Child and working-age poverty in Northern Ireland over the next decade: an update

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Executive summary

- This briefing note updates previous IFS projections of child and working-age poverty in Northern Ireland and the UK as a whole from 2012–13 to 2017–18, and in 2020–21. These projections take into account revised macroeconomic forecasts from the Office for Budget Responsibility (OBR) published alongside Budget 2013, new forecasts of employment and earnings growth provided by Oxford Economics, and new tax and benefit policy announcements, and make use of more recent data on the UK household population.

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- The projections in this briefing note were produced before the 2013 Autumn Statement, and so do not incorporate the latest available OBR forecasts or the tax and benefit policies that were announced in the Autumn Statement. These changes to forecasts and tax and benefit policies would likely have some effect on our projections. A further update to these projections that takes account of these changes, and further revisions to forecasts and policy changes in Budget 2014, will be produced later in 2014.
- The broad pattern of results from our previous projections remains the same. Child poverty is projected to rise relatively quickly between 2011–12 and 2014–15, increase slightly between 2014–15 and 2017–18 as more households benefit from the introduction of universal credit, before increasing more rapidly in the latter part of the decade. Poverty among working-age non-parents is projected to continue its gradual upward trend of the last 30 years.
- Relative to the latest year of data (2011–12), we now expect child poverty in Northern Ireland to increase by 5.0 percentage points (ppts) by 2014–15 and 9.2ppts by 2020–21 using the relative low-income measure and by 7.1ppts by 2014–15 and 13.5ppts by 2020–21 using the absolute low-income measure.
- The equivalent figures for the UK as a whole are somewhat smaller: using the relative low-income measure, we project increases of 2.7ppts or 400,000 children by 2014–15 and 5.0ppts or 900,000 children by 2020–21. Using the absolute low-income measure, we project increases of 5.6ppts or 800,000 children by 2014–15 and 8.4ppts or 1.4 million children by 2020–21.
- We now project that working-age non-parent poverty in Northern Ireland will increase by 6.4ppts between 2011–12 and 2020–21 according to the relative low-income measure and by 7.3ppts 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 900,000 individuals according to the relative low-income measure and an increase of 3.2ppts or 1.4 million individuals according to the absolute low-income measure.

- Our projections for relative poverty rates have fallen slightly since our last projections as weaker forecasts for earnings growth have lowered median incomes more than the incomes of low-income households, narrowing the gap between the incomes of middle-income and low-income households. In contrast, our projections for absolute poverty rates have slightly increased, mainly because higher projected RPI inflation has increased the absolute poverty line.
- These updated projections also have a larger difference between the projected increase in poverty in Northern Ireland and that for the UK than our previous estimates. A likely explanation for this is that Oxford Economics has substantially reduced its predictions for employment growth in Northern Ireland compared with its previous set of forecasts.

	% of children		**% of working-age non-parents**	
	UK	**NI**	**UK**	**NI**
		Relative poverty		
2011–12 (actual)	17.4	21.6	15.2	20.1
2012–13	18.3	23.0	15.1	21.1
2013–14	19.4	24.4	15.4	21.0
2014–15	20.1	26.6	16.2	22.3
2015–16	20.0	26.3	16.3	23.6
2016–17	20.4	26.9	16.2	23.3
2017–18	21.1	28.0	16.3	24.4
2020–21	22.5	30.9	16.9	26.4
		Absolute poverty		
2011–12 (actual)	19.5	25.0	16.4	21.8
2012–13	22.0	28.3	17.3	23.1
2013–14	23.7	30.3	17.8	23.3
2014–15	25.2	32.0	18.7	25.3
2015–16	25.1	31.4	18.7	26.5
2016–17	25.5	31.9	18.8	27.0
2017–18	26.6	33.5	19.2	28.3
2020–21	27.9	38.5	19.6	29.1

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, 2011–12, using the IFS tax and benefit microsimulation model, TAXBEN, and assumptions specified in the text.

1. Introduction

This briefing note updates our previous projections of child and working-age poverty in Northern Ireland and for the UK as a whole for the period from 2012–13 to 2016–17, and for 2020–21. We additionally include projections for 2017–18. Figures for England and Wales and for Scotland are available in an appendix. Our methodology is largely identical to that used in previous work, though it is updated to account for new macroeconomic forecasts published by the Office for Budget Responsibility alongside Budget 2013, the latest vintage of forecasts for employment (by region and industry) and earnings growth (by industry) from Oxford Economics, and new tax and benefit policies announced in Budget 2013 and at the Conservative and Liberal Democrat party conferences in the autumn of 2013. However, as the projections in this briefing note were produced before the 2013 Autumn Statement, we do not include the revised macroeconomic forecasts published by the OBR alongside the Autumn Statement or the tax and benefit policy changes that were announced in the Autumn Statement. We make use of more up-to-date data (the 2011–12 Family Resources Survey, which has recently been made available to researchers) as the basis for our projections. A summary of the methodology can be found in Box 1.

In Section 2, we set out the recently-announced policy changes and some minor methodological changes that are accounted for in this update, before presenting 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 78, 2013, 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. In this briefing note, we use the 2011–12 edition of the survey.
- The data are reweighted using a number of control totals to account for predicted changes in the demographic characteristics of the population and the number of people employed over the period in question. We use the OBR's forecast for total employment, which is then allowed to vary 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

- To simulate future tax liabilities, and benefit and tax credit receipts, we use the IFS tax and benefit microsimulation model, TAXBEN. We account for the policies described in Section 2 as well as those outlined in the report cited above.

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 2011–12 FRS data, which we assume remains constant when projecting forwards.

Uncertainties and limitations

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

- Uncertainties surrounding demographic and macroeconomic forecasts.
- Sampling error. Any survey is subject to this and the Family Resources Survey is no exception. Results for Northern Ireland will not be as robust as those for the UK as a whole due to a smaller sample size. Sampling error impacts on both base data (i.e. the 2011–12 FRS figures) and the future HBAI measures of poverty we are trying to project.
- Our methodology does not directly account for 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.

