



ANALYSIS AND
RESEARCH

Working Families' Tax Credit

Estimates of Take-up rates

in 2001-02

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Summary

Take-up rates by caseload

The estimated take-up rates of Working Families' Tax Credit (WFTC) in 2001-02 are as follows:

- The take up rate for all families was 71 to 74 percent (*2000-01: 62 to 65 percent¹*).
- Among WFTC families that would have been entitled to indexed Family Credit² (FC), the take-up rate was higher, at 81 to 87 per cent (*compared to FC take-up rates of 66 to 70 per cent for 1998-99 - its final full year*).

Growth in the total number of recipients of WFTC

The number of recipients grew further since 2001-02:

- By November 2002³, the number of families receiving WFTC was:
 - 7 per cent higher than the average for 2001-02, and
 - over 500 thousand higher than the number receiving FC at its June 1999 peak.

Take-up rates by expenditure

Take-up rates tend to be higher for families who are entitled to larger awards, so the take-up rates by expenditure are higher than those by caseload. The estimates for 2001-02 are as follows:

- The take-up rate for all families was 80 to 85 per cent (*2000-01: 73 to 78 percent¹*).
- Among families that would have been entitled to indexed FC², the take-up rate was 81 to 88 per cent (*compared to FC take-up rates of 73 to 79 per cent for 1998-99*).

The take-up rates are presented as ranges to reflect the sampling uncertainty in the element derived from sample survey data. There are other significant uncertainties in the assumptions made in the calculations, which are discussed in Annex 1.

¹ As published in the article for that year. The differences between the estimated take up rates in the two years may be affected by features of the Family Resources Survey, as well as actual changes in the rates. See page 9.

² That is, had Working Families' Tax Credit not been introduced, and had the 1999-00 Family Credit rates and threshold been indexed by inflation to 2001-02.

³ Counts after this date are affected by the extension of awards terminating from December 2002.

Introduction

Working Families' Tax Credit (WFTC) was a tax credit available to families with at least one adult in remunerative work for at least 16 hours per week, and responsible for at least one dependent child (under 16, or under 19 if in full time education up to A-level or equivalent standard). It replaced Family Credit (FC), which was a social security benefit, in October 1999. In April 2003, WFTC itself was replaced by two new tax credits – the Child Tax Credit and the Working Tax Credit.

The Department of Social Security published estimated take-up rates for FC for years up to 1998-99. No take-up rates were published for 1999-00, the transition year between FC and WFTC. Inland Revenue published take-up rates for WFTC for 2000-01 in December 2002.

Definition and coverage of the estimates

There are two measures of the take-up rate. The caseload measure is the number of WFTC recipients, averaged over the year, divided by the average number who would receive WFTC if every family took up its entitlement for the full period of their entitlement. The expenditure measure is the total amount of tax credit received in the year divided by the total amount that would be received if every family took up its entitlement for the full period of their entitlement.

The take-up rates presented here are derived from:

- **WFTC administrative data**, which yields numbers of families **receiving WFTC** (“recipients”);
- the **Family Resources Survey (FRS)** for 2001-02, which yields estimates of the numbers of families **currently entitled to WFTC but not in receipt** (“currently entitled non-recipients”).

Which give the most accurate measure of the size of each of these groups. The caseload measure of take-up can be viewed in simplified terms as follows:

$$\frac{\text{WFTC administrative total}}{\text{WFTC administrative total} + \text{total entitled non-recipients}} \times 100 \%$$

Here, entitled non-recipients includes families which are **entitled** to WFTC even though they are not **currently entitled** (see the box). Various assumptions are made to estimate their numbers, which are added to the estimates derived from the FRS to arrive at estimates of the numbers of all “entitled non-recipients”.

The estimates are limited by the coverage of, and the detail and quality of the data collected by, the FRS. They cover Great Britain (thus excluding Northern Ireland); exclude families with self-employed workers; and include families with children receiving the Disabled Person's Tax Credit (DPTC – see Annex 1). The figures of WFTC recipients appearing throughout this publication follow this definition. They therefore differ from those published in the WFTC Quarterly Enquiries.

Annex 1 describes how the estimates have been produced, and their coverage, in more detail.

“Entitlement” and “Current entitlement” to Working Families’ Tax Credit - terminology

A family’s award is assessed on the basis of their circumstances at the application date. The parameters used for this assessment for awards current in 2001-02 are shown at Annex 2.

Awards then last for 26 weeks, during which time the family’s circumstances may change. In most cases, however, the award is not re-assessed before the end of the 26 weeks. So families can be receiving WFTC on a particular day even though an application made on that day would be unsuccessful.

