

THE IMPACT OF WELFARE REFORM ON LOW PAID LOCAL GOVERNMENT WORKERS

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EXECUTIVE SUMMARY

Since 2010 pay in local government has increased by less than inflation. Uniquely in the public sector, local government workers suffered a three-year pay freeze - in 2010, 2011 and 2012. The pay award in 2013 was 1%, plus the removal of the bottom pay point in October 2013 – a below-inflation increase. In addition, those earning less than the Chancellor's 'low pay' threshold of £21,000 were not awarded the government's promised £250 in 2011 and 2012.

On top of this, a number of benefits that can be claimed by low paid workers have been changed. This report assesses how many low paid local government workers have been affected by these welfare reforms. It also explores how these changes - combined with the below inflation pay increases - have combined to make local government workers worse off in 2013 compared to 2010. In doing so, it also takes of all other relevant changes within both the benefit system (such as the uprating of thresholds) and the tax system (notably the £2,965 increase between 2010-11 and 2013-14 in the income tax personal allowance). Taken in isolation, these other changes tend to push up the household income of low paid workers, although they do not always apply to all.

The report focuses on the following reforms:

- The Bedroom Tax (Under-occupancy penalty)
- Restrictions on Local Housing Allowance (LHA)
- The introduction of Council Tax Support
- The reduction in the proportion of childcare costs eligible to be paid through tax credits
- The introduction of the 24 hour rule for working tax credit entitlement

We define low pay as less than the living wage of £7.45 in 2012. The most recent year of data is for 2010-11 when 315,000 were paid below the equivalent of the living wage in 2010/11. Although there was a London living wage in 2010/11, there was no national one. We have therefore estimated what it would have been by deflating the 2012 £7.45 figure to reflect the changes in prices over the intervening two years.

WELFARE REFORMS

In terms of the benefit changes that could affect them these 315,000 workers, the analysis found:

Changes to housing benefit

- An estimated 3,400 low paid local government workers were affected by the bedroom tax in April 2013.
- A further 12,900 get housing benefit and live in private rented housing so could be affected by the LHA caps. Whether they are depends on their rent relative to the cap.

Change to council tax support

- 24,000 low paid local government workers were in receipt of council tax benefit in 2010-11 and were potentially affected by the change to council tax support.

Change to tax credits

- Around 47,000 low paid local government workers are in receipt of working tax credits. They will lose out from the freeze in the basic element of working tax credits, though those with children may be compensated by the increase in the maximum child element of child tax credits.
- Some 4,000 low paid local government workers with children receiving the childcare element get less support with their childcare costs than previously.
- Around 6,300 low paid local government workers would have had to increase the hours worked or would have lost their entitlement to working tax credits due to change in the hours requirement for couples.

CASE STUDIES

The table demonstrates how welfare reforms alongside below inflation pay increases can affect low paid households and their disposable income. In every case study the household is worse-off in 2013-14 in real terms than they were in 2010-11. In each case the most straightforward examples are presented to show the effect of a particular reform. In short the table shows that:

- The family with the smallest fall in real income is the single adult affected by council tax support who is £5 per week worse off than previously. However, this is the welfare reform with the potential to affect the highest number of low paid local government workers, at 24,000.
- The two case studies on those affected by the changes to housing benefit show that the social renter is £13 per week worse off and the private renter £7 per week. The reduction for the private renter would be higher if their rent was higher.
- The lone parent affected by changes to the childcare support is £12 per week worse off.
- The family with the biggest fall in income is the one affected by the change to 24 hour rule for entitlement to tax credits. This results in a fall of £64 per week. It is the largest fall because it's not that the benefit is reduced, but entitlement to working tax credits is completely withdrawn.
- In each case the family would be better off if they were paid the living wage. In all but the final case study, being paid the living wage in would increase the household income in 2013-14 by at least 4%. However, in all but one of the case studies, even if they were paid the Living Wage, earnings would remain lower than in 2010-11 in real terms.

These case studies are merely illustrations. In reality the change in household income resulting from these reforms will vary depending on many factors such as rent, hours worked, childcare requirements, council tax band and so forth.

Likewise many families are likely to be affected by more than one welfare reform. For example of the 24,000 low paid local government workers in receipt of council tax benefit, 17,300 also receive housing benefit. So most of those affected by council tax support are also at risk of changes to their housing benefit and may be much worse off than the individual in the case study.

