

Budget Perspectives 2026

DATE

11th June 2025

VENUE

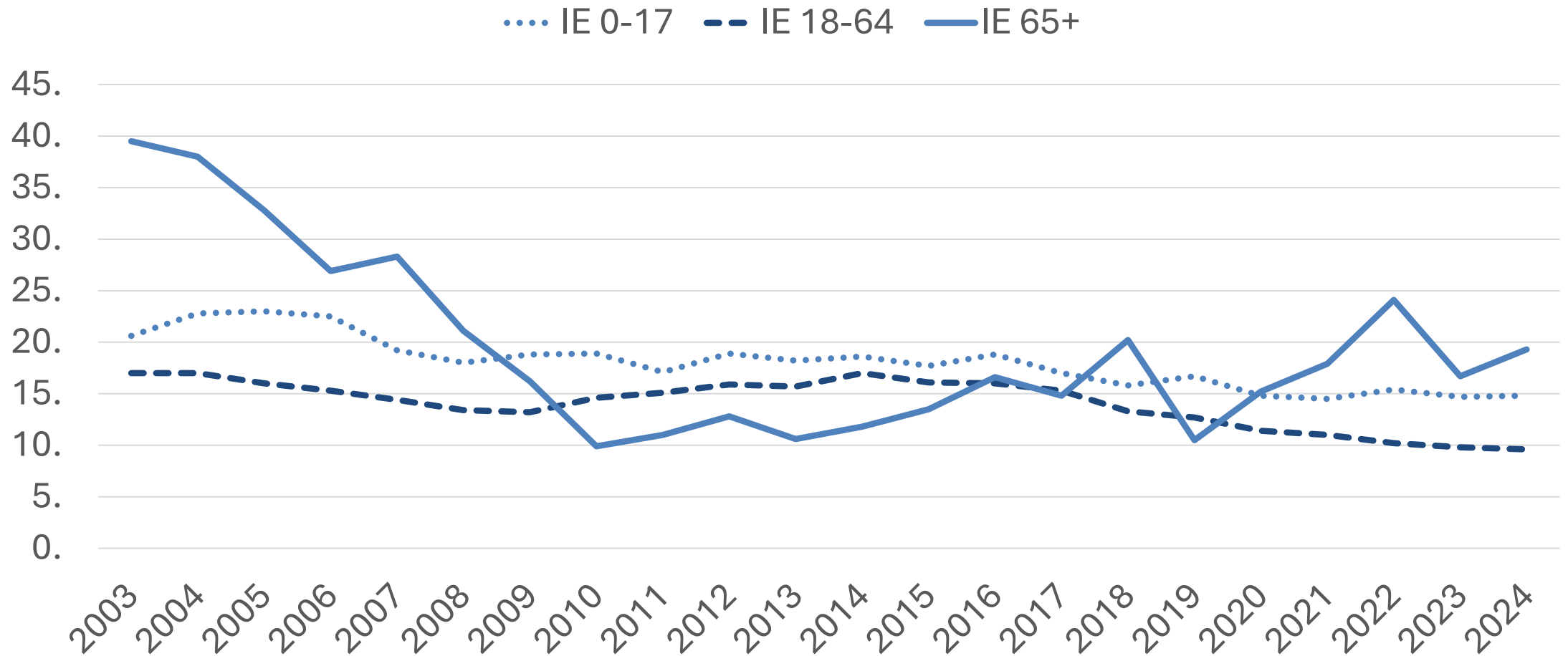
ESRI, Whitaker Square, Sir
John Rogerson's Quay,
Dublin 2



