

The Cost of a Child

With children now at more risk of poverty than adults, tackling child poverty should be a key issue of anti-poverty policies.

The Cost of a Child is an important new study which documents, for the first time, the financial cost of rearing a child in Ireland.

It also highlights that child support payments are falling short of the minimum costs associated with the upbringing of a child. Families on low incomes or dependent on social welfare are therefore the most likely to be affected by the unmet costs of child rearing.

Key Findings of the Study

- ▶ Rearing a child at a basic minimum living standard amounts to about £1,500 a year¹ and the average family (2.5 children) is faced with a child rearing bill of almost £4,000 per year.
- ▶ Using a basic minimum budget standard the costs of rearing a child range from £22 per week for babies to £37 per week for 17-18 year olds.
- ▶ The weekly costs of a child decline between birth and four years rising sharply in the following years to a high of £38.30 for 15-16 year olds.
- ▶ Food constitutes the largest category of expenditure costing approximately £13 per week per child.
- ▶ Clothes and education account for a large proportion of the remainder, costing £7 and £3 per week respectively.
- ▶ The structure of child support payments does not reflect the age related variation in child-rearing costs.
- ▶ The combined child support payments outlined in the 1994 budget total £17.40 for first and second children; this falls below the basic costs of child rearing.

¹ Based on 1992 costings

poverty

Background to the Study

Child Poverty in Ireland

Households with children, especially those with three or more children, face a disproportionate risk of poverty in Ireland, and children are more likely to be in poverty than adults. The Survey of Income Distribution, Poverty and Usage of State Services carried out by the ESRI in 1987 found a substantial deterioration in the relative position of households with children. In percentage terms, the proportion of children in households falling below an

income poverty line set at 50 per cent of average disposable household income increased by two-thirds from 16 per cent to 26 per cent. This deterioration in the relative position of households with children has major implications for child income support policies. It was in this context that the Combat Poverty Agency commissioned a study to estimate the financial cost of child-rearing in Ireland and to compare these costs with existing child support measures.

The Need for Adequate Child Support

The need for adequate child support is of importance in the case of children experiencing poverty. There is considerable evidence that children who grow up in poverty do less well educationally, suffer poorer health and have greatly reduced life chances. The improvement in child support measures is imperative in tackling not only child poverty, but also poverty in general.

The recent improvements in the Family Income Supplement scheme and the increased emphasis on child benefit have all been steps in the right direction. However, as *The Cost of a Child* establishes many of the existing child support schemes fall far short of the actual cost of rearing a child.

The Budget Standard Approach

The Cost of a Child documents the actual cost of rearing a child by pricing a typical basket of goods and services required for a basic minimum standard of living. Utilising a budget standard approach, detailed commodity groups are priced and budgets constructed under eight commodity groups (Figure 1). This budget standard approach takes into account, not only what people actually buy, but also the minimal provisions necessary to satisfy the basic nutritional and other subsistence requirements of a child.

While not everyone may agree with the particular mix of goods and services used in the commodity budgets, the data is presented in such a way as to allow alternative estimates of appropriate budgets to be constructed based on their own judgements as to children's basic needs.

The Weekly Cost of Rearing a Child on a Basic Minimum Budget

The basic minimum budget standard provides for a basic diet, for a modest wardrobe, for basic schooling costs and for limited spending on recreation. Costs in this budget are kept to a minimum. Such items as transport costs to school, housing costs, baby-sitting, childcare and pre-school are excluded from the calculations.