The final case study looks at how a household could be affected by multiple welfare reforms. This family is affected by council tax support but also the LHA caps (as private renters) and the change to childcare support (as parents). The result is that they are £24 per week worse off, which is a much bigger loss than if they were affected by only one reform in isolation.

Family description	Main welfare reforms	Weekly real disposable income		If paid the living wage in 2013-14
		2010-11	2013-14	
Single adult works 24 hrs pw. Lives in social rented housing.	Bedroom tax	£90	£77	£82
Single adult works 24 hrs pw. Lives in private rented housing.	LHA cap	£90	£82	£87
Single adult works 20 hrs pw. Lives in owner-occupied housing.	Council tax support	£70	£65	£80
Lone parent with one child. Works 24 hrs pw, requires 24 childcare hrs pw. Lives in owner-occupied housing	Childcare support	£219	£207	£215
Couple with two children one working 12 hrs pw the other 8 hrs pw. Lives in owner-occupied housing	24hr rule for tax credits	£240	£176	£192
Couple with two children both working 16 hrs pw. Live in the private rented sector and require childcare.	Childcare support, council tax support, LHA cap.	£339	£315	£317

NB: Disposable income is income after housing costs and child care costs. Each worker is paid £6.47ph in 2010-11 and £6.54ph in 2012-13. This pay level (SCP6) represents the largest single group of low paid local government workers. In the Living Wage example they are paid £7.45 - £1 per hour more than SCP5, the lowest pay point from 1 October 2013. These figures are adjusted for inflation to give the real disposable income. All values are in April 2013 prices.

INTRODUCTION

This report assesses the cumulative impact of welfare reform on low paid local government workers. It follows from a scoping paper that assessed the degree to which individual welfare reforms were affecting this group (low paid local government workers). On the basis of the scoping paper and subsequent discussions with Unison, this report focuses on the following reforms:

- The bedroom tax
- LHA caps
- Council Tax Support
- Childcare costs eligible to be paid through tax credits
- 24 hour rule for tax credit entitlement

In the first part of this report we estimate of the number of low paid local government workers who are either at risk of being affected by, or are likely to be affected by, each of these reforms.

The second part of the report looks at case studies. These case studies demonstrate how each reform could affect a typical low paid family by showing how their income would have changed between 2010-11 and 2013-14 after inflation. They take into account both the reform in question and changes to pay over the period. They also show how the family's financial position would be improved if they were paid the living wage in 2013-14.

LOW PAID LOCAL GOVERNMENT WORKERS AFFECTED BY WELFARE REFORMS

BACKGROUND

Bedroom Tax (Under-occupancy penalty)

Introduced in April 2013, the bedroom tax reduces the amount of housing benefit received by those of working-age who live in the social rented sector and are deemed to be under-occupying their home. The extent of under-occupation is calculated by comparing the 'bedroom standard' (the number of bedrooms needed based on the age and composition of the family) to the actual number of bedrooms. If there are more bedrooms than the bedroom standard, housing benefit is reduced by 14% for those with one more available bedroom than the standard, and 25% for those under-occupying by more.

Changes to Local Housing Allowance (LHA)

From 2011, the amount of LHA that could be received was subject to the lower of two caps. There is a national cap, which limits the amount of LHA that can be received in the private rented sector on the basis of the number of bedrooms (from £250 a week for a one bedroom house to £400 a week for a four bedroom house). In practice, this cap only applies to parts of London. The other cap is that the maximum amount that can be received is limited to the 30th percentile of the local housing market, i.e. only three in ten properties in the local area are affordable to those on housing benefit. This was previously five in ten.

Council Tax Support (CTS)

From April 2013, the national scheme for low income council tax rebates, Council Tax Benefit, was abolished and replaced with local schemes in England (with Scotland and Wales retaining the same level of support). Many schemes are now less generous, with those in work and receiving CTS also losing out (by an average of £132 a year) .

Changes to childcare support in tax credits

The amount of support for childcare received through tax credits was reduced in April 2011 from 80% of costs (up to a certain limit) to 70% of costs. This affects those families that are in work and working more than 16 hours a week.

Changes to entitlement to tax credits for couples with children

Couples with children previously had to work 16 hours between them to qualify for working tax credits, but from April 2012 this changed to 24 hours, with at least one adult working 16 hours. Those who previously only just qualified would have to increase their hours or cease to receive working tax credits. Local government workers may be especially susceptible to this change given that 55% work part-time.