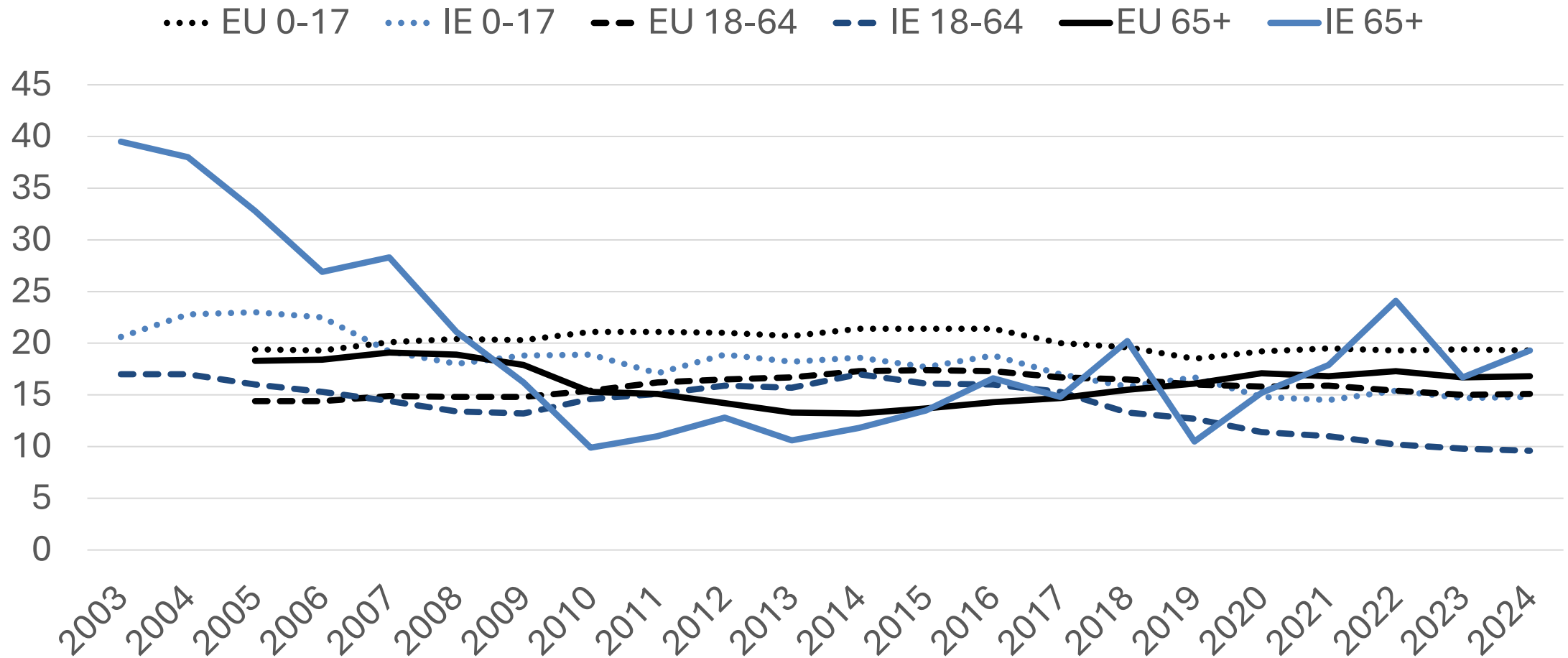
The effect of child-related benefits on child poverty and deprivation in Ireland