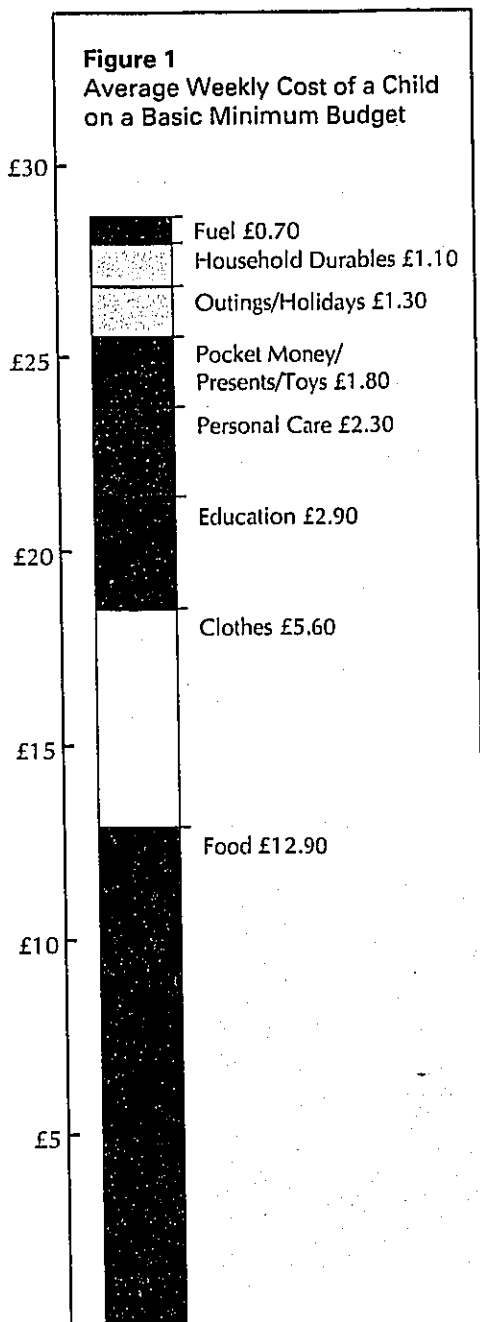
The average weekly cost of rearing a child under this budget is approximately £30. However, these costs differ considerably depending upon the age of the child. Costs are least for small children, amounting to about £20 per week, and rise to nearly twice that for teenage children (Table 1).

The Modest-but-Adequate budget

Under a second, more generous budget, the report provides for a more varied diet, for some additional education expenses such as pre-school, one Gaeltacht holiday and extra spending on toys and presents. On average the additional cost to afford this standard amounts to nearly £10 per week per child.

Age-related Costs

The study also demonstrates that the costs of rearing a child rise considerably with the age of the child and are about twice as high for teenagers as they are for younger children (Figure 2). Hence, while child support payments already fall short of the minimum costs during the early years of



child-rearing, this shortfall becomes much greater in the teenage years.

Adequate Child Support

Child support payments fall far short of even the minimal costs associated with the upbringing of children.

For most of those families in which neither parent had a job the combined value of child benefit and child dependant allowances payable with welfare payments totalled £16.15 a week per child in 1992. In the same year the families of some 350,000 children were claiming this rate. Almost one-third of the children in Ireland were substantially dependent on state support for their upbringing. A further 100,000 children lived in families where one parent was unemployed and the other parent was in paid employment earning over £55 a week. About 26,700 children were in families receiving Family Income Supplement.

The changes in rates of child benefit and child dependant allowances in 1993 brought the combined payment to £17.42 per week, still significantly below the cost of rearing a child established in this report (Table 2).

Only for the very youngest children do these combined child support payments approximate in any close way the actual costs. For teenagers, combined child support payments meet less than half of the costs under the basic, minimum budget.

Therefore, many families relying on social welfare payments as their only source of income are left with a severe financial shortfall. Families headed by a single parent or a parent claiming long-term unemployment benefit will be particularly affected. Without adequate child support payments, covering at least the most basic child rearing costs, child poverty is likely to remain a significant feature of Irish society.

