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Mixed Methods Research on Economic Conditions, Public Policy,
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Within-household inequalities and public policy in the UK: some starting points

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I Introduction

This paper presents some plans for a project that is being carried out within the Gender Equality Network (GeNet), part of the UK Economic and Social Research Council's Priority Network Programme.¹ The project will be carried out over four years and is currently in its early stages. As yet there are no results to present but, by its nature, the design of the project raises questions of wider interest, on which the authors would greatly value comments and suggestions.

The aims of the project are

- To explore alternative approaches to understanding the behavioural and distributional impact of policy change which take account of gender inequalities in power and influence within the household.
- To use such approaches to analyse the effects of actual and potential changes in fiscal, social security and associated labour market policies in the UK.

The overall plan is ambitious and hopes to combine qualitative research with two types of quantitative modelling (econometric analysis using a range of household micro datasets; policy simulation using a tax-benefit model) into one integrated design. Since there are formidable challenges arising from the research questions themselves, from the lack of ideal

¹ See <http://www.genet.ac.uk/>

data and from combining methods in this way, we also intend to make sure that each part of the project will have its own methodology and stand-alone outputs that are independent of the other parts. Indeed, we have several different starting points and a discussion of these forms the first part of this paper.

The original project proposal intended that in depth qualitative interviews with couples would be used to help formulate key questions for the quantitative analysis. This in turn would attempt to identify “indicators of relative power” within the household. These would be applied during simulation of alternative policies, to capture the differential effects on men and women within households. We now think that these three stages will not run as consecutive phases but might take place to some extent concurrently.² Identification problems make quantitative estimation of relative power problematic and the qualitative research may be able to provide some pointers for how to proceed. Some quantitative work – in the form of exploration of existing data sources - will usefully inform the qualitative study. The second part of this paper discusses the possible inter-relationships in more detail.

II Some starting points

We have a number of distinct starting points, both in terms of the motivation of the three co-Principal Investigators to work together on these issues, and also in approaching the challenging and complex theoretical and empirical problems. These are linked by a common interest in developing methods for, and promoting practice in, the mainstreaming of gender in policy design, analysis and evaluation.

1. A concern about the gendered effects of recent policy reforms in the UK that have the aim of reducing child poverty.³
2. An interest in income inequality and poverty measurement and a desire to move away from the conventional assumption that all household members share the same level of income or standard of living, and that incomes from all sources are fully shared.
3. A critical interest in economists’ models of household decision making.

² Ideally they would run iteratively, but we do not have time or funding to support that way of working.

³ Thus the focus on children is rather different to that of most of the other papers presented at this conference. We consider the ways in which policies to improve the situation of children (among others) influence gendered inequalities. We hope that our research will eventually inform the design of policies that benefit children while promoting gender equality.

4. The findings of previous qualitative studies which suggest that different kinds of income (in terms of the source, labelling, mode of payment and purpose) confer different senses of entitlement in a number of dimensions.

We consider each of these in turn.

1. UK policies to reduce child poverty.

The recent attempts to reduce child poverty in the UK have relied on a combination of increased levels of means-tested child-contingent cash support with an extension of in-work benefits, support for child care costs and measures to encourage (but not force) lone parents (and, more recently, parents generally) to take paid work. Figure 1 shows how the significant amount of additional spending on cash measures is distributed over the income distribution. The proportional change in income (against a price-indexed base) since 1997 when the Labour government came to power, due to changes in cash benefits and liabilities for incomes taxes and social contributions is shown. These changes include those intended to reduce poverty together with others that had other justifications (e.g. an increase in the rate of National Insurance contributions). Income is measured at the household level, adjusted for household size using the same equivalence scale as conventionally used by the UK government⁴ and then allocated to each individual. The percentage change in this income is shown for each decile group of individuals, averaged over all individuals, over children and over the elderly. Using this conventional and established way of looking at the distributional effects of policy changes we can see a clear targeting of extra income on lower-income households and, particularly at low levels of income, on households with children. Other evidence indicates that this has had a positive impact on the reduction in child poverty and that UK (relative as well as absolute) child poverty rates are falling (Brewer et al., 2005; Sefton and Sutherland, 2005) and that child hardship measured using deprivation indicators is also falling (FACS survey). Figure 1 does not include the effects of non-cash measures, for example on increasing the employment of lone parents, nor of the support for child-care costs (because of the difficulty in modelling this).⁵

⁴ The McClements scale.

⁵ See Sutherland (2002) for a discussion of both these effects, on children in lone parent families in particular.

