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The effect of child-related benefits on child poverty and deprivation in Ireland

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THE EFFECT OF CHILD-RELATED BENEFITS ON CHILD POVERTY AND DEPRIVATION IN IRELAND

Karina Doorley

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June 2025

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ABBREVIATIONS

AROP	At Risk of Poverty rate
CSO	Central Statistics Office
CSP	Child Support Payment
ECCE	Early Childhood Care and Education Scheme
GDP	Gross Domestic Product
IQC	Increase for Qualified Child
OECD	Organisation for Economic Cooperation and Development
SILC	Survey of Income and Living Conditions
WFP	Working Families Payment

ABSTRACT

Child poverty is of growing concern in Ireland and internationally due to the growing body of evidence on the detrimental effects of childhood socio-economic disadvantage on children, both in the short term and in the long term through loss of education, earnings and health. In Ireland, child poverty has been typically higher than that of other groups of the population over the last few years by many metrics. There are a number of ways that policy can tackle child poverty. One such way is increasing the earnings of families with children by reducing barriers to work. Another way is reform to the tax-benefit system, including in-kind benefits, in a manner that targets families with children.

This research is concerned with the latter and investigates the effect on child poverty of the existing tax-benefit system, accounting for many in-kind benefits; analysis includes consideration of the At Risk of Poverty rate, the deprivation rate and the consistent poverty rate. Using the microsimulation model, SWITCH, and accounting for in-kind child benefits, we simulate the child AROP rate for 2025 to be 13.9 per cent, the child material deprivation rate to be 19.5 per cent and the child consistent poverty rate to be 5.6 per cent. We estimate that, in the absence of child-contingent benefits, child poverty rates would be considerably higher. Child-contingent in-cash benefits reduce the child AROP rate by 10 percentage points, the child material deprivation rate by 3.2 percentage points and the child consistent poverty rate by 6.7 percentage points. We estimate that in-kind child-contingent benefits also reduce child poverty, albeit by a more modest magnitude. In the absence of in-kind child-contingent benefits, the child AROP rate would be 1.5 percentage points higher, the child material deprivation rate would be 0.6 percentage points higher, and the child consistent poverty rate would be 1 percentage point higher.

Using SWITCH, the ESRI's tax-benefit model, we also simulate some reforms to the tax-benefit system that could further reduce child poverty. These reforms include increases to the Working Families Payment, to Child Support Payments and to Child Benefit, as well as the introduction of a means-tested second tier of Child Benefit. We find that a second tier of Child Benefit would be the most cost effective of these reforms at tackling child poverty, reducing the child AROP rate by 4.6 percentage points, the child material deprivation rate by 0.7 percentage points and the child consistent poverty rate by 2.1 percentage points.

SECTION 1

Introduction

Research on poverty in wealthy countries mainly focuses on household income to define living standards and identify the poor, which is also how official poverty metrics are often constructed. There is growing recognition, however, that income alone is insufficient to define poverty, as it can be subjective, multidimensional and cyclical in nature, fluctuating with the business cycle. This understanding has prompted the use of non-monetary deprivation measures to enhance our understanding of poverty and create better anti-poverty policies. The inclusion for the first time of material deprivation as a component of the headline poverty target in the Europe 2020 Strategy (European Commission, 2010) reflects the international commitment to addressing multidimensional poverty and social exclusion across Member States.

Ireland's current national poverty target, as defined in the *Roadmap for Social Inclusion 2020-2025* (Government of Ireland, 2020), is based on the concept of consistent poverty, which combines income poverty and material deprivation to identify the most vulnerable groups in society. Income poverty is measured using the At Risk of Poverty (AROP) rate: individuals living in a household where the income is lower than 60 per cent of the national median income, adjusted for household size and composition, are considered AROP. Material deprivation is measured by self-reported answers to survey questions about the household's ability to afford essentials. People are considered to experience deprivation if they live in a household that cannot afford two or more of the 11 basic deprivation items.¹ Those people who are AROP and materially deprived are considered to be in consistent poverty. The target consistent poverty rate for the population as a whole is 2 per cent or less. There is currently no specific target for the child consistent poverty rate.

Recently there has been renewed political emphasis on the need to reduce child poverty in Ireland, in recognition of the well-established fact that experiencing socio-economic disadvantage during childhood has significant and enduring impacts on the lives of children. The aim of the new Child Poverty and Well-being Programme Office in the Department of the Taoiseach is to drive cross-government action aimed at improving outcomes for children and families experiencing poverty. The repercussions of growing up in socio-economic disadvantage often

¹ These items are: 1. Without heating at some stage in the last year; 2. Unable to afford a morning, afternoon or evening out in last fortnight; 3. Unable to afford two pairs of properly fitting shoes in good condition that are suitable for daily activities; 4. Unable to afford a roast once a week; 5. Unable to afford a meal with meat, chicken, fish, or vegetarian equivalent every second day; 6. Unable to afford new (not second-hand) clothes; 7. Unable to afford a warm waterproof coat; 8. Unable to afford to keep the home adequately warm; 9. Unable to afford to replace any worn out furniture; 10. Unable to afford to have family or friends for a drink or a meal once a month; 11. Unable to afford to buy presents for family or friends at least once a year (0127101 At Risk of Poverty Explained Leaflet.indd).

persist well into adulthood and manifest in many areas of wellbeing and development such as education, health, the transition to adulthood and labour market outcomes (Curristan et al., 2022). In a recent report, the OECD have estimated the economic cost of socio-economic disadvantage in the EU and in each Member State, focussing on its effect on employment, wages and health. They estimate this cost to average 3 per cent of GDP across the EU (Clarke et al., 2024).

Formulating policy to achieve a national poverty target is complicated by its multidimensionality. Consistent poverty, which is the metric targeted by Irish Government, has two inputs: AROP and material deprivation. Microsimulation models can be used to estimate the link between reforms to the tax-benefit system or changes to earnings and AROP rates, as the latter are based on income. The link between material deprivation – which is a self-reported status – and tax-benefit or other reforms is less straightforward, as changes in income do not always lead to changes in deprivation levels. Households may adopt strategies such as drawing down savings in response to income fluctuations. Deprivation is also more closely linked to price levels and to certain household characteristics, such as disability and housing tenure, than income poverty. Furthermore, the link between AROP rates and material deprivation can be weak or cyclical in nature.

