



Child Poverty and Child Income Support

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Outline

- Measuring poverty
 - Consistent poverty, relative income poverty (“at risk of poverty”)
 - Ireland and the UK
- Child poverty: an international perspective
 - Comparing Ireland and UK with “best practice” countries
- What makes a difference?
 - Child income supports
 - General income supports
 - Employment
- Conclusions

A three-tier poverty target

- First priority for an improvement is that those who are poor should become better off in real terms
- Second priority: reduce consistent poverty i.e., proportion of persons falling below 60% median income and experiencing deprivation of basic items
- Third priority: reduction in the “at risk of poverty measure”, numbers below 60% of median income, towards lowest international levels

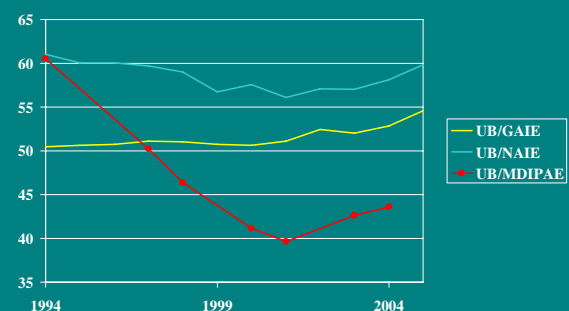
Irish and UK child poverty targets

- UK target includes all three tiers
 - though identification of indicators of deprivation has not yet taken place, so operational targets are first and third
- Irish target
 - reduction in consistent poverty
 - very strong focus on the second of the targets
 - first is also addressed in practice
 - “at risk of poverty” measure not much used

“At risk of poverty” measure deserves more attention

- NAPS poverty impact assessment is designed to assess likely impact on poverty “and on inequalities which are likely to lead to poverty” (OSI, 2006)
- EU targets relate to best practice, often in terms of “at risk of poverty” measure
- More fundamentally, “at risk of poverty” measure provides a way of measuring poverty which automatically ensures that poverty standards rise in line with real income growth

UB as % of average income measures



Children: At risk of poverty rates for EU countries, 2004 [60% of median income per adult equivalent]

Country	Child poverty rate
Norway, Denmark, Finland, Sweden	8-11
France, Austria, Belgium, Netherlands, Luxembourg	14-18
Germany, Greece, UK, IRELAND , Portugal, Spain, Italy	20-26

*At risk of poverty rates for EU countries, 2004
Children vs All Individuals*

Child poverty rate BELOW overall poverty rate

Norway(-3) Denmark(-2) Finland(-1)

Child poverty rate ABOVE overall poverty rate

Ireland(+1) Portugal(+2) Austria(+2) Belgium(+2)
Germany(+4) UK(+4)
Luxembourg(+7) Netherlands(+6)

Child poverty ranking of English speaking countries among 26 countries, c. 2000 (1=best, 26=worst)

Country	Ranking
Denmark, Finland, Norway, Sweden	1 to 4
Australia	18
Canada	19
UK	20
Ireland	22
New Zealand	23
USA	25

Child income support packages, 2001

(Bradshaw and Finch, 2002)

Country (top 5+Scandinavia)	Cash supports as % of ave. wage
Austria	16
Luxembourg	14
IRELAND	13
Belgium	12
UK.....	12
Norway	10
Finland	9
Sweden	7
Denmark	6

Unemployment benefit payments and poverty thresholds, selected EU countries, 2004

Country	UB as % of poverty threshold
Ireland	65

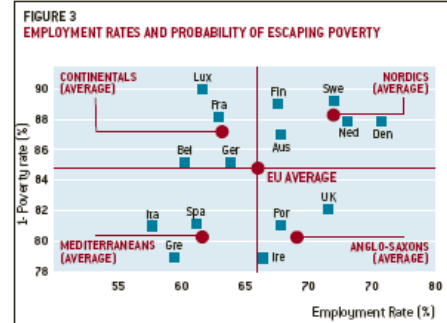
Unemployment benefit payments and poverty thresholds, selected EU countries, 2004

Country	UB as % of poverty threshold
Ireland	65
UK	40

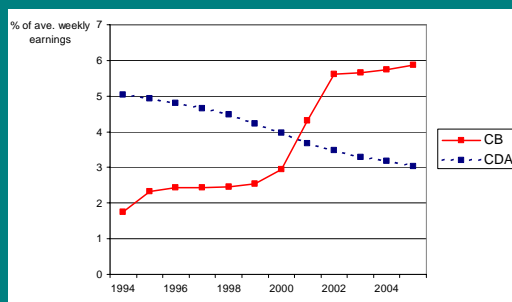
Unemployment benefit payments and poverty thresholds, selected EU countries, 2004

Country	UB as % of poverty threshold
Ireland	65
UK	40
Norway	70
Sweden	89
Finland	121
Denmark	147

Equity (100-income poverty rate) and Efficiency (employment rate) [Sapir, 2005]



Child Benefit and CDAs as % of average industrial wage, 1994-2005



Impact of recent developments

- Compare at-risk-of-child poverty rates for 2000 (LII) and 2004 (EU-SILC)
 - Fall of 2.5 percentage points
 - Includes effects of all factors, not just policy
- Using SWITCH to isolate the impact of policy change
 - Fall of 4.2 percentage points
 - i.e., about fall of about one-fifth in head count
 - Poverty gap measure (takes account of depth of poverty) falls by more, about one-third

A “second-tier” payment?

- Income-tested “Child Benefit Supplement”
 - not dependent on employment status
- Key aspects
 - Rate of payment
 - Income level up to which full payment is made
 - Rate of withdrawal for income increases above the income limit
 - “Residual” role for FIS to give high support to lowest incomes?

Child Benefit Supplement: Exploratory Analysis

- Payment rate set at €33 per week, to bridge gap between Child Benefit and child addition to poverty threshold
- Income limit for full payment €500 pw
- Withdrawal rate of 20%
- Cost: c. €450m per year
- Reduction in child income poverty: 4.5 percentage points
- Substantial residual FIS

Further exploration of CBS

- Assumes that CBS is paid to all who qualify, and only to those who qualify i.e., full take-up and no leakage or overpayment
- UK has had problems with a similar system in terms of overpayments
 - About 1/3 of all tax credit awards were overpaid
 - Average cost of overpayment UK£1,000
(House of Commons Treasury Committee, 2006)
- Comparison: Full take-up of FIS would reduce child income poverty rate by 3 percentage points

Conclusions

- Ireland, the UK and other English speaking countries tend have high rates of child income poverty
- Lowest rates are found in Scandinavian countries
- Cash benefits for children are sometimes higher in Ireland/UK than Scandinavia
- But income poverty rates higher in Ireland/UK ...to a great extent because of adult payment rates

Conclusions

- Eliminating child poverty requires more than strengthened child income supports
 - payment rates to adults are critical too
 - as is encouragement to take up and progress in employment
- Targeted child income support can play a role in reducing child poverty, but two caveats
 - Focus on targeted supports is strongest in English speaking countries (US-EITC, UK-CTC) where child poverty rates are among the highest
 - Possible role of a child benefit supplement depends on correct benefit being paid to all those entitled - something which UK has found difficult