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CHILD POVERTY IN IRELAND



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CHILD POVERTY IN IRELAND

Brian Nolan

and

Brian Farrell

A report prepared for the Combat Poverty Agency

COMBAT POVERTY AGENCY

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Dublin 2

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PREFACE

Evidence from a number of sources during the late 1980s pointed to child poverty as being a key feature of deprivation in Ireland¹. There was no precise information, however, as to the scale of the problem. The funding of research which quantifies the nature and extent of various aspects of poverty is part of the Agency's statutory brief. Consequently, the Agency commissioned the ESRI to produce a report on child poverty, using data collected from their 1987 Survey of Income Distribution, Poverty and the Usage of State Services. This document, the third report for the Agency using the ESRI data base, details the extent of child and family poverty and analyses the underlying trends and their implications. The earlier reports, which focused on poverty and the social welfare system (*Poverty and the Social Welfare System in Ireland*) and on the links between low pay and poverty (reported in *Low Pay – The Irish Experience*), represented major advances in our knowledge of the scale and dimensions of poverty. The contents of the current report will, the Agency believes, be equally significant in highlighting the specific and pressing needs of low income families with children.

Research Findings

The main findings of the ESRI report are: the substantial deterioration in the relative position of households with children over the period 1973-1987; the relatively high risk of poverty for households with children, especially those with three or more children; and the greater likelihood that children will be in poverty as compared to adults. These conclusions hold consistently across a range of low income thresholds. In percentage terms, the proportion of children in households falling below an income poverty line set at 60% of average household income (the 1990 equivalent of £56.30 per single adult and £18.60 per child) increased by almost a half between 1973 and 1987, from 27% to 39%, while at the 50% line (the 1990

equivalent of £47.20 per single adult and £15.60 per child) the proportion rose by two-thirds, from 16% to 26%.

The report highlights four reasons for the worsening position of households with children: unemployment, low pay, lone parenthood and government fiscal policy. First, the increase in the unemployment rate during the 1980s (from 8.1% of the labour force in 1980 to 18.8% in 1987, the year in which the survey was carried out, and 17.9% in 1989) has pushed many families below the various poverty thresholds. This is clear from the report's finding that up to half of poor households with children had an unemployed head (50% line). The rise in the proportion of the unemployed reliant on unemployment assistance (from 46% in 1980 to 59% in 1987, and to 64% in 1989) is a further significant factor, since households with children where the head is in receipt of unemployment assistance have a particularly high risk of being poor. It is not surprising, therefore, that the report shows that over two-fifths of all poor children were to be found in households receiving unemployment assistance payments (50% line).

Secondly, the widespread problems of low pay and low farm incomes resulted in many working families falling below the poverty thresholds. Previous research for the Agency has shown how extensive low pay is in Ireland², while figures from the 1988 National Farm Survey illustrate that almost a quarter of full-time farm households have yearly earnings of £7,500 or less. The serious financial implications for families who rely on such low incomes are clear from the report: almost one-third of poor households with children were headed by either an employee or a farmer (at the 50% line). An independent factor which can drag many working families below the poverty line is taxation. Research by the ESRI poverty team in 1988 estimated that 10% of the households below the 60% line were in that position because of tax/PRSI deductions³.

Thirdly, lone parenthood increased the likelihood of children being poor. Even though the report found their share of total poor households with children was still quite small – less than 10% – lone parents had an above average risk of being in poverty, especially if on social welfare. During the 1980s, the trend was for the number of lone parent families, whether as a result of marital separation or single parenthood, to grow. Births to unmarried mothers increased from 3,723 in 1980 (5% of total) to 6,522 in 1989 (13%), while

maintenance order applications rose by 30% in the same period. In addition, there has been a substantial increase in the number of lone parent families on social welfare between 1980 and 1989: a 214% rise in recipients of unmarried mother's allowance (16,564 with 21,291 child dependants); and a 153% increase in deserted wife's benefit/allowance recipients (14,671 with 26,534 child dependants). Collectively, 40,978 lone parent households with 67,001 child dependants (including claimants of widow's and widower's pension with child dependants) were reliant on social welfare in 1989. Further increases in these figures during the 90s will almost inevitably lead to more children (and lone parents) in poverty.

Finally, government expenditure and taxation policy during the 1970s and 1980s increased the relative financial burden on households with children. This had particularly acute consequences for larger families: by 1987, three-fifths of poor children were concentrated in households of two adults and three or more children and of three adults and children (at the 50% line). The net redistributive consequences of government policy changes over the 1970s in taxation and social expenditure are summarised in a recent study by the NESC as

(being) to the clear detriment of households in which families were raised. They were disproportionately used as a source of tax revenue and relatively neglected as recipients of social services, whether in cash or benefits in kind⁴.

These conclusions do not appear to have been fundamentally altered by policy trends during the 1980s. In particular, the continued devaluation of child benefit (the replacement for child tax allowances and children's allowances) and the failure to target the benefits of reductions in income tax have reinforced the inferior position of families as compared to other households.

Policy Issues

The deterioration in the relative position of households with children has many implications for child income support policy. In this regard, the many significant changes aimed at improving the position of low income families introduced since the publication of the initial 1988 ESRI/CPA report on poverty are to be welcomed. These include: the rationalisation of the number of child dependant allowance rates from 36 to 6 and the increase in the value of the

lowest payment from £6.40 to £11 (an especially important reform for unemployed recipients with families); the reform of the family income supplement scheme, with higher payments per child (up to £22), a minimum payment of £5 and wider income thresholds, and the sponsoring of information campaigns to improve take-up; the introduction of a combined clothing and footwear scheme for school children; the lifting of the taxation burden on low paid families, through the exemption of those earning less than £60 from PRSI and the introduction of child additions to the general tax exemption thresholds; the increase in child benefit by 5% and the lowering of the threshold for the child benefit supplement for larger families to the fifth child; and, finally, the re-introduction of child tax relief for families liable for residential property tax.

These measures, though important in themselves, do not represent a coherent and effective strategy for combating child poverty. They still leave many children in poverty and may contribute to poverty and unemployment traps which make it difficult for low income families to improve their situation through earned income. An essential first step remains the identification of the basic costs of children to be provided for families dependent on social welfare. The evidence from many sources, most notably Lee and Gibney's costing of the nutritional requirements of children, demonstrates that existing payments for child dependants (ie child dependant allowances and child benefit) cannot be considered to be adequate in relation to basic needs⁵. Among the items that should be provided for in an adequate welfare payment for children are: pregnancy and childbirth costs, general childrearing expenses – preferably age-related, specific school-related requirements and the additional needs of young people aged 16 and 17 who remain in education. An adequate payment would also mean the practice of paying lower rates for the children of those out of work would be ended. Furthermore, alternative strategies should be devised for families on welfare so as to avoid the poverty and unemployment traps invariably associated with means-tested payments.

At a broader level, recent reforms have failed to address the issue of how the costs of childrearing are to be shared with families at different stages in their life-cycle. The data presented in the present report, by their nature, give only a snapshot of the position of different families at a point in time. Not all those children in households

with incomes which are low relative their needs will remain in that position indefinitely. As older children cease being dependent and go to work or as a parent returns to the labour force, for example, the position of some will improve, while others may slip into poverty, through, perhaps, the birth of a new child. A substantial proportion of all children may thus experience hardship and deprivation at some stage.

It is clear that the scale of a family's disadvantage will depend on the age and number of children – the larger and older the family, the worse-off they are likely to be relative to other households. Meanwhile, evidence from other countries indicates that households with children under 5 years are also likely to endure a loss in income. This arises from the withdrawal of mothers from the labour force in order to mind their young children. The authors of the report conclude that an approach based primarily on universal rather than means-tested or tax-based child income support offers the best prospects for both alleviating child poverty and promoting equity in the relative position of households with children. (Child-care provision would also be an important pro-family measure in this context.) Income support confined to specific contingencies such as unemployment or lone parenthood is not an adequate response. Rather, a longer-term and more wide-ranging strategy is required which takes account of the needs of households over their life-cycle.

Tackling Child Poverty

The study provides evidence of the financial and 'living standard' poverty experienced by a large percentage of Irish families. Unfortunately, this is often merely the starting point for a life of extreme deprivation and limited life chances for many poor children. Other research shows that poor children do less well educationally, are more likely to suffer ill-health, are vulnerable to homelessness and delinquent behaviour and have fewer opportunities⁶. Child poverty can irreparably damage the life chances of many children, leading to a cycle of deprivation which repeats itself from generation to generation.

September saw the signing by Ireland of the Convention on the Rights of the Child, initially adopted by the United Nations in November 1989. This obliges member states to ensure that every

child has 'a standard of living adequate for its physical and social development' (Article 27). The findings of this research report make for disquieting reading in this regard. The state has failed to adequately counter the economic and social trends undermining the financial position of families despite the current range of child income supports, including those measures adopted by government since the publication of the 1988 ESRI report on poverty. The Agency believes it is imperative to rectify the current situation to secure the future well-being of society. Like any other resource, children require substantial investment in order to guarantee their future. The issue is one which not only concerns children in poor households, but children in every family.

This report provides the most precise information yet on the extent and dimensions of child poverty in Ireland. It sets out in some detail the challenge that confronts us if the welfare of children is to be a key concern. Clearly, a comprehensive agenda of action is required as soon as possible to tackle child poverty. As a first step in this regard, the Agency has instigated a review of child income support mechanisms and hopes to make specific proposals on these shortly. The longer-term goal is to devise a complete package of measures necessary for the welfare of children. This will be undertaken in consultation with interested individuals and organisations, so as to ensure the widest possible degree of support. Finally, the Agency will, if necessary, initiate further detailed study of the financial and other aspects of child poverty.