METHODOLOGY

The process of estimating how many low paid local government workers were affected by welfare reforms can be summarised as four stages:

1. Defining low pay

We define low pay as less than the living wage of £7.45 in 2012-13. In 2010-11 this would have been £6.86 an hour (the 2012 living wage deflated by RPI as there was no 'official' living wage outside London before 2011).

It is necessary to identify the low pay threshold for 2010-11 as this is the year of the latest Family Resources Survey (FRS) dataset on which our analysis is based. As a test of validity, deflating £7.45 by RPI gives £7.22 for 2011, very close to the actual 2011 living wage of £7.20.

2. Identifying how many local government workers are low paid

Around 315,000 local government workers were paid at or below £6.84 per hour in 2010 (Spinal Column Point 8), so we can assert that 315,000 local government workers were low paid in 2010.

3. Identifying to what extent low paid families generally are affected welfare reforms

Using the low pay threshold of £6.86 per hour, we have identified families in FRS that contain a low paid worker. We then look at which benefits these families receive in order to estimate how many low paid workers are affected by welfare reforms. Around 15.8% of families contain a low paid worker.

4. Scaling the effects of welfare reforms on low paid families generally to the known number of low paid local government workers

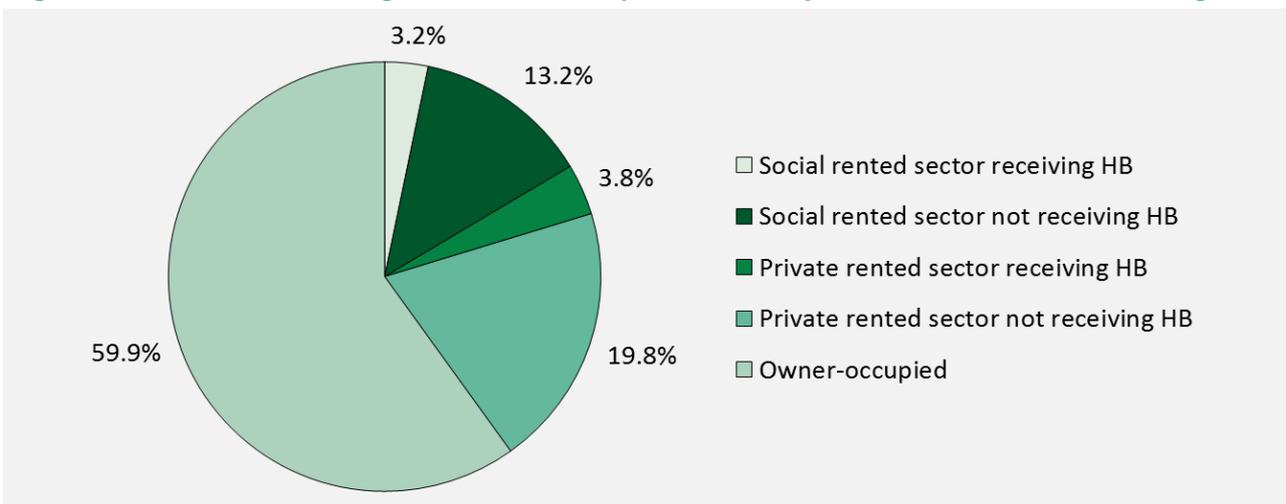
Estimates of the number of low paid local government workers affected by welfare reform are based on the proportion of all low paid worker families applied to the 315,000 workers mentioned above. (As some families will contain more than one low paid worker these estimates are scaled up by a further 7%).

HOUSING BENEFIT REFORMS – THE BEDROOM TAX AND LHA CAPS

Figure 1 captures families with a low paid worker who are potentially at risk from the bedroom tax (social renters receiving housing benefit) and those who are likely to lose out from LHA cap adjustments (private renters receiving housing benefit). The chart shows:

- Most (60%) of families with a low paid worker live in owner-occupied housing and so are not affected by changes to housing benefit.
- 16.4% of families with a low paid worker live in social housing. 3.2% of those families with a low paid worker live in the social rented sector and receive housing benefit. These families may be affected by the bedroom tax.
- According to DWP’s impact assessment, 31% of working-age social renters receiving housing benefit are affected by the bedroom tax. If this proportion applies, then around 1% of families with a low paid worker are affected by the bedroom tax.
- 23.6% of families with a low paid worker live in the private rented sector. 3.8% of these receive housing benefit and so may be affected by changes to LHA.