Karina Doorley, Simona Sándorová, Bertrand Maître

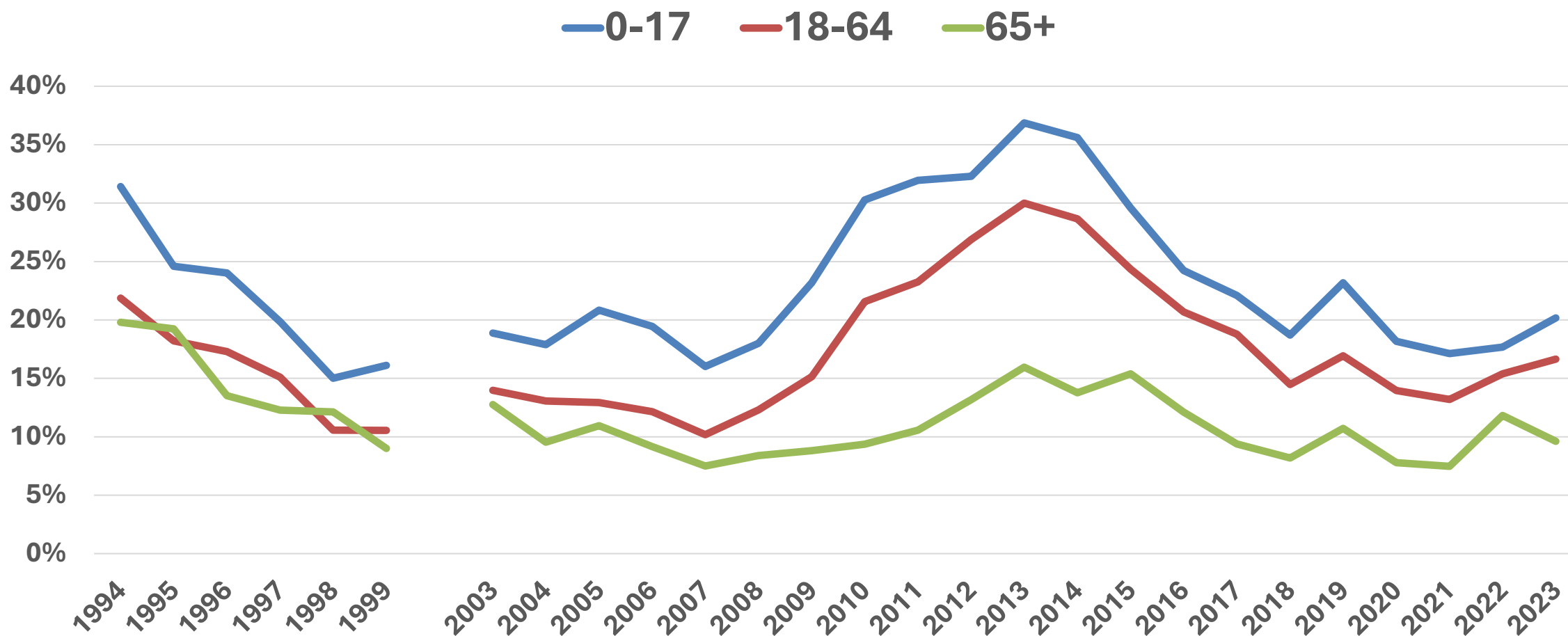
At risk of poverty rates by age (%)



At risk of poverty rates by age (%)



Material deprivation rates by age



Deprivation: lacking 2+ necessities out of 10

5 Source: CFI-ESRI Poverty, Income Inequality and Living Standards Spreadsheet

Introduction

- Child poverty in Ireland has been consistently higher than working-age or elderly poverty for many years.
- Not just an Irish problem but..
- The Irish government has committed to tackling child poverty (Roadmap for Social Inclusion, Child Poverty and Well-being Programme Office).

Measuring poverty

- Measuring (child) poverty is complicated by its multidimensionality.
- The **at risk of poverty (AROP)** rate, as a relative concept, doesn't capture absolute changes in living standards.
- The **material deprivation** rate is somewhat subjectively measured.
- **Consistent poverty** measures the overlap between income poverty and material deprivation and is the basis for current poverty targets.

Measuring poverty

- Ireland's current national poverty target for the total population is a consistent poverty rate of 2% or less
 - i.e. 2% or less of the population have income below 60% of the national median AND are deprived of 2+ out of 11 necessities
- There is currently no target for consistent poverty among children

Poverty rates by age (CSO, 2024)

	AROP	Material deprivation	Consistent poverty
All	11.7	15.7	5.0
0-17	15.3	21.2	8.5
18-34	8.8	15.8	3.8
35-49	10.0	16.4	4.9
50-64	11.4	14.2	4.7
65+	13.3	7.7	2.0

This paper

- Evaluates the effectiveness of the current system of child-related benefits in tackling child poverty
- Cash and in-kind benefits considered
- Provide estimates of how reforms to the system of child-related benefits could further reduce child poverty

Method

Method

- Use SWITCH to assess the impact of in-cash and in-kind child-related benefits on child AROP rates, material deprivation & consistent poverty in Ireland
- SWITCH is linked to the 2022 SILC data, uprated to 2025 to account for income/price growth
- Unlike official poverty statistics, our results are simulated for 2025 and include certain in-kind benefits