Families are defined as **entitled** to WFTC if they would be receiving payment on that day had they applied at their earliest opportunity; and as **currently entitled** if they would be assessed for an award based on their circumstances on the day. So the currently entitled are a sub-set of the entitled.

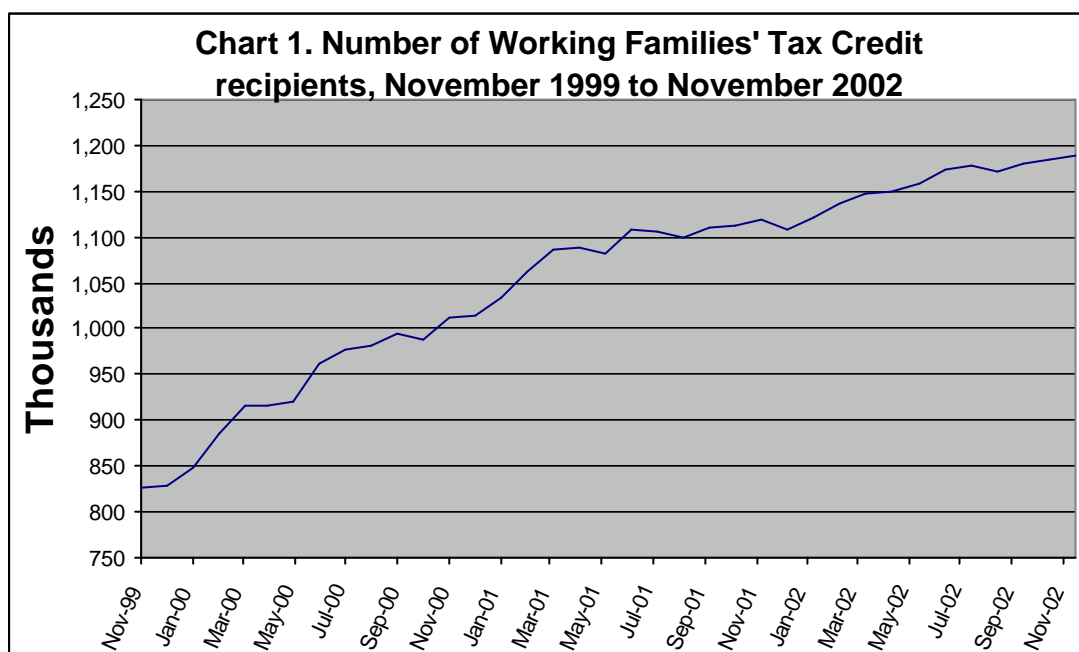
Background - growth in WFTC recipients since October 1999

When WFTC replaced FC at October 1999 it was more generous than its predecessor. The values of the credits and of the threshold were higher, the income taper rate was lower, there was more help with childcare costs and all maintenance income was disregarded.

On the coverage basis for this publication, there were 690 thousand recipients of FC at the end of August 1999. Following the introduction of WFTC in October 1999, the number of WFTC recipients was about 825 thousand at November 1999⁴ and rose to 915 thousand by March 2000, to 1,085 thousand by March 2001 and to 1,150 thousand by March 2002 (see Chart 1).

There was an average of 1,109 thousand WFTC recipients during 2001-02 (on this coverage basis), compared to 988 thousand during 2000-01.

The number of recipients grew further, to reach 1,190 thousand by November 2002⁵ - 7 per cent higher than the 2001-02 average.



⁴ The counts of families receiving WFTC up to March 2000 include families receiving FC whose 26-week awards had started before October 1999. They were unable to apply for WFTC until these awards terminated.

⁵ Counts after this date are affected by the extension of awards terminating from December 2002.

Take up rates for 2001-02

Table 1 shows estimates of the numbers of recipients and entitled non-recipients in 2001-02, and hence of the take-up rates by caseload; and comparative figures for 2000-01.

The numbers of recipients are known, but the numbers of entitled non-recipients are estimated from sample survey data and are thus subject to sampling uncertainty. This is why these figures, and hence all the take-up rate figures, are presented as ranges. Annex 1 discusses this further.

