Institute for Fiscal Studies

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Executive summary

- The UK government has ambitious, legally-binding targets to reduce child poverty by 2020–21. To hit these targets, it must reduce the proportion of children living in households with less than 60% of median income to below 10% (a measure of relative low income) and the proportion of children living in households with less than 60% of 2010–11 median income to below 5% (a measure of absolute low income). This briefing note updates previous IFS projections of how these measures of child and working-age poverty in Northern Ireland and the UK as a whole are likely to evolve between 2013–14 and 2020–21. These projections take into account revised macroeconomic forecasts from the Office for Budget Responsibility (OBR) published alongside Budget 2014, revised forecasts of employment and earnings growth provided by Oxford Economics, new tax and benefit policy announcements, and more recent data on the UK household population.
- We now expect child poverty in Northern Ireland to increase from 20.5% in 2012–13 to by 21.8% by 2015–16 and 26.0% by 2020–21 using the headline relative low-income measure and from 22.0% to 25.3% by 2015–16 and 29.3% by 2020–21 using the headline absolute low-income measure.
- Over the period as a whole, increases in child poverty in the UK overall are projected to be somewhat smaller than those in Northern Ireland, and the timing of the increases is different. Up to 2015–16, child poverty increases quickly in the UK as a whole, from 17.4% to 21.0% (an increase of 500,000 children) using the relative low-income measure and from 19.5% to 23.4% (an increase of 600,000 children) using the absolute low-income measure. Thereafter, the relative child poverty rate remains fairly constant. The absolute low-income measure increases by 1.1ppts between 2015–16 and 2020–21.
- This difference in the timing of poverty changes between Northern Ireland and Great Britain likely arises because of the delays to the implementation of certain poverty-increasing changes to benefits in Northern Ireland, resulting from the lack of political consensus over the Welfare Reform Bill (2010).
- We now project that working-age non-parent poverty in Northern Ireland will increase by 7.6ppts between 2012–13 and 2020–21 according to the relative low-income measure and by 7.8ppts

according to the absolute low-income measure. Again, the equivalent figures for the UK are significantly smaller: over the same period, we project an increase of 1.7ppts or 700,000 individuals according to the relative low-income measure and an increase of 2.4ppts or 900,000 individuals according to the absolute low-income measure. This difference is likely due to employment growth being forecast to be weaker in Northern Ireland than in other parts of the UK, most notably London and the East and South-East of England.

- Our projections of *trends* in poverty among children and working-age adults in the years after 2012–13 have changed little since our previous briefing note, though the precise timing of the projected changes has altered somewhat as a result of delays to the implementation of a number of welfare reforms, particularly in Northern Ireland.
- However, we now project significantly lower *levels* of poverty among children and working-age adults compared with our previous briefing note. This mainly arises because our projections now start from a lower base, as household incomes in the Households Below Average Income (HBAI) data were higher, and poverty rates lower, than we had projected. A likely reason is that the total benefit income recorded in HBAI grew faster in 2012–13 than the government's actual total benefit spending. Such discrepancies will inevitably arise as the HBAI series is based on a sample survey and hence subject to sampling variation from year to year, which is inherently unpredictable. However, our projections should provide a good guide to longer run likely trends in poverty because these year-to-year variations tend to average out over the longer run.

	% of children		% of working-age non-parents	
	UK	NI	UK	NI
		Relative poverty		
2012–13 (actual)	17.4	20.5	14.1	18.3
2013–14	19.7	21.8	15.3	19.6
2014–15	20.3	21.6	15.3	19.9
2015–16	21.0	21.8	15.5	21.1
2016–17	20.7	22.5	15.2	21.3
2017–18	20.4	22.5	15.1	22.5
2020–21	20.9	26.0	15.8	25.9
		Absolute poverty		
2012–13 (actual)	19.5	22.0	14.9	20.1
2013–14	22.8	23.9	16.8	23.5
2014–15	23.2	24.8	16.7	23.3
2015–16	23.4	25.3	16.8	23.7
2016–17	23.1	26.3	16.7	23.4
2017–18	23.2	26.4	16.6	24.6
2020–21	24.5	29.3	17.3	27.9

Note: Relative poverty line is 60% of contemporaneous median before-housing-costs (BHC) income. Absolute poverty line is 60% of 2010–11 BHC median income in real terms.
Source: Authors' calculations based on Family Resources Survey, 2012–13, using the IFS tax and benefit microsimulation model, TAXBEN, and assumptions specified in the text.

1. Introduction

The UK government has ambitious, legally-binding targets to reduce child poverty by 2020–21. To hit these targets, it must reduce the proportion of children living in households with less than 60% of median income to below 10% (a measure of relative low income) and the proportion of children living in households with less than 60% of 2010–11 median income to below 5% (a measure of absolute low income). This briefing note updates previous IFS projections of how these poverty measures are likely to evolve in Northern Ireland and the UK as a whole between 2013–14 and 2020–21. Figures for England and Wales, and for Scotland are available in an appendix. Our methodology is largely identical to that used in previous work (with some refinements). This update accounts for new macroeconomic forecasts published by the Office for Budget Responsibility (OBR) alongside Budget 2014, the latest forecasts for employment (by region and industry) and earnings growth (by industry) from Oxford Economics, and new tax and benefit policies announced in Autumn

Statement 2013 and Budget 2014. We also make use of more up-to-date data (the 2012–13 Family Resources Survey) as the basis for our projections. A summary of the methodology can be found in Box 1 – full details can be found in our previous report. [1]

In Section 2, we set out the recently-announced policy changes that have been accounted for in this update and some minor methodological changes that have been implemented. We present our results in Section 3. Section 4 concludes.

Box 1. Methodological summary

This box contains an overview of the steps we take to produce our figures and some of the uncertainties surrounding them. A full description can be found in J. Browne, A. Hood and R. Joyce, *Child and Working-Age Poverty in Northern Ireland from 2010 to 2020*, IFS Report R78, 2013 (available at http://www.ifs.org.uk/publications/6668).

Data

- Our base data are taken from the Family Resources Survey (FRS), a household survey carried out in Great Britain and Northern Ireland that contains information about income and household characteristics. In this briefing note, we use the 2012–13 edition of the survey, the latest currently available.
- The data are reweighted to account for predicted changes in the demographic characteristics of the population and the number of people employed. We use the OBR's forecast for total employment, but we allow employment rates to change differently across the UK according to forecasts produced by Oxford Economics. These include a specific forecast for Northern Ireland.
- Financial variables (most importantly gross earnings) are increased in line with forecasts from the OBR. Earnings growth is allowed to vary across the UK according to forecasts produced by Oxford Economics, including ones specific to Northern Ireland.

Taxes, benefits and tax credits

- Tax liabilities, and benefit and tax credit receipts are calculated using the IFS tax and benefit microsimulation model, TAXBEN based on the actual tax and benefit rules in place in 2013–14 and 2014–15 and what we currently expect the rules of the tax and benefit system to be in future years, taking into account the policies described in Section 2 as well as those outlined in the report cited above and our previous update, J. Browne, A. Hood and R. Joyce, 'Child and working-age poverty in Northern Ireland over the next decade: an update', IFS Briefing Note BN144, 2014 (available at http://www.ifs.org.uk/publications/7054).

[1] See J. Browne, A. Hood and R. Joyce, *Child and Working-Age Poverty in Northern Ireland from 2010 to 2020*, IFS Report R78, 2013 (available at http://www.ifs.org.uk/publications/6668).

Incomes

- We create a measure of disposable income as close as possible to that used when calculating official poverty statistics. To account for discrepancies between incomes calculated by TAXBEN and those recorded in the FRS, we calculate a correction factor for each household in the 2012–13 FRS data equal to the difference between TAXBEN's modelled income for the household in 2012–13 and the household's income in the HBAI data, which we assume remains constant in real terms in future years.

Uncertainties and limitations

These projections are subject to a number of uncertainties and limitations, including:

- Uncertainties surrounding demographic and macroeconomic forecasts.
- Sampling error. Any sample survey is subject to this and the Family Resources Survey is no exception. Results for Northern Ireland will be subject to a wider confidence interval than those for the UK as a whole due to a smaller sample size. Sampling error impacts on both base data (i.e. the 2012–13 Households Below Average Income figures) and the future HBAI measures of poverty that we are trying to project.
- People may change their behaviour (for example, whether and how much they work, where they live and how many children they have) in response to changes in the tax and benefit system. Our methodology does not directly account for such behavioural responses to tax and benefit policies, though they are accounted for indirectly to the extent that they are incorporated in the demographic and economic forecasts that are used in our model.
- Finally, the projections do not take account of policy changes not yet announced. Rather, they give our best estimates of future poverty levels if policy does not change. In particular, we do not account for any further deficit reduction measures through tax rises or benefit cuts that are likely to be required after the 2015 general election.