Combat Poverty Agency
October 1990

Footnotes to Preface

- ¹ T Callan et al, *Poverty and the Social Welfare System in Ireland*, Dublin: Combat Poverty Agency, 1988; T Callan and B Nolan, 'Family Poverty in Ireland, A Survey-based Analysis', in B Reynolds and S Healy (eds), *Poverty and Family Income Policy*, Dublin: Conference of Major Religious Superiors, 1988; M Daly and J Walsh, *Moneylending and Low Income Families*, Dublin: Combat Poverty Agency, 1988; P Lee and M Gibney, *Patterns of Food and Nutrient Intake in a Suburb of Dublin with Chronically High Unemployment*, Dublin: Combat Poverty Agency, 1989.
- ² J Blackwell and B Nolan, 'Low Pay – The Irish Experience', in B Harvey and M Daly (eds), *Low Pay – the Irish Experience*, Dublin: Combat Poverty Agency/Irish Congress of Trade Unions, 1989, pp 1-22.
- ³ T Callan and B Nolan, 'Taxation, Social Insurance and Poverty in Ireland', in B Reynolds and S Healy (eds), *Poverty and Taxation Policy*, Dublin: Conference of Major Religious Superiors, 1989, pp 67-97.
- ⁴ National Economic and Social Council, *Redistribution Through State Social Expenditure in the Republic of Ireland: 1973-80*, Dublin: NESCC, 1988, p 145.
- ⁵ Lee and Gibney estimate a minimum of between £12.38 and £16.59 per week (1990 values) is required to feed a child aged 11 to 18 years – this compares with the current range for child dependant allowances of £11 to £15.
- ⁶ As summarised in an unpublished report to the Combat Poverty Agency by J Murphy-Lawless entitled 'A Working Bibliography on Data related to Child Poverty in Ireland'. See also the accumulated evidence from the National Child Development Study in the UK.

Chapter 1

INTRODUCTION

1.1 The Importance of Poverty Among Children

While the amelioration of poverty is generally seen as a primary aim of economic and social policy, this has even stronger force when applied to children in poverty, for a variety of reasons. First, poverty in childhood is doubly serious in that it may have harmful consequences throughout the person's lifetime. Secondly, children can hardly be held responsible for their own situation, irrespective of one's views about the causes of poverty. Thus there is a widespread consensus that poverty among children is particularly serious, calling for action on the part of the wider community.

It is therefore surprising at first sight that, despite the economic growth and achievements of the post-War period, child poverty is now being seen as a major concern in many industrialised countries. The relative – and in some instances the absolute – position of families with children has deteriorated in a number of developed countries in the past decade or so. As a result, policy towards children and towards the family has assumed central importance, not only for the design of tax and social welfare systems, but for wider economic and social policies.

Such heightened concern with the position of children and their families has also been developing in Ireland and has led to a number of tax and social welfare measures specifically aimed at low-income families. The importance of this issue was highlighted in previous research based on the ESRI Survey of Income Distribution, Poverty and Usage of State Services, in particular the Report for the Combat Poverty Agency on *Poverty and the Social Welfare System in Ireland* (1988), and the subsequent ESRI research monograph *Poverty, Income and Welfare in Ireland* (Callan, Nolan, Whelan, Hannan, with Creighton, 1989). Policy towards the family was also the subject of

the conference papers in Reynolds and Healy (1988) and of Kennedy (1989).

In the present study we focus specifically on the topic of poverty among children in Ireland. For the most part we rely on the same data source, the large-scale household survey carried out by the ESRI in 1987. The objectives of the study are to analyse in detail the position of households with children and how this has been changing over time, to explore explanations for the observed patterns, and to consider the implications for policy towards families.

It is helpful in this introductory chapter to first provide an international perspective against which the Irish experience may be seen. Section 1.2 therefore looks at recent trends in the position of children in a range of developed countries. In Section 1.3 the structure of the remainder of the report is outlined.

1.2 Recent Trends in the Well-Being of Children in Developed Countries

The relative, and in some cases the absolute, position of families with children has been seen to deteriorate markedly in a variety of industrialised countries over the past decade or so. While this was remarked on in individual countries at an early stage, the common trend across a range of countries has been highlighted only relatively recently, notably in Smeeding and Torrey (1988), Palmer, Smeeding and Torrey (1988) and Smeeding, *et al.* (1989). Such cross-country comparative research has been provoked primarily by the fact that US researchers and policy makers have become increasingly aware of growing child poverty there.

The trend in the USA has indeed been dramatic. Between 1970 and 1987, the percentage of children (under 14 years of age) falling below the official poverty line rose from 15 per cent to 20 per cent.¹ The official US poverty line changes over time only in line with price increases: it is intended to represent a constant real income level. Thus this rise in measured poverty represents a sharp deterioration in the position of US children in absolute terms. Another feature of the US experience which has been widely commented on is that, over the same period, the poverty rate of the elderly *declined* even more sharply, from 25 per cent to 12 per cent. This reversal in the economic status of the young versus the elderly, initially highlighted by Preston (1984), has subsequently been the focus for a substantial research effort (see especially Palmer, Smeeding and Torrey, 1988).

A number of factors have been identified as contributing to this divergence in trends for children and the elderly in the US.² For the elderly, the significant improvement in economic status since about 1970 has been primarily attributable to government policy, in particular rapid growth in the level of Social Security benefits relative to the poverty line. Increased coverage of private pensions also contributed to improving the status of the elderly. Social Security benefits for the elderly rose even more sharply relative to earnings, which partly explains why families with children did less well.

As Smolensky, Danziger and Gottschalk (1988) emphasize, the well-being of children depends primarily on access to current earnings of "prime-age" workers. The sharp increase in the number of children living in single-parent families, with limited access to such earnings, played a considerable part in the rise in child poverty, such families having extraordinarily high poverty rates of about 50 per cent.³ However, the rise in child poverty in the US in the 1970s and 1980s was due primarily to the impact of poor economic performance on parents' incomes. Having risen rapidly through the post-War period, earnings stagnated from the early 1970s. In addition, cash transfers from the State to families with children also declined in real terms from 1973. The cumulative effect of all these factors was the sharp worsening in both the absolute and relative position of US children. By the late 1980s, as a result, about one-fifth of US children were assessed as living in poverty by official estimates.

International comparisons of poverty rates are notoriously difficult, but evidence for other developed countries indicates that this adverse trend for children is not confined to the US. It is difficult to make comparisons between countries, because poverty is being measured in different ways – some countries using quasi-absolute poverty lines as in the US, some using relative income lines, and others relying on social welfare safety-net rates as benchmarks. Looking at trends within countries, though, a deterioration in the position of children is observed in a number of countries (see Cornia, 1990). In Britain, for example, the percentage of persons in families with children in receipt of safety-net social security transfers or below that support rate rose from 11.5 per cent in 1981 to 16.0 per cent in 1985, while the corresponding figure for the elderly declined slightly.⁴ The proportion of British children below a range of poverty lines increasing over time in line with average income

also rose over this period, though using income lines held constant in real terms the pattern may be different.⁵ There is also evidence that countries such as Canada, Australia, and Germany have seen a worsening in the relative situation of children in the 1980s.

Apart from the limited evidence on trends in recent years, recent research has also shown the level of child poverty to be a substantial problem in a wide range of developed countries. Smeeding, Torrey and Rein (1988) applied the US "absolute" poverty line for 1979 to a number of other countries, taking differences in purchasing power, etc., into account. This showed 17 per cent of US children to be below that line in 1979, the highest of the eight countries analysed (using the Luxembourg Income Study (LIS) harmonised data base). However, as Table 1.1 shows, countries such as Australia, Canada and the UK also had rates of 10-16 per cent, while Norway and West Germany were about 8 per cent. Switzerland and Sweden had the lowest percentages below this line, about 5 per cent of children.

Table 1.1: *Percentage of Children in Families Below "Absolute" and Relative Poverty Lines, Various Countries, Around 1980*

| <i>% of Children Below</i> | <i>"Absolute"^a Line</i> | <i>Relative^b Line</i> |
|----------------------------|--|--------------------------------------|
| Australia | 16.9 | 15.9 |
| Canada | 9.6 | 15.5 |
| Germany | 8.2 | 4.9 |
| Norway | 7.6 | 4.8 |
| Sweden | 5.1 | 5.0 |
| Switzerland | 5.1 | 7.8 |
| UK | 10.7 | 9.3 |
| USA | 17.1 | 22.4 |

^a "Absolute" poverty line is based on the 1979 official US poverty line converted using OECD purchasing power parities.

^b Relative poverty line derived as half median equivalent national income.

Source: Smeeding, Torrey and Rein (1988), Table 5.2, p. 96.

In addition to this fixed poverty line across countries, Smeeding, *et al.*, also looked at the percentage of children falling below relative income lines, using half median (equivalent) income for each country. As also shown in Table 1.1, the US still has the highest child

poverty rate on this basis, at 22 per cent. Australia and Canada are relatively high, at about 15 per cent, the UK is still about 10 per cent, Switzerland has risen to 8 per cent, while the other countries now have rates of about 5 per cent.⁶ Smeeding, *et al.*, writing from an American perspective, emphasise the consistent result that the situation of US children is comparatively bleak. They highlight the income transfer system as the main reason for the high US child poverty rates, in particular the reliance on categorical means-tested programmes, and the relatively low level of benefits paid to families with children. We will return to policy implications in our final chapter: for the present it is sufficient to note that child poverty is seen as a significant problem, and often a growing one, in a variety of developed countries.