Figure 1: Families containing at least one low paid worker by tenure and whether claiming HB



Applying these proportions to the 315,000 low paid local government workers, we estimate that 10,900 get housing benefit and live in social rented housing and 12,900 get housing benefit and live in private rented housing.

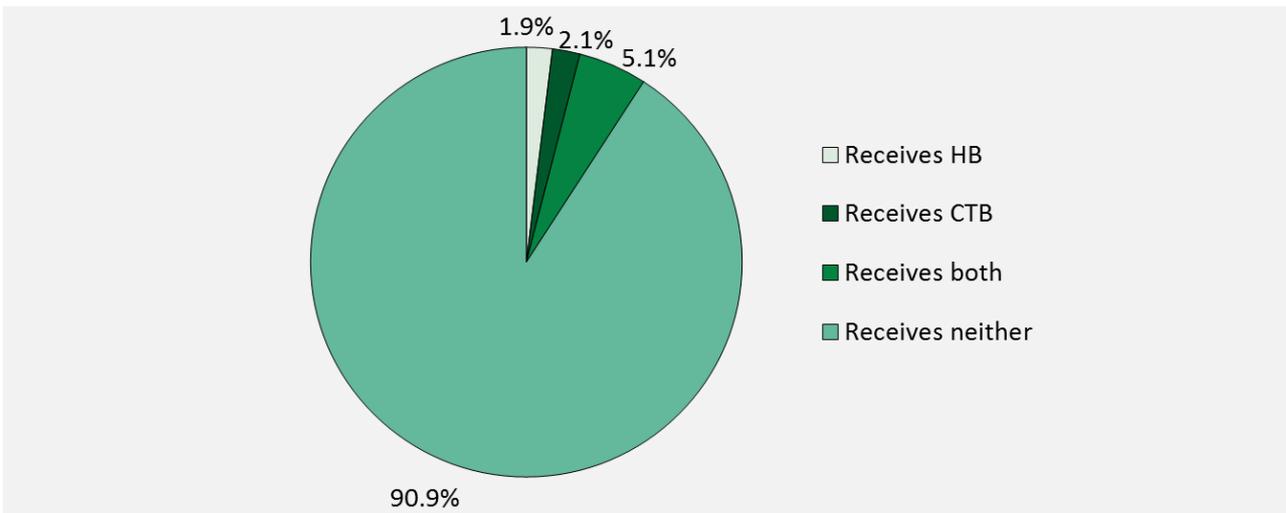
If the proportion of all social rented sector HB claimants hit by the bedroom tax holds, as estimated by DWP, around 3,400 low paid local government workers were hit by the bedroom tax in April 2013.

COUNCIL TAX BENEFIT REFORM AND THE OVERLAP WITH HOUSING BENEFIT

Figure 2 looks at the proportion of families containing a low paid worker and if they receive council tax benefit and/or housing benefit.

Around 91% of families with a low paid worker receive neither housing benefit nor council tax benefit. Only a minority rent, and only a minority of these renters claim housing benefit. Of those in families who do receive at least one of these benefits, most receive both CTB and HB. These 5% of families with a low paid worker may be affected by reforms to both these benefits, with the localisation of CTB and various changes to housing benefits.

Figure 2: Families containing at least one low paid worker by whether receiving housing benefit and council tax benefit



Applying these proportions to the 315,000 low paid local government workers, suggest that: 6,500 local government workers receive HB only; 6,900 receive CTB only; and 17,300 receive both. So therefore over 24,000 are potentially affected by council tax benefit reform.