Table 1. Take up rates for Working Families' Tax Credit, 2001-02, by caseload; and comparative figures for 2000-01

	2001-02			2000-01		
	All families with children	Couples with children	Lone parents	All families with children	Couples with children	Lone parents
Recipients ('000)	1,137	514	623	989	445	545
Entitled non-recipients ('000)	392 to 474	290 to 352	87 to 137	522 to 604	396 to 457	111 to 162
Total entitled ('000)	1,529 to 1,611	804 to 866	710 to 760	1,511 to 1,593	841 to 902	656 to 707
Take-up rate by caseload (recipients / total entitled)	71 to 74 per cent	59 to 64 per cent	82 to 88 per cent	62 to 65 per cent	49 to 53 per cent	77 to 83 per cent

There are fewer couples than lone parents receiving WFTC, but there are more couples than lone parents among entitled non-recipients. The estimated take-up rates for couples are therefore substantially lower than those for lone parents – though take-up for both couples and lone parents has risen substantially between 2000-01 and 2001-2 (by about 10 percentage points for couples, and 5 percentage points for lone parents).

The overall take-up rate range for 2001-02 is about 9 percentage points higher than for 2000-01. The estimates of the total number entitled are similar for the two years, but there are more recipients, and fewer non-recipients, in 2001-02.

Table 2 shows that the average amounts unclaimed are substantially lower than the average amounts received. The take-up rates by expenditure are therefore higher than those by caseload. Lone parents again had a much higher take-up rate by expenditure than couples.

For couples, the estimated average amounts unclaimed in 2000-01 and 2001-02 are similar, and the difference between the two years in the take-up rate range by expenditure (about 10 percentage points) is similar to that for the caseload measure. For lone parents and couples, the estimated average amount unclaimed was higher for 2001-02 than for 2000-01, at least in part because of the annual uprating of WFTC rates in line with inflation and other increases made to these rates in June 2001. This partly offsets the lower number of entitled non-recipients in 2001-02, so the difference

between the two years in the take-up rate range by expenditure (about 7 percentage points) is lower than that for the caseload measure.

Table 2. Take up rates for Working Families' Tax Credit, 2001-02, by expenditure; and comparative figures for 2000-01

	2001-02			2000-01		
	All families with children	Couples with children	Lone parents	All families with children	Couples with children	Lone parents
Total amount received (£ million)	4,715	1,935	2,780	3,845	1,580	2,265
Amount unclaimed (£ million)*	844 to 1,189	534 to 785	247 to 482	1,061 to 1,414	725 to 999	272 to 491
Total claimable	5,459, to 5,904	2,469 to 2,720	3,027 to 3,262	4,906 to 5,259	2,305 to 2,579	2,537 to 2,756
Average weekly amount received	£79.75	£72.45	£85.77	£74.74	£68.36	£79.95
Average weekly amount unclaimed	£44.81	£39.16	£60.99	£42.08	£38.66	£52.77
Median weekly amount unclaimed	£38.86	£31.67	£62.52	£35.00	£29.25	£55.71
Take-up rate by expenditure	80 per to 85 per cent	71 to 78 per cent	85 to 92 per cent	73 per to 78 per cent	61 to 69 per cent	82 to 89 per cent

* Calculated by modelling the entitlement of families in the FRS who reported not receiving WFTC.

Families that would have been entitled to indexed Family Credit

Some families receiving WFTC would have been entitled to FC had WFTC not been introduced, and had the 1999-00 FC rates and threshold been indexed at April in line with inflation; we can identify such families from the administrative data as well as in the FRS⁶. We can therefore calculate the WFTC take-up rates for such families (Table 3), which we can then directly compare with actual FC take-up rates for the equivalent families in years up to 1998-99.

For lone parents among these families the take-up rates for 2001-02 are little different to those for 2000-01. For couples, however, the estimated rates for 2001-02 are higher than those for 2000-01.

Table 4. Take up rates for Working Families' Tax Credit, 2001-02, for families that would have been entitled to indexed Family Credit; and comparative figures for 2000-01

	2001-02			2000-01		
	All families with children	Couples with children	Lone parents	All families with children	Couples with children	Lone parents
Take-up rate by caseload	81 to 87 per cent	74 to 83 per cent	84 to 92 per cent	75 to 81 per cent	66 to 73 per cent	82 to 90 per cent
Take-up rate by expenditure	81 to 88 per cent	74 to 84 per cent	84 to 93 per cent	78 to 84 per cent	67 to 76 per cent	84 to 93 per cent

These take-up rates are much higher than the final take-up rates already published for FC, for 1998-99⁷ and reproduced at Table 5, especially for couples. Of course, we do not know what the take-up rates for FC in 2000-01 and 2001-02 would have been had WFTC not been introduced.