2. New policies and forecasts

We are now able to incorporate new information that has become available since producing our previous set of poverty projections. In particular, we account for the updates to economic forecasts and new tax and benefit policies announced in and alongside Autumn Statement 2013 and Budget 2014. We also account for delays in the implementation of some welfare reforms in Northern Ireland resulting from the lack of political consensus over the Welfare Reform Bill.

Changes to macroeconomic forecasts

The economic forecasts we use in these updated projections are reproduced in Appendix C. In understanding the differences between our updated projections and our previous ones, changes in labour market forecasts are key. Over the period to 2015–16, the Office for Budget Responsibility is now projecting faster growth in the number of people in employment over the forecast period, and slightly lower nominal earnings growth among those employed, than was previously the case.[2] The effect of higher numbers of people in employment will be to reduce the number of workless households, which is likely to reduce both absolute and relative poverty rates, though the impact on absolute poverty will be offset by lower earnings growth.

We also include updated forecasts of employment by region and industry, and of earnings by industry, from Oxford Economics. These are used to allow employment changes and earnings growth to vary by industry and region, within the aggregate trends for employment and earnings forecast by the OBR. These forecasts continue to show slower growth in employment in Northern Ireland than in other parts of the UK, most notably London and the East and South-East of England.

UK-wide policy changes

We now incorporate a number of new policies announced in Autumn Statement 2013 and Budget 2014 in our projections. From the Autumn Statement, only two newly-announced policies are likely to have an impact on our projections. First, the decision to freeze universal credit work allowances (the amount that can be earned before universal credit starts to be withdrawn) for three years from 2014–15 is likely to increase poverty among working-age households. Second, some minor changes to pension credit in 2014–15 were announced, which should not significantly impact our results, as we do not report poverty rates for pensioners and changes to pension credit will have a negligible effect on median income.

Budget 2014 announced a further increase in the income tax personal allowance to £10,500 in 2015–16. This would tend to reduce absolute measures of poverty as some low-income households will benefit, but would tend to increase relative measures of poverty as middle-income households benefit more than low-income households (since many low-income households do not contain anyone who pays income tax in the first place). Budget 2014 also contained several measures increasing childcare subsidies: the 85% subsidy rate in universal credit is to be made available

[2] The OBR does not produce separate forecasts for different parts of the UK: these apply to the UK as a whole. We then use forecasts from Oxford Economics to allow for differential rates of employment growth by region and industry, and differential rates of earnings growth by industry.

to all families where all parents are in paid work, rather than those where all parents pay income tax; and the tax-free childcare scheme will now give support for up to £10,000 of costs per child each year, rather than £6,000. The first of these changes is likely to help low-income households with children, and so would tend to reduce absolute low-income measures of poverty; but as middle-income households would also benefit, it is unlikely to significantly affect relative low-income poverty measures. Tax-free childcare is more heavily concentrated on middle- and higher-income households (low-income families claiming support for childcare through universal credit are not eligible) and so would be likely to increase relative low-income measures of poverty, with little effect on absolute low-income measures. The size of these effects will vary across the UK according to the proportion of parents who use paid-for childcare: as use of paid-for childcare is lower in Northern Ireland, for example, we might expect these policies to have a lower impact on child poverty in Northern Ireland.

Another measure we include for the first time in this briefing note is the single-tier pension, which will be introduced for those retiring after April 2016. Although we do not produce figures for pensioner poverty in this note because we believe that the method used here is not well suited to projecting pensioner incomes,[3] the introduction of the single-tier pension will affect our projections of median income and, through this, our projections of relative low-income poverty measures. We assume that this does not affect the pension entitlement of men (previous IFS research indicates that the reform will leave state pension entitlement unchanged for 91% of men[4]), but we do allow the reform to increase entitlements for women who would otherwise have received less than the single-tier amount.[5]

[3] Other recent IFS research has produced projections of pensioner incomes to 2022–23: see C. Emmerson, K. Heald and A. Hood, *The Changing Face of Retirement: Future Patterns of Work, Health, Care and Income among the Older Population*, IFS Report R95, 2014 (available at http://www.ifs.org.uk/publications/7251).

[4] See R. Crawford, S. Keynes and G. Tetlow, *A Single-Tier Pension: What Does It Really Mean?*, IFS Report R82, 2014 (available at http://www.ifs.org.uk/publications/6796).

[5] The introduction of the single-tier pension also creates some losers, as those women affected can no longer receive state pension based on their husband's contribution record.

The timescale for the introduction of some tax and benefit reforms has changed. We now assume a slower roll-out of universal credit across the UK than in our previous briefing note, in line with the schedule announced at Autumn Statement 2013.[6] We also allow for a slower roll-out of personal independence payment (PIP) than in our previous projections, in line with the latest announcements, and have refined our modelling of this change and the switch to employment and support allowance (ESA) in line with predicted claim levels in the PIP impact assessment and the latest statistics on the ESA roll-out.[7]

NI-specific policy changes

A number of welfare reforms have been further delayed in Northern Ireland (but not Great Britain) since our previous update as a result of the lack of political consensus in Northern Ireland over the Welfare Reform Bill (2010), which has not yet been passed by the NI Assembly. Following advice from the Department for Social Development in Northern Ireland (DSDNI), we proceed under the following assumptions as to when certain

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[6] More specifically, we assume that claims to universal credit will build up in line with the OBR's projections between 2014–15 and 2017–18 and that the roll-out will be complete by 2020–21, with no one subject to transitional protection at that time. We do model transitional protection in 2016–17 and 2017–18, and we assume that 25% of those with transitional protection lose it each year and that 5% of claimants have started their claim of universal credit in the previous year. We assume that no one is on universal credit in Northern Ireland until April 2016 and that there are no differences between Northern Ireland and Great Britain in terms of families' benefit entitlements under universal credit (though we note that there are likely to be differences in the way universal credit is delivered in Northern Ireland – in particular: an option will exist to split universal credit payments between household members; payments could be paid twice monthly, rather than monthly as is being proposed for the rest of the UK; and the housing cost element of universal credit will be paid directly to landlords rather than claimants (see http://www.northernireland.gov.uk/news-dsd-221012-tailoring-welfare-reforms)).

[7] See Department for Work and Pensions, 'Impact assessment: disability living allowance reform', 2012, https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/220176/dla-reform-wr2011-ia.pdf and Department for Work and Pensions, 'Employment and support allowance outcomes of work capability assessments, Great Britain: supplementary tables', 27 March 2014, https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/297937/esa_wca_140327.xls.

policies will be introduced in Northern Ireland, though we note that this is subject to political agreement being found to pass the legislation required to bring these changes into effect:

- The overall benefit cap is in place in Northern Ireland from October 2015.
- The time-limiting of contributory ESA to 52 weeks is introduced in Northern Ireland from October 2015.
- The transition from disability living allowance to PIP in Northern Ireland begins in 2015–16.
- The reduction in housing benefit for those in the social rented sector deemed to be under-occupying their home (sometimes referred to as a 'bedroom tax' or the removal of a 'spare room subsidy') is in place in Northern Ireland from October 2015.[8]

The later implementation of these welfare reforms in Northern Ireland is, other things being equal, likely to have slightly reduced poverty according to both the relative and absolute income measures in 2012–13, and will continue to do so in our projections for 2013–14, 2014–15 and 2015–16 (though not for our projections for 2016–17 and beyond).[9] This is because most of these reforms are reductions in the generosity of benefits received by predominantly low-income households, and so not introducing these policies until 2015 or later will (compared to a scenario where these changes had been introduced) increase the incomes of low-income households in Northern Ireland in our projections for 2013–14, 2014–15 and 2015–16 both in absolute terms and relative to the median household income.

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[8] Note that we assume that this policy operates in the same way as in the rest of the UK when it is introduced in Northern Ireland: we do not allow for any mitigations of the policy that have been suggested for existing tenants.