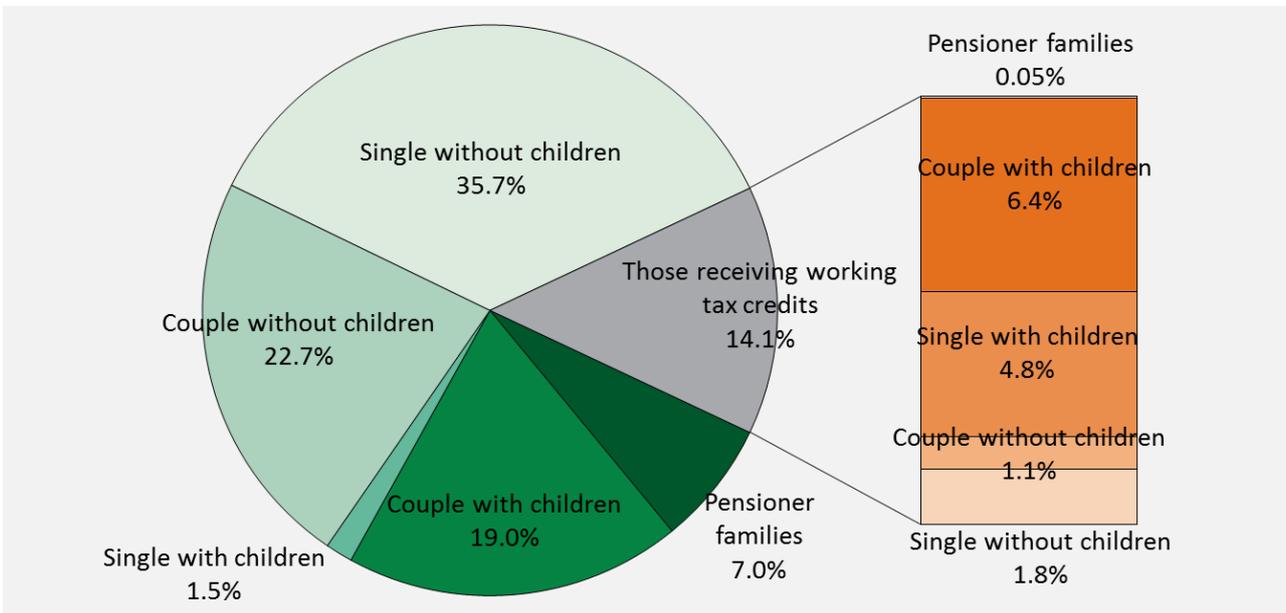
WORKING TAX CREDITS

Figure 3 indicates that around 14% of families with a low paid worker receive working tax credits. All of these families will be affected by the freezing of the basic element of working tax credits.

The majority (11.2%) of those receiving working tax credits are couples of single adults with children. They may be affected by the reduction in support for childcare from 80% of costs to 70%.

The couples with children receiving working tax credits (6.4% of families with a low paid worker) may be affected by the increase in the number of hours worked needed to qualify for working tax credits. According to the 2010-11 data, around 1.9% of families with a low paid worker were couples with children receiving working tax credits but who did not meet the conditions necessary to qualify for working tax credits from 2012 onwards.

Figure 3: Families containing at least one low paid worker by working tax credit recipiency and family type



These proportions suggest that around 47,000 low paid local government workers are in receipt of working tax credits. Of these, 21,400 are in couples with children and 16,000 are lone parents. These 37,400 will experience lower than inflation increases in their tax credits.

Some of the 21,400 people in couples with children may have lost their entitlement altogether in 2012 if they did not increase the number of hours they worked. On the basis of the above 1.9% figure, this is equivalent to around 6,300 low paid local government workers losing their entitlement to working tax credits if their circumstances did not change.

According to HMRC statistics, around 11% of in-work families with children received the childcare element. If this proportion applies to all families with a low paid local government worker, it could mean around 4,000 receiving lower childcare support.

CASE STUDIES

BACKGROUND

This section looks at example families containing a low paid worker that could be affected by one of the reforms above. It compares their income between 2010-11 and 2013-14. As a result it looks at cumulative impacts: it takes into account not only the impact of that particular welfare reform but also the impact of pay freezes, changes to taxation and inflation.

The case studies focus on those in work, so local government workers who lost their jobs or had cuts in their hours are not accounted for.

Each case study looks at a typical low paid local government worker paid at spinal column point 6 (£6.47 per hour in 2010-11 to April 2013 when it rises to £6.54). This represents the largest single group of low paid local government workers. They then show how the family's financial position would be improved in April 2014 if the local government worker were paid the living wage of £7.45 per hour.

In most cases, being paid the living wage in 2013-14 does not compensate the family for the loss in real income since 2010-11. Whilst the living wage represents a 15% increase in earnings, there has also been a 9% increase in prices over the period, which makes it less valuable. The increase in earnings from the living wage also means there is a reduction in means-tested benefits. Once this is combined with the actual benefit cuts, the living wage is often insufficient to address the real terms loss.