Table 5. Take up rates for Family Credit, 1998-99, by family type

	All families with children	Couples with children	Lone parents
Take-up rate by caseload	66 per cent to 70 per cent	55 per cent to 60 per cent	78 per cent to 84 per cent
Take-up rate by expenditure	73 per cent to 79 per cent	61 per cent to 70 per cent	84 per cent to 91 per cent

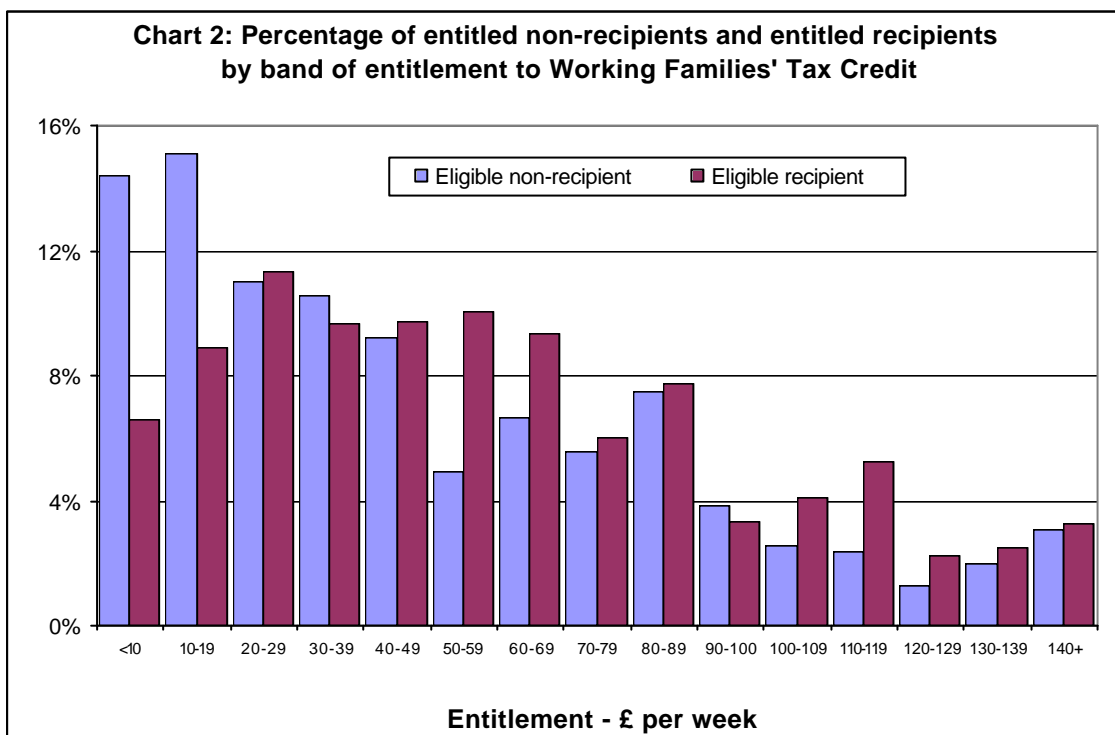
⁶ In fact, the rates are for a slightly larger group of families - those who would have been entitled to indexed FC were maintenance income not brought to account. All but £15 per week of this income was brought to account for FC. As WFTC administrative data collects no information on maintenance income, it is not possible to identify WFTC recipients whose maintenance income would have reduced to zero their hypothetical indexed FC award.

⁷ *Income Related Benefits Estimates of Take-up in 1998/99*, (2000) Department of Social Security.

Further analysis of entitled non-recipients

Table 2 shows that the average amount unclaimed is lower than the average amount claimed. We would therefore expect families with low entitlements to be more heavily represented among non-recipients than among recipients. Chart 2 confirms this. It is based wholly on FRS data, so the figures for recipients are not taken from the administrative data used in the analyses above.

Families currently entitled to up to £40 per week accounted for around 51 per cent of currently entitled non-recipients, but for around 36 per cent of currently entitled recipients. At the other end of the scale, families currently entitled to over £80 per week accounted for about 23 per cent of currently entitled non-recipients, but for around 28 per cent of currently entitled recipients.



Differences between estimates for 2000-01 and 2001-02

This section explores the difference between the estimates of the number of entitled non-recipients in the two years. For ease of presentation, the comparison is between central estimates, rather than the ranges shown earlier. In fact, it is possible to carry out a detailed comparison only between the central estimates of **currently** entitled non-recipients - 534 thousand in 2000-01 dropping to 432 thousand in 2001-02. Table 6 shows these estimates alongside estimates for other combinations of current entitlement to and receipt of WFTC for the two years.