Method

- Following Bornukova et al. (2024), we define child-related benefits as follows:

In-cash benefits	
Child benefits	One-Parent Family Payment; Jobseeker's Transitional Payment, Working Families Payment, Child Benefit, Maternity Benefit, Residual Family Allowances
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
Non-child benefits	Medical cards, Means-tested GP visit cards

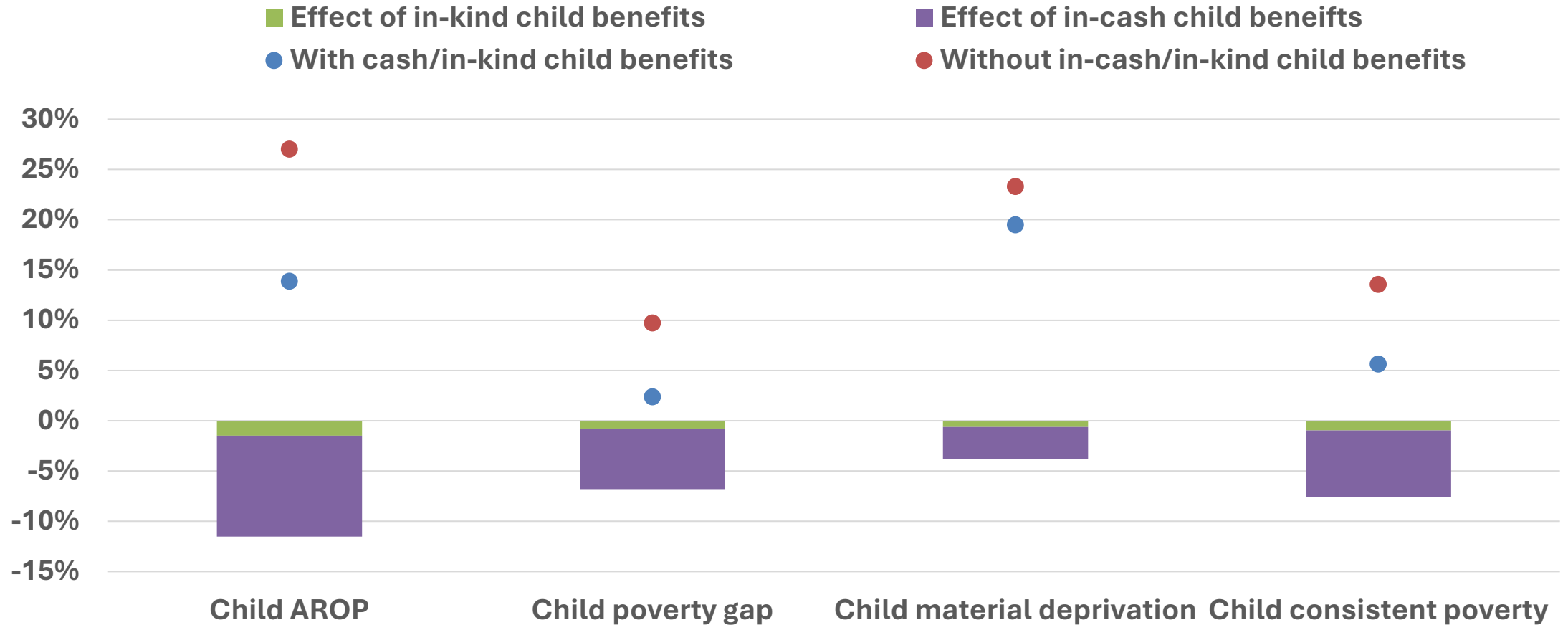
Method

- Changes to income poverty as a result of policy reform are straightforward to evaluate using microsimulation
- However, material deprivation is self-reported and not mechanically linked to income
- We therefore set up a model of material deprivation, D , following Notten and Guio (2018; 2020), to estimate how it changes when income, Y , changes:

$$D_i = \alpha + \beta Y + \gamma Xi + \epsilon$$

Results

Child-related benefits reduce child poverty substantially



How can we further improve outcomes for children experiencing poverty?