2. New policies and forecasts

Our last set of poverty projections were produced before Budget 2013 and so did not account for the updates to economic forecasts and new tax and benefit policies announced in and alongside that fiscal event. The economic forecasts we use in our projections are reproduced in Appendix C: the most important of these for understanding the revisions to our projections that follow is that over the period to 2015–16 the Office for Budget Responsibility (OBR) is projecting slightly lower nominal earnings growth and slightly higher RPI inflation. The effect of these revisions is to reduce projected household incomes in real terms, which will increase the number of people below absolute poverty lines. However, since earnings make up a larger share of income for the median household than for households in poverty, the falls in real earnings are likely to reduce the income of the median household more than the incomes of poorer households. Thus, we would expect these revisions to macroeconomic forecasts to reduce the number of people below relative poverty lines.

Our projections were produced before the 2013 Autumn Statement and so do not take account of the OBR's latest revisions to its forecasts. These latest revisions increase real earnings growth in 2013–14 and 2014–15 but reduce it in later years, which we would expect to reduce the number of people below absolute poverty lines, and to increase median income and hence the number of people with incomes below relative poverty lines, in 2013–14 and 2014–15.

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 levels and earnings growth to vary by industry and region within the overall trends for employment and earnings forecast by the OBR. These updated forecasts show substantially weaker employment growth in Northern Ireland, both relative to Oxford Economics's previous forecasts and relative to the rest of the UK.

The only tax measure announced in Budget 2013 that is incorporated into our forecasts is an increase in the income tax personal allowance in 2014–15. Although this is a net giveaway to households, the main beneficiaries are middle-income households:[1] we would therefore expect this policy to reduce absolute measures of poverty (since some low-income households will benefit from this measure), but increase relative measures of poverty (since middle-income households will on average benefit more than low-income households). We also include the new 'tax-free childcare' policy that is set to be introduced in 2015–16[2] and the higher 85% childcare subsidy rate in universal credit for families where all adults are taxpayers.[3]

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[1] See J. Browne, 'A £10,000 personal allowance: who would benefit, and would it boost the economy?', IFS Observation, 2012, http://www.ifs.org.uk/publications/6045.

[2] This gives families where all adults are taxpayers 20% of childcare costs of up to £6,000 a year.

[3] The UK government has stated that it will give support 'equivalent to 85% of childcare costs' to families on universal credit where all adults are taxpayers. We assume that this means that the subsidy rate will be increased to 85% for such families, but note the policy uncertainty around this.

We also incorporate a number of tax and benefit policies that have been announced since Budget 2013. In particular, we include:

- the ‘zero-earnings rule’ for receipt of support for mortgage interest under universal credit;[4]
- lower council tax increases in England in 2014–15 and 2015–16 following the announcement in the Spending Review of additional funds to councils in England that choose to freeze council tax rates;[5]
- free school meals for all 5- to 7-year-olds from September 2014 (the value of which is counted as income in the official Households Below Average Income (HBAI) income measure), as announced at the Liberal Democrat party conference in September 2013;
- the transferable tax allowance for married couples to take effect in 2015–16 announced at the Conservative party conference in October 2013.

Most of these reforms are giveaways to households, and would therefore be expected to increase household incomes and reduce the number of people below absolute poverty lines. Their impact on relative poverty measures will depend on whether low-income households benefit more or less than the median household. As a rough approximation, the lowest-income households would not benefit from many of these measures as they already get support for council tax, receive free school meals and do not pay income tax and, whereas council tax freezes, universal free school meals and the transferable tax allowance would benefit some middle-income households. Therefore, one would expect any impact of these measures on the absolute low-income poverty measure to be small, and they may even increase relative poverty.

We do not account for tax and benefit changes announced in the 2013 Autumn Statement: of these, the only ones that would have an impact on

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[4] Previously, we assumed that those who would have received support for mortgage interest under the current benefit system would continue to do so under universal credit; this therefore represents a reduction in generosity for those with mortgages who have very low levels of earnings.

[5] We do not assume that all councils take up this offer: we assume council tax increases by 0.8% in each of these years, the same average percentage increase observed in 2013–14 when there was a similar policy in place.

our projections are 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, which is likely to increase poverty among working-age households, and some minor changes to pension credit in 2014–15, 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.

The timescale for the introduction of some welfare reforms has been delayed. We now assume a slower roll-out of universal credit across the UK than in our previous report, in response to the widely-publicised IT problems the project is encountering, although as we do not account for the change in the roll-out announced at the time of the 2013 Autumn Statement, we are still modelling the roll-out as happening more quickly than is now expected.[6] In Northern Ireland specifically, a number of welfare reforms have been delayed as a result of the Welfare Reform Bill (2010) not having 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 policies will be introduced in Northern Ireland, noting that legislative changes will be required for these to take effect:

- The benefit cap is in place in Northern Ireland from October 2014.
- The time-limiting of contributory employment and support allowance (ESA) to 52 weeks is introduced in Northern Ireland from October 2014.

[6] We now assume that the 'stock' of claimants will be moved onto universal credit at a constant rate between April 2014 and December 2017, 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 2015 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 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)).

- The transition from disability living allowance to personal independence payment 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 (the so-called 'bedroom tax') is in place in Northern Ireland from 2015–16.

Our previous report assumed a uniform implementation of welfare reforms across the UK. All else equal, the later implementation of some welfare reforms in Northern Ireland is likely to slightly reduce poverty according to both the relative and absolute income measures in 2012–13, 2013–14 and 2014–15. 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 October 2014 or later will increase the incomes of those households in Northern Ireland between 2012–13 and 2014–15, both in absolute terms and relative to the median household.

3. Results

In this section, we present our updated poverty projections, and discuss the impact on poverty of the current 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, and 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, it is widely believed that the RPI systematically overstates the average inflation rate faced by households, as a result of deficiencies in the formula used for calculation,[7] and that this problem has

[7] See P. Levell, 'A winning formula? Elementary indices in the Retail Prices Index', IFS Working Paper W12/22, 2012, http://www.ifs.org.uk/publications/6456.

been exacerbated by changes to the methodology in 2010.[8] This would imply 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 our previous report,[9] the choice of inflation measure used to deflate incomes to allow comparison between years has a dramatic impact on our results. In that report, we showed a variant where the CPI rather than the RPI was used to deflate incomes and increase the absolute poverty line. Under that variant, median income was higher in 2020–21 than in 2010–11 rather than lower, and the increase in absolute child poverty in the UK as a whole was significantly lower when the CPI was used to uprate the absolute poverty line, at 1.7ppts rather than 10ppts.