Table 6. Estimates derived from FRS: Families with children by whether currently entitled to, and receiving, WFTC

	2001-02 survey (000s)	2000-01 survey (000s)	2001-02 less 2000-01 (000s)
Currently entitled non-recipients	432	534	-101 (-19%)
Currently entitled recipients	701	673	29 (4%)
Not currently entitled non-recipients	4,348	4,416	-68 (-2%)
Not currently entitled recipients	218	143	75 (52%)
All families with dependent children and with no self-employment	5,700	5,766	-66 (-1%)

The estimated number of families currently entitled to WFTC was smaller in 2001-02, and the estimated number not reporting receipt of WFTC was sharply lower. Both reductions were concentrated among currently entitled non-recipients.

Two factors which may have contributed to this reduction are, respectively, (a) the levels of income reported in the two surveys and (b) the reporting of receipt of WFTC in the two surveys. These are discussed in more detail overleaf.

(a) reported income

Table 7 shows how all the differences in Table 6 are split between families with various income levels.

Table 7. Difference in number of families with children by whether currently entitled to, or receiving, WFTC, by income group

Weekly income	Currently entitled non-recipients	Currently entitled recipients	Not currently entitled non-recipients	Not currently entitled recipients	Total
Under £150	-4	-56	-39	1	-97
£150 - £249	-63	21	6	-3	-40
£250-399	-32	57	-154	34	-94
£400 and over	-2	7	118	43	165
Total	-101	29	-68	75	-66

The first column shows that the drop in the estimated number of currently entitled non-recipients was concentrated among families with incomes between £150 to £400 per week.

The final column shows that there was a fall in the estimated total number of families with incomes below £400 per week, offset by a rise in the estimated number with incomes over £400 per week.

It is unclear whether any of this switch in the income distribution is a result of changes between the two surveys in uncorrected contact, response or reporting bias. If it is, and so the actual total number with incomes between £150 and £400 per week did not fall as sharply as the final column in Table 7 suggests, then the same may apply to the change in the estimated number of currently entitled non-recipients with these incomes shown on the first column.

(b) reported receipt of WFTC

We might have expected the reduction in the estimated number of low income families with children to reduce the survey-based estimate of the number of recipients of WFTC. In fact, the percentage increase in this estimate is similar to that shown in the WFTC administrative data. However, this was due to a further factor – a large rise in the number families with incomes over £250 per week reporting receipt of WFTC, especially among those not currently entitled to WFTC.

A possible explanation lies in 2001-02 FRS respondents being asked a single question to identify any tax credits that they received – the list shown included both WFTC and the new Children’s Tax Credit (ChTC). Some families receiving the ChTC through the pay packet, and with incomes too high for WFTC, may have reported that they received WFTC instead of ChTC.

If some families with lower incomes, that were currently entitled to but not claiming WFTC, mis-reported similarly, this would help to explain some of the drop in 2001-02 in the estimated number of currently entitled non-recipients.

There is no direct evidence of such mis-reporting, although the FRS-based estimate of the number of families reporting receipt of ChTC through the pay packet (not shown) was below the known total.

Summary

If the upward shift in incomes in 2001-02 was partly the result of survey factors, or if more families wrongly reported receipt of WFTC in 2001-02, this would imply that the number of entitled non-recipients did not drop by as much as shown in Tables 1 and 2. This would then imply that the number of families entitled to WFTC rose by more than shown in these tables, and that the increase in the take-up rate was lower.

Annex 1 : Sources and methods

Data sources

The Family Resources Survey

The Family Resources Survey (FRS) is a household interview survey. The results for 2001-02 were based on data collected by interview from 25,320 households in Great Britain. The survey broadly collected sufficient information on family circumstances, income, savings and childcare costs to model the current entitlement to WFTC of each sample family (that is, to replicate the award assessment were an application to be made at that time). However, for each of hours worked, net earned and other income, savings and childcare costs there were problems with their accurate recording.

Respondents were also asked whether the family received WFTC at the interview date (or whether the family was awaiting the outcome of an application for WFTC).

National estimates are derived from the sample responses via grossing up. There is potential bias in any such estimates, due to differential contact and response rates for different types of family. To reduce this, the grossing system controls the survey results to separate population estimates of benefit units and households, taking into account variables like tenure and Council tax band as well as age, sex and marital status variables. However, this may not eliminate all such bias.

Families with children reporting receipt of neither WFTC nor Child Benefit are assumed to be not currently entitled to WFTC. (The reasons for the family not receiving Child Benefit are investigated at the interview).