The way in which the child-specific cash support is delivered in 2005 is indicated in Figure 2.⁶ Three features are worth noting. First, all the instruments shown except child benefit are means-tested on family income (child benefit is universal). Thus the advantages of being able to target low income households with children are to some extent offset by adverse effects on parental work incentives. As well as the withdrawal of the means-tested benefits, low income parents also face income tax and social insurance contribution liabilities resulting in combined effective marginal tax rates of over 60% for many and over 90% for those also qualifying for housing benefit and council tax benefit (not shown on the chart). Furthermore, these disincentives to work are thought to particularly affect the “second” earner since their marginal deduction rate will start high, inhibiting them from entering work. Many “second earners” in couples are women.

Secondly, the Working Tax Credit (WTC) is now available to people aged 25+ who do not have dependent children (if they work at least 30 hours per week; the threshold for parents is 16 hours). This extends the group of female partners whose household income may be enhanced by the WTC but who face higher barriers to work as a consequence.

Thirdly, although the Child Tax Credit (CTC) and WTC were newly introduced in 2003/4 they replaced a previous system that in combination had a very similar impact effect on family incomes, although to a somewhat smaller extent. The main difference is in the administration of the credits/benefits. The predecessor benefit/credit, the Working Families Tax Credit (WFTC) was generally paid to the main earner (couples could choose). The CTC is paid to the main carer and the WTC to the main earner (currently through the paypacket although this is due to change). The person who receives the benefit/credit may have an effect on how its purpose is perceived and how it is used.

Furthermore, the CTC not only replaced the “child” element of the WFTC, it also replaced the child additions to the main out-of-work social assistance benefit, Income Support. This resulted in another switch of payment from the claimant of IS (often the man in couples) to the main carer (usually the mother).

⁶ This diagram shows the system as planned in 2002. The 2005 system is somewhat more generous in real terms. Annex 1 explains how the CTC and WTC are calculated.

In addition, second earners as well as lone parents working at least 16 hours per week are now entitled to Child Care Tax Credit as part of the WTC (not shown on Figure 2) as a cash rebate on a proportion of accredited child care costs for up to two children. This is paid to the main carer (who is also, necessarily, in work). This improves the incentives to work of those who make use of qualifying paid child care but extends the “net” of means-testing higher up the income distribution.

In the context of gender inequalities the reforms raise the following questions:

- What is the trade-off between higher family income and reduced incentives to work for women?
- What effects does paying benefits labelled for children to mothers rather than fathers have?
- What adjustments are made within the household in response to the “gains” and “losses” following the reforms.

2. Income as an outcome?

Our second starting point takes the form of considering two alternative ways of treating income in our study. One option is to take income as the final outcome. Within this perspective, we can think of income as an “entitlement” or “right” and be concerned about the inequality of income receipt within the household, and the causes and consequences of this as well as ways to improve the degree of equality. Within the other perspective, with a concern for the “standard of living”, income is only as an intermediate stage. Our real interest is in consumption and also wider aspects such as autonomy, opportunities and power. Unequal incomes may be an explanatory factor in understanding other inequalities - or, if within household sharing takes place to the extent usually assumed, may be irrelevant to some of the other inequalities. The next section considers these wider issues. Here, we focus on the context in which income may be usefully viewed as an outcome and motivates attempts to measure empirically the distribution of income within the household. This is most easily done with an example drawn from Sutherland (1997).⁷ The impact of the introduction of the minimum wage in the UK was mainly on the middle of the income distribution because one

⁷ See also Duncan et al. (1994).

of the larger groups to benefit was low paid women in couples whose partner was in work. (Another group of beneficiaries was young people still living at home with parents.) When viewed from an individual perspective the picture is quite different (see Figure 3) and when this individual distribution is broken down by gender, specific effects for men and women can be found (Figure 4). The spike at low levels of income is explained by large numbers of low paid part-time workers, mainly women. The spike around median individual incomes is explained by a small group of very low paid men working long hours. The household perspective misses these important points. These calculations made use of policy simulation, with incomes allocated to individuals according to the receipt of each type of income (or liability for each type of deduction).

In the standard use of policy simulation, incomes are calculated at the household level, simulating tax liabilities and benefit entitlements at the appropriate level, using information about the people (or person) in the corresponding unit. For example, national insurance contributions depend on individual earnings and age and whether the individual is contracted out of the state pension. Housing benefit depends on the incomes of the whole household, together with other information about each person living in the household. Having calculated incomes, analysis is usually conducted at the household level, making the implicit assumption that incomes from all sources are pooled and the benefits shared equally by all household members. This means, for example, that children are assumed to benefit from the pensions of their co-resident grandparents and that a change in any household member's income (earned or otherwise) has an identical effect on everyone's well-being as a change in any other member's income (unless the knock-on effects of taxes and benefits are different).