We report results with household incomes measured before and after housing costs have been deducted (BHC and AHC), though we focus on the BHC measure as this is the measure used for the targets in the Child Poverty Act (2010). Lower housing costs in Northern Ireland 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. Assuming this does not reflect a lower quality of housing in Northern Ireland, it is 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. However, looking at changes in either measure should give an equally accurate measure of changes in living standards over time: indeed, we find that the two measures move roughly in line in our projections. Throughout this section, 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 rest of the UK. Our projections for the numbers in different groups in poverty in the UK, and for the path of median income, can be found in

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

[9] 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 78, 2013, http://www.ifs.org.uk/publications/6668.

Appendix A. All years are financial years, because the Family Resources Survey (the survey of household incomes on which official poverty statistics are based) covers financial years.

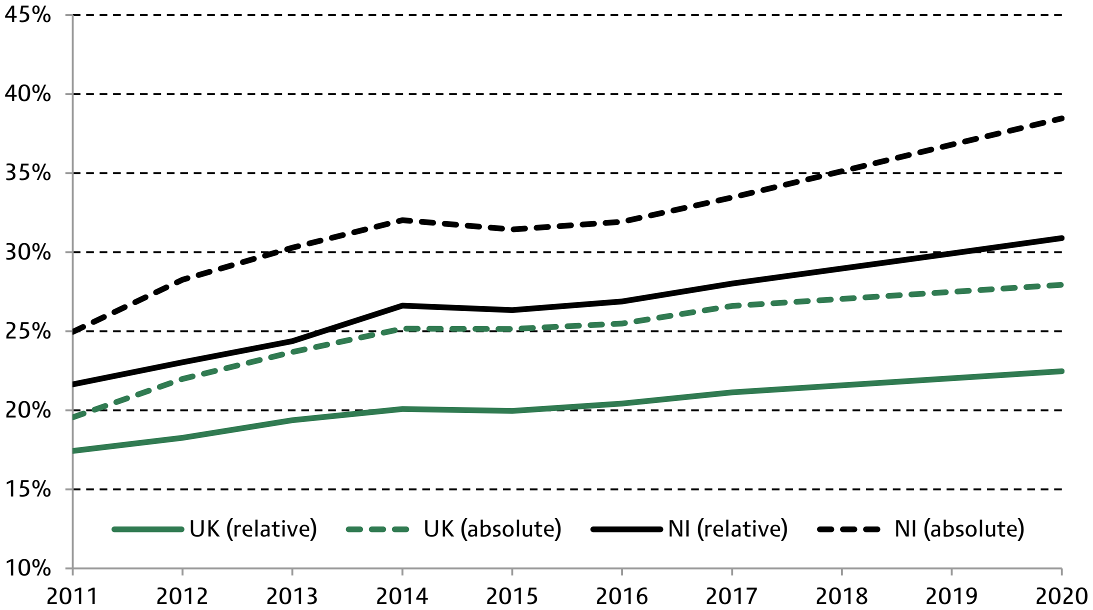
Figures 1–4 show our projections for child and working-age non-parent (WANP) poverty in Northern Ireland and the UK from 2011–12 through to 2017–18, and in 2020–21. The underlying data are presented in Table 1. Clearly, the uncertainty surrounding our projections increases as we look further into the future, particularly with regard to the macroeconomic forecasts that underpin our projections.[10] 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):

2011–12 to 2014–15

- We project that child poverty in Northern Ireland will increase significantly over the first part of the decade using both the absolute and relative low-income measures. Child poverty is expected to rise by 5.0ppts between 2011–12 and 2014–15 using the relative low-income measure and by 7.1ppts using the absolute low-income measure. This is a higher projected increase than for the UK as a whole: our UK-wide projections are for child poverty to increase by 2.7ppts (or 400,000 children) using the relative low-income measure and 5.6ppts (or 800,000 children) using the absolute low-income measure over the same period. Absolute poverty rises by more than relative poverty because median income continues to fall in real terms between 2011–12 and 2014–15 – we estimate that median income fell 2.4% in 2012–13 in real terms and that it will continue to fall slightly in 2013–14 and 2014–15. Thus, the gap between the relative and absolute poverty lines is projected to grow throughout this period.

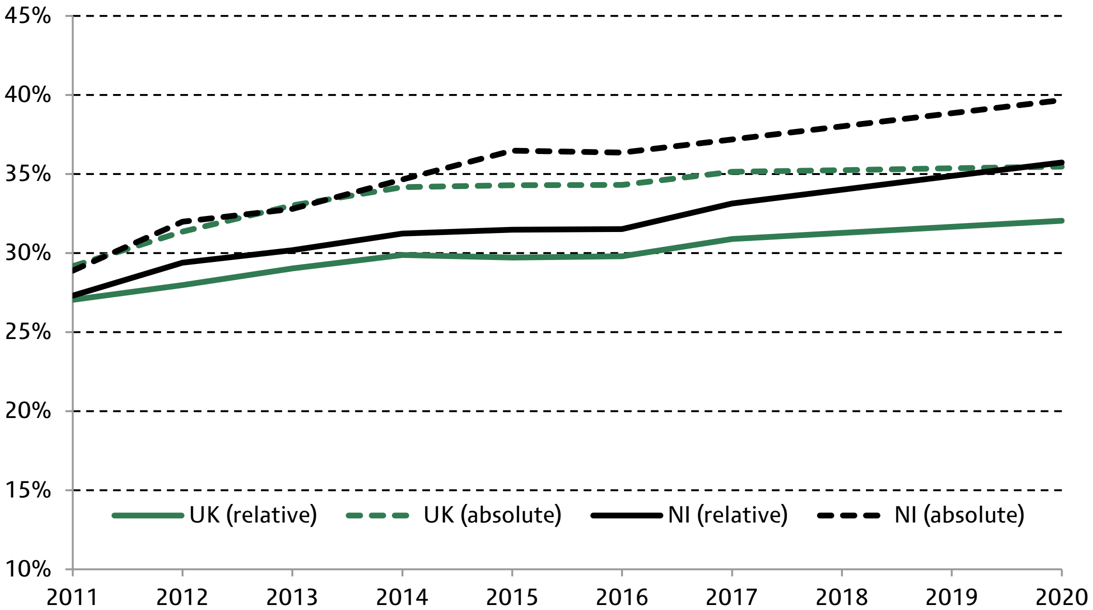
[10] For an assessment of how sensitive these results are to changes in the macroeconomic forecasts, see chapter 5 of J. Browne, A. Hood and R. Joyce, *Child and Working-Age Poverty in Northern Ireland from 2010 to 2020*, IFS Report 78, 2013, http://www.ifs.org.uk/publications/6668.