[9] In reality, the delayed implementation of some welfare reforms in Northern Ireland has led to a reduction in the Resource DEL budget received by the Northern Ireland Executive, which has forced the executive to reduce expenditure in other areas. We do not account for any impact that these expenditure reductions might have had on child poverty (or child wellbeing more generally) in Northern Ireland in our projections.

3. Results

In this section, we present our updated poverty projections and discuss the impact on poverty of the current UK government's tax and benefit reforms, in particular universal credit.

Throughout, we present results for both absolute and relative low-income poverty measures. The absolute low-income measure defines those with a household income of less than 60% of the 2010–11 median (the absolute poverty line) as being in poverty. The relative low-income measure defines those with a household income of less than 60% of the contemporary median (the relative poverty line) as being in poverty. As a shorthand, we refer to these as 'absolute poverty' and 'relative poverty' when discussing our results below. These are the measures defined in the Child Poverty Act 2010. Currently, the absolute poverty line is uprated according to the retail price index (RPI) in order to keep it constant in real terms. However, the RPI systematically overstates the average inflation rate faced by households, as a result of deficiencies in the formula used for calculation,[10] and this problem has been exacerbated by changes to the methodology in 2010.[11] This implies that the official statistics will underestimate real income growth going forwards and overstate increases (and understate falls) in the absolute low-income poverty measure. As we showed in more detail in our previous report,[12] the choice of inflation measure used to deflate incomes to allow comparison between years has a dramatic impact on our results. If the CPI is used to deflate incomes, rather than the RPI, median income is 9% higher in 2020–21 than in 2012–13, rather than 2% lower. And if CPI rather than RPI is used to uprate the absolute poverty line, absolute child poverty in the UK as a whole is projected to be over 2ppts lower in 2020–21 than in 2012–13, rather than 5ppts higher.

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[10] See P. Levell, 'A winning formula? Elementary indices in the retail prices index', IFS Working Paper W12/22, 2012 (available at http://www.ifs.org.uk/publications/6456).

[11] See R. Miller, 'The long-run difference between RPI and CPI inflation', OBR Working Paper 2, 2011 (available at http://budgetresponsibility.independent.gov.uk/category/publications/working-papers/).

[12] See pages 26–27 of J. Browne, A. Hood and R. Joyce, *Child and Working-Age Poverty in Northern Ireland from 2010 to 2020*, IFS Report R78, 2013 (available at http://www.ifs.org.uk/publications/6668).

We report results with household incomes measured before and after housing costs have been deducted (BHC and AHC), though as in previous reports we focus on the BHC measure as this is the measure used for the targets in the Child Poverty Act 2010. Lower housing costs and differences in the way households are charged for water and sewerage services in Northern Ireland[13] mean that the gap in poverty between Northern Ireland and the UK as a whole is much reduced when incomes are measured AHC rather than BHC. It is therefore likely that the AHC measure better reflects differences in material living standards between Northern Ireland and the rest of the UK at any point in time. Furthermore, poverty measured using incomes after housing costs has not fallen as quickly since 2007–08, mainly because the housing costs of low-income households have not fallen as quickly as those of higher-income households because they are less likely to have benefited from reductions in mortgage interest rates. By not accounting for this differential change in the cost of housing between richer and poorer households, measures of poverty based on incomes measured before housing costs have arguably overstated falls in relative poverty over this period.[14] However, it is unlikely that this will continue to hold over the longer run: as we would expect interest rates to begin to rise during our period of study, there is no reason to expect the trend for mortgage interest payments to increase less quickly than rents to continue.

Throughout this briefing note, we report poverty levels as the percentage of the relevant population below a given poverty line and changes in those levels as percentage point (ppt) differences. This facilitates comparison between our projections for Northern Ireland and for the UK as a whole. Our projections for the numbers in different groups in poverty in the UK, and for the path of median income, can be found in Appendix A. All years are financial years, because the Family Resources Survey (the survey of

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[13] In Northern Ireland, water provision is funded from taxation and so water costs are deducted from both BHC and AHC income. In Great Britain, households are billed for water and sewerage separately and these charges are deducted from AHC income but not BHC income. This artificially reduces BHC incomes in Northern Ireland relative to those in Great Britain.

[14] For more discussion of this point, see C. Belfield, J. Cribb, A. Hood and R. Joyce, *Living Standards, Poverty and Inequality in the UK: 2014*, IFS Report R96, 2014 (available at http://www.ifs.org.uk/publications/7274).

household incomes on which official poverty statistics are based) covers financial years.

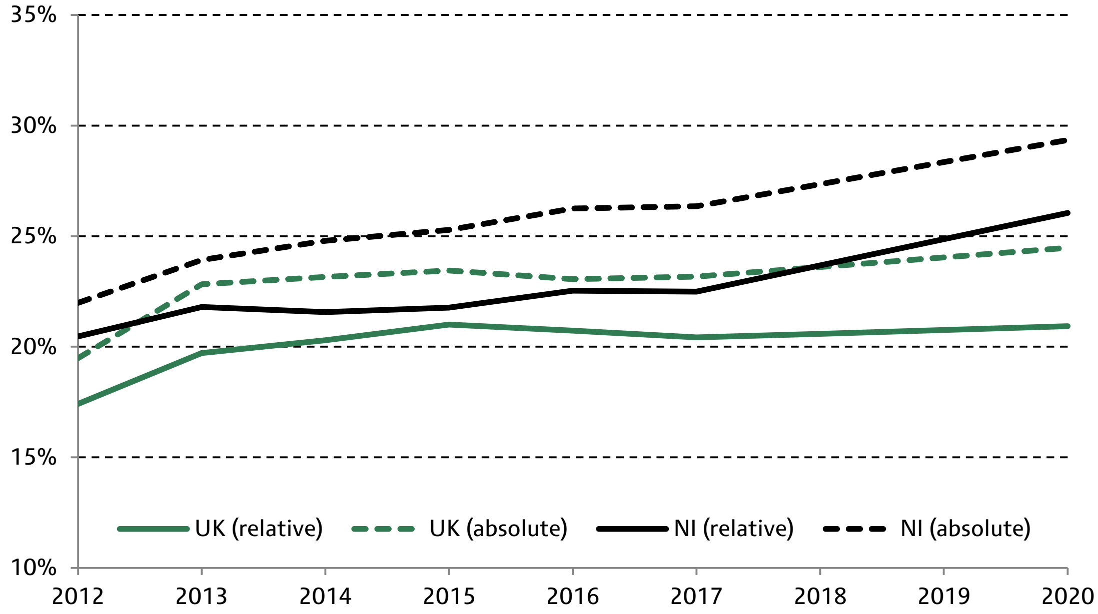
Figures 1–4 show our projections for child and working-age non-parent (WANP) poverty in Northern Ireland and the UK from 2013–14 through to 2017–18, and in 2020–21. The underlying data are presented in Table 1. Clearly, the uncertainty surrounding our projections increases as we look further into the future, particularly with regard to the macroeconomic forecasts that underpin our projections.[15] As well as being policy-relevant because the targets in the Child Poverty Act relate to the financial year 2020–21, our projections for 2020–21 give a sense of the likely long-run trends in income poverty as the economy returns to its trend level. Some of the key results are as follows (all figures are for incomes measured BHC; similar figures for incomes measured AHC are shown in Table 1):

2012–13 to 2015–16

- Median income in the UK is projected to have fallen by 1.6% in real terms (relative to RPI inflation) in 2013–14, but to increase roughly in line with RPI inflation in 2014–15 and 2015–16.
- We project that child poverty in Northern Ireland will increase slightly between 2012–13 (the latest available year of data) and 2015–16 using both the absolute and relative low-income measures. Child poverty is expected to rise by 1.3ppts between 2012–13 and 2015–16 using the relative low-income measure and by 3.3ppts using the absolute low-income measure.
- This is a smaller projected increase than for the UK as a whole: our UK-wide projections are for child poverty to increase by 3.6ppts (or 500,000 children) using the relative low-income measure and 3.9ppts (or 600,000 children) using the absolute low-income measure over the same period. Absolute poverty rises by more than relative poverty because of the projected fall in median income in 2013–14, which causes the gap between the relative and absolute poverty lines to grow.