The example shown in Figures 3 and 4 made global assumptions about receipt implying incidence or ownership, at least in the first instance.⁸ Such analysis is not without its problems: it is unclear how to treat public goods (and/or liabilities) such as children, or how to allocate the benefits of economies of scale. (Both these are necessary to evaluate effects *between* households of different types.) Nevertheless, so long as the assumptions are transparent, this type of analysis at least provokes questions about the real incidence of policy reforms. More generally it highlights the extent to which a gendered treatment of income (on an individual basis) shows greater inequality between men and women than the standard

treatment, where men and women are classified according to their level of household income (Figure 5).

Even within the “rights” framework it is important to dig a little deeper based on the evidence from previous qualitative research about perceptions of the purpose of incomes from different sources: receipt is not necessarily the same as incidence. In other words, that even though a benefit may be paid to a woman, she may treat it as though it does not belong to her; the fact that some income is earmarked “for children” may mean that other income sources are spent disproportionately not on the children. More generally, the “rules” by which income can be considered to be distributed across household members may differ according to other household and individual characteristics. These “characteristics” may not be the type observable in the usual quantitative datasets.

Key questions that the qualitative research might inform include:

- If marginal deduction rates are key determinants of work incentives and actual labour market behaviour, is it deductions from individual income that matter, or deductions from household income? In other words, if when a woman in a couple enters work and she finds that the WTC her partner receives is reduced, does this deter her as much as it would if “her” CTC were withdrawn? Is the pattern the reverse if the man is the main carer and the women the main earner?
- How much do the source and purpose (label) of an income source affect perceived ownership and intended use? Can generalisable “rules” be derived?

3. Household decision making

The third starting point takes a broader range of inequalities into account. To a large extent it is not possible to consider income – as an indicator of standard of living - in a gendered way in isolation from other factors and in particular the division of domestic labour (in terms of time as well as money) and inequalities in power over decisions within the household.

⁸ For example that child benefit is received by the mother; everyone keeps their own net earnings, etc.

In the standard neoclassical model of household decision-making the household is treated as a unitary decision-making unit with a single utility function. This means that on the basis of external conditions (e.g. wage rates for men and women) and given household resources (e.g. physical and human capital of household members) the household makes a decision for all its members about both what they will do (how much time they will spend on the labour market and how much on unpaid domestic work) and what each will consume. The salient feature of this model is that the household is taken to be a single decision-maker with a common set of interests, encapsulated in a single household utility function. There are two variants: in Samuelson's model, the household utility function arises out of family affection and mutual supportiveness; in Becker's more widely cited model, the household utility function is that of its altruistic head who is sufficiently powerful to impose what he wants.

Such unitary decision-making does not necessarily imply an assumption of equality within the household. For example, the household may decide that it is more important to feed sons than daughters, and that women should do more domestic labour than men – it is just that all members accept this decision because either they agree with it (Samuelson) or accept it because the consequences of doing so are better for them than anything else (Becker). It means that it does not matter how much of the household's initial resources are contributed by each partner.

Such models are commonly used both in economic theory and in policy making. For example, as described above, working out the disincentive to second earners that tax credits provide is based on treating increasing household income as the common goal of both partners. The take-home pay of a woman whose husband is receiving a tax credit is not affected when the tax credit is reduced if she earns more; it is her husband's take-home pay that falls. So it is really the consequent reduction in benefit to the household as a whole that is talked about as the disincentive to her. To see the disincentive to her as equal to that full effect on total household income is correct only in terms of the unitary model.

Our project's aim is to go further and investigate what happens if we do not assume such a unitary household, with a single utility function. We will assume that external and internal factors affect not only the possibilities and resources at the household's disposal but also the balance of power in decision-making within the household. Thus the members of the household do not necessarily have identical views, nor does one always get his way, but both

partners can influence the decisions made according to their relative power. And external as well as internal factors may affect that relative power, e.g. if tax credits are paid to women rather than men they may have more power over their household's spending. The unitary model could not take account of such a possibility.

In the existing literature, collective models are the broadest type of models that still work within a rational choice framework but do not assume that a household is a unitary decision-making unit. The sole assumption these models make is that the process of household decision-making is co-operative. This means that the outcome is Pareto optimal, which means that one partner cannot be made better off without the other being made worse off. The justification for assuming this is that households have some continuity, which should enable the partners to realise the gains from cooperation. Collective models generally do not specify any particular sharing process; in that respect, they are rather like the unitary models in treating the household decision-making process as a black box.⁹

Note that resources that the collective models see as being divided between individuals are fixed endowments that chosen actions cannot affect. Once public consumption is allowed for, the collective models see everything that is a choice being decided by each individual by themselves on the basis of their share of those fixed endowments. It is as if each partner, once they know what their share of those fixed resources is, decides individually how to spend their time and the consequent income earned on whatever gives themselves most utility. Those fixed resources include time (24 hours each), non-contingent state benefits (e.g. child benefit once the children are born) and other endowed income - but not earned income, which depends on decisions about time-use (e.g. whether to take employment), nor means-tested benefits or tax credits that also indirectly depend on that decision.