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



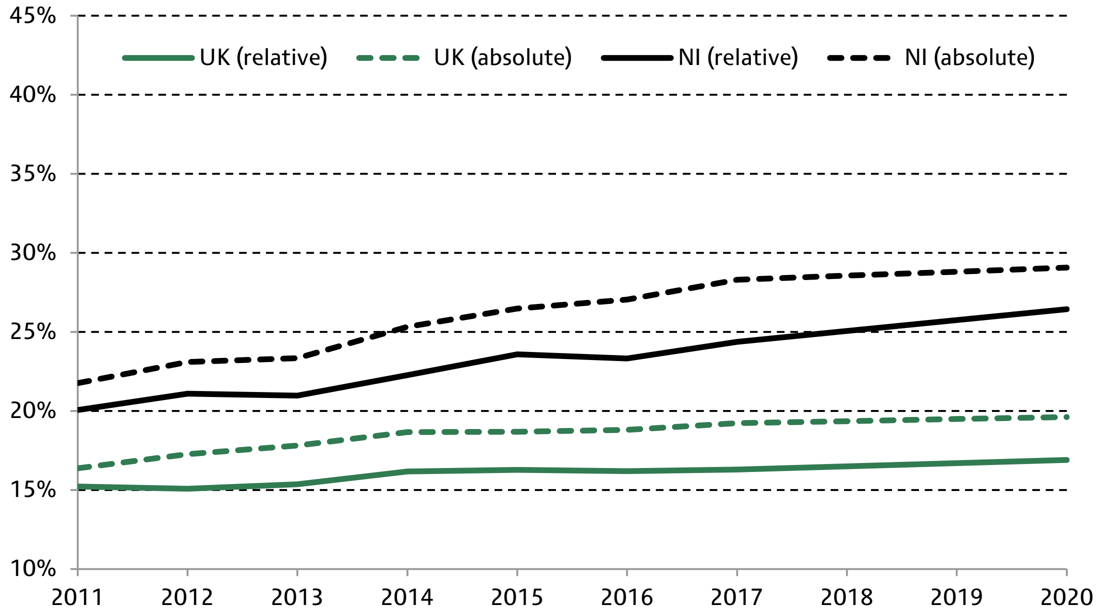
Note: Relative poverty line is 60% of contemporaneous median income. Absolute poverty line is 60% of 2010–11 median income in real terms. Incomes measured before housing costs (BHC). Years refer to financial years.
Source: Authors' calculations based on Family Resources Survey, 2011–12, using the IFS tax and benefit microsimulation model, TAXBEN, and assumptions specified in the text.

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



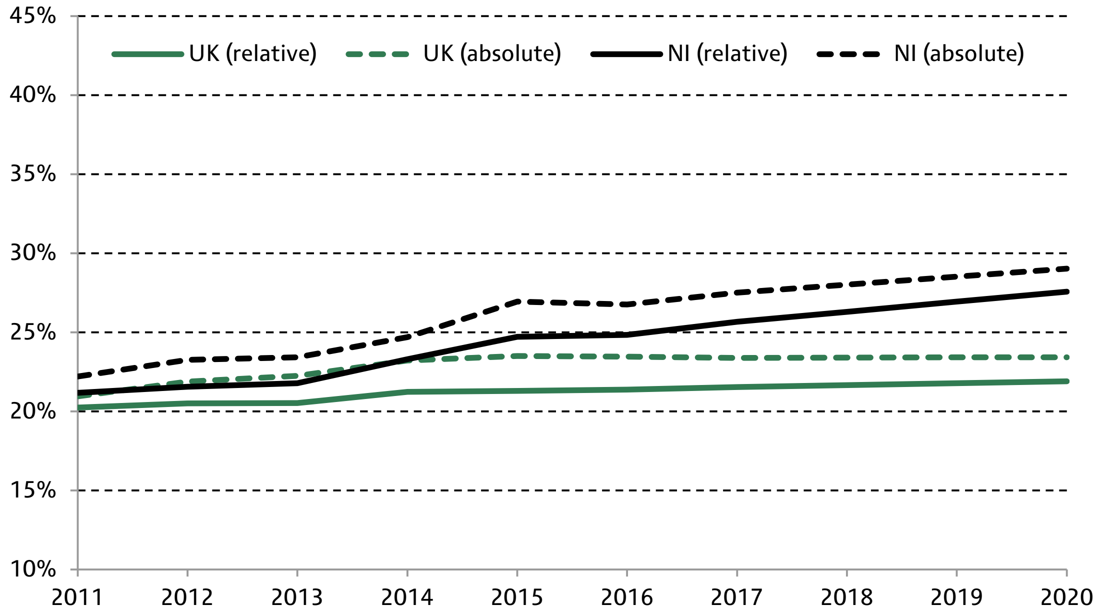
Note: Relative poverty line is 60% of contemporaneous median income. Absolute poverty line is 60% of 2010–11 median income in real terms. Incomes measured after housing costs (AHC). Years refer to financial years.
Source: Authors' calculations based on Family Resources Survey, 2011–12, using the IFS 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***			
2011–12 (actual)	17.4	21.6	15.2	20.1	19.5	25.0	16.4	21.8
2012–13	18.3	23.0	15.1	21.1	22.0	28.3	17.3	23.1
2013–14	19.4	24.4	15.4	21.0	23.7	30.3	17.8	23.3
2014–15	20.1	26.6	16.2	22.3	25.2	32.0	18.7	25.3
2015–16	20.0	26.3	16.3	23.6	25.1	31.4	18.7	26.5
2016–17	20.4	26.9	16.2	23.3	25.5	31.9	18.8	27.0
2017–18	21.1	28.0	16.3	24.4	26.6	33.5	19.2	28.3
2020–21	22.5	30.9	16.9	26.4	27.9	38.5	19.6	29.1
	After housing costs				***After housing costs***			
2011–12 (actual)	27.0	27.3	20.2	21.2	29.2	28.9	21.0	22.2
2012–13	28.0	29.4	20.5	21.6	31.4	32.0	21.9	23.3
2013–14	29.0	30.2	20.5	21.8	33.0	32.8	22.3	23.4
2014–15	29.9	31.2	21.2	23.3	34.2	34.7	23.2	24.7
2015–16	29.7	31.5	21.3	24.7	34.3	36.5	23.5	26.9
2016–17	29.8	31.5	21.4	24.8	34.3	36.3	23.5	26.8
2017–18	30.9	33.1	21.5	25.7	35.1	37.2	23.4	27.5
2020–21	32.0	35.7	21.9	27.6	35.5	39.7	23.4	29.0