Administrative data

The number of WFTC recipients, their renewal rate, their average amounts received and the number of families with backdated awards are all derived from an analysis of a 5 per cent sample of WFTC recipients (the same as was used to produce some of the statistics in the WFTC Quarterly Enquiries).

Coverage of the estimates

Families awaiting the outcomes of applications; and later disallowances

On any day when WFTC was in operation, there were families awaiting the outcomes of applications; or were within two weeks of the end of a previous award and could apply for a renewal award to follow on from that award. Successful applications resulted in back payments being made, and these families were in effect recipients on the day but with a delay in payment. They are here defined to be recipients on the day.

Other families were receiving WFTC on a day but their awards were later wholly disallowed and any payment made was reclaimed. Such families are here defined to be non-recipients on the day.

From the administrative data, figures using these definitions were compiled by taking the number of recipients on a day to be the number that, six months later, were reckoned to have awards current on that day. This includes most backdated awards, and excludes most awards that were later disallowed.

We need to exclude from the FRS estimate of currently entitled non-recipients those families that would later fall within the definition of recipients on the interview day, through having backdated awards. We could do this by excluding families who reported on the FRS that they were awaiting the outcomes of WFTC applications. However, this would reduce the estimate by 66,000, whereas the

administrative data show an average of only 53,000 extra families being deemed to be in receipt of WFTC by including backdated awards. This casts doubt on how accurately outstanding applications for WFTC were reported on the FRS. We therefore retain in the initial estimates of currently entitled non-recipients families reporting such applications, and instead subtract an aggregate figure of 53,000.

We assume that the estimate of currently entitled non-recipients excluded families with disallowed awards, as they would appear to be not currently entitled based on the FRS data.

Families with self-employed workers

We cannot reliably model the current entitlement of a FRS family with a self employed worker.

One reason is that the recording of self-employment income in the FRS varies according to when the self-employment started, whether accounts have been prepared and what documents are available at the interview. There are extra problems in recording income from partnerships; and drawings from the business are sometimes taken as a proxy for income. On top of that, self employment income brought to account in an application for WFTC was before deducting depreciation (or capital allowances); and the period over which the income is to be taken varied according to circumstances.

Families with self-employed workers are therefore excluded from the estimate of currently entitled non-recipients, and so also from the count of recipients derived from the administrative data.

Note: In calculating FC take-up rates only families where self-employment was the main source of income were excluded. However, a study of other FRS families in 2000-01 with self employment income suggested that their levels of incomes from self-employment, too, are sufficiently uncertain to warrant their exclusion from the take-up rate calculations (they were also excluded in 2001-02). This change has had the effect of raising the calculated take-up rate by about 1 percentage point.

Families with children entitled to Disabled Person's Tax Credit (DPTC)

Families could apply for DPTC instead of WFTC if a working adult had an illness or disability which put them at a disadvantage in getting a job. The value of the award was £32.25 per week higher for awards starting in 2001-02. The upper savings limit was also £16,000 rather than £8,000.

The estimate of currently entitled non-recipients derived from the FRS includes non-recipient families with disabled workers that would be entitled to WFTC if they did not apply for DPTC, and excludes families entitled to WFTC and receiving DPTC. Correspondingly, the administrative data count of the number of recipients includes families with children receiving DPTC awards over £32.25 per week and with savings up to £8,000.

Small awards

The minimum award payable was £0.50 per week. This was taken into account in identifying currently entitled families among FRS respondents.

Awards of between £0.50 and £4.05 per week were paid as lump sums at the start of the 26-week period. The administrative data includes such cases, and the FRS identified families who had received such lump sums within the 26 weeks up to the interview. Such families are therefore regarded as recipients in the take-up rate calculations.

Estimation

As explained above, WFTC was awarded for a period of 26 weeks, irrespective of most changes in family circumstances during that period. So, at any date, a family may not have been currently entitled and yet be a recipient because they had applied at some time during the previous 26 weeks at a time when they were currently entitled.

We can therefore classify as follows families entitled on any day:

		Assessable for an award based on circumstances on the day (currently entitled)	Not currently entitled, but assessable for an award based on circumstances at some time in the last 26 weeks	Total entitled on the day
Currently receiving WFTC	Number	E_{CR}	E_{L6R}	E_{TR}
	Average amount	A_{CR}	A_{L6R}	A_{TR}
Not currently receiving WFTC	Number	E_{CNR}	E_{L6NR}	E_{TNR}
	Average amount	A_{CNR}	A_{L6NR}	A_{TNR}

The WFTC take-up rate by caseload can be then be defined as:

$$\frac{E_{TR}}{E_{TR} + E_{CNR} + E_{L6NR}} \times 100 \%$$

E_{TR} can be taken from administrative data, and E_{CNR} can be estimated, via modelling, from the FRS. However, no direct estimate of E_{L6NR} is available.

