

TACKLING CHILD POVERTY: A DYNAMIC PERSPECTIVE

2006



Summary

Child poverty is a national and international policy priority, reflecting an increased awareness of children's social development and growing evidence on the societal consequences of childhood deprivation.

Combat Poverty, as the state advisory body responsible for developing and promoting evidence-based proposals and measures to combat poverty, has produced a series of research reports and policy advice on child poverty in recent years.¹ To further inform the policy response to child poverty, in particular the forthcoming National Action Plan against Poverty and Social Exclusion 2006-2008, Combat Poverty has produced a new study examining the processes by which children move into and out of poverty and the mechanisms whereby poverty is transmitted from parents to children². This policy statement summarises the policy messages from the research and puts forward recommendations for government intervention.

¹ For a summary of these, see Combat Poverty Agency (2005), *Ending Child Poverty, Policy Statement*. More recently, Combat Poverty made recommendations on specific actions to tackle child poverty to the Minister for Social and Family Affairs.

² Brian Nolan, Richard Layte, Christopher T. Whelan, Bertrand Maître. (2006), *Day In, Day Out: Understanding the Dynamics of Child Poverty*, Dublin: Institute of Public Administration and Combat Poverty Agency.

Policy messages

- The *duration of child poverty* is unevenly distributed with a minority of children, almost one in five, spending five or more years in poverty (circa 182,000 children).
- The households that children live in influence the amount of time spent in childhood poverty, with *younger children and children in larger families* spending the longest time in poverty.
- The duration of child poverty is also affected by the *parents' employment and educational status, the number of working adults in the household, and household dependence on social welfare*.
- The likelihood of adult poverty is influenced by *childhood economic circumstances and by children's educational opportunities*.

Policy recommendations

1. Re-orientate the broad policy approach to child poverty in four main ways:

- Give more attention to reducing the duration of child poverty as well as to improving the situation of children in acute poverty at a particular point in time.
- Consider the interplay between the broader forces that influence the living standards and wellbeing of children, including family supports, employment and public services.
- Reduce the extent of societal inequalities in childhood circumstances, especially those which shape educational opportunity before and during formal schooling.
- Place the interests of children at the centre of policy-making on poverty, so that children have first call on tax/welfare resources and on public expenditure.

2. Enhance child income supports in two main ways:

- Extend the new early childcare supplement for children under 6 years to include children aged 6-12, who also generate additional childcare costs.
- Substantially increase child dependant allowances to between €20 to €25 per week in order to assist children in welfare-dependent families out of poverty.

3. Ease the transition from welfare to work for unemployed parents with young children and those parenting alone through education and employment measures, affordable and accessible childcare and income supports.

4. Provide greater access to early childhood care and education for children from low-income backgrounds, as part of a comprehensive national policy.

1. Ending Child Poverty: A National and International Policy Priority

Child poverty is a major policy concern. One in five Irish children is in income poverty (below 60% of median income) while one in ten children is in consistent poverty (low income and deprived of basic necessities)³. At an international level, child poverty is a significant problem in many developed countries, with children being at greater risk of poverty than adults and with the levels of child poverty worsening over time. Significantly, Ireland has amongst the highest rates of child poverty in the EU and OECD.

The challenge of child poverty is very grave for society. As UNICEF⁴ points out, protecting children from poverty during their formative years is both a mark of a civilised society and a means of addressing many critical issues facing modern economies. The UN Convention on the Rights of the Child incorporates the child's right to an acceptable standard of living and to social development to reach his or her full potential. From an economic perspective, the legacy of childhood poverty lasts long into adulthood, resulting in a loss of human potential and imposing additional economic and social costs on society. Childhood poverty is also important as a critical factor in perpetuating the transmission of poverty from one generation to the next.