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, 2011–12, 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 2.2ppts using the relative low-income measure and by 3.6ppts using the absolute low-income measure between 2011–12 and 2014–15. Again, these are larger percentage point increases than for the UK as a whole: our UK projections are for WANP poverty to increase by 0.9ppts between 2011–12 and 2014–15 using the relative low-income measure (an increase of 400,000) and by 2.3ppts using the absolute low-income measure (an increase of 700,000).

2014–15 to 2017–18

- Child poverty in Northern Ireland is projected to increase more slowly between 2014–15 and 2017–18: by 1.4ppts from 2014–15 to 2017–18 using the relative-low income measure, compared with 5.0ppts between 2011–12 and 2014–15. Absolute child poverty in Northern Ireland is projected to increase by 1.4ppts across the period, again a much slower rate of increase.
- Similar increases are projected for the UK as a whole: child poverty is projected to increase by 1.1ppts or 200,000 children using the relative low-income measure and by 1.4ppts or 300,000 children using the absolute low-income measure.
- The path of WANP poverty is projected to differ significantly in Northern Ireland and the UK between 2014–15 and 2017–18. In Northern Ireland, WANP poverty is projected to increase by 2.1ppts using the relative low-income measure and by 3.0ppts using the absolute low-income measure. In the UK, WANP poverty is projected to increase by only 0.1ppts (an increase of 200,000 people) using the relative low-income measure and 0.6ppts (or 300,000 people) using the absolute low-income measure. One reason for this difference is that employment growth during this period is forecast to be significantly lower in Northern Ireland than in the UK as a whole.
- Part of the explanation for the slower increases projected in relative poverty among the two groups from 2014–15 is the roll-out of universal credit.[11] We project that by 2017–18, relative child poverty in

[11] Note that these effects do not allow for any behavioural response in terms of families' labour supply or earnings to the introduction of universal credit. For further details of our modelling of universal credit, see appendix D of J. Browne, A. Hood and

Northern Ireland will be 2.4ppts lower than it would have been had universal credit not been introduced. Relative WANP poverty is projected to be 0.7ppts lower in Northern Ireland than it would have been without universal credit by 2017–18.

- The projected effect of universal credit on poverty in the UK is very similar. By 2017–18, we project that, using the relative low-income measure, child poverty will be 2.0ppts (300,000) lower and WANP poverty 0.8ppts (200,000) lower than they would have been had universal credit not been introduced.

2017–18 to 2020–21

- We project that child poverty will continue to increase in both Northern Ireland and the UK as a whole between 2017–18 and 2020–21. Overall, we project that relative child poverty in Northern Ireland will increase by 9.2ppts and absolute child poverty by 13.5ppts between 2011–12 and 2020–21. The total projected rise in relative child poverty in the UK as a whole is somewhat smaller, at 5.0ppts, from 17.4% in 2011–12 to 22.5% in 2020–21. This corresponds to an additional 900,000 children in relative poverty. Using the absolute low-income measure, we project a rise in child poverty of 8.4ppts (or 1.4 million children) between 2011–12 and 2020–21 for the UK as a whole.
- We project that WANP poverty in Northern Ireland will also increase between 2017–18 and 2020–21, though by less than child poverty. WANP poverty is projected to increase by 6.4ppts using the relative low-income measure and by 7.3ppts using the absolute low-income measure between 2011–12 and 2020–21. These increases are much larger than those projected in UK WANP poverty: we project that WANP poverty in the UK will increase by 1.7ppts using the relative low-income measure (or 900,000) and by 3.2ppts (or 1.4 million) using the absolute low-income measure between 2011–12 and 2020–21. Again a likely explanation for our projections for WANP poverty showing larger increases in Northern Ireland is that Oxford Economics forecasts that

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R. Joyce, *Child and Working-Age Poverty in Northern Ireland from 2010 to 2020*, IFS Report 78, 2013, http://www.ifs.org.uk/publications/6668.

both earnings and employment will grow less strongly in Northern Ireland than in the UK as a whole over this period.

