all these changes, but what this analysis demonstrates is that we can lift thousands of children out of poverty with investment.

Key Findings

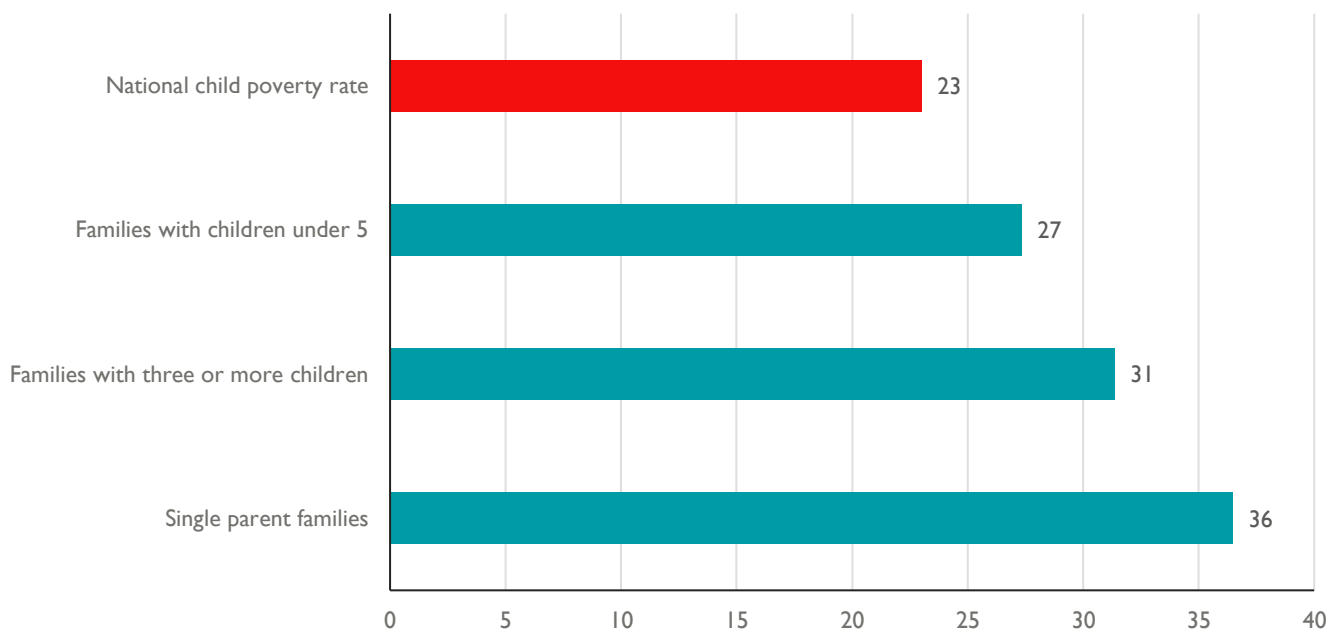
- The upcoming **cut to Universal Credit and Working Tax Credits would plunge 11,000 children into poverty**, but keeping the increase would reduce poverty by 2.5-percentage points, one of the largest declines in a decade, as well as benefit other households, at a cost of £175 million
- Introducing a **new child payment of £20 a week** for every child eligible for means tested benefits, to supplement child benefit, **would lift 27,000 out of poverty** at a cost of £210 million, with children in single parent families, families with children under 5, or with three or more children, all seeing a reduction in poverty of between 8.5 and 6 percentage points,
- **Removing the two-child limit would lift 6,000 children out of poverty** at a cost of £27 million, with a 4-percentage point reduction in child poverty in families with three or more children, while fixing the loopholes in the current welfare mitigations package would cost £2.5 million,
- **Restoring the value of core child related benefits** – like child benefit - in the social security system to 2009/10 levels **would lift 14,000 children out of poverty** at a cost of £150 million, with all groups of children seeing a reduction of at least 3-percentage points in poverty.