1.3 Outline of the Study

Against this background, it is particularly important to examine the economic position of children in Ireland, and that is the objective of this study. It is structured in the following way. Chapter 2 describes the demographic background and the particular features of the Irish population structure. The data on which the study is based are discussed in Chapter 3. Chapter 4 looks at the overall position of households with children with respect to a range of income poverty lines and other aggregate indicators, and how this has been evolving over time. Chapter 5 analyses the sensitivity of the results to the assumptions made about the needs of households with children compared to those with no children, which are of central importance to the study. Chapter 6 looks at the characteristics of low-income households with children, in particular their size and composition, the labour force status of household members, and the situation of social welfare recipients. Chapter 7 analyses the factors producing the marked deterioration over time in the relative position of households with children revealed by the analysis. Chapter 8 looks briefly at some indicators of the pattern of living of low income households and their subjective evaluations of their situation. Finally, Chapter 9 brings together the main findings of the study and discusses some implications for taxation and income support policies.

Footnotes to Chapter 1

1. Smeeding and Torrey (1988) p. 873.
2. See especially Smolensky, Danziger and Gottschalk (1988), Sawhill (1988), Preston (1984), Smeeding and Torrey (1988).
3. Smolensky, *et al.* (1988) p. 41.
4. Calculated from DHSS (1988a), Tables 1, 2 and 6.
5. The data presented in the new statistical series "Households below Average Income" (DHSS, 1988b) indicate a decline in the percentage of children below lines held fixed in real terms, but the figures for low-income groups after housing costs are taken into account have been found to overstate their income growth (see House of Commons Social Services Committee Report, April 1990).
6. The sensitivity of results on the extent of poverty and composition of the poor to the equivalence scales used is analysed using the same data base by Buhman, *et al.* (1989).

Chapter 2

DEMOGRAPHIC BACKGROUND

2.1 Introduction

Before examining the economic situation of households with children, the demographic background must be described. In this chapter we look at the make-up of the Irish population, highlighting the relatively high proportion of children. The way the composition of the population has been evolving and how it compares with other developed countries is discussed first. The age breakdown of the current child population is then examined, and the nature of the households with children – in terms of size and composition – is outlined, relying on the Census of Population. The make-up of households and the importance of children in the sample surveys on which this study is mainly based – the CSO's Household Budget Surveys and ESRI's Survey of Income Distribution, Poverty and Usage of State Services – is then discussed. Finally, important changes in the age composition of the population which are projected to take place over the next 20-30 years are described.

2.2 Children in the Population: Trends and International Comparisons

In 1986, the most recent Census year, children aged under 15 made up 29 per cent of the Irish population. Compared with other developed countries this is a very high proportion indeed, as illustrated in Table 2.1. In fact, among OECD countries, only Turkey has a higher proportion of children. For many of the developed countries about one-fifth or less of the population are under 15. In the UK, for example, the figure is 19 per cent, about the same as in France, Belgium and The Netherlands. Even in Spain, Portugal and Greece, the least-developed members of the European Community together with Ireland, only about 22 per cent of the population are under 15.

Table 2.1: *Percentage of Population Aged Under 15, Selected OECD Countries, 1972 and 1987*

| Country | Percentage of total population aged under 15 | |
|----------------|--|------|
| | 1972 | 1987 |
| | <i>Per cent</i> | |
| Ireland | 31.2 | 28.6 |
| Belgium | 23.2 | 18.3 |
| Denmark | 23.0 | 17.7 |
| France | 24.6 | 20.6 |
| West Germany | 22.8 | 14.9 |
| Greece | 24.7 | 20.2 |
| Italy | 23.2 | 16.3 |
| Netherlands | 26.8 | 18.6 |
| Portugal | 28.6 | 21.9 |
| Spain | 27.7 | 22.1 |
| Sweden | 20.8 | 17.9 |
| Turkey | 41.1 | 35.7 |
| United Kingdom | 24.1 | 18.9 |
| USA | 27.2 | 21.5 |

Source: OECD Statistics on the Member Countries, 1989.

This reflects for the most part the extent to which the Irish birth rate has exceeded that for other developed countries. The crude birth rate – the number of births per 1,000 population – continued to rise through the 1970s, as the number of women of child-bearing age in the population increased. The actual number of births peaked at 74,000 in 1980, but by 1986 had fallen to 61,600. The decline in the underlying fertility of females of child-bearing age has been going on for considerably longer, however, with its effects being masked by the increase in the number of women in these age groups.

The proportion of the population aged under 15 began to fall in Ireland after 1971. As Table 2.2 shows, the percentage of children was stable at about 31 per cent between 1961-1971, but then fell to about 30 per cent by 1981 and 29 per cent by 1986. This is still a much slower rate of decline than that seen in most other OECD countries since the early 1970s, as Table 2.1 illustrates. As the Irish birth rate continues to fall, it is projected that the proportion of children in the population will fall substantially over the next 20-30 years, as discussed in detail in Section 2.6 below.

Table 2.2 *Children as Percentage of Total Population, Ireland 1946-1986*

| Year | Children 0-14 years | Total population | Children as percentage of population |
|------|---------------------|------------------|--------------------------------------|
| | | | <i>Per cent</i> |
| 1946 | 823,007 | 2,955,107 | 27.9 |
| 1951 | 854,810 | 2,960,593 | 28.9 |
| 1961 | 877,259 | 2,818,341 | 31.1 |
| 1966 | 900,396 | 2,884,002 | 31.2 |
| 1971 | 931,152 | 2,987,248 | 31.3 |
| 1979 | 1,029,908 | 3,368,217 | 30.6 |
| 1981 | 1,043,729 | 3,443,405 | 30.3 |
| 1986 | 1,024,701 | 3,540,643 | 28.9 |

Source: *Census of Population 1986, Summary Report, Table 2.*

It is also relevant to look at the proportion of children to persons of working age, as an indication of the extent of dependency. Table 2.3 shows how what the CSO term the “young” dependency ratio – the number aged under 15 as a proportion of those aged 15-64 – has

Table 2.3: *“Young” and “Old” Dependency Ratios, Ireland 1946-1986*

| Year | “Young” dependency ratio ^a | “Old” dependency ratio ^b | Total dependency ratio ^c |
|------|---------------------------------------|-------------------------------------|-------------------------------------|
| | | | <i>Per cent</i> |
| 1946 | 0.454 | 0.172 | 0.626 |
| 1951 | 0.478 | 0.177 | 0.655 |
| 1961 | 0.539 | 0.194 | 0.733 |
| 1966 | 0.542 | 0.194 | 0.736 |
| 1971 | 0.543 | 0.193 | 0.736 |
| 1979 | 0.521 | 0.182 | 0.703 |
| 1981 | 0.514 | 0.182 | 0.696 |
| 1986 | 0.481 | 0.180 | 0.661 |

Source: *Census of Population 1981, Vol. 2, Table B; Census of Population 1986, Summary Report, Table A.*

Notes: ^a Population aged under 15 as proportion of population aged 15-64.

^b Population aged 65 and over as proportion of population aged 15-64.

^c Population aged under 15 and 65 and over as proportion of population aged 15-64.

evolved since 1946. Having risen quite sharply, from 0.45 in 1946 to a peak of 0.54 in 1971, this ratio has since declined to 0.48 in 1986. A similar trend has in fact been seen in the "old" dependency ratio, those aged 65 and over as a proportion of the working age population, as the table also documents. Thus the overall dependency ratio, having peaked at 0.74 in 1966-71, had by 1986 fallen back to 0.66. Prospects for the future in this regard will again be discussed at the end of this chapter.

2.3 Composition of the Child Population

The fall in the number of births during the 1980s has been reflected in the changing age composition of child population itself. Table 2.4 shows how, among those under 15, the proportion aged under one and under 4 has fallen between 1981 and 1986, having been stable over the previous decade. The older age groups, particularly the 10-14 category, are thus currently larger than five or ten years ago. Broadly speaking though, those aged 0-4, 5-9 and 10-14 still each comprise about one-third of the child population.

Table 2.4: Children by Age Range, 1971-1986

| Age Group | 1971 | | 1981 | | 1986 | |
|-----------|---------|------------|-----------|------------|-----------|------------|
| | Number | Percentage | Number | Percentage | Number | Percentage |
| Under 1 | 64,986 | 7.0 | 73,379 | 7.0 | 61,172 | 6.0 |
| 1-4 | 250,769 | 26.9 | 279,625 | 26.8 | 262,906 | 25.6 |
| 0-4 | 315,655 | 33.9 | 353,004 | 33.8 | 324,078 | 31.6 |
| 5-9 | 316,940 | 34.0 | 349,487 | 33.5 | 350,650 | 34.2 |
| 10-14 | 298,557 | 32.1 | 341,238 | 32.7 | 349,973 | 34.2 |
| Total | 931,152 | 100 | 1,043,729 | 100 | 1,024,701 | 100 |

Source: *Census of Population 1981, Table 1A*;
Census of Population 1986, Summary Report, Tables 4A, 7.

2.4: Households by Type

What type of families and households contain these children? Only the early volumes of the 1986 Census have currently been published, so to some extent we still have to rely on the 1981 Census for the detailed characteristics of households. For 1986, though, we do know the average size and overall composition of private households. A

private household is defined in the Census as a group of persons living together (usually but not necessarily related) and sharing a common budget. About 97 per cent of the population live in such households, the remainder being (on Census night) in institutions such as hospitals, hotels, boarding schools, prisons, etc. The average size of private households has fallen sharply in recent years, from 3.93 in 1971 to 3.66 in 1981 and 3.53 in 1986. This reflects both a reduction in the average number of adults per household – as young adults and the elderly show a greater propensity to form separate households – and a reduction in the average number of children.