The aim of the project is to show how external and internal factors, particularly policy-relevant ones, can influence the division of power in the household and consequently its

⁹ Bargaining models are a special case of collective models that do have some implicit rationale for the ways external and internal factors affect sharing. Factors that influence the sharing rule do so only through determining the threat point in the bargaining process. The threat point is what each partner can fall back on if bargaining breaks down; in some models the threat point is what would happen if the partners got divorced, in others it is what would happen if cooperation broke down within the household.

division of labour and consumption. However, for the quantitative analysis we will have to use data sets in which neither the household division of power nor the intra-household division of consumption is measured directly. We will therefore have to treat them as latent variables in our analysis and find appropriate indicators for them.

There is an existing quantitative literature on factors affecting intra-household distribution, but it says nothing about indicators of power. Indeed there is little recognition of the two-stage process involved, so the quantitative literature tends only to look at indicators of the final outcome, the household division of labour and consumption. This is partly because in the rational choice framework utility is both the measure of individual well-being and what an individual tries to maximise in decision-making, so by definition how much one can improve one's own well-being is a measure of how much power one has in decision-making. From there it is a short, though erroneous, step to identify well-being with consumption. It is erroneous to do so for two reasons: first, because people might use their decision-making power to influence other things about their lives, for example, what they do rather than what they consume; and second, because people might be using their decision-making power to help others – for example, many studies have shown that women are more likely than men to spend extra income that they control on their children. In rational choice terms there is no contradiction in this, since this is seen as increasing the welfare of the woman – otherwise she wouldn't use her power in that way.

However, while data on individual hours of paid work exist, and time use surveys may be able to tell us about the distribution of unpaid work, individual consumption is not usually measured. So some assumption about a type of spending that does specifically improve an individual's welfare is needed to identify an indicator for their particular share of household consumption. Household expenditure surveys such as the Family Expenditure Survey do not record individual consumption, but they do differentiate between spending on different types of goods, and so the standard indicator that is used is expenditure on men's and women's clothing, the only item that is recorded in a clearly gendered form. So whatever else women like to use their power to do, the assumption is always made that they also use it to spend more on clothing for themselves. For our project, it would be very useful to be able to develop and use a wider range of indicators.

4. Qualitative study findings

Qualitative research in this area has, among other things, demonstrated that the assumptions behind the unitary model (at least) are not always appropriate. The source, purpose and recipient of different kinds of income can influence access to resources and shape expenditure behaviour within low income families (Goode et al., 1998). For example, one man quoted in Goode et al. (1998) said:

“I probably smoke 10 cigarettes a day, alright, I have a cooked breakfast at work, okay.... And I, that’s why I say I don’t feel resentful if Mo goes out and spends £8 on the kids...”

Much qualitative research carried out to date in this area has focused on money management and intra-household resource distribution patterns within heterosexual couples. This is sometimes combined with explorations of time use or other relevant issues. Factors which have been identified as important in explaining intra-household distributional patterns in terms of the characteristics of couples include: the age (and relative ages) of partners; the stage they have reached in the lifecycle; their attitudes (which are partially dependent on their previous experiences); and the ideas about gender roles which they hold, played out – and hence modified - in the real life circumstances in which they find themselves. Some of the studies also find a capacity for change over time in gendered patterns of labour market participation and money management; so families’ histories are significant.

A distinction is commonly made between financial management (often a burden, rather than a source of power, for women in low income families) and financial control (who makes the decisions about household spending, especially on large items). ‘Personal spending’ may have different, highly gendered, definitions for members of the household – and where women are concerned may be interpreted as spending on the household, and especially children, rather than themselves; this blurs the distinction commonly made in the models between individual and household consumption. The way in which a payment is labelled may be important in terms of influencing its use. And perhaps most importantly, because of current patterns of gendered inequalities, even policies with egalitarian aims can have unintended consequences.