There are many national and international initiatives to tackle child poverty. Ending child poverty has been identified as a national policy priority in the **National Anti-Poverty Strategy (NAPS)**, which enshrines a commitment to reducing consistent poverty among children to two percent or less. The **National Action Plan against Poverty and Social Exclusion** (2003-2005) states, as a key policy task, the development of an integrated policy and institutional structure to ensure adequate supports for children, their development and for those caring for them. The report on the consultation for the new national action plan (2006-2008) again identifies children as a group at risk of poverty and exclusion and states that the most effective way to assist children in poverty is through a mixture of income supports, quality services and opportunities to enhance participation in society and in the economy.⁵ Recent social partnership agreements have also contained specific actions to end child poverty. More widely, the EU strategy to make a decisive impact on poverty by 2010 has prioritised measures to tackle child poverty, while UNICEF has outlined key strategies for tackling child poverty in OECD countries.⁶

3 CSO (2005) *EU Survey on Income and Living Conditions* (EU SILC). (Defined as children under 14 years)

4 UNICEF (2005), *Child Poverty in Rich Countries 2005*, UNICEF Innocenti Research Centre, Florence.

5 Department of Social and Family Affairs, *Report on Consultation for National Action Plan against Poverty and Social Exclusion 2006-2008*, (2006).

6 European Commission, DG Employment and Social Affairs (2005), *Joint Report on Social Protection and Social Inclusion*; P Hoelscher (2004), *Preventing and Reducing child poverty*, European Commission, DG Employment and Social Affairs; UNICEF (2005), *Child Poverty in rich countries 2005*, UNICEF Innocenti Research Centre, Florence.

2. Deepening our Understanding of Child Poverty: A Dynamic Perspective

Much of the research on child poverty presents snap shots on the nature and extent of the problem at specific points in time. Less is known about the duration of child poverty, which is especially important, since the longer the time spent in poverty, the worse the consequences. High poverty rates at a given point of time can come about because the number of children entering poverty is rising or because the number of poor children who leave poverty is falling. Understanding these dynamic issues necessitates a longitudinal approach which tracks the duration of child poverty over time and which examines the flows into and out of child poverty. Such a study can reveal the processes which result in children spending a long time in poverty. More broadly, it can throw light on the links between child poverty in one generation and adult poverty in another.

A longitudinal study of child poverty ***Day In, Day Out: Understanding the Dynamics of Child Poverty*** has been produced by Combat Poverty. This policy statement highlights the policy messages from the research and sets out Combat Poverty's recommendations for government intervention on foot of the report. These messages relate to three main themes:

- ❑ the persistence and duration of child poverty in society;
- ❑ the factors which influence children moving into and out of poverty;
- ❑ intergenerational transmission of poverty.

Day In, Day Out: Understanding the Dynamics of Child Poverty

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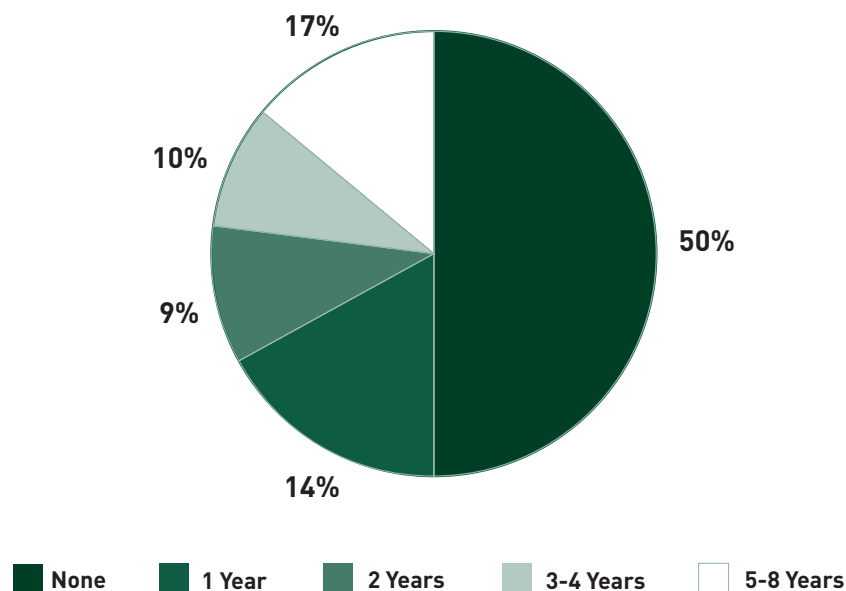
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This study was carried out by researchers from the Economic and Social Research Institute on behalf of Combat Poverty. It is based on an analysis of longitudinal data from the Living in Ireland Survey over an eight year time period from 1994-2001. It also analyses data collected in the survey on the childhood economic and social circumstances of adults who are in poverty today, in order to better understand the intergenerational aspect of poverty. The researchers used two poverty measures - income poverty and consistent poverty - in the analysis, with a primary focus on income poverty. Children are defined as aged under 18 years in the study. Comparative longitudinal data was sourced from the European Household Panel Survey.