There are a number of strategies that policymakers can consider in order to reduce child poverty. These can be broadly categorised as (i) increasing earnings through labour supply or wages; (ii) increasing disposable income through social welfare or taxation reform; and (iii) reducing the expenditure needs of households through the provision of free or subsidised services.² This research focuses on the latter two channels. We examine the effectiveness of the current tax-benefit system in reducing child AROP rates, material deprivation and consistent poverty. We account for direct cash support to families through instruments such as Child Benefit and the Working Families Payment. However, we also account for a range of in-kind supports such as free pre-school and childcare subsidies, which have been recognised as important ways to alleviate poverty and reconcile work and caring obligations (Förster and Verbist, 2012; Van Lancker, 2018).

We begin by estimating the effect of in-cash and in-kind child-contingent benefits on income poverty as measured by the AROP rate for children and the poverty gap³ for children. Child-contingent benefits are broadly defined as all the benefits that households with dependent children are eligible for, minus the ones which households without dependent children are also eligible for. As such, they include benefits directly targeted at children, such as Child Benefit, but also the component of certain benefits that is child-related, such as Child Support Payments (formerly IQCs).

² The potential for policy to increase earnings and the resulting effect on poverty is investigated by Doorley et al. (2022).

³ The poverty gap is the ratio by which the mean income of the poor falls below the poverty line.

We use the ESRI's tax-benefit model, SWITCH, linked to data from the Survey of Income and Living Conditions (SILC) for 2022. SWITCH models direct tax, social welfare and certain in-kind benefits for Ireland. We follow the approach of Bornukova et al. (2024) and estimate the child poverty rates using three separate income concepts:

1. total household disposable income (including transfers and imputed value of in-kind benefits);
2. total household disposable income minus in-kind child benefits;⁴ and
3. total household disposable income minus in-kind and in-cash child benefits.⁵

The difference between the metrics for each income concept captures the effect of in-cash and in-kind child benefits on poverty and income inequality.

Next, we extend the methodology to account for the effect of in-cash and in-kind child benefits on material deprivation. We estimate the elasticity of material deprivation to household income following the methodological approach of Notten and Guio (2020). We consider each value of deprivation as a category and estimate the likelihood of moving to a higher value of deprivation (on a scale of 0 to 11), controlling for a range of individual and household characteristics, including household disposable income. We use this model to predict material deprivation with and without in-cash and in-kind child benefits. We consider the difference between the predictions of deprivation as the effect of in-cash and in-kind child benefits on material deprivation.

Finally, to inform the policy debate on how to further reduce child poverty, we simulate the effect of a number of hypothetical reforms to the tax-benefit system, focusing on instruments which have been identified as effective at reducing poverty. We build on previous work by Roantree and Doorley (2023), which investigate the effect of a second tier of Child Benefit on child AROP rates. We extend their analysis to estimate the effect of such a reform on material deprivation and consistent poverty. We find that the introduction of a second tier of Child Benefit would be the most cost-effective way to reduce child AROP rates. It is also an effective way to reduce child deprivation and consistent poverty. We estimate that spending just under €800 million annually on such a scheme could halve the number of children experiencing consistent poverty.

⁴ This corresponds to the official measure of disposable income which does not include the imputed value of in-kind benefits.

⁵ Total household disposable is total gross household income, including social transfers, minus tax and social insurance contributions.

SECTION 2

Method

We use SWITCH – the ESRI’s tax and benefit microsimulation model, described comprehensively in Keane et al. (2023) – to assess the impact of in-cash and in-kind child-contingent benefits on child poverty. SWITCH (v8.5) is linked to data from the 2022 Survey on Income and Living Conditions (SILC). Incomes are uprated to 2025 levels using outturn and forecast earnings, output and price growth.⁶

SWITCH allows us to model the full tax and welfare system in Ireland, including child-related benefits such as Child Benefit, One Parent Family Payment, etc. SWITCH also models eligibility to certain in-kind benefits that may materially affect the living standards of households and children. In particular, the National Childcare Scheme (NCS), the Early Childhood Care and Education Scheme (ECCE), Medical and GP Visit Cards and free schoolbooks and school meals are included in the model. These in-kind benefits are valued at their cost to the government, as described in Keane et al. (2023). Due to limitations in the underlying data, SWITCH does not account for housing supports such as the Housing Assistance Payment or social housing. Like most microsimulation models, SWITCH also does not account for General Government expenditure, such as education and healthcare.

Take-up of certain welfare payments is an internationally recognised issue, with stigma, administrative burdens or misinformation leading to households failing to claim benefits that they are entitled to. SWITCH allows for imperfect take-up of some instruments in the Irish tax-benefit system – the Working Families Payment (Doorley and Kakoulidou, 2024) and means-tested Medical and GP Visit Cards (Keane et al., 2021) – that have a known take-up issue.

As we simulate incomes in 2025 using SWITCH and include in-kind child benefits in disposable income, our estimates of child poverty differ from official statistics, which rely on survey data linked to administrative income records and do not include in-kind child benefits in disposable income.

2.1 ESTIMATING CHILD-CONTINGENT BENEFITS

To estimate the effect of child-contingent benefits on poverty and inequality, we follow the method of Bornukova et al. (2024). This approach involves effectively removing children from the SILC data underlying the SWITCH microsimulation model and re-estimating household disposable income. In the absence of children, households are simulated to be entitled to fewer cash and in-kind benefits. Not all

⁶ Employment and demographics are assumed to remain as in 2022.

of these benefits are targeted at children specifically but benefits with a child-related component are also included. Additionally, since some benefits are taxable, there is a tax component that is accounted for. Table 1 summarises the components of our estimate of child-contingent benefits.

TABLE 1 COMPONENTS OF CHILD-CONTINGENT IN-CASH AND IN-KIND BENEFITS

	Description
In-cash benefits	
Child benefits	One-Parent Family Payment; Jobseeker's Transitional Payment, Working Families Payment, Child Benefit, Maternity Benefit, Residual Family Allowances ⁷
Non-child benefits	Benefits that are not directly labelled as child/family benefits, but which vary with the presence and/or number of children. Includes child-contingent components of unemployment and other benefits, such as Child Support Payments (formerly IQCs)
Child-related tax credits	Negative if some of the child-contingent benefits are taxed.
In-kind benefits	
Child benefits	National childcare scheme subsidies, Free pre-school (ECCE), Age-based GP visit cards, Free school books for primary and secondary (junior cycle) students, Free school meals for primary students ⁸
Non-child benefits	Medical cards, Means-tested GP visit cards

Source: Authors' own classification, following framework of Bornukova et al. (2024).