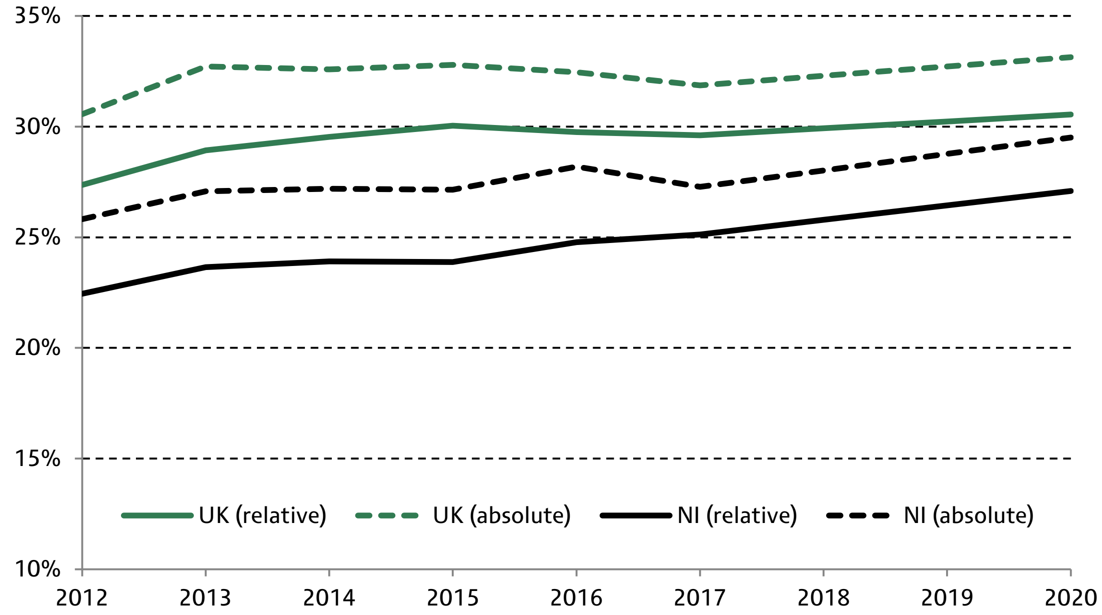
[15] For an assessment of how sensitive these results are to changes in the macroeconomic forecasts, see chapter 5 of J. Browne, A. Hood and R. Joyce, *Child and Working-Age Poverty in Northern Ireland from 2010 to 2020*, IFS Report R78, 2013 (available at http://www.ifs.org.uk/publications/6668).

Figure 1. BHC child poverty to 2020–21 (UK and Northern Ireland)



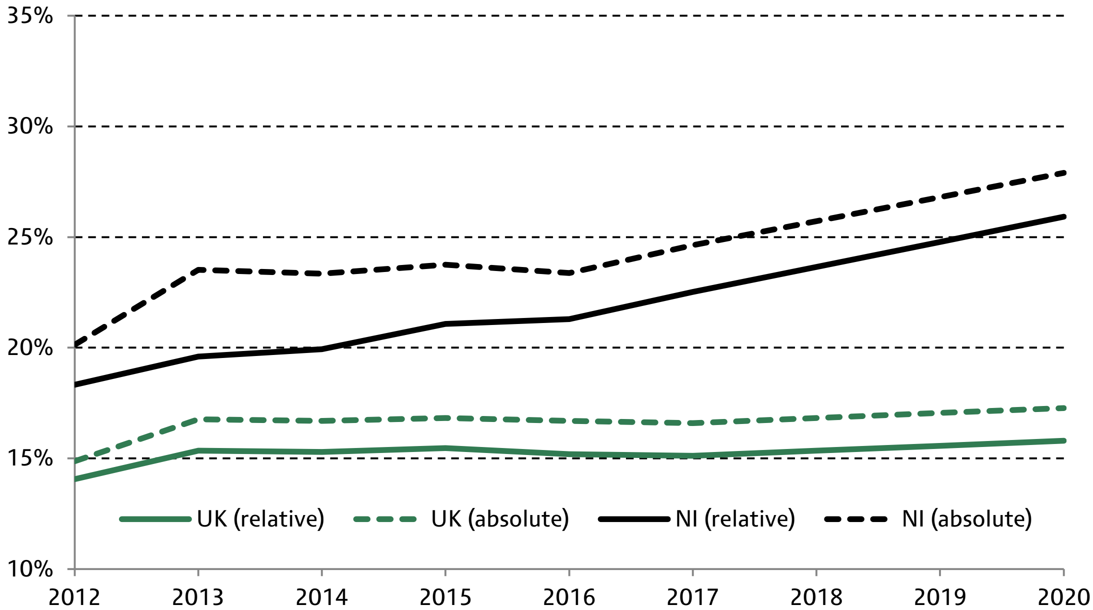
Note: Relative poverty line is 60% of contemporaneous median income. Absolute poverty line is 60% of 2010–11 median income in real terms. Incomes measured before housing costs (BHC). Years refer to financial years (i.e. 2012 refers to 2012–13).
Source: Authors' calculations based on Family Resources Survey, 2012–13, using the IFS tax and benefit microsimulation model, TAXBEN, and assumptions specified in the text.

Figure 2. AHC child poverty to 2020–21 (UK and Northern Ireland)



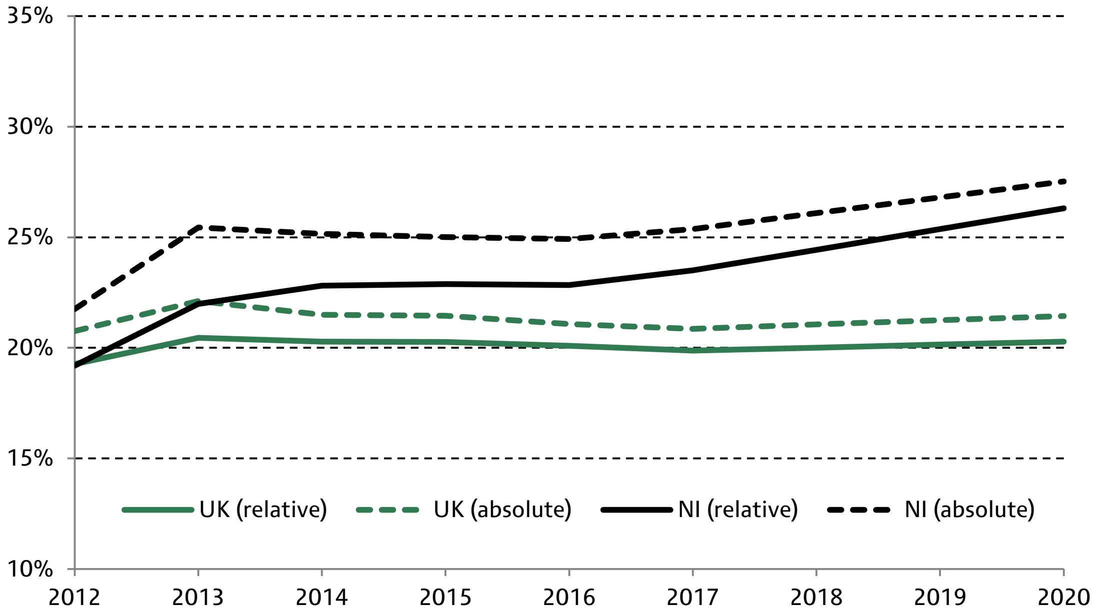
Note: Relative poverty line is 60% of contemporaneous median income. Absolute poverty line is 60% of 2010–11 median income in real terms. Incomes measured after housing costs (AHC). Years refer to financial years.
Source: Authors' calculations based on Family Resources Survey, 2012–13, using the IFS tax and benefit microsimulation model, TAXBEN, and assumptions specified in the text.

Figure 3. BHC working-age non-parent poverty to 2020–21 (UK and Northern Ireland)



Note: As Figure 1.
Source: As Figure 1.

Figure 4. AHC working-age non-parent poverty to 2020–21 (UK and Northern Ireland)



Note: As Figure 2.
Source: As Figure 2.