2.1 Persistence and duration of child poverty in society

The study investigates two distinct components of the longitudinal aspect of child poverty: the total number of years children spend in poverty (persistence) and the length of the spells they spend in poverty (duration). The study shows that half of Irish children observed during an 8 year time period spent some time in income poverty (Figure 1). A quarter of children (23 percent) spent a relatively short amount of time in poverty (one or two years). A higher amount (27 percent) spent three or more years in income poverty. Within this latter category, 17 percent spent five plus years in income poverty (approximately 182,000 children⁷).⁸

Figure 1: The Number of Years Spent By Children Affected By Income Poverty, 1994-2001



Analysis of the duration of poverty periods suggests that a majority (60 percent) of poverty periods are of a single year, while a quarter (23 percent) are of three or more years' duration. Spells in poverty have an average duration of approximately two years for children (1.7 years). Children in poor households are less likely to escape from periods in income poverty than adults.

Comparative analysis at an EU level showed that for most of the old 15 member states of the EU the levels of persistent income poverty for children were lower in Ireland than in southern member states and the UK, but higher than in other northern member states. However, when compared to working age adults without children, the likelihood of children being in persistent income poverty was greater in Ireland (and the UK) than in other member states.

⁷ Defined as children under 18 years of age.

⁸ The figures for consistent poverty were: 29 percent experienced consistent poverty at some stage; 14 percent of children were in consistent poverty for one to two years and 15 percent of children spent three or more years in consistent poverty. There is a strong correlation between persistent income poverty and time spent in consistent poverty.

2.2 Factors which influence children moving into and out of poverty

The persistence of child poverty is affected by various household characteristics. The *age of the child and the presence of other children* impact on the duration of child poverty.

Household expenses are likely to rise with the arrival of a child. In addition, children influence the risk of poverty which the household faces through their impact on the labour force status of the parents, particularly the mother. Having a youngest child aged under 12 has a greater impact on a household's experience of poverty than when he or she is aged 13-17, with no difference between a child aged under 5 versus 5-12. While teenagers entail higher direct costs than younger children, this is generally outweighed by their lower indirect costs, as parental work is much less affected. Having three or more children in the household has a particularly marked increase on the persistence of child poverty.

Parental employment status influences the risk of poverty persistence among children. Children in households where parents are unemployed or inactive, have a higher risk of spending time in poverty than children in households where two parents are employed. Analysis over an 8 year period shows that where neither parent was employed nearly all children spent some time in income poverty. Where both parents were employed, children spent no time in poverty. During a period where unemployment fell markedly (from 14.7 percent in 1994 compared to 3.7 percent in 2001)⁹, over half of children in households with no parent employed, spent 3 or more years in poverty.

In addition to employment status, the number of working adults in a household has an impact on the level of child poverty. The average number of persons employed, for children who avoided income poverty entirely, was close to two and for those experiencing persistent income poverty the average was only 0.5.

Parental educational attainment is also important in determining which children experience longer periods in income poverty. Living in a household where parents have lower levels of education increased the risk of children experiencing poverty. Parents with no second-level qualification in particular faced much greater risks of sustained low income than others.

Children in *lone parent households* spend more time in poverty than children in two adult households. Almost half of children in lone parent households, where the parent was not working, were in persistent poverty (three or more years in poverty). In addition, the probability of a lone parent, with a child under 5, leaving poverty was 66 percent lower than a lone parent with a child aged 12 to 17.

⁹ Central Statistics Office, Labour Market Survey 1994 & Quarterly National Household Survey 2001.

There is a strong relationship between *welfare dependence* and the duration of child poverty. Two thirds of children in households where less than one-quarter of the household income was retrieved through social welfare payments avoided income poverty. At the other extreme, 3 percent of children in households where social welfare accounted for more than three-quarters of a household income, avoided income poverty altogether and 62 percent were persistently poor (approximately 19 percent of children were in this category).

In addition, the likelihood of persistent income poverty is higher for children where parents report less than good *health*.