Qualitative studies can also get behind some of the findings of quantitative studies. They may lead to posing questions, for example, about whether increased spending on children is an

indicator of women's increased power, as it is often assumed - or merely an indication of women's 'compulsory altruism' (Land and Rose, 1985) in the face of increased income flowing into the household. In addition, concerns have been raised recently (eg by Jan Pahl) that if the increasingly individualised money management patterns of many couples today are continued into the childrearing years they may, instead of empowering women, be a route to gender inequality, because it is women's income which goes down and their outgoings which go up (on childcare in particular). Although the quantitative studies can tell us that women usually pay for childcare, they cannot tell us if this then becomes a shared cost between the couple in reality or not - ie its real incidence. Qualitative studies can explore this kind of less visible issue (though not quantify it), as well as suggesting the mechanisms which are involved.

III Project design

Each of the three components of the project will prioritise its own goals but at the same time we hope that they will inform each other. The 'stand alone' goal of the **qualitative** research is to investigate directly the impact on gender roles, relations and resources of actual or potential policy changes in the UK in relation to means-tested benefits and tax credits in particular and transfer payments more generally. Essentially it will update Goode et al's (1998) investigations (of low income couples with children on means-tested support in or out of work) some six years later, under a different regime of means-tested family support. It will also try and extend it to reveal of how much people in couples think of themselves as individuals or as couples. But it might also explore in more detail the complexities of the tensions between protective and transformative policy moves - for example, in the potential of certain policy changes to help solidify the gendered division of labour whilst simultaneously protecting the interests of women (and children) in inegalitarian relationships. The following specific questions are among those that will be considered

- whether the splitting of new tax credits into a payment for the wage earner via the pay packet, and for the children via the main carer, has influenced perceptions about the functions of these payments, how they are used within families and/or what they imply about gender roles.
- means-tested payments for children will soon be given to the main carer in couples out of work, as well as in work, as child tax credit; could this mean that the possible splitting between partners of the remaining out of work benefit payments would in practice mean

that some women had less income to meet household expenditure, because the gendered definitions of personal spending noted above would mean that men would interpret their share of benefit as meant for their personal spending only?

- does the payment of benefit direct to women, either for themselves or for children (eg child tax credit paid via the main carer), exacerbate disincentive effects?
- what effect does receipt of an individually based non-means-tested benefit have on perceptions of entitlement ?
- what impact has the move towards payment of benefits into bank accounts had on patterns of intra-household resource distribution and consumption?

The study will involve semi-structured interviews using a purposive sample of approximately 30 low/moderate income working age, male-female couples. The partners will be interviewed separately. Questions will ask for responses to actual and hypothetical changes in sources and amounts of household income, some focussing on the introduction of the New Tax Credits (NTCs – WTC and CTC) and other potential or actual policy changes.

The sample will be selected in a novel and, we hope, informative way, making use of some preliminary **quantitative** analysis. This will benefit from access to a panel of households who were included in the European Community Household Panel (ECHP) survey data for the UK from 1997 to 2001. The survey is no longer taking place and a selection of former respondents will be approached to take part in this study. We will be able to select them based on what we know about their recent history (with a gap since 2001). For example, we may be able to focus on couples who have at some time had experience of living on means-tested in work benefits/credits (the predecessors of the NTCs) and some of them may still be living supported in this way. This will provide a focus for the interviews. Other factors may be taken into account although there may be practical constraints in finding a sample who meet our minimum criteria and who live within reasonable travelling distance.¹⁰ Some preliminary quantitative “screening” analysis is being carried out to establish which dimensions we should control for when choosing the sample.

¹⁰ The 2001 sample with full interview responses in that wave contains 186 couples with and without children at the time who were living in households without other adults. 120 had children living with them.

The original purpose of the qualitative study was to explore empirically the influence of potential ‘gender specific parameters’ – both broader environmental factors (especially policy relevant ones) and those relating to individual households - on within household resource allocation. We also want to use the study to explore the possibility of investigating indicators of gendered power differences within couples. Both these aims relate to the **quantitative** research, and potentially to the **policy simulation** as well. Of course, the key challenges will be firstly, to be able to generalise the qualitative findings from a small study of couples in a particular set of circumstances and secondly, and to link the findings to variables available in quantitative datasets.

The **policy simulation** component of the project will contribute to the **quantitative** part of the study by providing information on the work incentives of men and women in couples under differing policy regimes and under a range of assumptions about the relevant income reference unit (household or individual). It will also aim to draw from both **qualitative** and **quantitative** components in defining “sharing rules”, or at least indicators of particular sharing behaviours, that take account of the characteristics of households as well as policy parameters. Having done that, simulations of the effects of policy reforms of interest (including those to promote the welfare of children) will be carried out under gendered assumptions of incidence and contrasted with those using the standard within household sharing assumptions.