Table 1. Child and working-age non-parent poverty in the UK and Northern Ireland

	Relative poverty				*Absolute poverty*			
	% of children		% of working-age non-parents		% of children		% of working-age non-parents	
	UK	NI	UK	NI	UK	NI	UK	NI
	Before housing costs				*Before housing costs*			
2012–13 (actual)	17.4	20.5	14.1	18.3	19.5	22.0	14.9	20.1
2013–14	19.7	21.8	15.3	19.6	22.8	23.9	16.8	23.5
2014–15	20.3	21.6	15.3	19.9	23.2	24.8	16.7	23.3
2015–16	21.0	21.8	15.5	21.1	23.4	25.3	16.8	23.7
2016–17	20.7	22.5	15.2	21.3	23.1	26.3	16.7	23.4
2017–18	20.4	22.5	15.1	22.5	23.2	26.4	16.6	24.6
2020–21	20.9	26.0	15.8	25.9	24.5	29.3	17.3	27.9
	After housing costs				*After housing costs*			
2012–13 (actual)	27.4	22.5	19.3	19.2	30.6	25.8	20.8	21.8
2013–14	28.9	23.7	20.5	22.0	32.7	27.1	22.1	25.4
2014–15	29.5	23.9	20.3	22.8	32.6	27.2	21.5	25.1
2015–16	30.0	23.9	20.3	22.9	32.8	27.1	21.5	25.0
2016–17	29.8	24.8	20.1	22.8	32.5	28.2	21.1	24.9
2017–18	29.6	25.1	19.9	23.5	31.9	27.3	20.9	25.4
2020–21	30.5	27.1	20.3	26.3	33.1	29.5	21.4	27.5

Note: Relative poverty line is 60% of contemporaneous median income. Absolute poverty line is 60% of 2010–11 median income in real terms.
Source: Authors' calculations based on Family Resources Survey, 2012–13, using the IFS tax and benefit microsimulation model, TAXBEN, and assumptions specified in the text.

- Among working-age non-parents in Northern Ireland, we project that poverty will increase by 2.8ppts using the relative low-income measure and by 3.6ppts using the absolute low-income measure between 2012–13 and 2015–16. These are larger percentage point increases than for the UK as a whole: our UK projections are for WANP poverty to increase by 1.4ppts between 2012–13 and 2015–16 using the relative low-income measure (an increase of 400,000) and by 1.9ppts using the absolute low-income measure (an increase of 500,000)[16].

2015–16 to 2020–21

- Median income in the UK is projected to increase only slightly less quickly than RPI inflation after 2015–16. Thus trends in the relative and absolute low-income measures of poverty are quite similar over this period.
- Child poverty in Northern Ireland is projected to continue to increase slowly between 2015–16 and 2017–18: by 0.7ppts using the relative low-income measure and by 1.1ppts using the absolute low-income measure. A key factor driving this increase is that (in our projections) this is the period when the measures in the Welfare Reform Bill are implemented, most of which tend to increase poverty, notably; the time-limiting of contributory ESA for the Work-Related Activity Group, the change to Housing Benefit for those deemed to be under-occupying in the social rented sector and the benefit cap. However, we project a relatively rapid rise in child poverty in Northern Ireland after 2017–18: the relative low-income measure increases a further 3.5ppts by 2020–21 and the absolute low-income measure increases by 2.9ppts over the same period. One factor driving this is that Oxford Economics forecasts that employment growth will be weaker in Northern Ireland than elsewhere in the UK.
- These are larger increases than when we look at the UK as a whole. The relative child poverty rate is projected to be very slightly lower in 2020–21 than in 2015–16, though population growth means that the

[16] Note that increases in the number of people in poverty reflect both population growth and an increase in the incidence of poverty among the group in question. The number of working age adults is likely to increase fairly quickly over this period, chiefly because a rise in the state pension age will mean that women between age 60 and 65 and men aged 65 will be reclassified as 'working age' by October 2020.

number of children below the relative poverty line will increase by 200,000 over this period. The absolute poverty rate is projected to increase by 1.1ppts over this period, an increase of 300,000 children.

- An important factor behind the slowdown in the increase in poverty after 2015–16 is the introduction of universal credit, as universal credit is a poverty-reducing measure. In Great Britain this leads to falling poverty rates. In Northern Ireland, however, the picture is obscured because a number of poverty-increasing measures contained in the Welfare Reform Bill are introduced at the same time as universal credit in our simulations, meaning that the poverty-reducing effect of universal credit is offset by the poverty-increasing effect of these other measures.
- The path of working-age non-parent poverty is projected to be similar to that for children in both Northern Ireland and the UK as a whole. Thus, in Northern Ireland, the relative poverty rate for WANPs is projected to increase by 1.4ppts from 2015–16 to 2017–18 before increasing by a further 3.4ppts by 2020–21. We obtain similar figures using the absolute low-income measure: WANP poverty in Northern Ireland is projected to increase by 0.9ppts between 2015–16 and 2017–18 and then by a further 3.3ppts by 2020–21. By contrast, in the UK as a whole, under both the relative and absolute low-income measures, the WANP poverty rate falls between 2015–16 and 2017–18 before increasing slightly.
- A key reason behind the different path of poverty rates over the next few years in Northern Ireland is due to the delay in implementing the Welfare Reform Bill. As a number of the measures in the Welfare Reform Bill tend to increase poverty (see above), the delay in introducing these measures in Northern Ireland until the second half of 2015–16 delays the increase in poverty until 2015–16 and 2016–17.

The effect on poverty of tax and benefit reforms since April 2010

One important factor affecting household incomes at the moment is the large fiscal consolidation, intended to help bring the budget deficit back onto a sustainable path. In particular, cuts to working-age social security benefits are likely to affect income-based measures of poverty. Understanding trends in income poverty in the years ahead thus requires understanding the impacts of these changes. We therefore repeat the simulations presented so far in this section, except that the assumed tax and benefit systems are those that would have been in place if all the parameters in the April 2010 tax and benefit system had simply been uprated in line with the default indexation rules in place at that time. By comparing the results of these simulations with those outlined above, we can estimate the direct impact of the reforms introduced since then on poverty between 2012–13 and 2017–18, and in 2020–21.

It is important to recognise what this exercise does and does not reveal. The tax and benefit systems that would have been in place if no tax and benefit reforms had been introduced are *not* the same as the systems that would have been in place if there had been a different administration in Westminster or Stormont – the previous UK government had announced that it would introduce certain changes in 2011–12 or later, most of which were retained by the current coalition. And given the UK's fiscal position, it is highly likely that *any* incoming government would have had to announce further changes after the 2010 general election to reduce the deficit. Thus, just as the title of this subsection suggests, we are quantifying the direct impact of *all* reforms introduced since April 2010: we are *not* comparing reforms actually introduced with those that might have been introduced by another administration. These simulations also do not attempt to account for the impact of tax and benefit changes on macroeconomic conditions, both those observed since 2010–11 and those forecast by the OBR. In reality, different employment and earnings levels in the absence of reforms would have an impact on poverty (though the nature of that impact, particularly on relative poverty, would depend on the *distribution* of employment and earnings effects). Since the nature of these macroeconomic effects is unclear, we ignore these possibilities here.

Some of the key results are as follows (as before, all figures reported are when incomes are measured BHC):

- We estimate that in the absence of tax and benefit reforms since 2010–11, relative child poverty in Northern Ireland would have been 18.7% rather than 20.5% in 2012–13 and absolute child poverty would have been 20.6% rather than 22.0%. The equivalent figures for the UK as a whole are 16.4% as opposed to 17.4% for the relative low income measure and 18.3% as opposed to 19.5% for the absolute low income measure.