2.2 ESTIMATING THE LINK BETWEEN CHILD-CONTINGENT BENEFITS AND MATERIAL DEPRIVATION

We follow the methodological approach of Notten and Guio (2018; 2020) who model material deprivation as a function of income and other household level characteristics. Using an Ordered Logit model, we consider each value of deprivation as a category and estimate the likelihood of moving to a higher value of deprivation for each control variable (Long and Freese, 2006; Rabe-Hesketh and Skrondal, 2008). The dependent variable is the count number of deprivation items ranging from 0 to 11. We also include individual and household characteristics that are likely to be associated with material deprivation as control variables.

Specifically, we model material deprivation as a function of household level characteristics and the log of disposable income (including in-cash and in-kind benefits child-contingent benefits). The appendix reports the coefficients from our preferred specification for this model. We use this model to predict deprivation with and without child-contingent benefits. We estimate the effect of in-cash and

⁷ This residual benefit is composed of Back to School Clothing and Footwear Allowance, Carer's Benefit, Deserted Wife's Allowance, Deserted Wife's Benefit, Guardian's Payment Contributory, Guardian's Payment Non-Contributory, Special Diet Supplement.

⁸ Full take-up of these benefits is assumed.

in-kind child-contingent benefits on the level of material deprivation by considering the difference between the predictions.

Denoting D_i the deprivation level of household i , Y the log of household level equivalised disposable income and X_i a range of explanatory characteristics such as household work intensity, the presence of a family member with disabilities, debt burden, housing tenure, the number of adults and dependent children, household type and a number of variables relating to the head of household (nationality, employment status and highest education), we estimate:

$$D_i = \alpha + \beta Y + \gamma X_i + \epsilon \quad (1)$$

Although it would be useful to separate disposable income into components in this model, isolating child-contingent benefits from other types of welfare or market income, this is not a practical approach in our setting. Some child-contingent benefits are means-tested or otherwise related to income. The receipt of some benefits is therefore positively correlated with experiencing deprivation. Using a model that differentiates between child benefits and other income would, in some instances, yield the result that child benefits increase deprivation, simply because of this correlation.⁹ Therefore, it is more appropriate to model deprivation using disposable income as the sole income variable. However, it is important to note that this approach does not account for the possibility that child benefits – which may be more likely to be spent on children – may influence deprivation differently compared to other income sources.

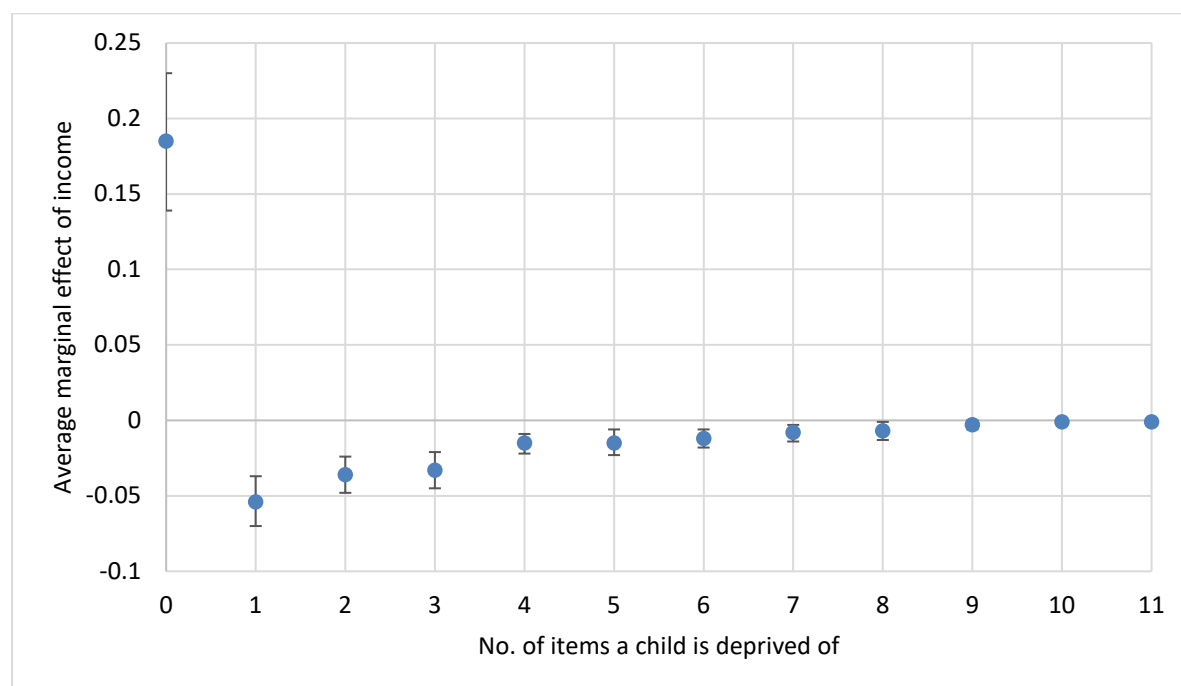
Results from the ordered logit model simulated using Equation 1 suggest a relatively weak relationship between income and material deprivation. Figure 1 shows that a 1 per cent¹⁰ increase in income increases the probability of not being deprived of any items by less than 0.2 percentage points. The effect of income becomes weaker with each additional item.¹¹

⁹ Future work could investigate the use of a natural experiment approach to estimate the causal effect of child benefits on deprivation.

¹⁰ Income is expressed as its natural logarithm in Equation (1).

¹¹ The sample size is very small for a high number of items, making our estimates imprecise.

FIGURE 1 AVERAGE MARGINAL EFFECTS OF INCOME ON THE PROBABILITY OF BEING DEPRIVED OF AN ADDITIONAL ITEM



Source: Own calculations based on Equation 1 using simulated income from SWITCH v8.5 linked to SILC 2022, uprated to 2025 using price and income growth.