- Increase disposable income through labour supply or wages
- Increase disposable income through social welfare reform
- Reducing the expenditure needs of households through the provision of free/subsidised services.

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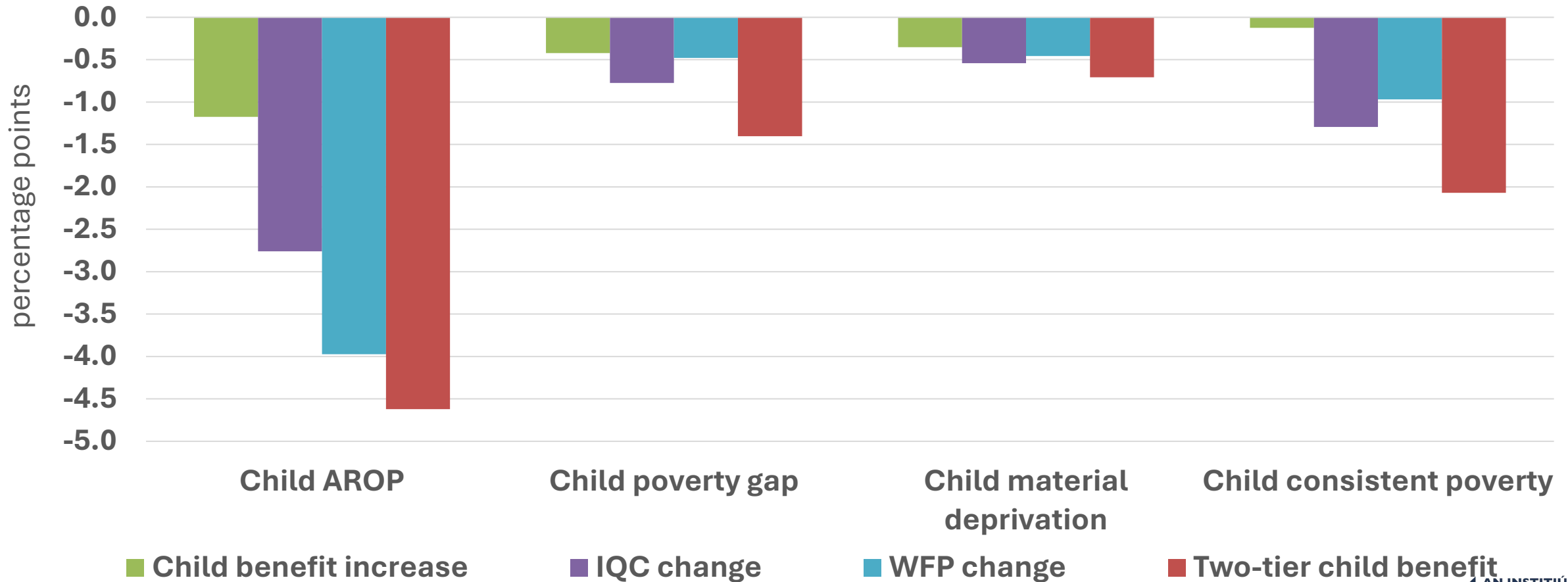
Simulated reforms

Reform	Description	Cost (€ million p.a.)	Child AROP rate %	Child Deprivation rate %	Child Consistent Poverty rate %
	Baseline simulation for 2025		13.9	19.5	5.6
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

Simulated reforms

- The impact of similar reforms has been studied by Doorley et al (2022) and Roantree & Doorley (2023) for population and child AROP rates
- Our analysis extends to material deprivation and consistent poverty.