2.3 Intergenerational Transmission of Poverty

The study looks at the childhood background of adults in poverty and the social factors which impact on adult outcomes. The chances of experiencing sustained poverty in adulthood are related to *childhood socio-economic environment*, especially childhood poverty. The pathways through which such effects operate not only include the financial constraints on parental capacity to invest in their children's "human capital", but also socio-economic status, parenting styles, home environment and role modelling.¹⁰ The effects of social origins work through two rather different mechanisms, the first involving family conditions and parental stimulation in early childhood in particular, the other reflecting the decisions people make at crucial transition points in the education system and labour market.

The study shows that *childhood educational opportunities* impact on the likelihood of adult poverty. An individual whose parents had no educational qualifications beyond primary level had 23 times the risk of having no formal qualification compared to someone whose parents had third level education.

¹⁰ A Combat Poverty study which examined family life on low income showed children's experience of poverty gives rise to potential risks of exclusion from everyday social activities and experiences of other children, early school leaving of unfulfilled potential and exposure to drug use in their local communities. (Daly et al, *Against all Odds-Family Life on a Low Income*, Combat Poverty Agency).

3. Combat Poverty Recommendations

3.1 Overall policy approach on child poverty

Child poverty features prominently in a number of high-level policy documents, with the main focus on reducing the numbers in child poverty. The challenge arising from this new study is to broaden the existing approach to address the factors which result in some children experiencing persistent child poverty and in childhood poverty being replicated in adult poverty in later life.

Four strategic issues are highlighted:

- Give more attention to reducing the duration of child poverty as well as to improving the situation of children in acute poverty at a particular point in time.
- Consider the interplay between the broader forces that influence the living standards and well-being of children, including family supports, employment and public services.
- Reduce the extent of societal inequalities in childhood circumstances, especially those which shape educational opportunity before and during formal schooling.
- Place the interests of children at the centre of policy-making on poverty, so that children have first call on tax/welfare resources and on public expenditure.

3.2 Child Income Support

Income supports are an important means to improve the economic situation of families and to compensate parents for the costs of raising children. Universal measures are important in supporting families at critical stages in the lifecycle (younger children, larger families). However, additional supports are required for families dependent on social welfare or on a low income from work. In recent years, child income support has increased considerably, primarily through higher child benefit rates, but also through reforms in the family income supplement and, in 2006, the new early childcare supplement.

Table 1 summarises the system of child income support, differentiating by the age of child, family size and household income. The standard weekly equivalent rate of child income support is €34.50, which is payable to all children regardless of household income. The standard rate is supplemented for the third plus child (+ €8.03) and a child under 6 years (+ €19.15), or if getting both, a top-up of €27.18 per week. A child in a welfare-dependent family gets the weekly equivalent of €53.60, including the child

dependant allowance and the clothing and footwear allowance. This increases for larger families and younger children, up to a maximum of €80.78. Low-waged families in receipt of family income supplement and the clothing and footwear allowance receive the largest amount at €91.01 per week, rising to €118.19 depending on age of child and family size.

Table 1: The system of child income support (weekly equivalent rates)

	All	Social welfare ¹¹	Low waged ¹²
	€	€	€
Standard rate	34.50	53.60	91.00
+ third or more child (€8.03) ¹³	42.53	61.63	99.18
+ child under 6 (€19.15) ¹⁴	53.65	72.75	110.16
+ third child/under 6 (€27.18)	61.68	80.78	118.19

This study affirms the graduated benefit package for younger children and households with larger numbers of children across the population. However, the financial provisions for young children should be extended to children aged 6-12 (primary school age) because this age group also need childcare provision.

Secondly, there is scope to increase the value of child dependant allowances for poorer families. These have remained frozen since 1994 (a decrease of 34 percent in real terms). Combat Poverty recommends that the child dependant allowances be increased to between €20-€25 per week. This would represent an increase of up to €8.20 per week for children on the lowest rate of €16.80.

3.3 Welfare to Work Transition

Parental employment is an important measure to reduce child poverty, whether children grow up with one or two parents. Although, it can be difficult for all parents to work, effective education and employment supports, along with affordable and adequate childcare services, can address this difficulty and support parents into employment. It is important to ensure that current welfare to work transition policies, including employment and education/training policies, are effective in facilitating parents with young children into paid work. There is also a need for the provision of accessible and affordable childcare to make employment feasible for parents, particularly for lone parents. Childcare costs in Ireland can be a major barrier to employment, especially where a parent is in low paid work or parenting alone.