SECTION 3

Results

3.1 THE IMPACT OF CHILD-CONTINGENT BENEFITS ON POVERTY, DEPRIVATION AND INEQUALITY

Figure 2 shows the effect of child-contingent benefits on child poverty, as measured by the AROP rate, the poverty gap, material deprivation and the consistent poverty rate.¹² The simulated AROP rate for children is 13.9 per cent. This is slightly different to the latest available estimate from the Central Statistics Office (CSO), of 15.3 per cent for 2024, for two reasons. First, we simulate child poverty in 2025. Our data come from 2022, which are the latest available data linked to SWITCH, and are updated in line with price and wage growth between 2022 and 2025. This means that demographic and labour market changes between 2022 and 2025 are not accounted for in our simulation but changes to the tax and welfare system which are above or below inflation between 2023 and 2025 are accounted for. Research by Doorley et al. (2023; 2024) shows that tax-benefit reform over this period has slightly reduced the child AROP rate. Second, we estimate child poverty after accounting for the monetary value to families of a number of child-contingent in-kind benefits.¹³

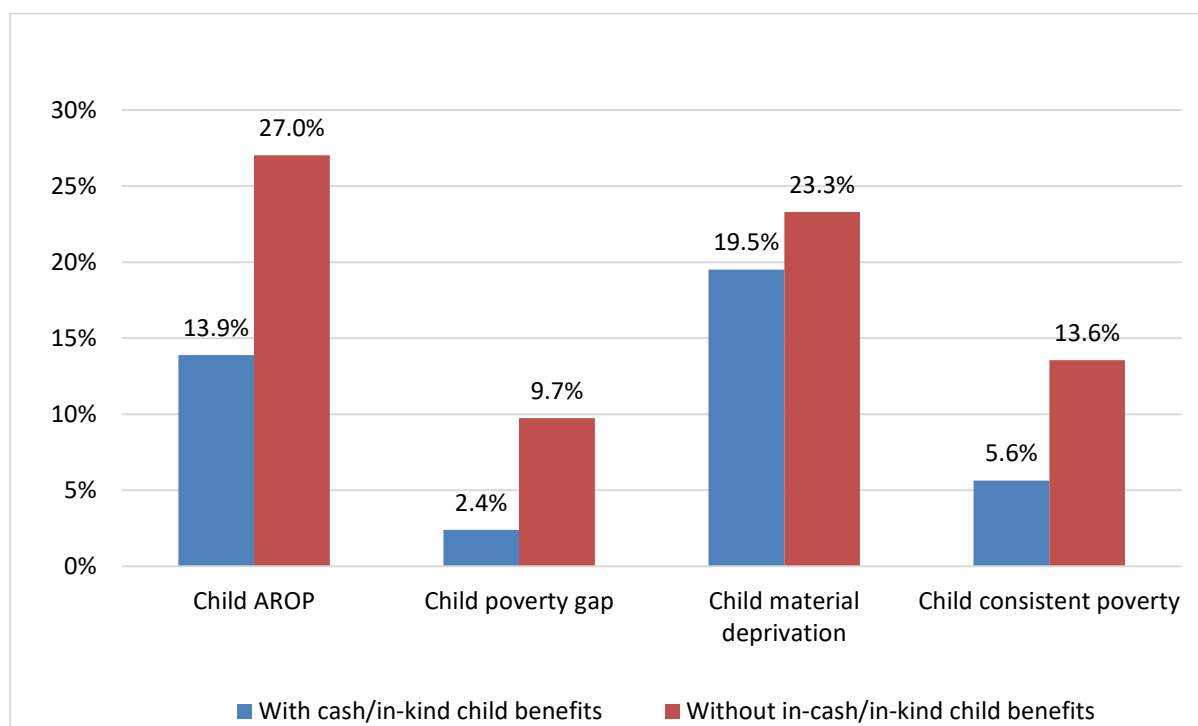
Accounting for both in-cash and in-kind child-contingent benefits, we simulate a material deprivation rate for children of 19.5 per cent.¹⁴ Based on the simulated AROP and deprivation rates for children for 2025, we simulate a consistent poverty rate for children of 5.6 per cent.¹⁵

¹² The child AROP rate measures the proportion of children who live in households in which the equivalised disposable income is less than 60 per cent of the national median income. We use the national equivalence scale which assigns 1 to the first adult, 0.66 to subsequent adults and 0.33 to children under 14. The child poverty gap is the ratio by which the mean income of AROP children falls below the poverty line. The child deprivation rate measures the proportion of children living in a household which is deprived of two or more items. The child consistent poverty rate measures the proportion of children who are both AROP and deprived.

¹³ Table 4 shows that child-contingent in-kind benefits reduce the child poverty rate by 1.5 percentage points. Disregarding these in-kind benefits, the child AROP rate rises to 15.4 per cent.

¹⁴ This is slightly lower than the estimate from CSO of 21.2 per cent for 2024.

¹⁵ This is lower than the CSO estimate of 8.5 per cent in 2024.

FIGURE 2 THE EFFECT OF IN-CASH AND IN-KIND CHILD-CONTINGENT BENEFITS ON CHILD POVERTY

Source: Own calculations based on SWITCH v8.5 linked to 2022 SILC data.

Note: The poverty line is defined as 60 per cent of median equivalised disposable income, adjusted for household size and composition using the national equivalence scale.

We estimate that, in the absence of child-contingent in-cash benefits, child poverty rates would be considerably higher. Child-contingent in-cash benefits reduce the child AROP rate by 10 percentage points, the child material deprivation rate by 3.2 percentage points and the child consistent poverty rate by 6.6 percentage points (Appendix Table A.2).

We estimate that in-kind child-contingent benefits also reduce child poverty, albeit by a more modest magnitude. In the absence of in-kind child-contingent benefits, the child AROP rate would be 1.5 percentage points higher, the child material deprivation rate would be 0.6 percentage points higher, and the child consistent poverty rate would be 1 percentage point higher (Table 4).

Taking current in-cash and in-kind child-contingent benefits together, we estimate that these lift 157,000 children out of income poverty, 45,000 out of material deprivation and 94,000 out of consistent poverty.