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; cuts to working-age social security benefits in particular 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 quantify the direct impact of the reforms introduced since then on poverty between 2011–12 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 section 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 (all figures reported are when incomes are measured BHC):

- We project that in the absence of tax and benefit reforms, relative child poverty in Northern Ireland would have been lower in 2014–15 than in 2011–12. Reforms since April 2010 also explain the large majority of the projected increase in the absolute low-income child poverty measure. In 2014–15, child poverty is projected to be 5.8ppts higher using the relative low-income measure and 5.0ppts 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 3.7ppts (or 500,000) higher using the relative low-income measure and 4.6ppts (or 600,000) higher using the absolute low-income measure than in the absence of reforms.
- 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 7.5ppts higher using the relative low-income measure and 10.4ppts higher using the absolute low-income measure as a result of tax and benefit changes. For the UK, these figures are 4.4ppts (600,000) and 6.0ppts (900,000) respectively.
- 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 0.4ppts to WANP poverty in 2014–15 using the relative low-income measure and 0.8ppts using the absolute low-income measure. In the UK as a whole, these figures are 0.4ppts (100,000) and 0.5ppts (100,000) respectively.
- 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 2.6ppts using the relative low-income measure and by 2.8ppts using the absolute low-income measure. In the UK, however, they add only 0.2ppts (less than 100,000) to relative WANP poverty and 0.7ppts (200,000) 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

The key qualitative conclusions about the likely path of child and working-age poverty over the current decade are unchanged from our previous report. Nevertheless, our quantitative projections have changed slightly in light of new tax and benefit policies and revised macroeconomic forecasts. 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.

Our projection for child poverty in 2016–17 using the relative child poverty measure is around 1ppt lower than before in both Northern Ireland and the UK as a whole. However, using the absolute low-income measure, our projections for child poverty in 2016–17 are higher in both Northern Ireland and the UK as a whole. The same broad pattern can be seen in changes to our projections for working-age non-parent poverty, although there is little change in our projection of UK-wide working-age non-parent poverty in 2016–17 according to the relative low-income measure.

These changes can be explained by a combination of lower predicted nominal earnings growth and higher predicted RPI inflation: the out-turn for earnings growth in 2012–13 was significantly lower than the OBR was previously expecting, and it has also lowered its nominal earnings growth forecasts and increased its forecasts for RPI inflation going forward. Lower earnings growth lowers incomes for the median household more than for lower-income households, reducing the gap between the incomes of poorer households and of the median household and hence relative poverty rates, whereas higher RPI inflation raises the absolute poverty line and therefore increases the number of people with incomes below that level.

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*			
2011–12	23.6	21.6	20.3	20.1	25.1	25.0	21.6	21.8
2012–13	24.8	23.0	20.9	21.1	26.6	28.3	22.7	23.1
2013–14	26.3	25.0	22.2	21.0	28.5	30.3	23.9	23.3
2014–15	27.2	26.6	23.3	22.3	28.9	32.0	25.2	25.3
2015–16	27.8	26.3	24.5	23.6	28.8	31.4	25.3	26.5
2016–17	27.9	26.9	25.0	23.3	29.4	31.9	25.7	27.0
2017–18	-	28.0	-	24.4	-	33.5	-	28.3
2020–21	29.7	30.9	25.8	26.4	32.9	38.5	27.8	29.1
	UK				*UK*			
2011–12	17.5	17.4	15.1	15.2	19.3	19.5	15.8	16.4
2012–13	19.0	18.3	15.1	15.1	20.9	22.0	15.9	17.3
2013–14	20.5	19.4	15.7	15.4	23.1	23.7	16.6	17.8
2014–15	20.9	20.1	16.0	16.2	23.8	25.2	17.0	18.7
2015–16	21.4	20.0	16.0	16.3	23.8	25.1	17.2	18.7
2016–17	21.6	20.4	16.1	16.2	24.0	25.5	17.2	18.8
2017–18	-	21.1	-	16.3	-	26.6	-	19.2
2020–21	23.5	22.5	17.2	16.9	27.2	27.9	18.7	19.6

Note: Relative poverty line is 60% of contemporaneous median income. Absolute poverty line is 60% of 2010–11 median income in real terms. 2011–12 figures are actuals (not projections) for the 'New' columns.
Source: Authors' calculations based on Family Resources Survey, 2011–12, using the IFS tax and benefit microsimulation model, TAXBEN, and assumptions specified in the text.

Our projections for child poverty in Northern Ireland in 2020–21 have particularly increased. A likely explanation for this change is a significant weakening in forecast employment growth in Northern Ireland. Whereas in previous forecasts employment growth in Northern Ireland was only slightly lower than the UK average, Oxford Economics now projects that Northern Ireland will lag a long way behind the other parts of the UK. This comes about because Oxford Economics believes that three-quarters of net job creation over the next decade will come in just three sectors – professional, scientific & technical services, administrative & support services, and wholesale & retail – and the first two of these sectors are relatively under-represented in Northern Ireland (they account for about 8% of jobs in Northern Ireland compared with 16% in the UK as a whole). Rising employment in these sectors has a smaller effect on total employment in Northern Ireland than across the UK generally, therefore. Furthermore, Northern Ireland has a relatively high concentration of public sector employment (about a third of jobs in Northern Ireland compared with a quarter across the UK as a whole), and Oxford Economics expects that employment in the public sector, especially public administration, will likely fall over the short to medium term. Demographic constraints are also expected to hold back job creation in Northern Ireland – Oxford Economics expects that the working-age population will fall modestly each year in Northern Ireland over the forecast period.[12,13] The consequences of this predicted weakness in the economy of Northern Ireland can be seen in the particularly large increases in poverty we project for both children and working-age adults in Northern Ireland.

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. Since our last set of projections were produced, there

[12] We are grateful to Anthony Light of Oxford Economics for providing this commentary on the Oxford Economics forecasts.

[13] Oxford Economics's forecast of the size of the working-age population in Northern Ireland differs from that provided by NISRA. This arises because Oxford Economics explicitly models migration, and the low level of job creation in Northern Ireland leads to lower net migration into Northern Ireland.

have been relatively minor changes to the macroeconomic forecasts that are inputted into our model, a number of small changes to tax and benefit policy have been announced, and another year of data on household incomes have been published, enabling us to start our projections from a later starting point. Given the relatively small scale of these changes, it is unsurprising that our key qualitative conclusions about the likely path of poverty among children and working-age adults are unchanged since our previous report, namely that:

- Child poverty is likely to increase fairly sharply between 2011–12 and 2014–15, then increase more slowly as more families benefit from the introduction of universal credit between 2014–15 and 2017–18, before continuing to rise again in the latter part of the decade. This will take relative child poverty in the UK as a whole back roughly to levels last seen in 2002–03.
- Poverty among working-age adults is likely to continue the slow upwards trajectory it has been on for the last 30 years.
- For both children and working-age adults, increases in poverty are forecast to be particularly sharp in Northern Ireland.
- Real cuts to working-age benefits are a key reason behind rising poverty, explaining at least three-quarters of the predicted increase in child poverty by the end of the decade in both Northern Ireland and the UK as a whole.