The overall composition of households in 1986 by type is shown in Table 2.5. This classification is on the basis of the number and type of *family units* in the household, where a family unit consists of

Table 2.5 Private Households by Type, 1971-1986

| Household Type | 1971 ^a | 1981 | 1986 | |
|---|--------------------------|--------------------------|--------------------------|-----------------------|
| | percentage of households | percentage of households | percentage of households | percentage of persons |
| One person | 14.2 | 17.1 | 18.5 | 5.2 |
| Couple | 10.0 | 11.1 | 11.2 | 6.4 |
| Couple with unmarried children | 40.1 | 43.8 | 44.0 | 59.7 |
| Lone father with children | } 8.8 | } 1.6 | } 1.6 | } 8.3 |
| Lone mother with children | | | | |
| Couple with other persons | 2.6 | 1.7 | 1.4 | 1.3 |
| Couple with children and other persons | 9.4 | 7.4 | 6.4 | 11.0 |
| Lone father with children and other persons | } 2.4 | } 0.3 | } 0.3 | } 1.7 |
| Lone mother with children and other persons | | | | |
| Other | 12.6 | 9.7 | 8.4 | 7.3 |
| Total households | 726,363 | 910,700 | 976,304 | 3,442,303 |

Source: *Census of Population 1971, Vol. VII, Table 1*; *Census of Population 1981, Vol. 3*;
Census of Population 1986 Summary Report, Table 10.

Notes: ^a In permanent housing units only.

an adult or a couple together with their unmarried children of any age. In 1986, 44 per cent of households, containing 60 per cent of persons, consisted simply of a couple and one or more children. About 8 per cent consisted of a lone adult with his or her children, mostly a lone mother – these could be widows/widowers, deserted, separated or unmarried. A further 8 per cent of households comprised more than one family unit with children. Comparison with a similar breakdown for 1971 and 1981 is also shown in the table. This reveals the trend away from households with more than one family unit, with each of the categories containing only one unit – whether a single person, a couple without children, a couple with children or a lone parent with children – increasing. It is worth noting that the percentage of households consisting purely of lone parents with children has not increased over the 1971-1986 period, though there has been some rise since 1981. Of course, by no means all lone parents live in separate households.

This classification is based on children of any age living with their parent(s), that is, on family relationships. For present purposes we want to focus on households containing children by age, i.e., under 15. The 1981 Census allows such an analysis, and the broad picture revealed would still obtain. This shows first of all that 46 per cent of all households in 1981 contained one or more children under 15. Of these, over three-quarters (77 per cent) comprised simply a couple and their children (not all of whom would be under 15). Most of the rest were made up of couples with children plus another person. Only 4.7 per cent of all households with an under-15 consisted of lone parent with children and no other person.

The size of these households in terms of number of children is also of considerable interest. Table 2.6 shows the breakdown of households with children under 15 by the number of under-15s they contain, also for 1981. Over 58 per cent had only one or two children under 15, while only 8.5 per cent had five or more. The number of large families has declined steeply in recent years – in 1971 about 15 per cent of all households with children had five or more children. Looking at the distribution of the children themselves, of course, this is rather different: in 1981, only 35 per cent were in one- or two-child households, and almost 20 per cent were in households with 5 or more children.

Table 2.6: *Households with Children Under 15 by Number of Children, 1981*

| <i>Number of children in household</i> | <i>Percentage of households with children</i> | <i>Percentage of children</i> |
|--|---|-------------------------------|
| 1 | 28.4 | 11.4 |
| 2 | 30.0 | 24.1 |
| 3 | 21.4 | 25.9 |
| 4 | 11.8 | 19.0 |
| 5 | 5.1 | 10.2 |
| 6 or more | 3.4 | 9.4 |
| Total | 100 | 100 |

Source: Census of Population 1981, Vol. 3, Table 14.

2.5: The Household Budget Surveys and the ESRI Survey

In this study we shall employ the Household Budget Survey (HBS) results for 1973 and 1980 and the ESRI Survey of Income Distribution, Poverty and Usage of State Services for 1987 to analyse trends in poverty affecting children. It is therefore also useful at this stage to look at the trends in household composition comparing these three surveys. (The surveys in themselves will be discussed in more detail in the next chapter.) In doing so the definition of “child” adopted by the CSO in those two HBSs – which is aged under 14 – has to be used.

Table 2.7 shows the categorisation of sample households into the household composition types used by the CSO in the published reports. The percentage of all households which contained an under 14 is 45 per cent in the ESRI survey, compared with 49 per cent in the 1980 HBS – reflecting the decline over the 1980s in the proportion of the population falling into that age group, referred to earlier. The decline in family size is also seen, with the percentage of households having 4 or more children falling consistently between the surveys, from 7.5 per cent in 1973 to 5.5 per cent in 1987.

2.6: Demographic Projections and their Implications

In addition to looking at recent trends in the size and composition of the child population, it is useful at this stage to briefly sketch the impact of projected population trends. The CSO’s latest population projections cover the period to the year 2021, with greater detail up to 2001 (CSO, 1988). A number of variants are presented.

Table 2.7: *Households by composition, Household Budget Surveys 1973 and 1980 and ESRI Survey 1987*

| <i>Percentage all households</i> | <i>1973 HBS</i> | <i>1980 HBS</i> | <i>1987 ESRI</i> |
|----------------------------------|-----------------|-----------------|------------------|
| Households with children: | | <i>Per cent</i> | |
| 2 adults with 1 child | 4.8 | 6.2 | 6.2 |
| 2 adults with 2 children | 6.6 | 10.2 | 9.6 |
| 2 adults with 3 children | 5.0 | 7.4 | 7.0 |
| 2 adults with 4 or more children | 7.5 | 6.5 | 5.5 |
| 3 adults with children | 8.1 | 7.0 | 6.0 |
| 4 adults with children | 6.4 | 4.3 | 4.7 |
| other with children | 8.0 | 7.3 | 5.7 |
| Households without children: | | | |
| 1 adult | 14.0 | 16.4 | 16.6 |
| 2 adults | 19.9 | 20.2 | 18.5 |
| 3 adults | 10.1 | 7.2 | 9.4 |
| 4 adults | 5.9 | 4.1 | 5.9 |
| Other without children | 3.6 | 3.2 | 4.9 |
| Total with children | 46.4 | 48.9 | 44.7 |
| Total without children | 53.6 | 51.1 | 55.3 |
| Number of households in sample | 7748 | 7185 | 3294 |

Source: HBS 1973, Vol. 2 Table 6;
HBS 1980, Vol. 2 Table 6;
ESRI Survey, 1987

depending on the assumptions made about migration and fertility. Table 2.8 shows the composition of the projected population in 1996 and 2001, focusing on the percentage in each of the age groups 0-4, 5-9 and 10-14 and the overall "young dependency ratio" – persons aged 0-14 as a proportion of those aged 15-65. The figures shown are on the basis of the "medium" migration assumption and the assumption that fertility rates remain constant rather than continuing to decline after 1991.

The pattern shown by the projections is a consistent and substantial decline in the proportion of the population aged 0-14. This falls from 28.9 per cent in 1986 to under 25 per cent by 1996 and under 23 per cent by 2001. A corresponding decline in the young dependency ratio, from 0.48 in 1986 to 0.35 by 2001, is seen. The extent of

this fall would be slightly greater if the decline in fertility continues beyond 1991, as shown by alternative projections also presented by the CSO where the young dependency ratio is below 0.34 by 2001.

Looking beyond 2001, the projections are of a very tentative nature, but show a continued though less rapid decline in the importance of the child population. Again on the basis of the intermediate migration assumptions and with no decline in fertility beyond 1991, Table 2.8 shows that by 2021 those aged 0-14 could constitute about 20 per cent of the population, with a young dependency ratio of 0.311. If fertility continued to decline, though, these figures could be as low as 18 per cent and 0.276 respectively.

While such population projections are of course subject to revision as new information becomes available, it is clear that a substantial decline in the size of the child population as a proportion of the overall population, and of those of working age, is in prospect. This will form an important element of the background against which policy will operate, as taken up in our concluding chapter.

Table 2.8: *Projected Child Population 1991-2021*

| <i>Year</i> | <i>Percentage of Population aged:</i> | | | | <i>"Young" dependency ratio</i> |
|-------------|---------------------------------------|------------|--------------|-------------|---------------------------------|
| | <i>0-4</i> | <i>5-9</i> | <i>10-14</i> | <i>0-14</i> | |
| 1986 | 9.2 | 9.9 | 9.9 | 28.9 | 0.481 |
| 1991 | 8.1 | 9.1 | 9.9 | 27.0 | 0.437 |
| 1996 | 7.4 | 8.1 | 9.1 | 24.6 | 0.383 |
| 2001 | 7.2 | 7.4 | 8.1 | 22.8 | 0.346 |
| 2011 | 6.9 | 7.1 | 7.3 | 21.2 | 0.320 |
| 2021 | 6.4 | 6.7 | 6.9 | 19.9 | 0.311 |

Source: CSO (1988) Table S, p. 27 and Table U, p. 31 (assumptions M2 and F1).

2.7: *Conclusions*

Compared with other developed countries, Ireland has a remarkably high proportion of children in the population. Although this proportion is now falling, at 29 per cent (aged under 15) it is still well above that of most other OECD countries. While the percentage of children in the older age ranges has risen over the 1980s, the child population is still fairly evenly made up of those aged 0-4, 5-9, and 10-14. The number of large families has been declining rapidly.

Only about 8 per cent of households with children now have 5 or more aged under 15, but these households contain about 20 per cent of all children. A significant decline in the proportion of the population aged under 15 is in prospect, particularly in the period to the end of the century.

We now turn to the analysis of the economic situation of the households containing children, beginning with a description of the data on which this analysis is to be based.