3.2 OPTIONS FOR FURTHER REDUCING CHILD POVERTY AND DEPRIVATION

In this section, we simulate a number of reforms to the welfare system that could further reduce child poverty, as measured by the AROP rate, the deprivation rate and the consistent poverty rate. We focus on three policy instruments which have been shown to be effective at reducing poverty and child poverty (Doorley et al., 2022; Roantree and Doorley, 2023), as well as simulating a new welfare payment, as suggested by Roantree and Doorley (2023), i.e. a second tier of Child Benefit. We design the reforms to cost the same – benchmarking to the cost of the second tier of Child Benefit – in order to improve their comparability.

We first simulate an increase to Child Benefit: a universal allowance paid to a parent – usually the mother – of a child from birth until their 16th birthday (18th if they have a disability or are in full-time education or training). Child Benefit is currently paid at €140 per month per child, which is lower in both nominal and real terms than the peak rate of €166 per child paid before the financial crisis in 2008. As a universal payment, there is little social stigma attached to Child Benefit. Such stigma can lead to lower levels of take-up for means-tested payments (Celhay et al., 2025). However, its universal nature also makes Child Benefit relatively untargeted towards those with low incomes. We simulate an increase in Child Benefit of €51.4 per month, costing €772.5 million per annum.

We next simulate increasing Child Support Payments (CSP, formerly IQCs). These are paid in addition to the personal rate of most social welfare payments for recipients with children. They are currently paid at a rate of €50 per week for each child under 12 and €62 per week for each child over 12. CSPs are more targeted than Child Benefit as the social welfare payments they are linked to tend to be means-tested. We simulate a 105 per cent increase in both rates of CSPs – €52.5/week increase for children under 12 and €65.2/week increase for children 12 and over – costing €772.6 million per annum.

We next simulate increasing the Working Families Payment (WFP), a payment to low-income parents who are in paid employment. The WFP is means-tested, with those eligible receiving an amount that depends on their assessable income and how many children they have. Previous research has shown the WFP to have strong anti-poverty effects (Doorley et al., 2022; Roantree and Doorley, 2023; Doorley and Kakoulidou, 2024) but it has a well-documented take-up issue (Doorley and Kakoulidou, 2024) and may also result in some adverse labour supply effects as, in some cases, it provides a disincentive for secondary earners to work (Bargain and Doorley, 2011). We simulate an increase in the weekly income limits for each type of family of 23.21 per cent at a cost of €771.1 million per annum.

Finally, we simulate the introduction of a second tier of Child Benefit, which has recently been suggested by the Commission on Taxation and Welfare (2022) and which the current Programme for Government commits to exploring.¹⁶ The effect of such a policy on child income poverty rates has recently been estimated by Roantree and Doorley (2023). We extend this analysis to material deprivation and consistent poverty. Following their blueprint we design a second tier of Child Benefit that integrates CSPs with a modified WFP. This involves abolishing the current system of CSPs and removing the work requirements from the WFP, allowing all households with children to receive an amount determined by the number of children they have and their means. We estimate this to cost €772.5 million per annum.

Table 2 summarises all simulated scenarios and headline indicators. Figure 3 shows the effect of these reforms to the tax-benefit system on child poverty rates. We find that the second tier of Child Benefit would be most effective at decreasing child poverty, across all metrics, decreasing the child AROP rate by 4.6 percentage points, the child material deprivation rate by 0.7 percentage point and the child consistent poverty rate by 2.1 percentage points.

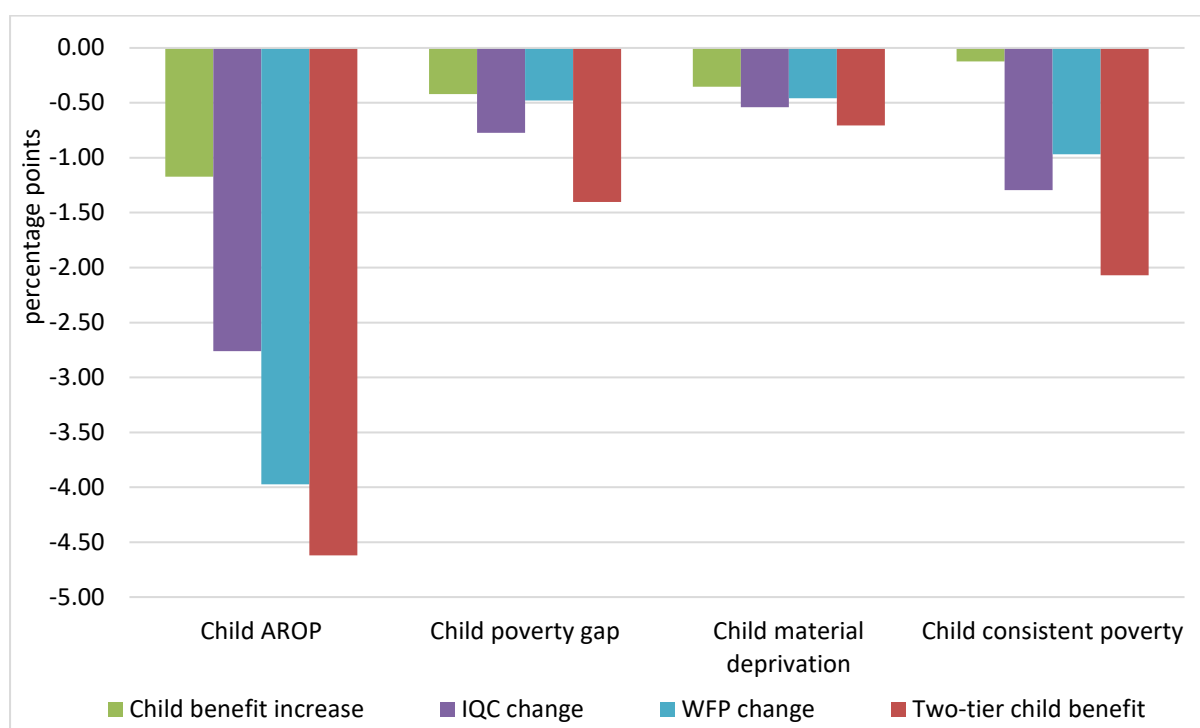
TABLE 2 SUMMARY OF SIMULATED SCENARIOS AND ASSOCIATED POVERTY AND DEPRIVATION RATES

Reform	Description	Cost (€ million per annum)	Child AROP rate %	Child Deprivation rate %	Child Consistent Poverty rate %
Child Benefit increase	Increase of CB rate of €51.40 per month	772.5	12.7	19.2	5.5
CSPs increase	105% increase in both rates of CSPs	772.6	11.1	19.0	4.3
WFP thresholds increase	Increase in weekly income limits for each type of family of 23.21%	771.1	9.9	19.0	4.7
Second tier Child Benefit	Removal of CSPs and of the work requirements from the WFP	772.5	9.3	18.8	3.6

Source: Own calculations based on SWITCH v8.5 linked to 2022 SILC data.