To overcome this, we postulate a value for the percentage of entitled non-recipients that were not currently entitled:

$$\frac{E_{L6NR}}{E_{TNR}} = \%c, \text{ say}$$

The value of %c depends on the proportion of entitled non-recipient families that moved out of current entitlement during any 26-week period. We postulate that this proportion is the same as that for recipients. Administrative data provides the proportion of recipients who failed to renew their awards at the end of the 26-week period (%f), and we assume that these were the families moving out of current entitlement during this period. We then assume that, on any day, entitled non-recipients were, on average, half way through the awards to which they were entitled and therefore that a proportion equal to half of %f had moved out of current entitlement by that day. We therefore estimate %c as half of %f.

Then

$$\begin{aligned} E_{L6NR} &= \%c \times E_TNR \\ &= (\%c \times E_CNR) + (\%c \times E_{L6NR}) \end{aligned}$$

Re-arranging,

$$E_{L6NR} = E_CNR \times \%c / (1 - \%c)$$

Substituting this in the **take-up rate by numbers** formula, and simplifying, this becomes:

$$\frac{E_T R}{E_T R + E_CNR / (1 - \%c)} \times 100 \%$$

The percentages failing to renew (%f) are obtained directly from administrative data. For awards ending in 2001-02 they were 26.93% for couples and 19.55% for singles. Thus %c is estimated to be 13.465% for couples and 9.775% for singles.

The estimates of **take-up rate by expenditure** also require values for $A_T R$ and $A_T NR$. Administrative data yields $A_T R$, and FRS yields an estimate of $A_C NR$ via modelling, but there is no direct estimate of $A_{L6} NR$ or $A_T NR$.

We therefore make the additional assumption that the average amount unclaimed by all entitled non-recipients ($A_T NR$) was the same as the average for those currently entitled ($A_C NR$).

The formula then becomes:

$$\frac{E_T R \times A_T R}{(E_T R \times A_T R) + (E_C NR / (1 - \%c) \times A_C NR)} \times 100 \%$$

Ranges and uncertainty in the estimates

The estimate of the number of entitled non-recipients derived from the FRS is subject to sampling uncertainty. We estimate its standard error by calculating the standard error of the estimated proportion of currently entitled sample families who were in not receipt of WFTC, as derived wholly from FRS, and multiplying this by the estimated number of entitled families. We further multiply by 1.96 and subtract the resulting figure from, and add it to, the point estimate of the number of entitled non-recipients. This yields an approximate 95% confidence interval arising from sampling error, the range presented.

The administrative data is also based on a sample – of 5 per cent of cases. However, the resulting sampling uncertainty is of a lower order of magnitude, so it is only the uncertainty in the estimate of the number of entitled non-recipients that substantially contributes to the range in the take-up rate.

In fact, the total uncertainty in the estimates is rather larger than the ranges suggest. For example, five other uncertainties are:

1. The ranges do not take into account any uncertainty in the estimated number of currently entitled families.

2. Some recipient families may not have reported the receipt of WFTC in their FRS interview – even apart from possible extra errors of this sort in 2001-02. To that extent, this will have biased downwards the estimated take-up rate, as mentioned above.

This is consistent with the grossed up FRS yielding an estimated average of 973 thousand families receiving WFTC in 2001-02, well below the average of 1,137 thousand recipients derived from administrative data.

Table A1. Working Families' Tax Credit in 2001-02; estimates derived from administrative data and the grossed-up FRS (thousands)

	Administrative data	Family Resources Survey			Combined		
		Central	Lower	Upper	Central	Lower	Upper
Recipients							
Currently entitled	1,007	755 ¹					
Other	130	218					
Total	1,137	973			1,137	1,137	1,137
<i>Couples</i>	514	494 ¹					
<i>Lone parents</i>	623	479 ¹					
Non-recipients							
Currently entitled		379 ¹					
Other entitled		54					
Total entitled		433	392	474	433	392	474
Total entitled		1,188			1,570	1,529	1,611
Take-up rate					72%	74%	71%

¹ After an estimated 28 thousand couples and 26 thousand lone parents with backdated awards are switched from non-recipients to recipients (these backdated awards are based on numbers obtained from the administrative rather than the FRS data).