Chapter 3

THE DATABASE

3.1 Introduction

This study of child poverty is based primarily on the analysis of the data collected in the ESRI Survey of Income Distribution, Poverty, and Usage of State Services. In looking at trends over time, this is supplemented by special analyses of the Household Budget Survey data collected by the CSO in the full national surveys of 1973 and 1980. In this chapter these data sources are briefly described, so that the foundations on which the results presented in the rest of the study can be appreciated. We begin by setting out briefly the nature of the sample obtained by the ESRI survey and the information sought: a more complete description is presented in Callan, Nolan, *et al.* (1989).

3.2 The ESRI Survey

The Survey of Income Distribution, Poverty and Usage of State Services was carried out by the ESRI between late 1986 and September 1987. It was co-sponsored by the Combat Poverty Agency, the EC Commission, and the Institute itself. The central objective of the survey was to provide a representative national sample for the analysis of poverty, income distribution, the social welfare system, and the wider effects of public policy in the areas of health, education and housing.

The survey covered the population living in private households, those living in institutions did not form part of the target population. The sampling frame was the Register of Electors, from which a multi-stage random cluster sample was drawn giving each person an equal probability of selection. Keogh and Whelan (1986) found the Register to be in reasonable concordance with the Census of Population. The groups where they did identify some deficiency – in terms of underrepresentation in the Register – were young single persons

and newly-formed households, neither of which are of particular concern in this study. Households with children therefore seem particularly likely to be represented satisfactorily in the sampling frame.

The survey obtained usable responses from 3294 households. This represents 56 per cent of the overall sample originally selected, 64 per cent of the “effective” sample – that is, excluding cases in the original sample where the person had died or had moved and could not be located, or where the address no longer existed or was found to be an institution. This response rate is comparable with those obtained in the CSO’s Household Budget Surveys.

As is the case with the HBS, post-sample reweighting is employed to adjust for biases which may be introduced by the pattern of non-response. In the case of the ESRI survey, this was based on four variables: urban versus rural location, the number of adults in the household, and the age and occupation of the household head. The reweighting procedure ensured that the reweighted sample corresponded with the 1986 Labour Force Survey in terms of the four-way cross-tabulation by these variables.

A number of checks on the representativeness of the sample after reweighting, compared with such external sources as are available, were carried out and are described in Callan, Nolan, *et al.* (1989), Chapter 4. On the basis of these checks the sample appears to represent the population adequately in terms of a number of key variables. It is of particular relevance in the context of the present study to assess the representativeness of the sample in terms of age composition. Table 3.1 shows the breakdown of the ESRI sample and of the population (as shown by the 1986 Census) by sex and age group. The sample in fact has a slightly higher proportion of children than the population – 31 per cent compared with 29 per cent. This is true of both males and females, and is not particularly concentrated in the 0-4 or the 5-14 age range. It would not be expected to affect results of the type emphasised in this study – focusing for example on the relative position of households with and without children.

3.3. Content of the ESRI Survey

The ESRI Survey gathered a wide range of information which will be described only briefly here. The composition of the household and the age, sex, marital status and inter-relationships of its members was the first topic covered. Where possible each adult (defined

as aged 15 or over) not in full-time education was separately interviewed, and detailed information on (*inter alia*) labour force status, income from various sources, education and occupation, and experience in the labour force was obtained. A range of information on living patterns was also sought, some of which related to the household, some to the individual being interviewed, and some to the children (if any). Views and perceptions about poverty and needs were also covered.

Table 3.1: Persons in 1986 Census and ESRI Sample by Age and Sex

| Age Group | Males | | Females | |
|------------------------------|--------|-------|---------|-------|
| | Census | ESRI | Census | ESRI |
| 0-4 | 9.4 | 10.4 | 8.9 | 10.7 |
| 5-14 | 20.3 | 21.9 | 19.3 | 19.9 |
| 15-24 | 17.7 | 15.8 | 17.1 | 15.4 |
| 25-34 | 14.2 | 15.4 | 14.1 | 15.4 |
| 35-44 | 12.1 | 10.6 | 11.7 | 10.6 |
| 45-54 | 8.9 | 8.8 | 8.5 | 9.0 |
| 55-64 | 7.8 | 8.4 | 8.2 | 8.0 |
| 65-74 | 6.3 | 6.1 | 7.3 | 7.0 |
| 75 and over | 3.2 | 2.7 | 4.9 | 3.9 |
| | 100.0 | 100.0 | 100.0 | 100.0 |
| As percentage of all persons | 50.0 | 50.1 | 50.1 | 49.9 |

Sources: Census of Population 1986, Summary Report, Tables 4B and 4C; ESRI Survey.

The survey data allows the income of the household to be built up from that of its individual members (rather than having to rely on questions about overall household income). Given its objectives, only limited data on expenditure was sought – such information is in any case gathered in great detail in the Household Budget Surveys. The survey contains an unprecedented range of information allowing in particular the relationships between incomes, living patterns, and subjective attitudes and perceptions to be analysed. The precise information obtained will be described in detail where relevant in the course of the study.

3.4 *The Household Budget Surveys*

The CSO has carried out full-scale national Household Budget Surveys in 1973, 1980, and, recently published, 1987. The samples obtained have been about 7,000 households. The main purpose of the surveys is to determine in detail the pattern of household expenditure for the purpose of updating the weighting of the Consumer Price Index. In addition, though, they collect extensive additional information on household income, accommodation, facilities and appliances, and the personal characteristics of household members. The surveys cover private households only, and the samples are drawn from the Census of Population.

The 1973 Survey achieved an effective response rate of 57 per cent, while the figure for 1980 was 56 per cent. The results were reweighted to adjust for biases, on the basis of Census variables such as urban/farm/rural non-farm location, household size, and social group of household head.

The income information gathered in the HBS and in the ESRI survey correspond closely, allowing the same income concepts to be defined for each. Household size and composition can also be compared. In the 1973 and 1980 HBS the definition of "child" adopted has been under age 14 (because 14 was then the school leaving age). To allow comparisons over time this age cut-off will be the one employed in the remainder of this study. It can be seen from analysis of the ESRI sample that using under 15 – which is now the school leaving age – would not make any significant difference to the results on the income position of households with children, to which we turn in the next chapter.

Chapter 4

THE SITUATION OF CHILDREN AND RECENT TRENDS

4.1 Introduction

We now turn to the analysis of the economic wellbeing of children in Ireland. Most of this analysis will be on the basis of the household surveys just described, but we begin in Section 4.2 by looking at some aggregate indicators of child welfare in the areas of health and education. The measurement of income and poverty using survey-based data is then discussed in Section 4.3. The position of households with children *vis-a-vis* a range of income poverty lines in the 1987 ESRI Survey is analysed in Section 4.4. The recent trends over time in the situation of such households are examined in Section 4.5, using the 1973 and 1980 Household Budget Surveys as points of comparison. The central result of this analysis is the marked deterioration in the position of households with children compared to those without children.

4.2 Aggregate Indicators of Child Welfare

Before turning to the in-depth analysis of the economic situation of children and their households, it is useful to look at some broad indicators of child welfare in the areas of health and education. In an international context, indicators such as child mortality and educational participation rates are commonly used in making comparisons across countries, particularly in dealing with developing countries. These indicators also have their uses in looking at a country such as Ireland – though they must be interpreted with care – serving to provide a particular perspective on the welfare of Irish children both compared with other countries and in terms of evolution over time.

One of the most widely used indicators of child welfare in such international comparisons is the infant mortality rate. The Irish rate

has declined rapidly even over a relatively short period, from about 20 per thousand live births in 1970 to about $7\frac{1}{2}$ in 1988. Most other EC countries also experienced a sharp decline in infant mortality over this period, but the Irish rate has now fallen to among the lowest in the EC. This means that there are few countries in the world with a lower infant mortality rate – Sweden, Japan and Finland are slightly below, at about 5-6 per thousand, which may be considered about the biological minimum at current levels of medical expertise etc.¹ Compared with some developing countries, of course, such rates are extremely low indeed – with many countries having infant mortality rates of 100 per 1,000 or above. It is worth noting, though, that even as recently as 1960 the Irish rate was over 30 per thousand, while in the early 1950s it was over 40. Thus very substantial progress has been made in this respect in Ireland and other developed countries over a relatively short period, as a result of improvements in nutrition, housing conditions etc. as well as more effective health care. The extent to which this serves as a reliable indication of improvements in child health more generally over that period is not clear, however.

In terms of educational participation rates, substantial progress has also been made in recent years. The primary school participation rate is now virtually 100 per cent, and participation up to the age of 14 approaches that level. About 5 per cent of children have left school by the age of 15, and two-thirds are still in school at 17 years of age.² As recently as 1974, only 44 per cent of 17 year olds were still in full-time education³, and the percentages were considerably lower in the 1960s prior to the introduction of free secondary education. Cross-country comparisons of such educational indicators are bedevilled by definitional and data comparability problems, but in terms of primary and secondary level participation Irish rates appear satisfactory compared with other developed countries.

Ideally one would like to assess developments in child welfare across different areas of life on the basis of a variety of economic and social indicators. Apart from the aggregate health and educational statistics just described, available data make this extremely difficult to do, either over time for Ireland or across countries. We therefore now turn to the analysis of the economic situation of children and their households on the basis of household survey data. We begin with a description of the data available on income, and of the approach to be taken in measuring poverty.

4.3 The Survey Data and the Measurement of Poverty

As described in Chapter 3, the ESRI Survey of Income Distribution, Poverty and Usage of State Services gathered a wide range of data on households' composition, characteristics, income, life-style and views. In the present study most emphasis is given to income poverty lines – though we look at household life-styles, deprivation indicators and subjective reactions of respondents in Chapter 8 – so it is appropriate to begin by describing briefly the nature of the income information obtained in the survey.