- In 2015–16, child poverty is projected to be 3.4ppts higher using the relative low-income measure and 4.3ppts higher using the absolute low-income measure than it would have been in the absence of reforms. For the UK as a whole, child poverty is projected to be 4.5ppts (or 600,000 children) higher using both the relative and absolute low-income measures than in the absence of reforms. This larger impact is likely because of the delay to the implementation of benefit changes caused by the lack of political consensus over the Welfare Reform Bill in Northern Ireland: in our projections, fewer poverty-increasing changes to benefits will have been implemented in Northern Ireland at this point than in Great Britain.
- In the long run, our projections show the poverty-reducing effect of the introduction of universal credit being outweighed by the impact of other reforms, in particular the switch to CPI indexation of most working-age benefits. In 2020–21, child poverty in Northern Ireland is projected to be 5.8ppts higher using the relative low-income measure and 6.9ppts higher using the absolute low-income measure as a result of tax and benefit changes. For the UK, these figures are 3.4ppts (500,000 children) and 4.3ppts (600,000 children) respectively. In both Northern Ireland and the UK as a whole, our projections suggest that child poverty would be lower on the relative low-income measure in 2020–21 than it was in 2010–11 had there been no changes in tax and benefit policy since 2010–11.
- We project that the impact of the tax and benefit reforms introduced since April 2010 on working-age non-parent poverty will be much smaller than their effect on child poverty. In Northern Ireland, reforms add 2.1ppts to WANP poverty in 2015–16 using the relative low-income measure and 1.5ppts using the absolute low-income measure. For the UK as a whole, these figures are both 1ppt (or 200,000 individuals).
- Significant differences appear between our projections for the effect of tax and benefit reforms on WANP poverty in Northern Ireland and the UK in the long run. In 2020–21, reforms are projected to increase WANP poverty in Northern Ireland by 3.7ppts using the relative low-income measure and by 2.9ppts using the absolute low-income measure. In the UK, however, they add only 0.3ppts (fewer than

100,000 individuals) to relative WANP poverty and 0.4ppts (100,000) to absolute WANP poverty.

Our projections for both child and WANP poverty show a larger effect of tax and benefit reforms in Northern Ireland than in the UK as a whole. One explanation is that benefits and tax credits make up a larger share of household income for low-income households in Northern Ireland than for those in the rest of the UK. All else equal, fiscal consolidation that involves cuts to benefits and tax credits will therefore naturally have a larger effect on incomes in Northern Ireland.

Changes to our projections

Our previous projections for 2012–13 turned out to understate median income growth and overstate poverty for both Northern Ireland in particular and for the UK as a whole: we expected median income to fall by 2.4% relative to RPI inflation in 2012–13 whereas in reality it fell by just 0.2%, and we projected a rise in poverty that did not occur. This serves as a timely reminder that projections such as these will not always predict year-to-year changes in the Households Below Average Income (HBAI) data perfectly: the data themselves are subject to sampling variation from year to year, meaning that growth in total earnings and total income from benefits in the HBAI data will not necessarily match the average earnings growth figures from the ONS we use in our projections or administrative data on benefit spending growth. As an example of this, total benefit receipt in HBAI rose 4.9% in nominal terms in 2012–13, in contrast to the 3.7% growth in benefit spending recorded by administrative data. These concerns are particularly pertinent to our poverty projections for Northern Ireland and Scotland, where the sample size in the HBAI data is smaller. For example, using the relative low-income measure, child poverty in Scotland in the HBAI series fell from 17.6% in 2010–11 to 14.8% in 2011–12 before increasing to 18.5% in 2012–13. One explanation of this volatility is that this reflected sample variation, and that actual year-to-year trends in child poverty in Scotland have been rather more constant. Our projections cannot account for sampling variation from year to year and so should be best thought of as giving an indication of likely medium-term trends rather than as being a precise forecast of year-to-year changes in the HBAI income and poverty series.

Despite this lower starting point though, our projections of the likely *change* in child and working-age poverty rates between 2012–13 and 2020–21 have changed relatively little since our previous briefing note. Table 2 provides a comparison of our old and new projections for child and working-age non-parent poverty according to both the relative and absolute low-income measures. Nevertheless, there are still some differences: we are now projecting a smaller increase in child poverty under both relative and absolute low-income measures, particularly in Northern Ireland, but are projecting a faster increase in WANP poverty in Northern Ireland (though not in Great Britain). These differences are likely the result of changes to macroeconomic forecasts (for example, the higher employment growth between 2012–13 and 2017–18 that the OBR is now forecasting would tend to reduce poverty, though as this is concentrated in London and the East and South-East of England it does not affect Northern Ireland as much), policy changes such as the changes to tax-free childcare and universal credit announced at Autumn Statement 2013 and Budget 2014, and refinements to our modelling including changes to the way in which we model the transitions to ESA and PIP.

Our projections have also changed in terms of the trajectory of increases in poverty over the period in question. These changes are likely to be chiefly driven by delays in the timescale for introducing welfare reform in Northern Ireland and Great Britain. For Northern Ireland specifically, the lack of political consensus on the Welfare Reform Bill has delayed the implementation of several poverty-increasing changes, thus reducing poverty in 2014–15, but leading to a larger increase in 2015–16 and 2016–17 compared with our previous projections. The ongoing delays to the roll-out of universal credit have the opposite effect. Not introducing universal credit in 2014–15 and 2015–16 makes poverty rise more quickly in these two years than in our previous report, but then introducing it in 2016–17 and 2017–18 makes poverty increase less quickly in these two years. This arises because universal credit is a poverty-reducing measure. Thus, because the poverty-reducing impact of universal credit has been delayed, we now see a larger increase in poverty in 2015–16 in the UK as a whole, but reductions rather than increases in 2016–17 and 2017–18. (In Northern Ireland, the delays to both the Welfare Reform Act and universal credit have offsetting effects in 2016–17, making this pattern harder to

Table 2. Changes in projections for child and working-age non-parent poverty in the UK and Northern Ireland (BHC)

	Relative poverty				*Absolute poverty*			
	% of children		% of working-age non-parents		% of children		% of working-age non-parents	
	Old	**New**	**Old**	**New**	**Old**	**New**	**Old**	**New**
	NI				***NI***			
2012–13	23.0	20.5	21.1	18.3	28.3	22.0	23.1	20.1
2013–14	24.4	21.8	21.0	19.6	30.3	23.9	23.3	23.5
2014–15	26.6	21.6	22.3	19.9	32.0	24.8	25.3	23.3
2015–16	26.3	21.8	23.6	21.1	31.4	25.3	26.5	23.7
2016–17	26.9	22.5	23.3	21.3	31.9	26.3	27.0	23.4
2017–18	28.0	22.5	24.4	22.5	33.5	26.4	28.3	24.6
2020–21	30.9	26.0	26.4	25.9	38.5	29.3	29.1	27.9
	UK				***UK***			
2012–13	18.3	17.4	15.1	14.1	22.0	19.5	17.3	14.9
2013–14	19.4	19.7	15.4	15.3	23.7	22.8	17.8	16.8
2014–15	20.1	20.3	16.2	15.3	25.2	23.2	18.7	16.7
2015–16	20.0	21.0	16.3	15.5	25.1	23.4	18.7	16.8
2016–17	20.4	20.7	16.2	15.2	25.5	23.1	18.8	16.7
2017–18	21.1	20.4	16.3	15.1	26.6	23.2	19.2	16.6
2020–21	22.5	20.9	16.9	15.8	27.9	24.5	19.6	17.3

Note: Relative poverty line is 60% of contemporaneous median income. Absolute poverty line is 60% of 2010–11 median income in real terms. 2012–13 figures are actuals (not projections) for the 'New' columns.
Source: 'New' – authors' calculations based on Family Resources Survey, 2012–13, using the IFS tax and benefit microsimulation model, TAXBEN, and assumptions specified in the text. 'Old' – table 2 of J. Browne, A. Hood and R. Joyce, 'Child and working-age poverty in Northern Ireland over the next decade: an update', IFS Briefing Note BN144, 2014 (available at http://www.ifs.org.uk/publications/7054).

discern – delays to the measures in the Welfare Reform Act would tend to make poverty increase more quickly in these two years, whereas delaying universal credit tends to make poverty rise less quickly.)

4. Conclusion

This briefing note provides an update of previous IFS projections of child and working-age poverty in Northern Ireland and the UK as a whole to the end of this decade, making use of the latest available base data on the UK household population and the latest macroeconomic forecasts and incorporating recently-announced tax and benefit changes. The biggest change to our poverty projections is that they are starting from a lower base as the rise in poverty we projected in our previous briefing note did not occur, mainly because growth in total earnings and total benefit income in 2012–13 was faster in the HBAI data than was recorded by administrative data. Such discrepancies will inevitably arise as the HBAI series is survey-based and hence subject to inherently unpredictable sampling variation from year to year. Over the longer run, however, our projections should provide a good guide to the expected trends in poverty, as these year-to-year variations tend to even out over the medium term. But as the inputs to our model (most importantly, macroeconomic forecasts and tax and benefit policies) have changed relatively little, our projections of *changes* in poverty among children and working-age adults have changed relatively little since our previous briefing note, though the time profile has changed somewhat as a result of delays to the implementation of a number of welfare reforms, particularly in Northern Ireland. Our key qualitative conclusions are therefore fairly similar to those from our previous briefing note, namely:

- Median income in the UK is projected to have fallen relative to RPI inflation in 2013–14, but then to more or less keep pace with RPI inflation for the rest of the decade. Therefore trends in the relative and absolute low-income measures of poverty will be fairly similar over this period.
- Poverty among children and working-age adults is likely to have increased fairly sharply in 2013–14, as a number of changes to the benefit system were introduced that reduced the real value of benefits and earnings growth continued to be weak. For children, this increase is likely to have been somewhat lower in Northern Ireland than in

Great Britain because the introduction of some of these benefit changes has been delayed as a result of the lack of political consensus over the Welfare Reform Act.