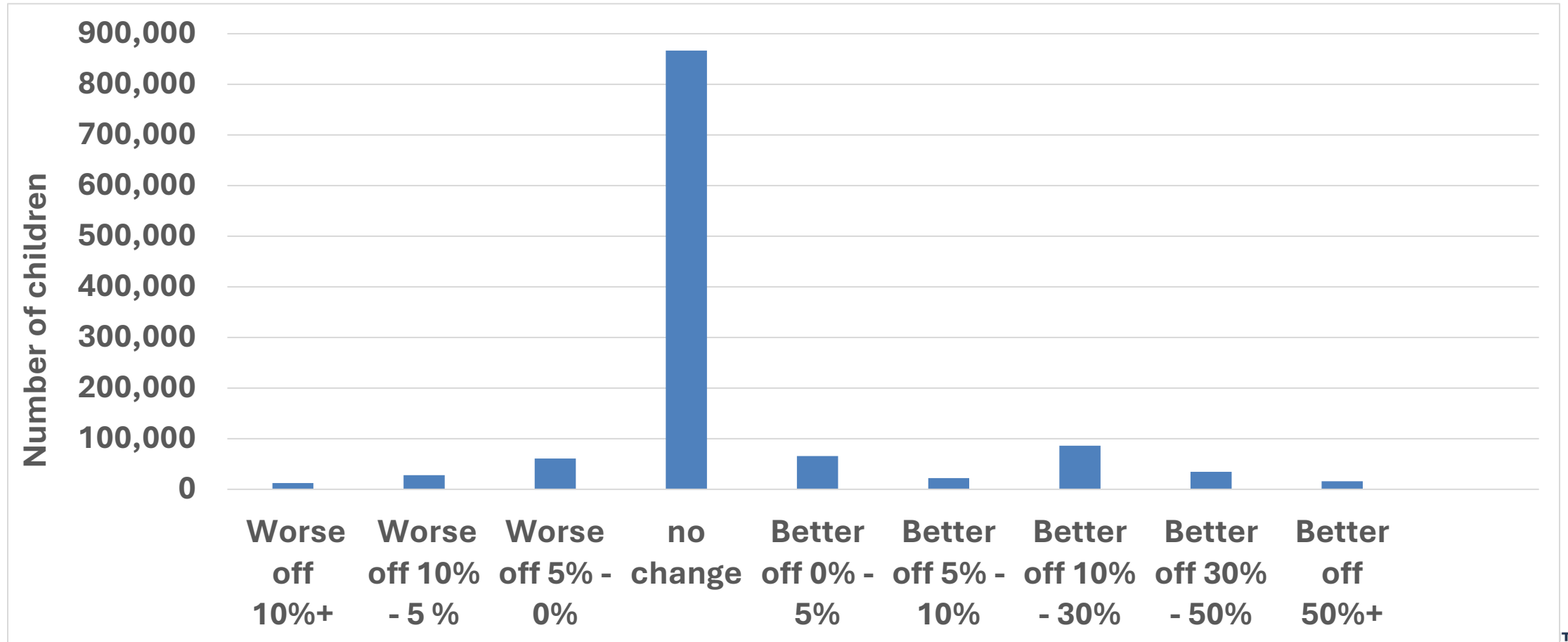
A second tier of child benefit emerges as the most cost effective option



Considerations for the design of a second tier of child benefit

- Can we ensure that there are no losers?
 - Difficult given the range of existing cliff-edges in the system
- What are the implications for work incentives?
 - To make significant progress in child poverty rates through the welfare system, we have to transfer lots of money to poor households.

Winners and losers from a second tier of child benefit



Conclusion

Conclusion

- In-cash and in-kind child-related benefits together lift 157k children out of income poverty, 45k out of material deprivation and 94k out of consistent poverty.
- Treating in-kind benefits as disposable income ↓ the child AROP rate by 1.5 pp.
- Given the increased focus on these in recent years, perhaps we should systematically track their impact?

Conclusion

- The link between income and material deprivation is relatively weak
 - Admittedly difficult to model causally
 - But deprivation also depends on the duration of low income, savings, family support, sources of income, disability, housing, price levels, etc.
 - Challenges remain in predicting the effect of policy reform on deprivation

Conclusion

- A second tier of means-tested Child Benefit ↓ the child AROP rate by 4.6 pp, the child deprivation rate by 0.7 pp and the child consistent poverty rate by 2.1 pp.
- Design of such a policy would have to be carefully considered
- Other paths to reducing child poverty are more complex (increasing the labour supply of women, disabled people and lone parents)

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Child AROP rate, Eurostat