In the ESRI survey, as in the HBS, the precise information gathered on income varied depending on the type of income involved. For employee income, pensions, sick pay and social welfare payments, the amount sought was that received last week (or fortnight/month for those paid on that basis). For income from non-farm self-employment, profit over a longer period, usually a year, was requested since income in a particular week could be unrepresentative. For rent, interest and dividend income, which are usually received only at particular points in the year, the amount received over the past twelve months was asked. For income from farming, detailed information on inputs, outputs and expenditures for the calendar year 1986 was requested. Income from all these sources was then converted to a weekly equivalent, and it is on this weekly income that the analysis is based. It is therefore important to emphasise the *current* nature of the income measure, reflecting in the main the amount received over the previous week, rather than, for example, annual income.

The information gathered allows income from various sources, and before and after income tax/PRSI contributions, to be distinguished. On this basis, disposable income – income from work and property plus State transfer payments minus income tax and PRSI contributions – can be calculated. This is the principal income concept used in this study, since it is the most directly relevant to a household's spending power. The role of non-cash benefits provided by the State, particularly in the areas of education and health care will be touched on in the course of the study, but the primary concentration is on disposable income.

The complex conceptual and methodological issues which arise in attempting to measure poverty have been discussed in depth in Callan, Nolan, *et al.* (1989), and that discussion will not be repeated

here. For present purposes it may suffice to summarise the main conclusions reached there. It was argued that "poverty" can only be meaningfully interpreted, in a country such as Ireland, in the context of the standard of living and ordinary living patterns in that particular society. What people regard as "necessities" will inevitably be socially determined, rather than "absolute". Thus, a person may be considered to be in poverty when, due to lack of resources, he or she is unable to participate fully in the life of the community.

Having reviewed the different approaches to drawing a poverty line which have been used here and elsewhere, the conclusion was reached that there is no entirely satisfactory objective and convincing method of drawing a unique poverty line. Indeed, such an "all or nothing" approach – with people being simply categorised as "poor" versus "not poor" – may not be the most helpful. In this study we once again prefer to explicitly acknowledge the uncertainty and lack of consensus on where to locate a poverty line, and concentrate on what can be learnt from the application of a variety of lines. This allows the sensitivity of particular results to the precise location of the line to be assessed, and strong conclusions which hold across a range of lines can be put forward with considerable confidence.

One convenient way of implementing this general approach is to calculate a set of purely relative poverty lines, which simply represent a proportion of average income in the population. As in earlier studies, we take 40 per cent, 50 per cent and 60 per cent of mean income, which covers a wide range. These income poverty lines we regard as providing an indispensable starting point in measuring poverty, rather than the final word, as discussed in detail in Callan, Nolan, *et al.* (1989). Not only is there no basis within the method itself to derive a particular income poverty line, but current income alone does not provide all the information which we would wish to bring to bear in exploring poverty. The implications of low current income for living patterns and deprivation will not necessarily be the same for different households. Some households currently on low incomes will be able to draw down savings, borrow, or get support from family, etc., to maintain their living standards at a higher level than that income alone would allow. Others, who have perhaps been at that income level for a considerable time, may have exhausted other resources and be entirely dependent on current income. Different households may also have different proportions of their cur-

rent income pre-committed to cover housing costs or repay borrowings, for example, and thus the amount actually available for current consumption may vary.

The analysis of patterns of living and deprivation is therefore also of great value in illuminating the nature and meaning of poverty. The relationship between current income, consumption levels, living patterns and experience of deprivation is a complex one, and is the subject of a separate in-depth Institute study currently under way. As noted in Callan, Nolan, *et al.* (1989, Chapters 8 and 12), this research makes use of information on assets and borrowings and of income over a longer period, to broaden the resources which can be taken into account. The observed pattern of deprivation among households can then be explained in terms of current income, broader resources, and household characteristics such as composition and stage in life cycle. The issues raised must for the most part be left to future work: here, though, it is worth emphasising the point that everyone on a relatively low level of current income will not necessarily be experiencing the same level of deprivation.

Concentrating for the most part on current income, as we do in this study, has however the key advantage in the present context that it allows changes over time in the income position of households with children compared to those without children to be documented. This provides us with some particularly strong results which do not depend on the precise location of the income poverty line. As emphasised in the earlier Report for the Agency (Callan, *et al.* 1988) and in Callan, Nolan, *et al.* (1989), it is results of this nature which are in our view most valuable, and it turns out that consistent and important trends in the relative position of households with children are revealed.

Purely relative poverty lines, by definition, concentrate solely on the position of those at low incomes relative to the average: they take no account of how that average is itself evolving over time. Callan, Nolan, *et al.* (1989, Chapter 5) emphasised the importance of also looking at the background against which changes in measured poverty using relative poverty lines is occurring, particularly over the period in question, 1973 to 1987. There was a sharp contrast between 1973-80, which saw significant growth in average household income in real terms (of about 8%), and 1980-87 which saw virtually no change in average real disposable household

income.⁴ The implications of a rise in relative poverty for the living standards of the poor would be different in those two situations, and we would want to take this into account. In order to illustrate this, in addition to applying purely relative lines we also apply to the 1987 ESRI sample lines which represent the 1973 and 1980 relative lines uprated in real terms to 1987. The results and their interpretations are discussed in Section 4.8, having first presented the results based on purely relative lines for 1987 and for the 1973 and 1980 HBS samples.

4.4 Poverty Lines and Equivalence Scales

Before deriving and applying the poverty lines, though, one further issue, which is critical in the context of the present study, must be addressed.

In deriving poverty lines, we wish to take into account the fact that households of different size and composition will have different needs – an income of £100 a week would permit a household consisting of a single adult to attain a considerably higher standard of living than a couple with three children, for example. Simply dividing household income by the number of persons in the household makes a crude allowance for differences in needs, but does not take into account economics of scale in consumption (“two can live as cheaply as one”) or the different needs of adults and children.

The customary approach is therefore to apply what are termed “adult equivalence scales”. These set out relativities between different household types, which are intended to allow their incomes to be converted to a comparable basis. If a single person living alone is taken to equal 1, a couple living together may be counted not as 2 but as 1.7, for example. Equivalent income is then calculated by dividing total household income by the equivalence scale for the household type in question. To reach the same standard of living or welfare level as a single person on £100 a week, the couple would then require £170 per week.

The critical issue which must then be faced is: what equivalence scales, what set of relativities between different household types, is the most appropriate? This is something on which no consensus has yet emerged – or indeed shown any sign of emerging – in the international research literature. A wide range of different scales, and of methods of producing them, have been applied (see Whiteford,

1985 for a comprehensive review). For Ireland, previous studies have used scales based on social welfare payment rates (for example Rottman, Hannan, *et al.* 1982; Murphy, 1984, and Roche, 1984) or ones developed elsewhere (FitzGerald, 1981). Recently, Conniffe and Keogh (1988) have produced the first equivalence scales estimated on the basis of expenditure patterns of Irish households, using Household Budget Survey data. These differ from the scales used in the Irish studies just mentioned, in that they allow an amount to cover the “needs” of a child which is constant across households rather than a proportion of household income.

Given the range of scales which have been used internationally, and the fact that the precise scales chosen may have a substantial influence on the position of households with children versus other households, it is crucial in this study to assess the sensitivity of our results in this respect. For this reason a variety of scales will be applied, drawing on those in use elsewhere, those implicit in the current structure of social welfare payments, and those produced from the analysis of expenditure patterns. While this makes the analysis more cumbersome, it is essential in order to show the extent to which particular results are or are not dependent on the equivalence scale employed.

This topic is analysed in detail in Chapter 5. In the present chapter, though, for ease of exposition we begin by presenting aggregate results on the position of households with children using one set of equivalence scales. This is the proportional scale based broadly on the set of relativities implicit in the rates of support payable to different family types under the Unemployment Assistance/Supplementary Welfare Allowance scales. Under these schemes, the adult dependent payment is about two-thirds of the full personal rate. The child dependent payment plus Child Benefit combined amounts to about one-third of the personal rate (with some variation depending on family size). The equivalence scales implied are therefore, broadly speaking, 1 for the household head, 0.66 for other adults, and 0.33 for each child. We will use these scales in the results presented in this chapter, though this is not to be taken as an endorsement of the social welfare implicit relativities or of this approach to deriving such scales. Rather, they are intended to serve as a benchmark against which to measure the impact of applying different scales, in the manner outlined in detail in the following chapter.

4.5 Deriving the Relative Poverty Lines

Using the 1/0.66/0.33 scales, the equivalent income of each household is calculated by dividing total household income by the relevant number of adult equivalent units: $(1 + 0.66 + 0.33 + 0.33) = 2.32$ for a couple with two children, for example. The mean equivalent income over all households in the sample is then calculated, and turns out to be about £85.50 per week. The relative poverty lines are then derived as 40 per cent, 50 per cent and 60 per cent of this average, i.e., about £34, £42.75 and £51 per week respectively. Since these are based on mean equivalent income, they apply to a single-adult household: the poverty lines for larger households are derived by multiplying these amounts by the relevant number of adult equivalent units. For a couple with two children, for example, the 50 per cent line is $(42.75 \times 2.32) = £99$. Table 4.1 shows the three relative poverty thresholds derived in this way for some common household types.

Table 4.1: *Relative Poverty Lines for Various Household Types*

| Household type | Relative Poverty Line ^a | | |
|-------------------------------|------------------------------------|-------------|-------------|
| | 40 per cent | 50 per cent | 60 per cent |
| | £ | £ | £ |
| One adult | 34.2 | 42.8 | 51.3 |
| Two adults | 56.8 | 71.0 | 85.6 |
| Two adults and one child | 68.1 | 85.1 | 102.1 |
| Two adults and two children | 79.3 | 99.2 | 119.0 |
| Two adults and three children | 90.6 | 113.3 | 135.9 |
| Two adults and four children | 101.9 | 127.4 | 152.9 |
| One adult and one child | 45.5 | 56.9 | 68.2 |
| One adult and two children | 56.8 | 71.0 | 85.6 |
| Three adults | 79.3 | 99.2 | 119.0 |
| Three adults and one child | 90.6 | 113.3 | 135.9 |
| Three adults and two children | 101.9 | 127.4 | 152.9 |

Note: ^a Equivalence scale 1/0.66/0.33.