Note: The poverty line is defined as 60 per cent of median equivalised disposable income, adjusted for household size and composition using the national equivalence scale.

¹⁶ Such a policy has also been proposed in the past by the National Economic and Social Council (2007; 2020) and the Children's Rights Alliance (2010).

FIGURE 3 THE EFFECT OF SELECTED REFORMS TO WELFARE ON CHILD POVERTY

Source: Own calculations based on SWITCH v8.5 linked to 2022 SILC data.

Note: The poverty line is defined as 60 per cent of median equivalised disposable income, adjusted for household size and composition using the national equivalence scale.

Increasing CSPs is the next most effective reform, across all metrics apart from the child AROP rate. For the same cost, increasing CSPs would decrease the child AROP rate by 2.8 percentage points, the child deprivation rate by 0.5 percentage point and the child consistent poverty rate by 1.3 percentage points.

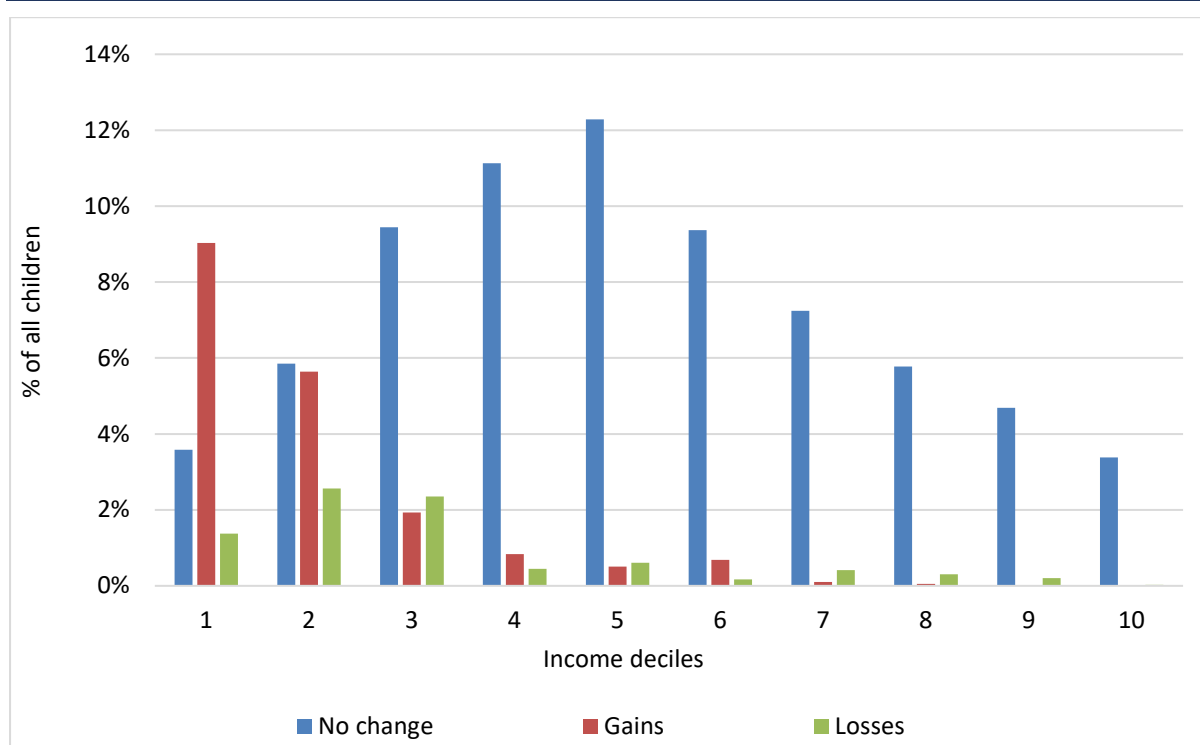
Increasing the WFP is more effective than a similarly costed increase to CSPs at reducing the child AROP rate (-4 percentage points) but is less effective at decreasing child deprivation (-0.5 percentage point) or child consistent poverty (-1 percentage point). Because of the requirement for parents to be in work in order to receive the WFP, increasing the rate of payment lifts many families who are just below the poverty line out of poverty. However, the WFP is less effective at targeting those families further below the poverty line, evidenced by its limited effect on the poverty gap, as those families are typically not in work.

A similarly costed increase to Child Benefit would have a much more modest impact on child poverty than any of the other reforms, decreasing the child AROP rate by 1.2 percentage points, the child material deprivation rate by 0.4 percentage point and leaving the child consistent poverty rate almost unchanged.

While we estimate the second tier of Child Benefit to be the most cost-effective policy in terms of child poverty reduction, there are some losers from the policy reform. As the means-tests and disregards for current social welfare payments differ by payment, some households that receive CSPs under the current system – for example, through Carer’s Allowance – would not qualify for the second tier of Child Benefit under our simplified reform as their income is too high.

Figure 4 shows the distribution of gains and losses throughout the income distribution. The vast majority of higher income families see no change in their disposable income as a result of the reform. Around 100,000 children see losses in household disposable income while 223,000 experience gains. A significant proportion of households in the lower two deciles of the income distribution see income gains. There is also a small proportion of households, mainly in deciles one to three, who see income losses.

FIGURE 4 GAINS AND LOSSES AS A RESULT OF SECOND TIER CHILD BENEFIT REFORM BY INCOME DECILE (% OF ALL CHILDREN)



Source: Own calculations based on SWITCH v8.5 linked to 2022 SILC data.