3. Insufficient weights may be given in FRS to the sorts of families that were entitled to WFTC, despite the use of the grossing regime described above. This is a second possible factor explaining the under-estimate of WFTC recipients in the FRS. To the extent that this was also true of entitled non-recipients, this will have biased upwards the estimate of the take-up rate.

4. The modelling of the current entitlement of FRS families reporting that they do not receive WFTC is not completely accurate

As has already been mentioned, some features of the data collected in the FRS mean that our modelling of current entitlement is not exact for all cases. For non-recipients of WFTC, we might suspect that, on average, the modelling is more likely to have over-estimated current entitlement, its correction would then bring non-entitlement and non-receipt more into line, rather than driving them further apart. If anything, then, we might suspect that any such error will have biased downwards the estimated take-up rate.

Possible evidence the other way is provided by the grossed-up FRS estimate of the number of recipients modelled as not currently entitled being 218 thousand (about 22 per cent of recipients). This is higher than the estimate derived from administrative data of an average 130 thousand

recipients (11 per cent of all recipients) being not currently entitled. The FRS estimate may be too high because the modelling, on average, under-states the current entitlement of recipients. To the extent that this also applies to non-recipients, this will have biased upwards the estimated take-up rate.

However, the estimate of 130 thousand is based on an assumption that half of non-renewing recipients had moved out of current entitlement by a randomly selected day during their award. In fact, the movement out of current entitlement may have been concentrated towards the starts of awards. This would bring the estimate closer to the 218 thousand. This concentration is generated by behaviour by recipients which may not have been replicated by non-recipients. To that extent, this explanation of the difference between the estimates would give no cause to suspect bias in the estimate of $E_{L6}NR$, and the take-up rate, as %c for non-recipients is still appropriately estimated as half of %f.

5. The 53 thousand subtracted from the initial estimate of currently entitled non-recipients, because they would ultimately have awards covering the interview date, may be too low. After grossing, 66 thousand within the initial estimate reported that they were awaiting the outcomes of applications for WFTC, and others will still have had time after the interview to apply for renewal awards so as to fall within the definition of “recipients”. The estimate of 53 thousand has been preferred on the basis that the reporting of applications outstanding on the FRS may have been inaccurate. However, there may be more than 53 thousand backdated awards – this is the average difference between the final total for each reference date and the number at the end of the first calendar month; some awards could be backdated before the end of the month. Also, the 66 thousand may include some families whose awards had started by the interview date but who had not yet received their first payment, or evidence of their first payment; these families should also be excluded from the estimate of currently entitled non-recipients. To the extent that the true number to be subtracted should be higher than 53 thousand, this will have biased downwards the estimated take-up rate.

It should be pointed out that the methodology used for the calculation of WFTC take-up in 2001-02 is only slightly different to that used to calculate Family Credit (and exactly the same as that used to calculate previous WFTC) take-up in the past, so these factors would have applied to previous estimates as well as those for WFTC in 2001/2.

Annex 2 : Rates and thresholds

The following table shows the rates, thresholds and other parameters used to assess an application for Working Families' Tax Credit payable in 2001-2.

		Starting during:	
		October 2000 to March 2001	2001-02
Basic tax credit	£ per week	53.15	59.00 ¹
30-hour tax credit	£ per week	11.25	11.45
Child tax credit			
Under 16 at next 1 September	£ per week	25.60	26.00
16 or over at next 1 September; under 19	£ per week	26.35	26.75
Disabled child tax credit ²	£ per week	22.25	30.00
Enhanced disability credits			
Couples and lone parents			16.00
Singles and children ³			41.05
Childcare tax credit			
Maximum costs allowed			
1 child	£ per week	100	135 ⁴
2+ children	£ per week	150	200 ⁴
Percentage of allowed childcare costs in credit		70%	70%
Savings			
Amount disregarded	£	3,000	3,000
£1 per week income assumed per additional:	£	250	250
Upper limit	£	8,000	8,000
Reduction of award through income ⁵			
Income threshold	£ per week	91.45	92.90
Income taper rate		55%	55%
Minimum award	£ per week	0.50	0.50

¹ For awards starting from 5 June 2001. £54.00 for awards starting during April and May 2001.

² Payable in addition to the child tax credit.

³ Payable in addition to the disabled child tax credit.

⁴ For awards starting from 5 June 2001. The 2000-01 level for awards starting during April and May 2001.

⁵ Income is net of tax, national insurance contributions and half pension contributions, and excludes Child Benefit, Housing benefit, Council tax benefit, maintenance and investment income. The award is reduced by the excess of income over the threshold, multiplied by the income taper rate.