To put these into perspective, at the time the survey was carried out a single adult on short-term Unemployment Assistance received £34 per week. A couple with two children on the same scheme received £83 (including Child Benefit), and a four-child family got

£105. An adult on Unemployment Benefit received £41 while a two- and four-child family on UB received £95 and £126 respectively. At the upper end of the social welfare payment levels, a contributory old age pension for a single person was £53, and for a married couple it was £88. Another perspective is provided by looking at the corresponding real income levels in 1990: uprating the lines for a single adult by the increase in consumer prices between 1987 and 1990, the 40%, 50% and 60% lines would now be about £37.50, £47 and £56 respectively.⁵

4.6 Households With and Without Children Below the Relative Poverty Lines

We look first at the extent to which households with and without children fell below the three relative poverty lines in 1987. Table 4.2 shows the percentages below each line, based – as are all the results in this chapter – on the equivalence scale 1/0.66/0.33. Children are defined as under 14 years of age. The results show that households with children are consistently at greater risk of falling below each of the lines. This is not particularly pronounced at the 40 per cent line, but there is a substantially higher risk for households with children at the two higher lines. As a result, while households with children make up 45 per cent of all households in the sample, they account for 58 per cent of those below the 50 per cent line and 51 per cent of those below the 60 per cent line.

Table 4.2: *Percentage of Households With and Without Children Falling below Relative Poverty Lines, 1987.*

| % below line | Relative Poverty Line ^a | | | Per cent of all households |
|-----------------------------|------------------------------------|------|------|----------------------------|
| | 40% | 50% | 60% | |
| Households with children | 8.3 | 23.0 | 34.8 | 44.7 |
| Households without children | 6.9 | 13.1 | 26.1 | 55.3 |
| All households | 7.5 | 17.5 | 30.0 | 100.0 |

Note: ^a Equivalence scale 1/0.66/0.33.

The implication of these results is that a relatively high proportion of children are to be found in households below these lines. Table 4.3

compares the situation of children and adults in terms of the percentages in households below the lines. Children clearly face a higher risk of being in poverty at each line. Again, this is not very pronounced at the 40 per cent line, but at each of the higher lines there is a substantially higher risk for children.

Thus while about one fifth of all persons are in households below half average equivalent income, over one-quarter of all children are in households below that income level. The percentage of children in households below the highest relative line approaches 40 per cent, compared with 31 per cent of all persons.

We will consider in later chapters the characteristics of these households, and the reasons why they are to be found at low income levels. First, though, we look at the overall trends over time in the relative position of households with children, using the 1973 and 1980 Household Budget Survey results for comparison.

Table 4.3: Risk of Poverty for Adults and Children, 1987.

| % in households falling below line | Relative Poverty Line ^a | | | Per cent of total population |
|------------------------------------|------------------------------------|------|------|------------------------------|
| | 40% | 50% | 60% | |
| Children | 9.1 | 26.0 | 39.0 | 29.4 |
| Adults | 7.8 | 17.3 | 28.2 | 70.6 |
| Total Persons | 8.2 | 19.8 | 31.4 | 100.0 |

Note: ^a Equivalence scale 1/0.66/0.33.

4.7 Aggregate Trends Over Time in the Position of Children Using Relative Poverty Lines

In making comparisons between the Household Budget Survey (HBS) results and the ESRI sample the definition of "child" employed in the 1973 and 1980 HBS, which is under 14 years of age, must be used. Relative poverty lines were calculated for the 1973 and 1980 HBS samples in the same way as for the ESRI one, using average equivalent income in each as the basis for the 40 per cent, 50 per cent and 60 per cent lines. The percentage of the households with and without children, and of all households, falling below these lines in each year is given in Table 4.4. Between 1973 and 1987 there was a fall in the percentage of all households below

the 40 per cent line, little change with the 50 per cent line, and a sharp rise for the 60 per cent line. The trends for households with and without children were markedly different, though. For households with children there was a sharp increase in the percentage falling below each of the lines over the period. For households without children, by contrast, the percentage below each of the lines fell significantly between 1973-87.

Table 4.4: Households With and Without Children below Relative Poverty Lines, 1973, 1980 and 1987

| Percentage below line | Relative Poverty Line ^a | | |
|-----------------------------|------------------------------------|------|------|
| | 40% | 50% | 60% |
| Household with children: | | | |
| 1973 | 5.5 | 12.1 | 21.4 |
| 1980 | 8.2 | 15.0 | 24.2 |
| 1987 | 8.3 | 22.9 | 34.7 |
| Households without children | | | |
| 1973 | 10.9 | 23.0 | 30.4 |
| 1980 | 7.8 | 18.6 | 30.9 |
| 1987 | 6.9 | 13.1 | 26.2 |
| All Households | | | |
| 1973 | 8.3 | 17.7 | 26.0 |
| 1980 | 8.0 | 16.8 | 27.6 |
| 1987 | 7.5 | 17.5 | 30.0 |

Note: ^a Equivalence scale 1/0.66/0.33.

The result, in terms of children compared with adults falling below the lines, is shown in Table 4.5. The percentage of children in households below the 50 per cent and 60 per cent lines rose very significantly between 1973 and 1987, with most of this increase taking place between 1980 and 1987. Whereas 16 per cent of children were in households below half average equivalent income in 1973 and 18.5 per cent were in such households in 1980, this had risen to 26 per cent by 1987. The percentage of all adults in such households, by comparison, rose only slightly, from 15 per cent to 17 per cent, over the same period. While there was only a relatively small increase in the percentage of children in households below the 40 per cent line between 1973 and 1987 (and actually a slight fall

between 1980 and 1987), this still exceeded the increase in the number of adults below that line. Thus the deterioration in the position of children compared with adults is still seen even at that line.

Table 4.5: *Risks of Poverty for Adults and Children, 1973, 1980 and 1987*

| | 1973 HBS | 1980 HBS | 1987 HBS |
|------------------|-------------|-------------|-------------|
| <i>Children</i> | | | |
| 40 per cent line | 7.2 | 10.1 | 9.1 |
| 50 per cent line | 15.7 | 18.5 | 26.0 |
| 60 per cent line | 27.4 | 29.5 | 39.0 |
| <i>Adults</i> | | | |
| 40 per cent line | 6.6 | 7.7 | 7.8 |
| 50 per cent line | 14.4 | 15.2 | 17.3 |
| 60 per cent line | 23.1 | 25.4 | 28.2 |

Note: Equivalence scale 1/0.66/0.33

We will explore in Chapter 6 the factors underlying these trends, and highlight the role of unemployment in the worsening of the relative position of households with children. First, though, Chapter 5 looks at the sensitivity of the results at an aggregate level, which we have discussed so far, to the equivalence scale used.

4.8 Aggregate Trends Over Time Using Constant Real Income Benchmarks

As pointed out above, it is important in assessing the implications of the trends in the 1973-80 and 1980-87 periods in the relative position of households with children to also take into account the differences in the economic background against which these trends took place. In the 1973-87 period, real household incomes rose by about 8 per cent on average, whereas between 1980-87 mean household income actually fell slightly. Holding to the notion that poverty as it is commonly understood is founded in the living standards and expectations of a particular society at a particular point in time – it is in that sense relative – does not mean that such differences in average income growth are irrelevant. Rather, we want to measure both changes in relative poverty and the context in which they occur, to allow their implications for the nature and impact of poverty to be fully reflected.

It is therefore of interest to look at what the trends in measured poverty would be if, instead of using relative income lines, we applied lines which are held constant in real terms over time. One way in which this can be implemented is to take the 1973 relative lines – the 40 per cent, 50 per cent and 60 per cent lines – and update these to 1987 solely on the basis of the increase in prices over that period. Consumer prices rose by 422 per cent between 1973 and 1987, and increasing the 1973 relative lines by that percentage gives, for example, a 50 per cent line for a single adult of £39 per week. Since real equivalent household incomes rose by about 10 per cent over the period, this is below the actual 50 per cent relative line for 1987 used above, which was about £42.50.

Table 4.6 shows the percentage of households and of children falling below these “constant real lines” in 1973 and 1987. By 1987 the percentage of households below the lines had fallen about 4 per cent below the 1973 levels. However, it is striking that even so, there was little change in the percentage of children below the 50 per cent and 60 per cent lines – in fact the percentage below the 50 per cent line actually rose marginally. This illustrates dramatically the deterioration in the position of households with children *vis-a-vis* other households over the period, and how many low-income families with children were in effect left behind by the limited real income growth which took place between 1973 and 1987.

Table 4.6: *Households and Children Below 1973 “Real” Lines, 1973 and 1987*

| % below line | 1973 “Real” Lines | | |
|------------------------|-------------------|------|------|
| | 40% | 50% | 60% |
| <i>% of households</i> | | | |
| 1987 | 4.7 | 13.0 | 22.0 |
| 1973 | 8.3 | 17.7 | 26.0 |
| <i>% of children</i> | | | |
| 1987 | 4.2 | 16.2 | 25.4 |
| 1973 | 7.2 | 15.7 | 27.4 |

Note: equivalence scale 1/0.66/0.33

As already emphasised, all this growth took place between 1973-1980. If we look simply at the 1980-87 period, the absence of growth in average incomes means that any increase in poverty for children

during these years measured in purely relative terms also implies an increase in poverty using lines held constant in real terms. As described in Section 4.7, the relative poverty lines in fact showed a very substantial increase in the percentage of children below the 50 per cent and 60 per cent lines over this period – from 18.5 per cent to 26 per cent below the 50 per cent line, for example. This also therefore reflects a significant deterioration in the real incomes of such low-income households with children.

