Exercise 7 - Reforming UK Child Benefit by narrowing its age condition

Objectives:

- Create a new system in United Kingdom based on 2021 system and name it *UK_2021ben_ref*;
- Reform the Child Benefit so that families with children aged 14+ no longer receive this benefit;
- Run UKMOD to produce micro-outputs for the reform (*UK_2021ben_ref*);
- Analyse the results.

Description:

The aim of this exercise is to limit the provision of the Child benefit in 2021 to families with children aged up to 13: i.e. families with children aged 14+ will lose the benefit in the reform scenario.

Currently the benefit is paid up to the age of 19 if a child is in full-time education. Your task is to implement the reform by creating and using a new Tax Unit.

Directions:

- Open UKMOD and access the UK policy descriptions
- Copy the *UK_2021* system, and call the copy *UK_2021ben_ref*
- Create a new assessment unit
    a. Copy or modify *tu_bu_uk*
- Use the new assessment unit to modify Child Benefit in *UK_2021ben_ref*
- Save your changes
- Run *UK_2021ben_ref*
- Use the Statistics Presenter, Baseline/Reform option, to analyse effects

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Step-by-step solution and further information:

Step 1: Analysing the current policy

Access the Child Benefit policy in the UK (*bch_uk*). Consider year 2021. Note that the benefit unit used is the *tu_bu_uk*.

Figure 1. Definition of the tax assessment unit tu_bu_uk in the TUdef_uk policy.

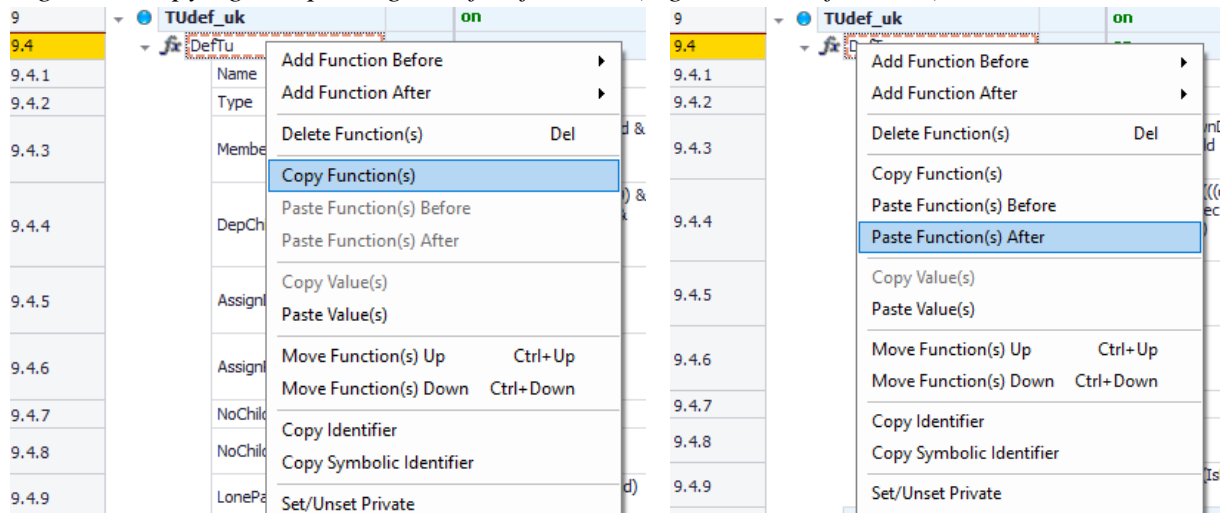|	Policy	Grp/No	UK_2021	Comment
9	▼ ● **TUDef_uk**		**on**	**DEF: ASSESSMENT UNITS**
9.1	▸ *fx* DefTu		on	household (tu_household_uk)
9.2	▸ *fx* DefTu		on	individual (tu_individual_uk)
9.3	▸ *fx* DefTu		on	couple (tu_couple_uk)
9.4	▼ *fx* DefTu		on	Benefit unit (tu_bu_uk)
9.4.1	Name		tu_bu_uk	
9.4.2	Type		SUBGROUP	
9.4.3	Members		Partner & OwnDepChild & LooseDepChild	
9.4.4	DepChildCond		((dag<16) | (((dag<19) & (dec>0) & (dec < 6)) & !(IsMarried)))	
9.4.5	AssignDepChOfDepen...		yes	Make sure that dependent children who are parents are not separated from their children
9.4.6	AssignPartnerOfDepe...		yes	Make sure that dependent children who have partners are not separated from them
9.4.7	NoChildifHead		yes	"if child is head, then recode as adult"
9.4.8	NoChildifPartner		yes	"if child is partner of head, then recode as adult"
9.4.9	LoneParentCond		(Default) & !(IsDepChild)	Make sure that only one lone parent is present in three generations benefit units

Step 2: Adding a new system

Our first task is to open United Kingdom and create a new system using the 2021 system as a base. Give the name *UK_2021ben_ref* to the new system. Hide all systems other than *UK_2021* and *UK_2021ben_ref*.

Step 3: Implement a new policy

Copy-paste the tax unit *tu_bu_uk* and modify it.

Figure 2. Copying and pasting a DefTu function (right-click on function)

Don't use the new tax unit for policy *UK_2021* and re-name the new tax unit as *tu_buref_uk* for policy *UK_2021ben_ref*. Modify *tu_buref_uk* to match the reform we are trying to introduce.

Figure 3. Definition of a new tax assessment unit tu_buref_uk in the TUdef_uk policy

	Policy	Grp/No	UK_2021	UK_2021ben_ref	Comment
9.4.8	NoChildifPartner		yes	yes	"if child is partner of head, then recode as adult"
9.4.9	LoneParentCond		(Default) & !(IsDepChild)	(Default) & !(IsDepChild)	Make sure that only one lone parent is present in three generations benefit units
9.5	fx DefTu		n/a	on	Benefit unit (tu_bu_uk)
9.5.1	Name		tu_bu_uk	tu_buref_uk	name of new unit
9.5.2	Type		SUBGROUP	SUBGROUP	
9.5.3	Members		Partner & OwnDepChild & LooseDepChild	Partner & OwnDepChild & LooseDepChild	
9.5.4	DepChildCond		((dag<16) | (((dag<19) & (dec>0) & (dec < 6)) & !(IsMarried)))	((dag<14) & !(IsMarried))	condition defining who is considered a dependent child for exercise
9.5.5	AssignDepChOfDepen…		yes	yes	Make sure that dependent children who are parents are not separated from their children
9.5.6	AssignPartnerOfDepe…		yes	yes	Make sure that dependent children who have partners are not separated from them
9.5.7	NoChildifHead		yes	yes	"if child is head, then recode as adult"
9.5.8	NoChildifPartner		yes	yes	"if child is partner of head, then recode as adult"
9.5.9	LoneParentCond		(Default) & !(IsDepChild)	(Default) & !(IsDepChild)	Make sure that only one lone parent is present in three generations benefit units

In the policy *UK_2021ben_ref*, modify Child Benefit to use *tu_buref_uk* as the reference unit for analysis.

Figure 4. The reformed Child Benefit policy (bch_uk)

Step 4: Producing the micro-out

Run UKMOD in order to produce micro-output for the policy *UK_2021ben_ref*. Then use the *UKMOD* to analyse differences in benefits and disposable income due to the changes (see Exercise 2 for details).

Solution

See Excel file "Exercise 7.xlsx"