CASE STUDY: THE BEDROOM TAX

Description: Single adult in local authority social rented accommodation who is under-occupying by one bedroom.

Employment: Working 24 hours a week at SCP6 (£6.47 an hour to April 2013, £6.54 after)

Weekly Rent: £67.83 (2010-11); £72.30 (2011-2012); £78.08 (2012-13); £82.07 (2013-14)

Council tax: £17.23 per week (England average with Single Adult Discount applied)

Change in nominal income between 2010-11 and 2013-14: Loss of £4.40 per week (£228.73 per year)

Change in real income between 2010-11 and 2013-14: Loss of £12.46 per week (£648.16 per year)

	2010-11	2011-12	2012-13	2013-14	2013-14 living wage
Housing Benefit	19.93	21.26	27.27	19.03	6.54
Council Tax Benefit	2.49	1.53	1.60	1.37	0.00
Net Income Before Housing Costs	149.33	156.58	165.80	159.18	164.53
Net Income After Housing Costs	81.50	84.28	87.72	77.11	82.46
Real net AHC income	89.57	88.65	89.77	77.11	82.46

Analysis: This adult does not work enough hours to qualify for working tax credits, but does receive a reduction in council tax and some housing benefit. Their hourly pay is frozen until 2013-14. As a consequence of frozen earnings, they see an increase in their housing benefit support which effectively increases their net income after housing costs. This is because the applicable amount increases each year to cover an increasing percentage of this individual's frozen weekly earnings, meaning the 65% taper is applied to less of their income each year.

From April 2013, however, the rules on under-occupation of housing benefit come into force. As this individual is under-occupying by one bedroom, they lose 14% of their housing benefit, which means it falls by £8.24 a week compared with the previous year. As a result, compared with 2010-11, they are £4.40 a week worse off in nominal terms. After adjusting for inflation, they are some £12.46 a week worse off than four years before. This represents the nominal and real fall in housing benefit due to the bedroom tax, the pay freeze, and quickly increasing social rents.

If this individual was paid the living wage in 2013-14 rather than SCP6, they would be £5.36 a week better off, (but still £7.11 less than in 2010-11).

CASE STUDY: LOCAL HOUSING ALLOWANCE CHANGES

Description: Single adult in the private rented sector affected by local housing caps

Employment: Working 24 hours a week at SCP6 (£6.47 an hour to April 2013, £6.54 after)

Weekly rent: £103.56 (2010-11); £103.85 (2011-14)

Council tax: £17.23 per week (England average)

Change in nominal income between 2010-11 and 2013-14: Gain of £0.17 a week (£8.38 per year)

Change in real income between 2010-11 and 2013-14: Fall of £7.90 a week (£411.05 a year)

	2010-11	2011-12	2012-13	2013-14	2013-14 living wage
Housing Benefit	55.66	52.81	46.11	45.37	32.88
Council Tax Benefit	2.49	1.53	1.60	1.37	0.00
Net Income Before Housing Costs	185.06	188.13	184.64	185.52	190.87
Net Income After Housing Costs	81.50	84.28	80.79	81.67	87.02
Real Net AHC income	89.57	88.65	82.67	81.67	87.02

Analysis: This adult is affected by the local housing benefit cap in the private rented sector. From October 2011, only around 30% of properties in an area are affordable to those on local housing allowance, whereas previously it was 50%. There is transitional protection for nine months with this change, so it is applied from the 2012-13 financial year.

The individual is assumed to have been receiving the maximum amount of LHA for the Birmingham broad rental market area for a one bedroom flat – that is, the median rent for this property type in this area. They continue to live in this property after the rent cap is reduced to the 30th percentile rent, meaning they lose £6.70 a week in LHA compared to the previous year.

Their nominal income is effectively unchanged compared to 2010-11, however, because they are taken out of income tax over the period by the increasing personal allowance. They also pay much reduced national insurance contributions. In real terms, however, they are £7.90 a week worse off in 2013-14 when compared to 2010-11.

If paid a living wage in 2013-14, they would be £5.35 a week better off, but still £2.55 less than in 2010-11.