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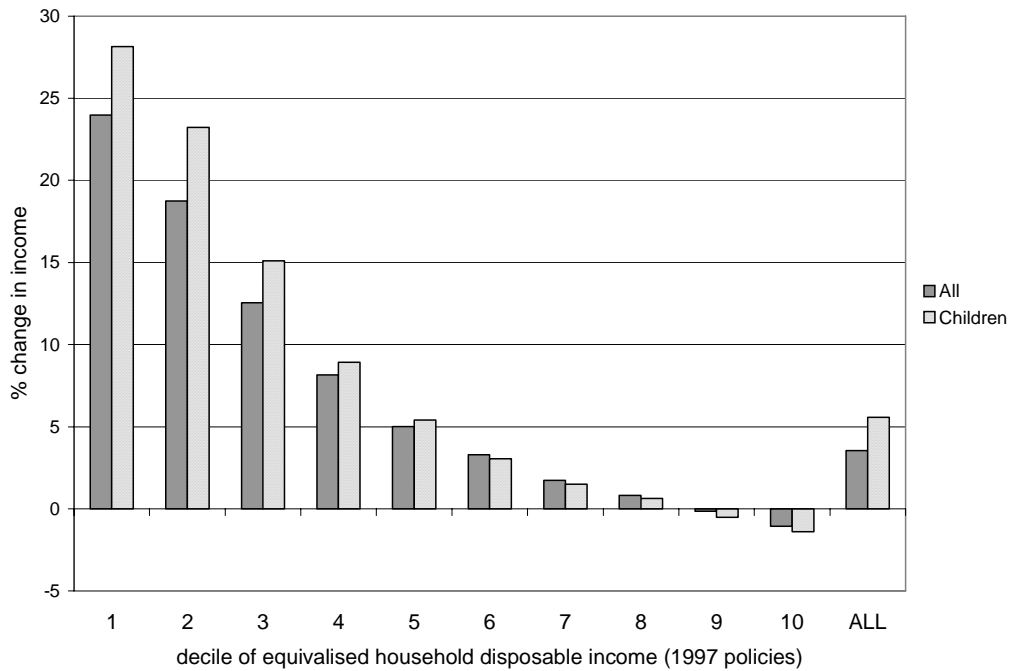
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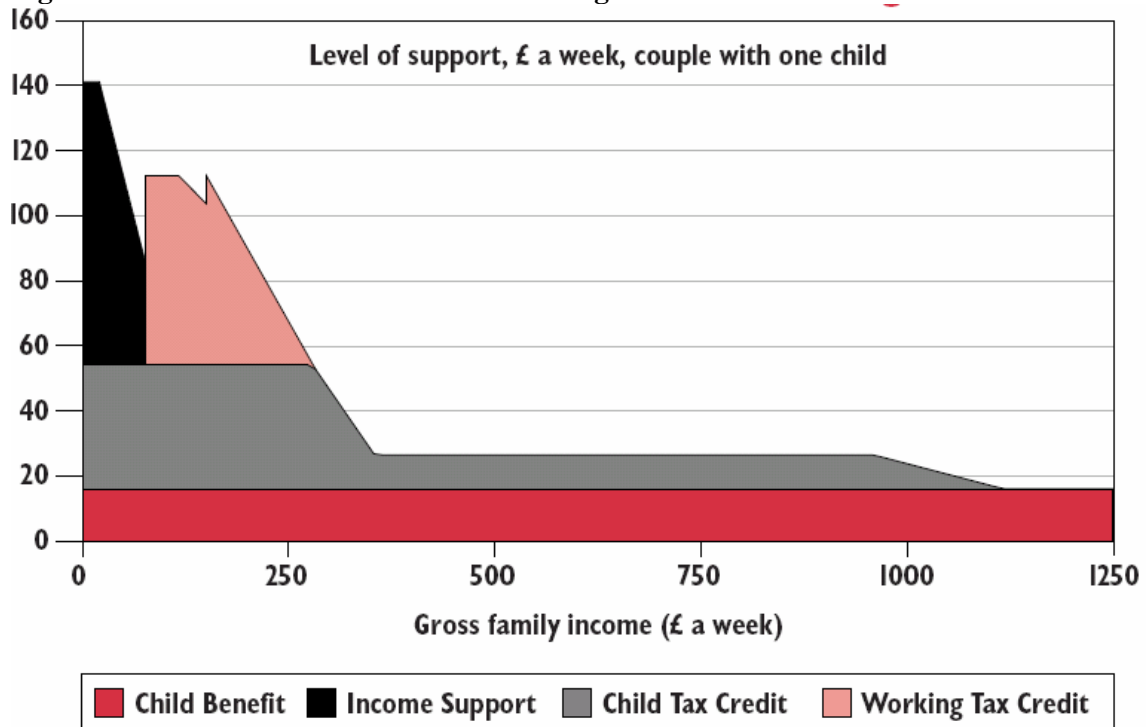
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**Figure 1: Average percentage difference in income:
Projected 2004-05 system compared to price-indexed 1997 system**