- From then on, poverty is projected to increase more slowly, particularly as more families benefit from the introduction of universal credit in 2016–17 and 2017–18. Although we do project relative child poverty in the UK to increase between 2012–13 and 2020–21, the projected increases are sufficiently small that the falls in relative child poverty in the UK as a whole that have been seen since 2008–09 will not be fully reversed by 2020–21.
- Over the whole period from 2012–13 to 2020–21, increases in poverty are forecast to be particularly large in Northern Ireland for both children and working-age adults. This is mainly because employment growth is forecast to be relatively weak in Northern Ireland, and because changes to taxes and benefits will have a greater impact in Northern Ireland than in Great Britain.
- Real cuts to working-age benefits are a key reason behind rising child poverty. Most notably, the shift to CPI indexation of benefits and the 1% increases in most working-age benefits in 2013–14, 2014–15 and 2015–16 mean that this source of income, which is of particular importance to low-income households, increases less quickly than both the absolute poverty line and the income of the median household. In the absence of tax and benefit changes, our projections suggest that child poverty under the relative low-income measure would have been lower in 2020–21 than in 2010–11 in both Northern Ireland and the UK as a whole. Furthermore, tax and benefit changes can explain more than half of the increase in child poverty using the absolute low-income measure for both Northern Ireland and the UK as a whole.
- For both child and WANP poverty, tax and benefit reforms have a larger effect in Northern Ireland than in the UK as a whole. One explanation is that benefits and tax credits make up a larger share of household income for low-income households in Northern Ireland than for those in the rest of the UK. All else equal, fiscal consolidation that involves cuts to benefits and tax credits will therefore naturally have a larger effect on incomes in Northern Ireland.

Although the prospects for poverty do not appear quite as bleak as in our previous briefing note, it still does not seem possible that the targets set out in the 2010 Child Poverty Act could be achieved under current policy or any other plausible scenarios for how the UK economy and tax and benefit policy will develop over the remainder of this decade – Reed and Portes (2014), using a similar methodology to ours, show that even under extremely optimistic scenarios for employment and earnings growth, these targets would still be missed by a wide margin.[17] In our previous reports, we have called on the UK government to consider setting more realistic targets, or to set out how its policies will enable it to meet these targets if it disagrees with this assessment. The Social Mobility and Child Poverty Commission has come to a similar view, recently stating that the UK government's Child Poverty Strategy

> "falls far short of what is needed. Key problems include:
>
> - The lack of any clear measures, with the Government continuing to distance itself from the statutory measures in the Child Poverty Act 2010 without suggesting any additions or alternatives. ... a strategy which cannot be measured is meaningless. ...
> - The absence of a step-by-step plan for meeting the statutory targets, with the strategy presenting a list of policies rather than a detailed plan with impacts clearly delineated.
> - A failure to engage with independent projections that poverty is set to increase substantially. This leaves a credibility gap at the heart of the strategy."[18]

We would concur with this assessment, and we hope that the updated projections in this briefing note will continue to inform public debate in this area.

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[17] H. Reed and J. Portes, *Understanding the Parental Employment Scenarios Necessary to Meet the 2020 Child Poverty Targets*, Social Mobility and Child Poverty Commission Research Report, 2014, https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/318073/3b_Poverty_Research_-_Final.pdf.

[18] Paragraph 13 of Social Mobility and Child Poverty Commission, 'Response to the consultation on the Child Poverty Strategy 2014 to 2017', 2014, https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/318062/2b_Poverty_Response_-_Final.pdf.

Appendix Table A1. UK relative poverty projections

	Children		*Working-age adults*		*Working-age parents*		*Working-age non-parents*	
	Millions	**%**	**Millions**	**%**	**Millions**	**%**	**Millions**	**%**
	Incomes measured before deducting housing costs							
2012–13 (actual)	2.3	17.4	5.5	14.6	2.2	15.6	3.4	14.1
2013–14	2.6	19.7	6.0	15.9	2.3	16.8	3.7	15.3
2014–15	2.7	20.3	6.1	16.0	2.4	17.1	3.7	15.3
2015–16	2.8	21.0	6.2	16.2	2.5	17.6	3.8	15.5
2016–17	2.8	20.7	6.2	15.9	2.4	17.2	3.7	15.2
2017–18	2.8	20.4	6.2	15.8	2.4	16.9	3.8	15.1
2020–21	3.0	20.9	6.6	16.3	2.5	17.2	4.1	15.8
	Incomes measured after deducting housing costs							
2012–13 (actual)	3.7	27.4	8.0	21.2	3.4	24.6	4.6	19.3
2013–14	3.9	28.9	8.3	22.2	3.5	25.1	4.9	20.5
2014–15	4.0	29.5	8.5	22.3	3.6	25.7	4.9	20.3
2015–16	4.1	30.0	8.6	22.4	3.6	26.0	4.9	20.3
2016–17	4.1	29.8	8.6	22.1	3.6	25.5	5.0	20.1
2017–18	4.1	29.6	8.6	21.8	3.6	25.3	5.0	19.9
2020–21	4.3	30.5	9.1	22.3	3.7	25.9	5.3	20.3

Note: Poverty line is 60% of contemporaneous median income.

Source: Authors' calculations based on Family Resources Survey, 2012–13, using the IFS tax and benefit microsimulation model, TAXBEN, and assumptions specified in the text.

Appendix Table A2. UK absolute poverty projections

	Children		*Working-age adults*		*Working-age parents*		*Working-age non-parents*	
	Millions	**%**	**Millions**	**%**	**Millions**	**%**	**Millions**	**%**
				Incomes measured before deducting housing costs				
2012–13 (actual)	2.6	19.5	5.9	15.7	2.4	17.3	3.6	14.9
2013–14	3.1	22.8	6.7	17.7	2.7	19.3	4.0	16.8
2014–15	3.1	23.2	6.7	17.7	2.7	19.4	4.0	16.7
2015–16	3.2	23.4	6.9	17.8	2.8	19.6	4.1	16.8
2016–17	3.2	23.1	6.8	17.6	2.7	19.2	4.1	16.7
2017–18	3.2	23.2	6.9	17.6	2.7	19.3	4.1	16.6
2020–21	3.5	24.5	7.4	18.2	2.9	20.0	4.5	17.3
				Incomes measured after deducting housing costs				
2012–13 (actual)	4.1	30.6	8.7	23.1	3.8	27.2	5.0	20.8
2013–14	4.4	32.7	9.2	24.5	4.0	28.6	5.3	22.1
2014–15	4.4	32.6	9.1	24.0	4.0	28.4	5.2	21.5
2015–16	4.4	32.8	9.2	24.0	4.0	28.4	5.2	21.5
2016–17	4.4	32.5	9.1	23.5	3.9	27.9	5.2	21.1
2017–18	4.4	31.9	9.1	23.2	3.9	27.3	5.2	20.9
2020–21	4.7	33.1	9.7	23.8	4.0	28.1	5.6	21.4

Note: Poverty line is 60% of 2010–11 median income in real terms.

Source: Authors' calculations based on Family Resources Survey, 2012–13, using the IFS tax and benefit microsimulation model, TAXBEN, and assumptions specified in the text.

Appendix Table A3. UK median income projections

	Nominal		*RPI-adjusted*		*CPI-adjusted*	
	£ per week	% change	£ per week	% change	£ per week	% change
2012–13 (actual)	440	-	465	-	458	-
2013–14	445	+1.2	457	–1.6	453	–1.1
2014–15	459	+3.1	459	+0.4	459	+1.2
2015–16	474	+3.2	459	–0.1	464	+1.2
2016–17	490	+3.4	458	–0.2	471	+1.4
2017–18	509	+3.9	458	+0.1	480	+1.9
2020–21	562	+10.5	454	–0.8	499	+4.1

Note: Incomes measured before housing costs are deducted. Inflation-adjusted figures are in 2014–15 prices. Percentage change figures for 2020–21 are the projected cumulative change from 2017–18.