We therefore remain of the view that the child poverty targets set out in the 2010 Child Poverty Act are unachievable under any plausible scenarios for how the UK economy and tax and benefit policy will develop over the remainder of this decade, and reiterate our recommendation to 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 our assessment.

Nevertheless, our forecasts have changed slightly in light of new tax and benefit policies and revised macroeconomic forecasts. The projected level of child poverty in 2016–17 using the relative child poverty measure is around 1ppt less than previously predicted in both Northern Ireland and the UK as a whole. But using the absolute low-income measure, our projections for child poverty in 2016–17 are higher. Furthermore, we now think that the income of the median household fell quite significantly in

2012–13 rather than remaining virtually flat as in our previous projections. It is likely that a combination of lower predicted nominal earnings growth and higher predicted RPI inflation are driving these differences.

Our projections for child poverty in Northern Ireland in 2020–21 have particularly increased. A likely explanation for this change is a significant weakening in forecast employment growth in Northern Ireland. Whereas in previous forecasts employment growth in Northern Ireland was only slightly lower than the UK average, Oxford Economics now projects that Northern Ireland will lag a long way behind the other parts of the UK, leading to particularly large increases in poverty being projected for both children and working-age adults in Northern Ireland.

Appendix Table A1. UK relative poverty and median income projections

	Children		*Working-age adults*		*Working-age parents*		*Working-age non-parents*		*Median income (% change)*
	Millions	**%**	**Millions**	**%**	**Millions**	**%**	**Millions**	**%**	
	Incomes measured before deducting housing costs								
2011–12 (actual)	2.3	17.4	5.6	15.2	2.1	15.3	3.5	15.2	–2.8
2012–13	2.4	18.3	5.7	15.4	2.2	15.9	3.5	15.1	–2.4
2013–14	2.6	19.4	6.0	15.8	2.3	16.6	3.7	15.4	–0.7
2014–15	2.7	20.1	6.3	16.5	2.4	17.0	3.9	16.2	–0.5
2015–16	2.7	20.0	6.3	16.5	2.3	16.8	4.0	16.3	–0.2
2016–17	2.8	20.4	6.4	16.5	2.4	17.0	4.0	16.2	–0.4
2017–18	2.9	21.1	6.6	16.7	2.5	17.4	4.1	16.3	–0.6
2020–21	3.2	22.5	7.1	17.3	2.6	18.0	4.5	16.9	+0.1
	Incomes measured after deducting housing costs								
2011–12 (actual)	3.5	27.0	7.9	21.4	3.2	23.5	4.7	20.2	–3.4
2012–13	3.7	28.0	8.1	21.8	3.3	24.1	4.8	20.5	–2.0
2013–14	3.9	29.0	8.3	22.1	3.4	24.7	4.9	20.5	–1.0
2014–15	4.0	29.9	8.6	22.7	3.5	25.2	5.1	21.2	–1.2
2015–16	4.0	29.7	8.7	22.7	3.5	25.1	5.2	21.3	–0.3
2016–17	4.1	29.8	8.8	22.7	3.5	25.0	5.3	21.4	–0.2
2017–18	4.3	30.9	9.1	23.1	3.7	25.8	5.4	21.5	+0.3
2020–21	4.6	32.0	9.6	23.5	3.8	26.5	5.8	21.9	+0.7

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

Source: Authors' calculations based on Family Resources Survey, 2011–12, 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				
2011–12 (actual)	2.6	19.5	6.1	16.6	2.3	17.0	3.8	16.4
2012–13	2.9	22.0	6.6	17.9	2.6	18.9	4.0	17.3
2013–14	3.1	23.7	7.0	18.6	2.8	19.9	4.2	17.8
2014–15	3.4	25.2	7.4	19.5	2.9	20.9	4.5	18.7
2015–16	3.4	25.1	7.4	19.4	2.9	20.6	4.6	18.7
2016–17	3.5	25.5	7.6	19.5	2.9	20.8	4.5	18.8
2017–18	3.7	26.6	7.9	20.1	3.1	21.6	4.8	19.2
2020–21	4.0	27.9	8.4	20.6	3.2	22.3	5.2	19.6
				Incomes measured after deducting housing costs				
2011–12 (actual)	3.8	29.2	8.3	22.5	3.4	25.0	4.9	21.0
2012–13	4.1	31.4	8.8	23.7	3.7	26.7	5.1	21.9
2013–14	4.4	33.0	9.1	24.3	3.9	27.9	5.3	22.3
2014–15	4.6	34.2	9.6	25.3	4.0	28.8	5.6	23.2
2015–16	4.6	34.3	9.8	25.5	4.1	28.9	5.7	23.5
2016–17	4.7	34.3	9.9	25.4	4.1	28.8	5.8	23.5
2017–18	4.9	35.1	10.1	25.6	4.2	29.5	5.9	23.4
2020–21	5.1	35.5	10.4	25.5	4.2	29.4	6.2	23.4