CASE STUDY: CHANGES TO COUNCIL TAX SUPPORT

Description: Single adult in owner occupied accommodation whose local authority introduces a council tax minimum payment of 20% of liability

Employment: Working 20 hours a week at SCP6 (£6.47 an hour to April 2013, £6.54 after)

Mortgage payments: £51.79 per week

Council tax: £17.23 per week (England average with Single Adult Discount applied)

Change in nominal income between 2010-11 and 2013-14: Increase of £3.08 a week (£160.33 per year)

Change in real income between 2010-11 and 2013-14: Fall of £4.86 a week (£252.69 a year)

	2010-11	2011-12	2012-13	2013-14	2013-14 living wage
Council Tax Benefit	6.06	5.85	6.55	2.96	0.00
Net income Before Housing Costs	115.12	118.02	118.72	116.53	131.77
Net Income After Housing Costs	63.33	66.23	66.93	64.74	79.98
Real net income AHC	69.60	69.67	68.49	64.74	79.98

Analysis: This individual is only affected by welfare reform from April 2013 when council tax benefit was abolished. Council Tax Benefit is the only benefit they receive: whilst they have a low income, they do not work enough hours to qualify for working tax credit, and as they live in their own home, they do not receive housing benefit. The individual is taken out of income tax and national insurance in 2011-12, which is why their CTB falls that year. It increases again because the applicable amount increases in 2012-13.

In 2013-14, they only receive council tax benefit on 80% of their council tax liability. As a result, they lose £3.59 on the previous year's council tax benefit, though some of this is also because of a minor increase in income to £6.54.

In real terms, this individual is worse off by £4.86 a week by 2013-14, as a result of frozen wages and a cut to council tax benefit. The only mitigating factor is that the individual is taken out of tax in 2011-12, which saves around £3 a week in nominal terms.

If in 2013-14 this individual received a living wage rather than £6.54 an hour, their weekly income would be £15.24 a week higher (£792.48 a year). This is despite them no longer qualifying for council tax benefit in 2013-14. Compared to 2010-11 they would be £10.39 better off a week.

CASE STUDY: CHANGES TO CHILDCARE SUPPORT

Description: A lone parent with one child who requires 24 hours of childcare a week

Employment: Working 24 hours a week at SCP6 (£6.47 an hour to April 2013, £6.54 after)

Mortgage payments: £51.79 per week

Council tax: £17.23 per week (England average with Single Adult Discount applied)

Childcare cost per week: £84.48 (2010); £92.88 (2011); £94.32 (2012); £102.24 (2013), figures from the Daycare Trust.

Change in nominal income between 2010-11 and 2013-14: Increase of £7.96 a week (£413.79 a year)

	2010-11	2011-12	2012-13	2013-14	2013-14 living wage
Child Benefit	20.30	20.30	20.30	20.30	20.30
Child Tax Credit	54.71	59.62	62.21	62.79	62.79
Council Tax Benefit	5.17	6.27	6.44	6.76	4.70
Working tax credit	73.27	74.42	74.42	74.81	74.81
Childcare element	55.17	51.97	52.98	57.83	48.88
Net Income Before Housing Costs	335.54	346.37	353.29	361.26	369.47
Net Income After Housing Costs	283.75	294.58	301.50	309.47	317.68
Net Income After Housing Costs and Childcare costs	199.27	201.70	207.18	207.23	215.44
Real AHC ACC net income	218.99	212.16	211.99	207.23	215.44

Analysis: Working lone parents such as this one are subject to multiple changes: reduced childcare support; a higher taper rate for all tax credits; increasing child elements; as well as increased non-taxable personal allowances.

The changes in childcare support leads to a £3.20 a week fall in this component from 2010-11 to 2011-12. However, the reduction in childcare support in this particular case is more than compensated for by the increase in the child element of child tax credit, which increases by £4.90 a week between 2010-11 and 2011-12. The individual also benefits from being taken out of income tax over the two years and a reduction in national insurance contributions. In 2010-11, they were paying £6.15 a week in income tax and £4.98 in NICs. By 2013-14, they are paying no income tax and £0.96 in NICs.

The combined changes to tax and welfare are broadly positive in nominal terms for lone parents in these circumstances, even with the reduction in childcare support. However, the pay freeze means that their real income is still lower in 2013-14 than it was in 2010-11, by £11.76 a week. This is also partly because of the large increases in childcare costs over the period.

If this individual received a living wage in 2013-14 instead of SCP6, they would be £8.21 a week better off (£427.02 a year). Even with the living wage, they would still be £3.55 a week worse off than in 2010-11.

