



## **Opening Statement – Oireachtas Joint Committee on Social Protection, Rural and Community Development**

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### **Introduction**

Let me begin by thanking the Chair for the invitation to the ESRI to appear before the Committee. I am Karina Doorley, and I am joined by my colleagues Bertrand Maître and Simona Sándorová. We are grateful for the opportunity to appear before the Committee today to discuss our recent report, *The effect of child-related benefits on child poverty and deprivation in Ireland*.

### **Child Poverty in Ireland**

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 and in many other countries, child poverty has been typically higher than that of other age groups of the population over the last few years by many poverty metrics. Our research aims to understand the effectiveness of current policies and explore potential reforms to further reduce child poverty.

### **Measuring Poverty**

Measuring child poverty is complex due to its multidimensional nature. 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.<sup>1</sup> Those people who are AROP and materially

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<sup>1</sup> 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,

deprived are considered to be in consistent poverty. The 2025 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 though the National Policy Framework in *Better Outcomes, Brighter Futures* (2014) set a target to lift 70,000 children out of consistent poverty with a deadline of 2020. The deadline has since been extended to 2025.<sup>2</sup>

### **Current Situation and Impact of Benefits**

Using the SWITCH tax-benefit model, we investigated the impact of Ireland's current system of child-related benefits on child poverty and deprivation. Our findings show that these benefits significantly reduce child poverty rates. Specifically, in-cash child-related benefits reduce the child AROP rate by 10 percentage points, while in-kind child-related benefits reduce the child AROP rate by 1.5 percentage points.

Without child-related benefits, child poverty rates would be considerably higher. For instance, we estimate that for 2025, the child AROP rate would increase from 13.9% to 27%, the child material deprivation rate would increase from 19.5% to 23.3% and the child consistent poverty rate would rise from 5.6% to 13.6%. These benefits lift approximately 157,000 children out of income poverty, 45,000 out of material deprivation, and 94,000 out of consistent poverty.

### **Proposed Reforms**

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 is the provision of more free services or in-kind benefits. A third is to increase targeted welfare payments to low-income families with children.

Our research focused on the latter channel and we considered several reforms to the tax-benefit system that could further reduce child poverty. These include increases to Child Benefit, Child Support Payments (CSP), and the Working Families Payment (WFP), as well as the introduction of a means-tested second tier of Child Benefit.

Among these, we found the second tier of Child Benefit to be the most cost-effective reform. This reform would integrate CSPs with a modified WFP, allowing all households with children to receive an amount determined by their means. For an annual cost of €773 million, it would reduce 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.

Our analysis suggests that any such reform should be designed carefully to avoid income losses for some households. The effects of a second tier of child benefit on work incentives should also be investigated to ensure they do not overly discourage employment.

Thank you for your attention. We are happy to answer any questions you may have.

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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).

<sup>2</sup> <https://assets.gov.ie/23796/961bbf5d975f4c88adc01a6fc5b4a7c4.pdf>