Source: Authors' calculations based on Family Resources Survey, 2012–13, using the IFS tax and benefit microsimulation model, TAXBEN, and assumptions specified in the text.

Appendix Table B1. Projections of income poverty rates in England and Wales

	Children		*Working-age adults*		*Working-age parents*		*Working-age non-parents*	
	Relative	**Absolute**	**Relative**	**Absolute**	**Relative**	**Absolute**	**Relative**	**Absolute**
	Incomes measured before deducting housing costs							
2012–13 (actual)	17.2	19.4	14.5	15.6	15.5	17.2	13.9	14.7
2013–14	19.6	22.8	15.8	17.6	16.8	19.3	15.2	16.6
2014–15	20.2	23.1	15.9	17.6	17.1	19.4	15.1	16.5
2015–16	20.9	23.3	16.1	17.7	17.5	19.6	15.3	16.6
2016–17	20.5	22.8	15.7	17.4	17.1	19.0	15.0	16.5
2017–18	20.1	22.9	15.5	17.3	16.8	19.2	14.9	16.3
2020–21	20.6	24.1	15.8	17.9	16.9	19.7	15.4	16.8
	Incomes measured after deducting housing costs							
2012–13 (actual)	28.0	31.2	21.4	23.3	25.3	27.9	19.1	20.6
2013–14	29.6	33.4	22.3	24.6	25.7	29.3	20.2	21.9
2014–15	30.1	33.2	22.4	24.1	26.3	29.1	20.1	21.3
2015–16	30.6	33.4	22.5	24.1	26.6	29.0	20.2	21.2
2016–17	30.3	33.0	22.1	23.6	26.0	28.5	19.9	20.8
2017–18	30.0	32.3	21.9	23.3	25.8	27.1	19.7	20.6
2020–21	31.0	33.5	22.2	23.8	26.3	28.5	20.0	21.2

Note: Relative poverty line is 60% of contemporaneous median income. Absolute poverty line is 60% of 2010–11 median income in real terms.
Source: Authors' calculations based on Family Resources Survey, 2012–13, using the IFS tax and benefit microsimulation model, TAXBEN, and assumptions specified in the text.

Appendix Table B2. Projections of income poverty rates in Scotland

	Children		*Working-age adults*		*Working-age parents*		*Working-age non-parents*	
	Relative	**Absolute**	**Relative**	**Absolute**	**Relative**	**Absolute**	**Relative**	**Absolute**
	Incomes measured before deducting housing costs							
2012–13 (actual)	18.5	19.8	15.0	15.9	16.4	17.3	14.3	15.2
2013–14	20.0	22.6	15.8	17.5	17.1	18.8	15.2	16.8
2014–15	21.2	23.8	16.2	17.7	17.7	19.5	15.5	16.8
2015–16	21.9	24.4	16.6	18.0	18.2	19.9	15.9	17.2
2016–17	22.6	25.3	16.4	18.0	18.3	20.6	15.5	16.8
2017–18	23.0	25.5	16.4	18.0	18.4	20.8	15.5	16.8
2020–21	23.4	27.1	17.6	19.6	19.0	21.9	17.0	18.6
	Incomes measured after deducting housing costs							
2012–13 (actual)	22.4	25.0	20.6	22.3	19.6	21.8	21.0	22.5
2013–14	23.3	27.5	21.4	23.2	20.0	23.3	22.1	23.1
2014–15	24.7	27.4	21.1	22.9	20.9	23.1	21.1	22.8
2015–16	25.5	28.0	20.8	23.0	21.6	23.4	20.4	22.8
2016–17	25.6	27.3	21.4	22.3	21.4	22.4	21.4	22.2
2017–18	26.2	28.1	21.1	22.1	21.5	22.9	20.9	21.7
2020–21	27.0	30.7	21.6	23.1	22.2	24.8	21.4	22.4

Note: Relative poverty line is 60% of contemporaneous median income. Absolute poverty line is 60% of 2010–11 median income in real terms.
Source: Authors' calculations based on Family Resources Survey, 2012–13, using the IFS tax and benefit microsimulation model, TAXBEN, and assumptions specified in the text.

Appendix Table B3. Projections of income poverty rates in Northern Ireland

	Children		*Working-age adults*		*Working-age parents*		*Working-age non-parents*	
	Relative	**Absolute**	**Relative**	**Absolute**	**Relative**	**Absolute**	**Relative**	**Absolute**
	Incomes measured before deducting housing costs							
2012–13 (actual)	20.5	22.0	17.7	19.4	16.8	18.4	18.3	20.1
2013–14	21.8	23.9	18.7	22.0	17.4	19.9	19.6	23.5
2014–15	21.6	24.8	18.8	22.1	17.1	20.3	19.9	23.3
2015–16	21.8	25.3	19.5	22.5	17.2	20.7	21.1	23.7
2016–17	22.5	26.3	19.7	22.4	17.5	21.1	21.3	23.4
2017–18	22.5	26.4	20.3	22.9	17.2	20.5	22.5	24.6
2020–21	26.0	29.3	23.5	25.9	19.9	23.1	25.9	27.9
	Incomes measured after deducting housing costs							
2012–13 (actual)	22.5	25.8	18.6	21.5	17.8	21.2	19.2	21.8
2013–14	23.7	27.1	20.8	24.1	19.1	22.2	22.0	25.4
2014–15	23.9	27.2	21.5	23.9	19.7	22.1	22.8	25.1
2015–16	23.9	27.1	21.5	23.7	19.5	21.9	22.9	25.0
2016–17	24.8	28.2	21.6	24.0	19.8	22.8	22.8	24.9
2017–18	25.1	27.3	21.9	23.8	19.7	21.7	23.5	25.4
2020–21	27.1	29.5	24.5	26.0	21.8	23.7	26.3	27.5

Note: Relative poverty line is 60% of contemporaneous median income. Absolute poverty line is 60% of 2010–11 median income in real terms.
Source: Authors' calculations based on Family Resources Survey, 2012–13, using the IFS tax and benefit microsimulation model, TAXBEN, and assumptions specified in the text.

Appendix Table C1. Office for Budget Responsibility forecasts

	Used to uprate private incomes			*Used to uprate the tax and benefit system*[a]			
	RPI[b]	Average nominal earnings growth	Nominal GDP growth	CPI to previous September	RPI to previous September	Rossi to previous September[c]	Nominal earnings growth used for uprating[d]
2014–15	2.7%	2.4%	4.6%	-	-	-	-
2015–16	3.3%	3.3%	3.9%	1.8%	2.5%	2.6%	1.3%
2016–17	3.6%	3.7%	4.6%	2.0%	3.3%	3.1%	3.3%
2017–18	3.8%	3.7%	4.5%	2.0%	3.7%	3.2%	3.5%
2018–19	3.9%	3.8%	4.4%	2.0%	3.7%	3.2%	3.7%
2019–20	3.6%	4.4%	4.6%	2.0%	3.8%	3.2%	3.8%
2020–21	3.5%	4.4%	4.6%	2.0%	3.6%	3.2%	4.5%

a. Actual tax and benefit parameters for 2014–15 are available, so we only need to use OBR forecasts for the 2015–16 system onwards.

b. From 2019–20, figures are for September as whole-year forecasts are not available.

c. We use Q3 forecasts for Rossi up to 2018–19 and then extrapolate forwards, as longer-term forecasts are not available.

d. These are the OBR forecasts for the 'triple lock' in all years where the figure given exceeds both CPI inflation and 2.5%. In other years, they are the Q2 forecasts for average nominal earnings growth for the relevant year.

Source: Office for Budget Responsibility, *Fiscal Sustainability Report*, July 2013, http://budgetresponsibility.org.uk/fiscal-sustainability-report-july-2013; Office for Budget Responsibility, *Economic and Fiscal Outlook*, March 2014, http://budgetresponsibility.org.uk/economic-fiscal-outlook-march-2014/; Office for Budget Responsibility, *Fiscal Sustainability Report*, July 2014, http://budgetresponsibility.org.uk/fiscal-sustainability-report-july-2014.