INTRODUCTION

One in four children were pulled into poverty before the pandemic, with little progress made in the last decade. In all areas of Northern Ireland at least one in five children were growing up in poverty, while in some areas it was as high as one in three children. The risk is even greater for families with children under 5, children of single parents, and children with two or more siblings (Save the Children 2021). Poverty matters for a child's start in life; it puts a child at far greater risk of struggling with their early learning and development, their education, and their health and wellbeing (Cooper & Stewart, 2020).

Figure 1 Child poverty rates in Northern Ireland among at risk families, 2017/18 – 2019/20¹



Source: Authors' calculations from the households below average income datasets, 2017/18 to 2019/20

We know how to fix this: by boosting family resources, through work or social security, and by expanding access to services like childcare, housing, and health (Thévenon et al 2018; Aizer et al 2016). But we've seen little progress in these areas in recent years: poverty has risen among working families, we've seen successive reductions in child related benefits in the last decade, and progress on expanding access to services has stalled (Save the Children 2021). This briefing paper looks at how we can reverse these trends and make progress in reducing child poverty through investing in the social security system.

FINDINGS

Our analysis uses UKMOD, tax-benefit microsimulation software, to examine the impact and estimate the cost of changes in the social security system on child poverty (see the appendix for the full methodology). The changes that we examine in the analysis include:

- **Keeping the £20 increase to Universal Credit and Tax Credits:** the UK government introduced a £20 increase to the standard allowance in Universal Credit and the basic element in Working Tax Credits at the beginning of the pandemic. This increase is due to come to an end in

¹ Because of small sample sizes we use a three-year moving average covering 2017/18 to 2019/20 to ensure robustness.

October 2021, with a third of households in Northern Ireland at risk (Bell, Corlett & Handscomb, 2020). We model the impact and cost of keeping this increase in Northern Ireland.

- **Introducing a new child payment in Northern Ireland:** Based on the Scottish Child Payment, we examine the impact on child poverty of introducing a new £20 payment for children eligible for means-tested benefits in Northern Ireland. Designed to supplement child benefit, this new payment would be used to support families with the cost of raising a child and as a tool for politicians and policy makers in Northern Ireland to secure reductions in child poverty.
- **Removing the two-child limit:** Introduced in 2017, the two-child limit restricts the child element of Universal Credit and tax credits to the first two children in a family. This only applies to families who have a child born on or after the 6th April 2017. The policy is driving an increase in child poverty across the UK (CPAG 2021). In Northern Ireland around 9,000 families are currently affected by the policy and we model the impact of removing the two-child limit for these families. Over time the cost and poverty reduction effect will increase as a greater share of families with 3 or more children are subject to the limit because of the April 2017 cut-off.
- **Closing the loopholes in the welfare mitigations package:** Many households are protected from the benefit cap and bedroom tax through the welfare mitigations package. However, some households, whose circumstances have changed more recently are affected. We model the effect of extending the mitigations package to all households affected by the benefit cap and bedroom tax.
- **Restoring child related benefits to 2009/10 levels:** since 2009/10 the value of child related benefits (e.g. child element in Universal Credit) have seen successive cuts. We model the impact of restoring the value of these child related benefits for children in Northern Ireland.

Table I presents the findings of the analysis, showing that there are a variety of ways to reduce poverty:

- Keeping the £20 increase to Universal Credit and Tax Credits would lift 11,000 children out of poverty, and also have wider benefits for households without children which aren't modelled here,
- Introducing a child payment of £20 per week would have the largest impact on reducing child poverty, moving 27,000 children out of poverty at a cost of £210 million.
- One immediate and cost effective step would be to remove the two-child limit, which would lift 6,000 children out of poverty, at cost of only £27 million.
- Closing the loopholes in the mitigations package would have no direct impact on reducing child poverty but would significantly reduce the depth of poverty experienced by families.²
- Restoring child related benefits lifts 14,000 children out of poverty at a cost of £150 million.