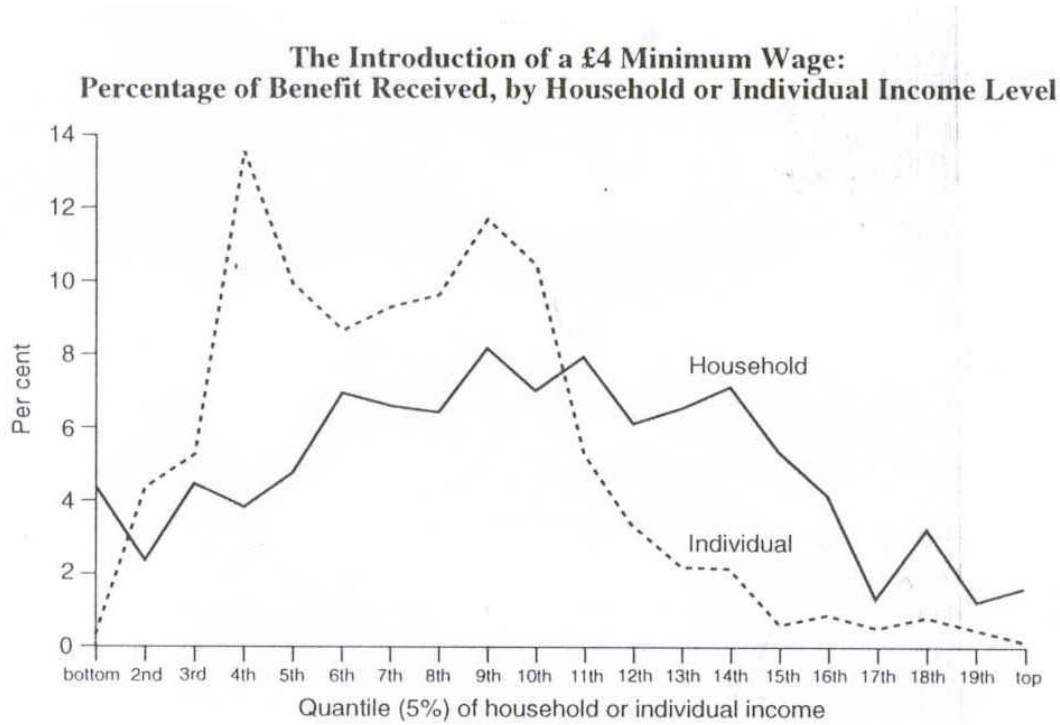
Source: POLIMOD (Hills and Sutherland, 2004)