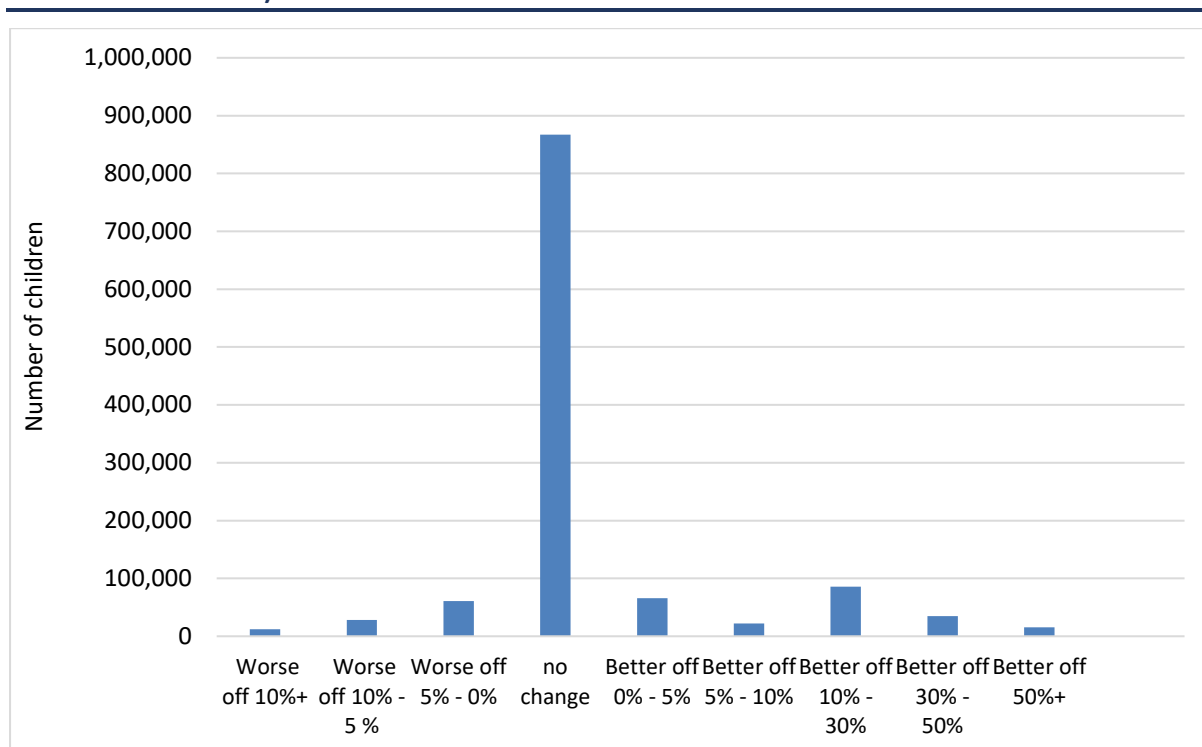
Note: Income deciles are based on household level equivalised disposable income using the national equivalence scale. Children are under 18 years of age.

Figure 5 shows that the extent of these losses is small. Most children who experience a loss lose no more than 10 per cent of household disposable income. By contrast, many children who experience an income gain see income gains of more than 10 per cent. The two-tier Child Benefit reform results in 86,000 children

being better off by 10-30 per cent while a further 34,000 are better off by 30-50 per cent and another 16,000 are better off by more than 50 per cent. The largest income losses do not exceed 16 per cent, but some children see a doubling or tripling of their income.

The current Programme for Government commits to exploring a targeted Child Benefit Payment and any interaction this would have with existing targeted supports. Our analysis suggests that any reform to WFP and/or CSPs should account for the fact that the payments to which CSPs are attached may need to be reviewed individually if income losses for some households are to be avoided. Furthermore, given the scale of income increases needed for some households to cross the poverty line, the effects of any such reform on the incentive to work should be investigated.

FIGURE 5 GAINS AND LOSSES AS A RESULT OF SECOND TIER CHILD BENEFIT (% OF DISPOSABLE INCOME)



Source: Own calculations based on SWITCH v8.5 linked to 2022 SILC data.

SECTION 4

Conclusions

This research has examined the effectiveness of child-related benefits in Ireland at reducing child poverty, measured by AROP rates, the poverty gap, material deprivation and consistent poverty. We find that in-cash and in-kind child-contingent benefits together lift 157,000 children out of income poverty, 45,000 out of material deprivation and 94,000 out of consistent poverty.

We model the link between income and material deprivation and find that it is relatively weak. A 1 per cent increase in income increases the probability that a household is not deprived of any essentials by 0.2 percentage point. This relatively weak relationship may be due to a number of factors. First, our model is not causal and simply estimates the association between income and deprivation. Research has shown that current income is an imperfect proxy for permanent income or overall command of resources. The effect of low income on living standards or deprivation for example depends not only on its duration but also on the availability of supplementary resources, such as savings or support from family and friends. It is also possible that different sources of income reduce deprivation by greater or lesser factors, and this is not captured by our model, which treats all income the same.

However, this relatively weak link between deprivation and income has also been documented in the international literature which suggests that factors other than income are important drivers of deprivation. Various social and economic dynamics shape levels of deprivation, and households with similar current incomes may have reached that point through very different trajectories. As discussed by Notten and Guio (2020), households need to be in a position to ‘convert’ income into material goods or services. Factors such as disability, home tenure or even high inflation may become barriers to this conversion.

There is also cross-country variability in the relationship between income and material deprivation. In an EU-wide study, Notten and Guio (2020) find that a universal transfer of €1,500 per annum (in Purchasing Power Standards) to all households would reduce material deprivation by 0-10 percentage point, depending on the country, with the decrease in Ireland at just 1 percentage point.

To contribute to the ongoing policy debate on how to further reduce child poverty in Ireland, we simulate the effect of a number of hypothetical reforms to the tax-

benefit system, focusing on instruments which have been identified by previous research as effective at reducing poverty.

We find that a second tier of means-tested Child Benefit would be the most cost-effective of these reforms at decreasing child income poverty, reducing it by 4.6 percentage points. This confirms previous results estimated by Roantree and Doorley (2023). We also find that a second tier of Child Benefit would be effective at reducing child poverty using other metrics, decreasing the child material deprivation rate by 0.7 percentage point and the child consistent poverty rate by 2.1 percentage points. However, such a policy would need to be designed carefully if no household is to lose out as a result. Further, the effect of such a policy on work incentives merits investigation in future work.