Table I Impact and cost of changes in social security system on child poverty

Change	Reduction in number of children in poverty	Reduction in percentage points	Estimated cost of changes (millions)
Keeping the £20 increase	11,000	2.5	£175
Introducing a new £20 child payment	27,000	6.0	£210

² Households affected by the benefit cap are generally so far below the poverty line that, even with the cap removed, they will still be in poverty.

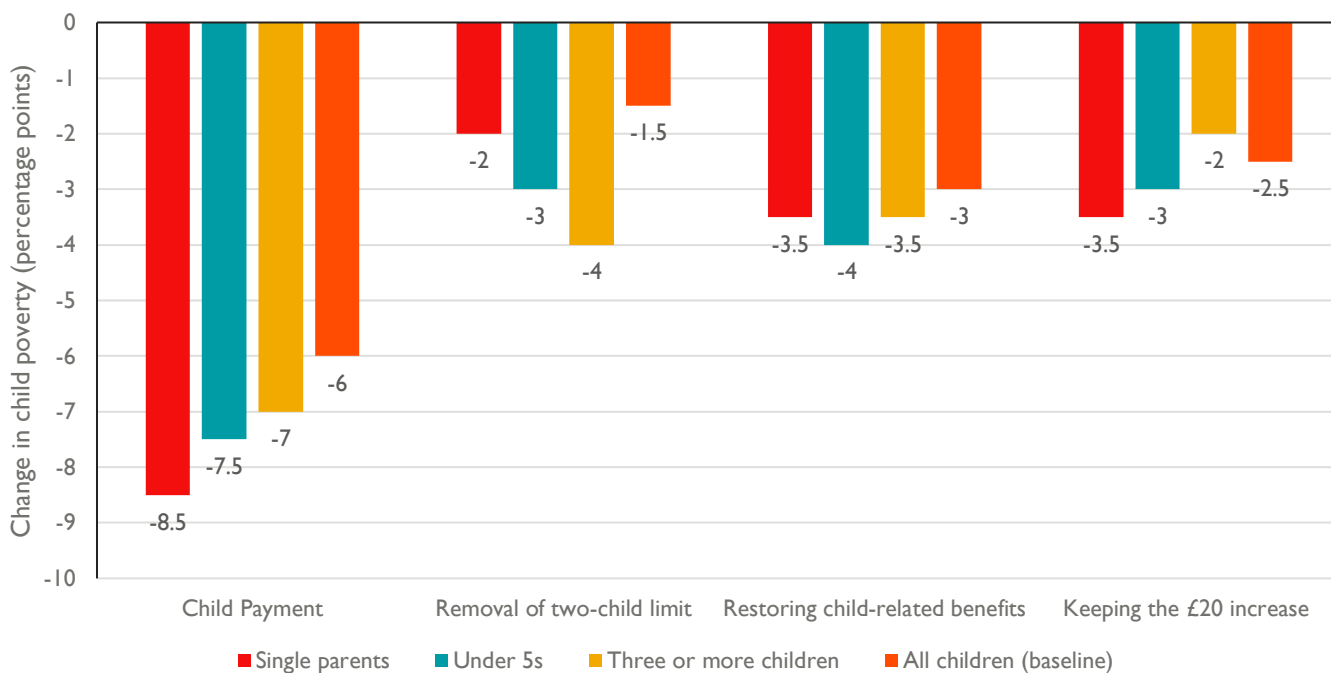
Removing the two-child limit	6,000	1.5	£27
Closing the welfare mitigations loopholes	*	*	£2.5
Restoring child related benefits to 09/10 levels	14,000	3.0	£150

Source: Author's calculations from Family Resources Survey 2018-19, UKMOD. For more details see the Methodology section

Table 1 shows the findings for the headline rate of child poverty. But, as Figure 1 showed, some children face a much greater risk of poverty. Others, like children in working families, have seen the risk of poverty rise in recent years. Figure 2 looks at how the changes might impact groups of children who face a higher or rising risk of poverty, to examine how they benefit from these changes. It shows that:

- Introducing a child payment has the largest impact across all groups, with a large impact for children in single parent families, families with three or more children, and children under 5,
- The removal of the two-child limit, unsurprisingly, has a particular large effect on families with three or more children as well a sizable effect on families with a child under 5,
- Retaining the £20 increase and restoring child related benefits would have a largely equal impact across all groups of children.