Table 1 Weekly Cost of a Child

Item	Age Group		
	0-6	7-12	13-18
Food	9.25	14.03	15.95
Clothes	4.80	5.08	7.02
Education	0.49	3.60	4.86
Personal Care	3.07	1.24	2.57
Household Durables	1.33	0.94	0.94
Fuel	0.56	0.56	0.80
Outings/Holidays	0.24	1.50	2.25
Pocket Money/Presents/Toys	0.94	1.53	3.04
Total	20.70	28.50	37.40

Figure 2 The Age-Related Cost of a Child

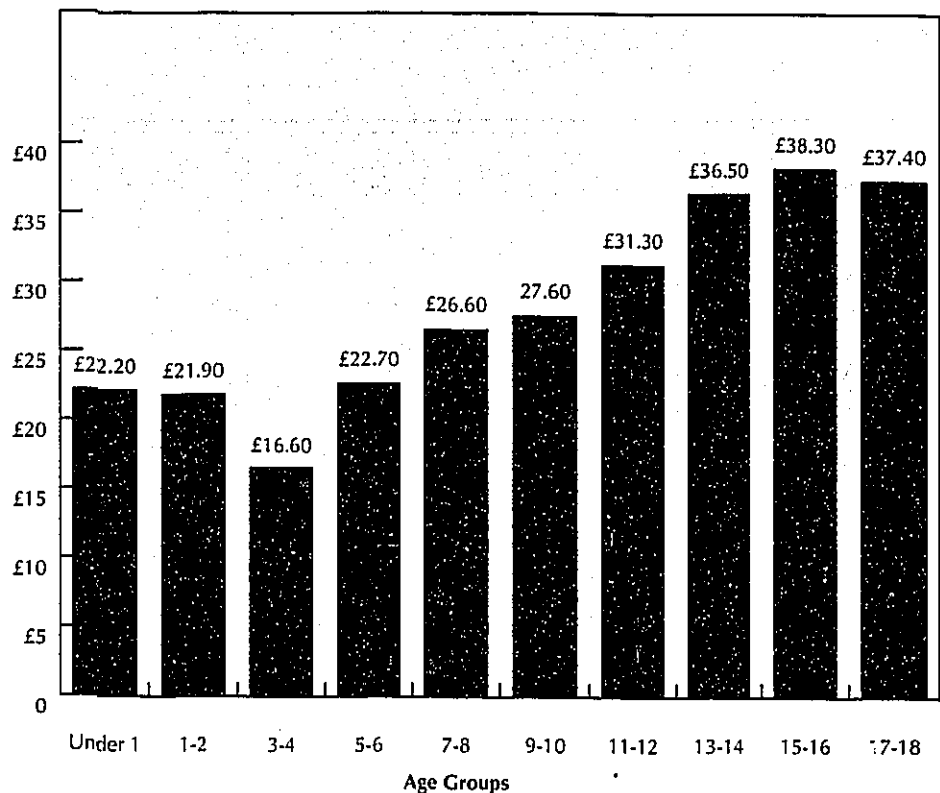


Table 2 Weekly Child Support Payments in Ireland, Full-rates, 1993

Scheme	1st Child	2nd Child	3rd Child	4th (+) Child
Child Benefit	4.60	4.60	4.60	4.60
Child Dependant Allowance	12.80	12.80	12.80	12.80
Total	17.40	17.40	17.40	18.10

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Recommendations for Action

The Cost of a Child proposes the redistribution of income over the life-cycle of a family through income taxation in periods of income sufficiency and provision of subsistence in times of greater need such as child rearing years and old age.

General Recommendations

- The primary long-term recommendation of *The Cost of a Child* is that there should be a state universal system of child income support which is independent of labour force status.
- As a step toward this, child benefit rates should be increased progressively. Child benefit should also be assessed as taxable income.
- Subsequently, child dependant allowances should be gradually subsumed into this improved child benefit scheme.
- Child dependant allowances are currently paid at a number of different rates. These should be harmonised so that child support payments are neutral in relation to the marital status or choice of living arrangements for the parents.

Specific Recommendations

- The initial focus of a new child benefit scheme should be larger families who are disproportionately at risk of poverty.
- Given the higher costs associated with older children this report recommends the introduction of an age related supplement for children aged 12 and over.
- The back to school clothing and footwear allowance should be increased to reflect the needs of school going children.
- In order to give children from lower income homes the opportunity to acquire the necessary school books, the free school books scheme should be reformed to better reflect the actual costs of these educational resources.

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Claire Carney, Eithne Fitzgerald, Gabriel Kiely and Paul Quinn

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