

Cumulative Impact Analysis

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Background: cumulative impact analysis

Treasury publishes “distributional analysis” - impact of tax, benefit and public spending changes on households, by income level

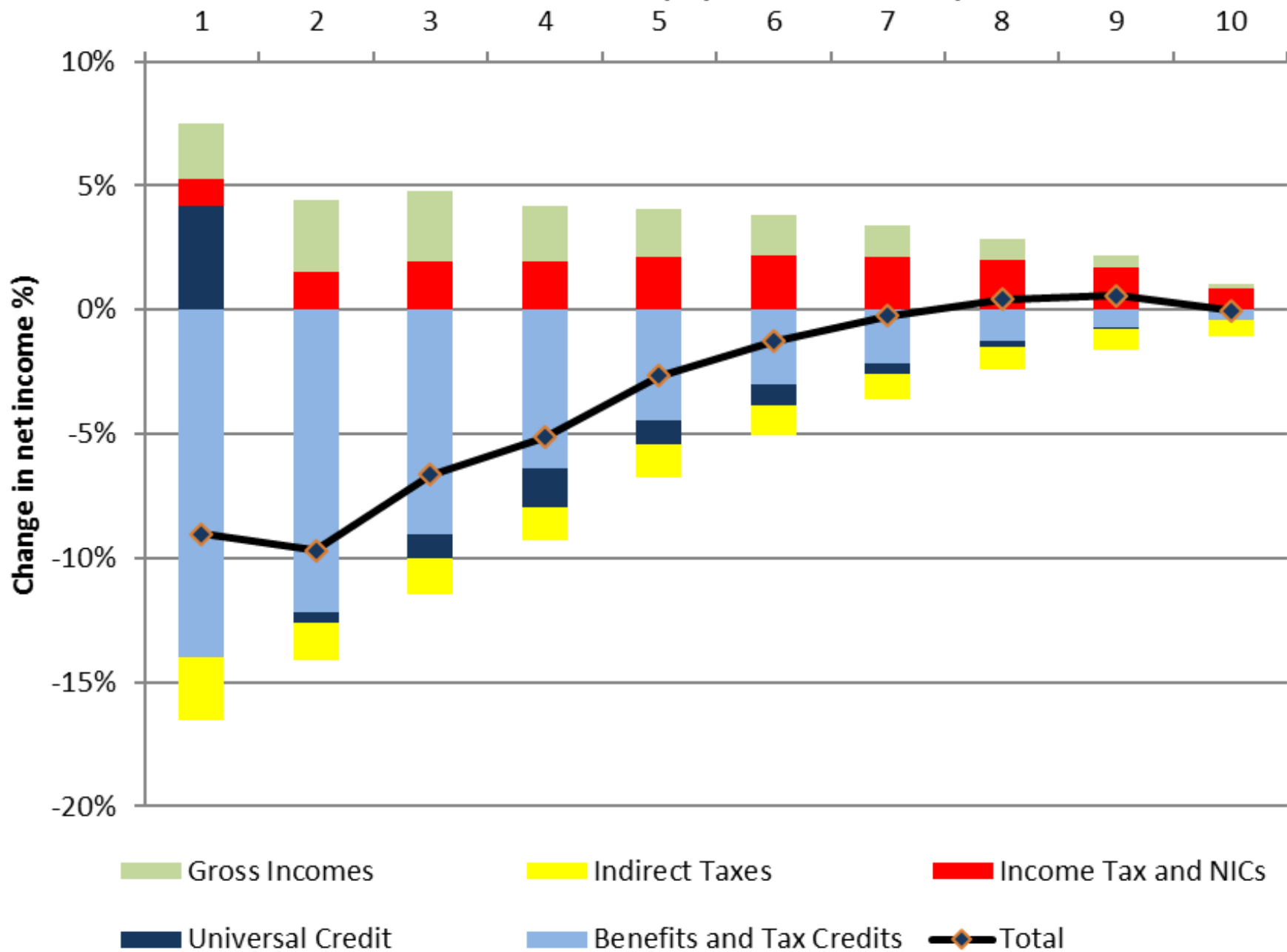
Based on static microsimulation modelling of individuals/households

Also conducts internal modelling of impacts on poverty – but not published

No analysis by “protected groups” [ethnicity, gender, age, disability, etc]

NIESR/Aubergine Analysis/Landman Economics commissioned to produce “cumulative impact analysis”

Income Decile (1=poorest, 10=richest)



Impact by protected characteristics

- **Ethnicity:** Bangladeshi households have average losses of around £4,400 and Pakistani households have average losses of around £2,700..
- **Disability:** Households with at least one adult defined in the FRS as 'core disabled' and at least one disabled child lose around £6,500 per year on average. In general, households with greater numbers of disabilities lose more on average than households with fewer disabilities.
- **Household type:** Lone parents lose an average of £5,250 – almost one-fifth of their total net income. Couples with children lose £3,000 per year on average.
- **Number of children:** There are particularly large losses for households with three or more children (around £5,600).
- **Gender:** Women lose about £400 per year, men about £30 year (but sensitive to sharing assumptions)

Poverty impacts

- Report looks at both relative income poverty (AHC basis) and JRF Minimum income standards
- We forecast that 1.5 million (10 percentage points) more children will be in (relative income) poverty by 2021/22 as a result of the tax and welfare reforms).
- The child poverty rate for children in lone-parent households in Great Britain is forecast to increase from slightly over 37% to slightly over 62%
- The largest increases will be for:
 - ethnic minority households, especially Pakistani
 - households containing disabled children
 - households with three or more children

Key recommendations

- **Government should review the level of welfare benefits to ensure that they provide an adequate standard of living**
- **Government should review specific reforms** which have a particularly adverse impact on living standards for particular groups, including:
 - The four-year uprating freeze on most benefits, tax credits and UC parameters for working age adults and families from 2016-17 onwards.
 - The two-child limit for Housing Benefit, tax credits and UC.
 - Reductions to work allowances in UC.
 - The spare room subsidy (the ‘bedroom tax’)
 - The reassessment of the caseload of DLA payments for PIP
- **HM Treasury should publish Equality Impact Analysis, including cumulative impact assessment, for all fiscal events**

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