¹¹ The lowest rate of child dependant allowance is €16.80. There are two higher rates of €19.30 and €21.60 for certain welfare categories. The clothing and footwear allowance may also be payable. This is the equivalent of €2.30 per week (standard rate; children over 12 get a higher amount).

¹² The average payment under the family income supplement is €54.21. The clothing and footwear allowance may also be payable.

¹³ Child benefit has a higher rate for the third plus child in a family.

¹⁴ The early childcare supplement is targeted at children aged under 6 years.

In addition to the level of child income supports, it is important that supports are structured in such a way as to assist parents from welfare to work. The National Economic and Social Council is currently reviewing a proposal to combine child dependant allowances and family income supplement into a unified income-related child payment, with a view to streamlining support for low-income families, whatever their income source. The goal here is to assist the welfare to work transition by providing a financial reward for parents with child dependents who take up work. An integrated payment would deliver additional resources for families with children on low incomes, regardless of whether they are welfare-dependent or in paid employment.

A gently tapered payment mechanism should be employed to ensure a gradual withdrawal of the supplement towards the middle-income range. As well as integrating the payments, consideration should be given to a more efficient way to deliver the new benefit.

There are additional challenges facing lone parents who wish to work outside the home. The study shows that almost half of children in lone parent households, where the parent was not working, were in persistent poverty (3 or more years in poverty).

Although, working is not a full solution for lone parent households, it does reduce exposure to income poverty very substantially. A government discussion paper on proposals for supporting lone parents concludes that raising the employment rate of lone parents and increasing the quality of employment and numbers of hours worked can make a decisive contribution to reducing poverty amongst lone parents and their children¹⁵. It presents proposals for the reform of lone parent supports, including changes to the income support for lone parents and the implementation of an integrated programme to support the movement by lone parents into more full-time and quality employment. Combat Poverty welcomes these proposals, in particular the replacement of the One-Parent Family Payment with a parental allowance for all low-income families with children. Combat Poverty also supports the proposal to strengthen the level and extent of educational and training provision tailored to the needs of lone parents.

3.4 Early Childhood Care & Education

Early childhood care and education policies are essential for curbing the intergenerational transmission of poverty. In particular, pre-school education contributes to intellectual and social development in childhood and consequently

¹⁵ Government Discussion Paper: *Proposals for Supporting Lone Parents*, Report of Senior Officials Group on Social Inclusion, Department of Social Family Affairs. (2006)

education and economic success in adulthood. A recent review of measures to tackle child poverty in Europe concludes that 'the provision of high quality, affordable and universal childcare offered at flexible times is essential for the reduction of child poverty as well as for the prevention of negative child outcomes and not least an effective means against the intergenerational transmission of poverty. The expansion of public childcare or public subsidies to private childcare facilities should, thus, be high on the political agenda.'¹⁶

A report by the National Economic and Social Forum¹⁷ sets out a comprehensive policy framework for the expansion of early childhood care and education. Combat Poverty supports the recommendations in this report, in particular the call for targeted measures to ensure greater access to pre-school education for low-income families. In addition, early-years programmes should offer a multi-dimensional approach to children and their families, while the valuable contribution of community playgroups should be recognised¹⁸.

The effect of the early childcare supplement would be enhanced if the payment was coupled with improved access to pre-school education, as originally envisaged by the Commission on the Family.

4. Conclusion

Child poverty is a national and international policy priority, reflecting an increased awareness of children's social development and growing evidence on the societal consequences of childhood deprivation. To further inform the policy response to child poverty, in particular the National Action Plan against Poverty and Social Exclusion 2006-2008, this study examines the processes by which children move into and out of poverty and the mechanisms which transmit poverty from parents to children. The policy statement sets out important pointers for more effective policy intervention on child poverty in the new plan, with a view to Ireland becoming one of the best performing countries in Europe and in the OECD in terms of the level and duration of child poverty.

16 P Hoelscher (2004), *Preventing and reducing child poverty*, Brussels: European Commission, DG Employment and Social Affairs.

17 NESF (2005), *Early Childhood Care and Education*, NESF Report 31.

18 Katherine Howard Foundation (2005). *Valuing Community Playgroups: Lessons from Practice and Policy*, Katherine Howard Foundation and the Health Services Executive: Dublin.



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