Couples with children to be hardest hit by coalition tax and benefit changes [1]

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EXCERPTS:

A couple with two children will be £1,250 a year worse off by 2015 as families "shoulder the burden of austerity", according to an Institute for Fiscal Studies report published on Wednesday.

The study, commissioned by the Family and Parenting Institute charity (FPI), examines the impact of the package of tax and benefit reforms being introduced between January last year and April 2014, including the introduction of universal credit, which brings together benefit and tax credits.

According to the report the income of families with children will feel the most impact, falling by 4.2% in the five years to 2015.

By contrast, families without children will see a loss of only 0.9%, equating to £215, underlining the degree to which spending cuts are impacting on support for children.

The figures suggest families with children under five, families with more than two children, and jobless lone parents will bear the biggest financial pain.

Non-working lone parents lose more than 12% of their income on average - equivalent to £2,000 a year.

The FPI claims the research is the first attempt to set out the prospects for poverty rates and income for different family types up to the year 2015.

The research also forecasts that 500,000 families with children under five will fall into absolute poverty by 2015-16,with most coming from households where the youngest child is under five. The median household with a child under five faces a drop in income of 4.9% by 2015-16.

Ministers are increasingly critical of the value of the poverty targets they inherited from Labour, which fix the relative poverty line at 60% of the median income.

The IFS research shows larger families will suffer a disproportionate financial hit. For example, the median household with three children sees income fall by 6.8% by 2015-16, compared with the median household with one child which sees it fall by 3.3%.

As a result ethnic minorities, who tend to have more children per family, will suffer a greater loss of income. For example, the absolute and relative poverty rates for Pakistani and Bangladeshi children increases by more than five percentage points by 2015-16 (the relative increase is from 49.2% to 54.6% and the absolute increase is from 49.2% to 55.8%).

The study also suggests the introduction of universal credit, due to be introduced for existing claimants in 2014, will not alter the fact that pensioners or adults without children will fare better.

This reflects the fact that benefits for those of working age are being cut, and families with children are more reliant on benefits than those without children.

The report suggests that even after the introduction of universal credit, families in the poorest income decile will be 6% worse off in 2014-15 than they would have been had no changes been made to the tax and benefit system.

The report offers evidence that although universal credit strengthens work incentives for most individuals, as claimed by the work and pensions secretary, Iain Duncan Smith, it weakens the incentive for a second earner in a couple, typically the mother in a couple household, to take up employment.

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