Figure 2 Impact of changes in social security system on child poverty among different groups



Source: Author's calculations from Family Resources Survey 2018-19, UKMOD. For more details see the Methodology section

CONCLUSION

The findings in this briefing paper show that with investment we can lift thousands of children out of poverty, with significant gains for children most at risk of poverty. Not only would these measures lower the overall rate of child poverty in Northern Ireland, but they would also make a difference for the start that children have in life, as well as help families manage ever higher costs of living.

To end child poverty, we would need to take further steps, including further action on accessing good quality jobs for parents and quality services for children. But the changes set out in this paper need to be part of any package to tackle poverty in Northern Ireland. What we need to see is a commitment to investing in these changes to tackle persistently high levels of child poverty.

The upcoming Anti-Poverty Strategy is a chance to do just that. If it's to be a success it is critical that the Anti-Poverty Strategy includes an ambitious vision and targets for securing reductions in child poverty, as well as commitments to investment in social security and other measures as part of the strategy.

The next paper in this series looks at what it would take to secure significant reductions in child poverty, given the likely trends in child poverty in the coming years. It will look at how the changes in this paper, as well as other measures, would contribute to a future where no child grows up in poverty.

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Appendix – methodology

In order to estimate the poverty reduction effect of different policies it is necessary to use tax-benefit microsimulation software. This analysis was carried out using UKMOD, currently the only tax-benefit model for the UK entirely open and accessible to policy makers, researchers and the interested public, with regional disaggregation and timely updates.

UKMOD uses the Family Resources Survey 2018-19 as the basis for its input data. This provides information on various factors such as household composition, earnings, hours worked and location. However, these data, are from 2018-19, it is therefore necessary to modify the underlying data, in order to make it applicable to 2021-22.

COVID has had a massive labour market effect, in order to get reasonable estimates of who has been affected, Understanding Society Covid-19 study was used. The probabilities of different people losing their job/hours or become furloughed on observable characteristics was estimated from the data. It is important to note that these probabilities have estimated from UK wide data as detailed regional data does not exist. These estimates can then be used to change the labour market status of some people in the Family Resources Survey 2018-19, calibrated so that aggregate economic variables (e.g. unemployment) match the projected unemployment rate from the Office of Budget Responsibility.

This augmented dataset can then be passed through the tax-benefit model in order to simulate benefit entitlement (+ tax liability) based on their underlying household composition and labour market status. The underlying post-tax and transfers income distribution (and therefore also the poverty line) can now be calculated.

In order to look at the effect of different policies, new policies were created within the UKMOD software (or modified the parameters of existing policies), to create a new income distribution for a state with or without certain policies.

The difference in the number of children in poverty and overall expenditure between the estimated current status quo and the estimated world with a modified policy gives the poverty reduction and cost of different policies.

ABOUT

Child Poverty Action Group

Child Poverty Action Group works on behalf of the more than one in four children in the UK growing up in poverty. It doesn't have to be like this. We use our understanding of what causes poverty and the impact it has on children's lives to campaign for policies that will prevent and solve poverty – for good. We provide training, advice and information to make sure hard-up families get the financial support they need. We also carry out high-profile legal work to establish and protect families' rights.

Save the Children

Founded in the UK in 1919, Save the Children is a global organisation helping children to survive and thrive in 120 countries, including here in the UK, where our mission is to reduce the number of children living in poverty. Save the Children's work in the UK focuses on tackling poverty during children's earliest years, as the roots of some of the deepest educational and social divides lie in these critical first few years.