Note: Poverty line is 60% of 2010–11 median income in real terms.
Source: Authors' calculations based on Family Resources Survey, 2011–12, 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				
2011–12 (actual)	17.5	19.6	15.3	16.6	15.3	17.0	15.3	16.4
2012–13	18.4	22.1	15.3	17.9	15.9	18.9	15.0	17.2
2013–14	19.5	23.7	15.8	18.6	16.7	19.9	15.3	17.8
2014–15	20.2	25.3	16.4	19.4	17.0	20.9	16.1	18.6
2015–16	20.0	25.2	16.3	19.3	16.7	20.5	16.1	18.5
2016–17	20.4	25.5	16.3	19.4	16.9	20.7	16.0	18.6
2017–18	21.1	26.6	16.5	19.9	17.3	21.5	16.1	19.1
2020–21	22.4	27.7	17.0	20.3	17.8	22.0	16.6	19.4
				Incomes measured after deducting housing costs				
2011–12 (actual)	27.7	29.8	21.8	22.7	24.0	25.5	20.5	21.1
2012–13	28.5	31.9	22.1	23.9	24.4	27.1	20.7	22.0
2013–14	29.6	33.6	22.3	24.6	25.1	28.3	20.7	22.4
2014–15	30.5	34.8	22.9	25.5	25.7	29.2	21.3	23.3
2015–16	30.3	34.9	22.9	25.6	25.5	29.2	21.4	23.5
2016–17	30.4	34.7	22.9	25.5	25.3	29.0	21.5	23.5
2017–18	31.4	35.7	23.3	25.8	26.1	29.8	21.6	23.4
2020–21	32.4	35.8	23.6	25.6	26.7	29.6	21.9	23.4

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, 2011–12, 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				
2011–12 (actual)	14.8	16.3	13.2	14.7	12.7	14.0	13.4	15.0
2012–13	14.9	18.2	14.0	15.8	12.9	15.7	14.5	15.9
2013–14	15.8	20.2	14.3	16.5	13.3	16.8	14.8	16.4
2014–15	16.3	21.0	14.9	17.3	13.8	17.4	15.4	17.3
2015–16	16.9	22.0	15.2	18.0	14.3	18.3	15.6	17.9
2016–17	17.8	22.4	15.6	18.2	14.8	18.5	16.0	18.0
2017–18	18.9	23.2	15.9	18.5	15.3	19.2	16.1	18.3
2020–21	20.0	25.9	16.8	19.8	15.5	21.0	17.3	19.2
				Incomes measured after deducting housing costs				
2011–12 (actual)	19.6	21.6	17.5	18.9	16.7	18.7	17.9	19.0
2012–13	21.0	24.4	18.4	20.7	18.2	21.2	18.5	20.5
2013–14	21.8	25.6	18.7	21.1	18.6	21.8	18.7	20.8
2014–15	21.9	26.5	19.3	22.0	18.6	22.2	19.6	22.0
2015–16	21.7	26.5	19.5	22.3	18.7	22.8	19.8	22.1
2016–17	22.0	28.2	19.4	22.6	18.9	23.8	19.6	22.0
2017–18	23.2	28.4	19.7	22.4	20.0	24.2	19.5	21.6
2020–21	26.2	29.6	20.5	22.6	21.4	24.3	20.1	21.8

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, 2011–12, 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							
2011–12 (actual)	21.6	25.0	20.3	22.4	20.7	23.3	20.1	21.8
2012–13	23.0	28.3	21.3	24.4	21.6	26.2	21.1	23.1
2013–14	24.4	30.3	21.5	25.1	22.2	27.7	21.0	23.3
2014–15	26.6	32.0	23.2	27.0	24.5	29.4	22.3	25.3
2015–16	26.3	31.4	23.7	27.4	23.8	28.7	23.6	26.5
2016–17	26.9	31.9	23.6	27.7	23.9	28.7	23.3	27.0
2017–18	28.0	33.5	24.6	29.1	24.9	30.2	24.4	28.3
2020–21	30.9	38.5	26.6	31.0	26.8	34.0	26.4	29.1
	Incomes measured after deducting housing costs							
2011–12 (actual)	27.3	28.9	23.1	24.2	25.8	27.1	21.2	22.2
2012–13	29.4	32.0	24.1	26.0	27.8	30.0	21.6	23.3
2013–14	30.2	32.8	24.4	26.4	28.2	30.7	21.8	23.4
2014–15	31.2	34.7	25.6	27.8	29.0	32.2	23.3	24.7
2015–16	31.5	36.5	26.5	29.8	29.1	34.0	24.7	26.9
2016–17	31.5	36.3	26.4	29.4	28.6	33.3	24.8	26.8
2017–18	33.1	37.2	27.5	30.2	30.2	34.1	25.7	27.5
2020–21	35.7	39.7	29.5	31.7	32.5	35.8	27.6	29.0

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, 2011–12, 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[c]	Nominal GDP growth	CPI to previous September	RPI to previous September	Rossi to previous September[d]	Nominal earnings growth used for uprating[e]
2013–14	3.1%	1.8%	3.2%	-	-	-	-
2014–15	2.9%	2.9%	4.0%	-	-	-	-
2015–16	3.3%	3.8%	4.2%	2.3%	2.8%	3.3%	2.6%
2016–17	3.7%	4.0%	4.5%	2.1%	3.2%	3.4%	3.6%
2017–18	4.0%	4.0%	4.6%	2.0%	3.6%	3.3%	4.0%
2018–19	3.8%	4.1%	4.7%	2.0%	3.9%	3.3%	4.0%
2019–20	3.6%	4.2%	4.9%	2.0%	3.8%	3.0%	4.4%
2020–21	3.5%	4.3%	5.0%	2.0%	3.6%	3.0%	4.5%

a. Actual tax and benefit parameters for 2013–14 are available, and all the statistics that will be used to uprate that system to 2014–15 have been published. We therefore only need to use Office for Budget Responsibility forecasts for the 2015–16 system onwards.

b. From 2018–19, figures are for September as whole-year forecasts are not available.

c. From 2018–19, figures are for Q2 as whole-year forecasts are not available.

d. We use Q3 forecasts for Rossi up to 2017–18 then annual forecasts, as September forecasts are not available.

e. These are the Office for Budget Responsibility's forecasts for the 'triple lock', which in all years exceed both CPI inflation and 2.5%.

Source: Office for Budget Responsibility, *Fiscal Sustainability Report*, July 2012, http://budgetresponsibility.org.uk/fiscal-sustainability-report-july-2012; Office for Budget Responsibility, *Economic and Fiscal Outlook*, March 2013, http://budgetresponsibility.org.uk/economic-and-fiscal-outlook-march-2013; Office for Budget Responsibility, *Fiscal Sustainability Report*, July 2013, http://budgetresponsibility.org.uk/fiscal-sustainability-report-july-2013.