Figure 2: The Structure of Child and Working Tax Credits



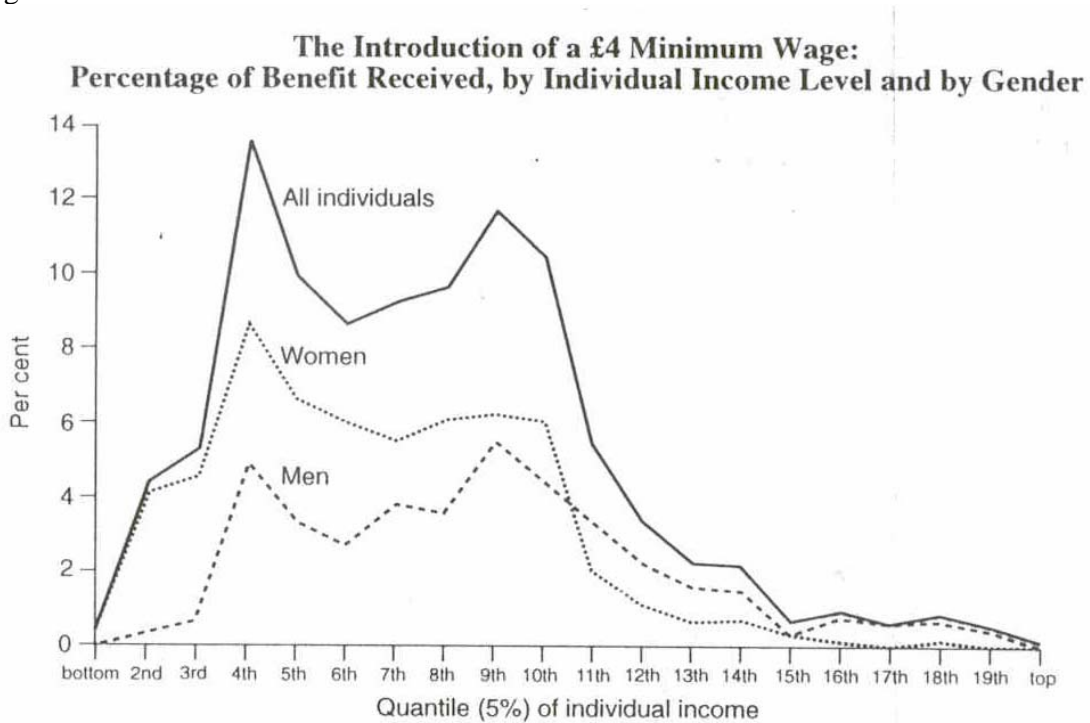
Source: HM Treasury (2002) Figure 2.1

Figure 3



Source: POLIMOD (Sutherland, 1997)

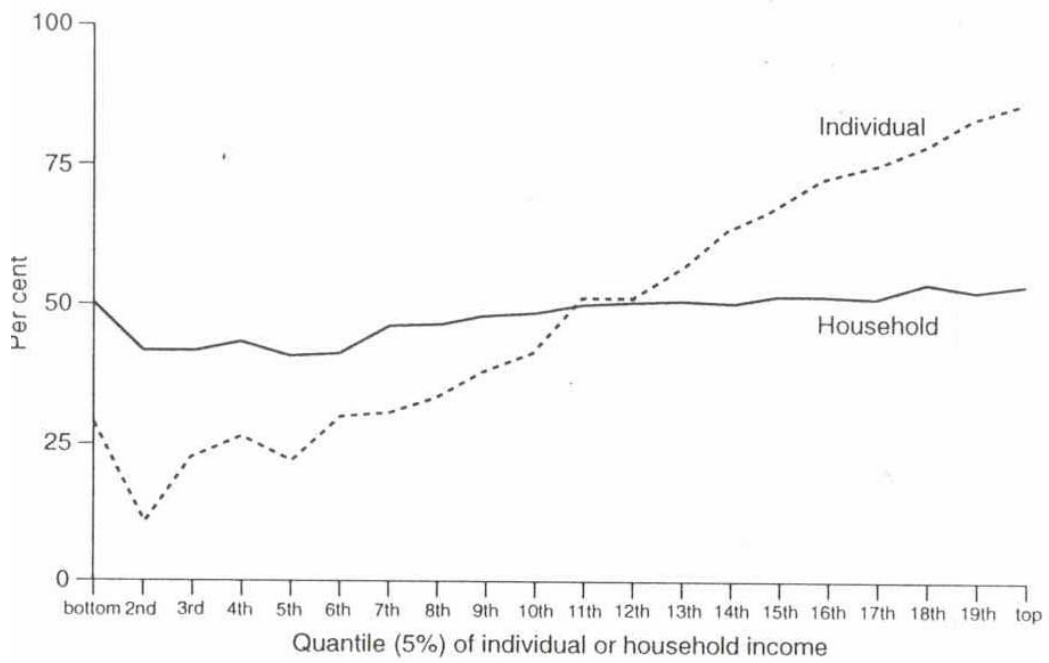
Figure 4



Source: POLIMOD (Sutherland, 1997)

Figure 5

Gender Composition of Income Quantiles: Percentage of each Group who are Men



Source: POLIMOD (Sutherland, 1997)

Annex 1: An example to explain the WTC and CTC calculation (HM Treasury, 2002)

Example 2.1 – Derek and Amy have two children. Derek works full-time and earns £200 a week, while Amy divides her time between caring for the children and working part-time earning £100 a week and incurring £60 of eligible childcare costs. Their joint income for the year is therefore £300 a week, £15,600 a year.

A family in the same non-financial circumstances earning less than £97 a week would receive the following.

	Weekly value
Working Tax Credit	£69.90
Childcare tax credit (70% of £60 costs)	£42.00
Child Tax Credit	£65.95
Maximum amount	£177.85

As Derek and Amy have an income of £300 a week, £203 above the threshold, their tax credit is reduced by 37p for every pound over the threshold. This means a total deduction of £75.11, giving a total award of £102.74.

Their income is too high to receive Working Tax Credit, Amy will receive £102.74 a week in tax credits, of which £65.95 is Child Tax Credit and £36.79 is childcare tax credit, and she will also receive 28.50 a week in Child Benefit.

Their award is worth around £23 a week more than the family currently receives through the Children's Tax Credit and Working Families' Tax Credit.