Similarly costed reforms to CSPs and the WFP are also effective at reducing child poverty. Increasing CSPs would decrease the child AROP rate by 2.8 percentage points, the child deprivation rate by 0.5 percentage point and the child consistent poverty rate by 1.3 percentage points. Increasing the WFP is more effective than a similarly costed increase to CSPs at reducing the child AROP rate (-4 percentage points) but is less effective at decreasing child deprivation (-0.5 percentage points) or child consistent poverty (-1 percentage point) because it targets working families whose income tends to be just below the poverty line and who are not in deep poverty.

Although there is currently no consistent poverty rate target for children, we note that none of the reforms that we model would achieve for children the target rate of 2 per cent or less for the population as a whole.¹⁷ If a target child consistent poverty rate were to be set at the same rate as the current population target, government must consider either spending more money on targeted reforms or devoting resources to reducing poverty and deprivation among children in other ways. Doorley et al. (2022) discuss the latter issue and estimate how a reduction in the number of jobless households and/or an increase in the labour supply of women, lone parents and households affected by disability could achieve reductions in child poverty. Encouraging such change is more complex than targeting vulnerable households through the welfare system, but could involve reforms to childcare and elder care supports for employers (including wage subsidies) and improved access to training, particularly for disabled people, as recommended by the OECD (2021).

¹⁷ *The Roadmap for Social Inclusion 2020-2025* (Government of Ireland, 2020) commits to reducing the number of children in consistent poverty by 70,000 from its 2011 level, but not to a specific rate.

Our analysis has accounted for in-kind child benefits as if they were in-cash income to households. Given the recent increase in government spending on such benefits, through the expansion of the NCS and the schoolbooks and meals initiatives, it seems sensible to track their effect on living standards. However, these sources of income are absent from official AROP statistics. Verbist et al. (2012) discusses the merit of including non-cash benefits and public services in analyses of income distribution. Consideration could be given to officially tracking AROP rates measured using this alternative disposable income concept in Ireland in order to judge their effectiveness. They also have policy goals beyond poverty reduction, for example school meals are seen as a means of increasing school attendance and engagement and improving focus.

The importance of tackling child poverty is becoming increasingly clear through a body of research that shows the detrimental immediate and long-term effects of suffering childhood disadvantage. Long-term effects include lower education, earnings, health and wellbeing in adulthood. Over the last few decades, the rate of child material deprivation has been consistently higher than that of any other age group in Ireland. The rate of child income poverty once housing costs are accounted for has also been higher than that of other age groups (Roantree et al., 2024). This persistence in child poverty highlights the need for significant policy reforms targeted at children. These reforms could be designed to boost the earnings of families with children by reducing barriers to work or, as investigated in this research, they could come through the social welfare system. Simulations of alternative policy options for Ireland indicate that a second means-tested Child Benefit payment would be the most cost-effective way to achieve substantial reductions in the rate of child poverty through the social welfare system.

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APPENDIX

TABLE A.1 COEFFICIENTS FROM ORDERED LOGIT MODEL OF MATERIAL DEPRIVATION

Variables	
Log of income	-1.297*** (0.160)
Disabled household	0.945*** (0.173)
Debt burden	0.842*** (0.162)
Tenure (omitted: outright owner)	
Owner with mortgage	0.510** (0.228)
Renting at market price	0.551* (0.297)
Renting at reduced price/free	1.369*** (0.229)
No. of dependent children	-0.256** (0.107)
No. of adults	-0.270** (0.108)
Education (omitted: high)	
Medium	0.358* (0.204)
Low	0.480*** (0.180)
Economic status (omitted: employed)	
Unemployed	0.606** (0.254)
Retired	0.0916 (0.164)
Inactive	0.122* (0.0672)
Nationality (omitted: Irish)	
Other European	0.523* (0.273)
Other non-European	0.372 (0.294)
Household type (omitted: couple with dep. children)	
Single parent	0.620** (0.307)
Other household with dependent children	-0.370 (0.278)
Other households	-0.792** (0.319)

Contd.

TABLE A.1 CONTD.

Variables	
Low work intensity	0.782*** (0.251)
N	11,374
Pseudo R ²	0.143

Source: Own calculations based on Equation 1 using simulated income from SWITCH v8.5 linked to SILC 2022, uprated to 2025 using price and income growth.

Note: Robust standard errors clustered at household level in parentheses, *** p<0.01, ** p<0.05, * p<0.1.

TABLE A.2 THE EFFECT OF IN-CASH AND IN-KIND CHILD-RELATED BENEFITS ON CHILD POVERTY AND INCOME INEQUALITY

	With cash/in-kind child benefits	Without in-kind child benefits	Without in-cash child benefits	Without in-cash/in-kind child benefits
Child AROP	13.9%	15.4%	23.9%	27.0%
Child poverty gap	2.4%	3.2%	8.4%	9.7%
Child material deprivation	19.5%	20.1%	22.7%	23.3%
Child consistent poverty	5.6%	6.6%	12.3%	13.6%
Gini Index	0.26	0.26	0.28	0.28
P90/10 ratio	2.88	2.92	3.23	3.32

Source: Own calculations based on SWITCH v8.5 linked to 2022 SILC data.

Note: The poverty line is defined as 60 per cent of median equivalised disposable income, adjusted for household size and composition using the national equivalence scale.

TABLE A.3 THE EFFECT OF SELECTED REFORMS TO IN-CASH AND IN-KIND CHILD-RELATED BENEFITS ON CHILD POVERTY AND INCOME INEQUALITY

	Second tier of means-tested Child Benefit	Child Benefit increase	CSP increase	WFP increase
Child AROP	9.3%	12.7%	11.1%	9.9%
Child poverty gap	1.0%	2.0%	1.6%	1.9%
Child material deprivation	18.8%	19.2%	19.0%	19.0%
Child consistent poverty	3.6%	5.5%	4.3%	4.7%
Gini	0.25	0.26	0.25	0.25
P90/10	2.8	2.9	2.8	2.8
Cost (€ million, annual)	772.5	772.6	771.1	772.5

Source: Own calculations based on SWITCH v8.5 linked to 2022 SILC data.

Note: The poverty line is defined as 60 per cent of median equivalised disposable income, adjusted for household size and composition using the national equivalence scale.