CASE STUDY: WORKING TAX CREDIT CHANGES FOR COUPLES WITH CHILDREN

Description: Couple with two children in owner-occupied housing who are disqualified from working tax credits from 2012 onwards

Employment: One adult working 12 hours a week at SCP6 (£6.47 an hour to April 2013, £6.54 after), the other adult working 8 hours a week at SCP6 (£6.47 an hour to April 2013, £6.54 after)

Mortgage payments: £103.38 per week

Council tax: £22.97 per week (England average)

Change in nominal income between 2010-11 and 2013-14: Fall of £42.60 a week (£2215.11 per year)

	2010-11	2011-12	2012-13	2013-14	2013-14 living wage
Child Benefit	33.70	33.70	33.70	33.70	33.70
Child Tax Credit	98.94	108.75	113.94	115.10	115.10
Council Tax Benefit	12.17	12.54	22.97	22.97	22.97
Working tax credit	70.95	71.99	0.00	0.00	0.00
Net Income Before Housing Costs	322.19	333.41	277.04	279.60	297.80
Net Income After Housing Costs	218.81	230.03	173.66	176.22	194.42
Real Net AHC income	240.47	241.96	177.70	176.22	194.42

Analysis: This family loses all entitlement to working tax credit in 2012-13 because the 20 hours they work between them are insufficient to qualify once the criteria increases from 16 to 24 hours. In different circumstances, even if they worked 24 hours, they could still be disqualified from WTC if one of them did not work at least 16 hours. This means that the family is substantially worse off in 2013-14 than in 2010-11 - £2215.11 in nominal terms and over £3340 in real terms. There are several factors which compensate the family for some of the loss of working tax credit: their lower income means they receive substantially more council tax benefit/support in 2012-13 and 2013-14 (provided there is no change to their local scheme from April 2013). They also get an increase in child tax credit due to the increased child element. Increasing personal non-taxable allowance and national insurance thresholds do not benefit this family, as they do not earn enough to work.

If both adults in this family were paid the living wage, they would be £18.20 a week better off in 2013-14. Even with the living wage, they would still be £46 worse off compared with 2010-11.

CASE STUDY: MULTIPLE IMPACTS

Description: Family with two adults and two children living in the private rented sector needing childcare and subject to council tax benefit reform

Employment: Each adult working 16 hours a week at SCP6 (£6.47 an hour to April 2013, £6.54 after)

Weekly rent: £126.58 (2010-11); £126.92 (2011-12, 2012-13); £129.71 (2013-14)

Council tax: £22.97 per week (England average)

Change in nominal income between 2010-11 and 2013-14: Gain of £6.17 a week (£320.84 per year)

Change in real income between 2010-11 and 2013-14: Loss of £24.36 a week (£1,333.05 a year)

	2010-11	2011-12	2012-13	2013-14	2013-14 living wage
Child Benefit	33.70	33.70	33.70	33.70	33.70
Child Tax Credit	98.94	108.75	113.94	115.10	115.10
Housing benefit	72.91	82.61	74.15	78.77	67.60
Council Tax Benefit	6.46	9.34	10.28	6.33	2.90
Working tax credit	88.46	89.62	89.62	90.00	90.00
Childcare element	34.99	30.75	30.84	36.38	24.44
Net Income Before Housing Costs	519.53	538.83	538.84	546.59	549.17
Net Income After Housing Costs	392.95	411.91	411.92	416.88	419.46
Net Income After Housing Costs and Childcare costs	308.47	319.03	317.60	314.64	317.22
Real net income AHC ACC	339.00	335.58	324.99	314.64	317.22

Analysis: This family is affected by changes to LHA caps, lower childcare support, and a minimum payment in council tax support. Despite this, they are nominally better off because of large increases to the child element of working tax credit. The change to LHA from 2012-13 makes them £8.46 worse off a week on the previous year; the change to council tax benefit in 2013-14 £3.95 worse off on the previous year; and the change to childcare support in 2011-12 £4.24 a week worse off compared to the previous year. The actual benefit amounts for all of these are the same or larger than 2010-11 in 2013-14, however, because the costs they cover have also increased.

Despite this, the family remains almost £25 a week worse off in real terms in 2013-14 compared with 2010-11. If both were paid a living wage, the family would be around £2.58 a week better off (and therefore still £21.78 a week worse off than in 2010/11). The reason why the gain from the living wage is so small is that as they receive numerous means-tested benefits (tax credits, housing benefit, and council tax support); they lose 92 pence in each pound that they earn.