4.9 Conclusions

There have been significant improvements in the position of Irish children over the past two decades in terms of global indicators of health and educational participation. However, the analysis of household survey data reveals a marked deterioration over this period in the economic situation of households with children compared to those without children. The proportion of children in households falling below a range of relative income poverty lines has increased, and households with children now face a significantly higher risk of being below such lines than those without children.

Measured against poverty lines held constant in real terms, there has been little or no improvement in the position of children since 1973, at a time when the overall percentage of households below such lines did fall (a decline which was concentrated in the 1973-80 period). Over the years 1980-87, there was a significant deterioration in the real incomes of low-income households with children.

In Chapter 6, we explore the factors producing these aggregate trends, and highlight the role of unemployment in the deterioration in the relative position of households with children. First, though, it is important to look at the sensitivity of the results discussed so far to the equivalence scale employed, and this is the subject of the next chapter.

Footnotes to Chapter 4

1. See for example Cornia (1990), p. 33.
2. Statistical Report of the Department of Education 1986/7, Table 2, p. 3.
3. Statistical Report of the Department of Education 1972/73-1973/4, Table 2, p. 4.
4. See Callan, Nolan, et al. (1989), pp. 74-75.
5. The CPI is expected to increase by about 3.25 per cent in 1990, implying a rise of 10 per cent between 1987 and 1990. (*Quarterly Economic Commentary*, April 1990, p. 27).

Chapter 5

CHILD POVERTY AND EQUIVALENCE SCALES

5.1 Introduction

In the previous chapter, results on the income position of children were presented based on a particular set of assumptions about the “needs” of children compared with adults, and of a couple compared with a single person. These assumptions were broadly based on the set of relativities between adults and children, and between a single adult/couple, implicit in social welfare payment rates.

These are not the only set of relativities which could be employed, though, and they cannot be simply assumed to be the appropriate ones. It is therefore vital to examine the sensitivity of the results to the precise assumptions made about the relative needs of different households, i.e., the scales used to convert them to an equivalent or comparable basis. In the present chapter, then, various other equivalence scales are applied and the results assessed in terms of the aggregate numbers of households, persons and in particular children falling below relative poverty lines.

We begin, in Section 5.2, by applying some scales which are similar in structure to those used in Chapter 4 but take different values. That is, each child and each extra adult is represented by a proportion of the needs of a single adult, with that proportion varying from scale to scale. In Section 5.3 we introduce additional complexity, using scales which distinguish between children of different ages, and between families of different sizes. In Section 5.4 an alternative method of constructing scales, where the extra needs of children are represented as an absolute income figure rather than as a proportion of household income, is discussed. Finally, Section 5.5 brings together the conclusions.

5.2 Varying the Equivalence Scales

In Chapter 4 the equivalence scale used took the following form:

$$\begin{aligned} &\text{number of adult equivalent units} = 1 \text{ (for the household head)} \\ &+ (0.66 \times \text{number of other adults}) + (0.33 \times \text{number of children}). \end{aligned}$$

The equivalent income of the household was then calculated as (total household income/number of equivalent units). These scales were based on the broad relativities incorporated in the UA/SWA schemes, where an adult dependent payment is about two-thirds the full personal rate, with the payment for child dependants being about one-third. On this basis, a couple with two children and total income of £200 per week would be expected to attain a level of welfare or standard of living similar to a single adult who has £86 per week.

The set of relativities incorporated in social welfare rates is of particular interest, but it cannot be simply taken as the appropriate one. The question of how such a set of scales should be estimated is one of the thorniest issues facing research into poverty and welfare, and no consensus has been reached as to the most satisfactory way of approaching the problem. (For a discussion of the research literature and the issues involved see Conniffe and Keogh, 1988; Whiteford, 1985.) Given this uncertainty, the approach taken here – as in Callan, Nolan, *et al.* (1989) – is to apply different scales and highlight results which hold irrespective of the scale used. It is particularly important that this be done in focusing on child poverty, since our assumptions about the needs of children relative to adults may have a major impact on what we find about the welfare of households with children compared to those without.

First, then, we look at a number of other sets of equivalence scales which have the same form as the one already applied, but incorporate different values for children and for extra adults relative to a single adult. The scales used will be

- (i) A scale used in a number of studies for the EC Commission, as well as by the French Statistical Office (INSEE), where the household head is 1
each additional adult is 0.7
each child is 0.5.

- (ii) A scale similar to that incorporated in the UK Income Support (formerly Supplementary Benefit) scheme rates, widely used in the analysis of poverty and income distribution there, where the household head is 1
each additional adult is 0.6
each child is 0.4.
- (iii) A scale taking more extreme values, with the value for an additional adult being particularly high and that for children lower than in the others used, where the household head is 1
each additional adult is 0.7
each child is 0.3.

These scales, together with the 1/0.66/0.33 one used in Chapter 4, cover a considerable range and encompass most of those used in previous Irish studies on poverty and income distribution. Average equivalent income in the ESRI sample is recalculated using each of these sets of scales, and the relative poverty lines based on these means are derived. Since average equivalent income varies depending on the scale used, so will the poverty lines, with for example the 50 per cent line for a single adult household ranging between £40 and £43.

Table 5.1 shows the percentage of all households, and of households with and without children, falling below each of the three relative poverty lines with each of the sets of equivalence scales (including for reference the 1/0.66/0.33 scale used in Chapter 4). While there is some variation in the percentages below each line depending on the scale employed, the overall pattern described in Chapter 4 still holds for all the scales – households with children face a higher risk of being below each of the poverty lines. The difference is obviously most pronounced for the scale allowing the highest figure for children relative to adults – scale A – where it is indeed very substantial, households with children facing about twice the risk of falling below the poverty lines. Even for scale D, though, which allows only 0.3 for the needs of each child and the relatively high figure of 0.7 for additional adults, the risk facing households with children is significantly above that for households without, for both the 50 per cent and 60 per cent lines.

Table 5.1: *Households Below Relative Poverty Lines with Different Equivalence Scales*

| % below line | Relative Poverty Line | | |
|-------------------------------|-----------------------|------|------|
| | 40% | 50% | 60% |
| <i>Scale A</i> | | | |
| - households with children | 14.8 | 28.4 | 39.6 |
| - households without children | 6.2 | 11.2 | 20.5 |
| - all households | 10.0 | 18.9 | 29.0 |
| <i>Scale B</i> | | | |
| - households with children | 11.6 | 25.5 | 37.0 |
| - households without children | 6.6 | 12.9 | 25.3 |
| - all households | 8.9 | 18.5 | 30.5 |
| <i>Scale C</i> | | | |
| - household with children | 8.3 | 22.9 | 34.7 |
| - households without children | 6.9 | 13.1 | 26.2 |
| - all households | 7.5 | 17.5 | 30.0 |
| <i>Scale D</i> | | | |
| - households with children | 7.9 | 22.2 | 33.8 |
| - households without children | 7.2 | 13.5 | 26.0 |
| - all households | 7.5 | 17.4 | 29.5 |

Notes: A additional adult = 0.7, child = 0.5
 B additional adult = 0.6, child = 0.4
 C additional adult = 0.66, child = 0.33
 D additional adult = 0.7, child = 0.3.

Table 5.2 shows the implications of this pattern for the percentage of all children found in households below the relative lines, again for each of the four sets of scales. The variation in scale has most impact at the 40 per cent line, where the percentage of children falling below that line ranges from as low as 8 per cent with scale D to 19 per cent with scale A. There is much less difference at the 60 per cent line, with the percentage of children below this highest line ranging from 38 per cent to 45 per cent.

Table 5.2: *Children Below Relative Poverty Lines with Different Equivalence Scales*

| % of children below line | relative poverty line | | |
|--------------------------|-----------------------|------|------|
| | 40% | 50% | 60% |
| Scale A | 19.3 | 33.7 | 45.3 |
| Scale B | 14.7 | 30.0 | 41.9 |
| Scale C | 9.1 | 26.0 | 39.0 |
| Scale D | 8.2 | 24.9 | 37.9 |

These sets of scales may also be used to assess the robustness of the trends over time described in Chapter 4, on the basis of a comparison with the Household Budget Surveys for 1973 and 1980. Table 5.3 shows the percentage of children in households below each of the relative lines in 1973, 1980 and 1987, for each of the four sets of equivalence scales. Table 5.4 shows the corresponding percentages of adults. The deterioration in the relative position of children over the period is seen irrespective of the scales used. The percentage of adults in households falling below each of the lines rose both between 1973 and 1980 and between 1980 and 1987. This increase was however considerably less marked than the rise in the percentage of children for the 50 per cent and 60 per cent lines. For example, with Scale B the percentage of children below the 50 per cent line rose from 19 per cent in 1973 to 30 per cent in 1987, whereas the percentage of adults rose from 14.5 per cent to 17.5 per cent. For the 40 per cent line with scales C and D the percentage of children below the line actually fell between 1980 and 1987, but still rose slightly more over the whole 1973-87 period than the percentage of adults below that line.

Table 5.3: *Children Below Relative Poverty Lines, 1973, 1980 and 1987, with Different Equivalence Scales*

| % below line | Relative Poverty Lines | | |
|----------------|------------------------|------|------|
| | 40% | 50% | 60% |
| <i>Scale A</i> | | | |
| 1973 | 11.4 | 22.8 | 35.9 |
| 1980 | 14.3 | 24.8 | 36.9 |
| 1987 | 19.3 | 33.7 | 45.3 |
| <i>Scale B</i> | | | |
| 1973 | 9.1 | 18.9 | 31.8 |
| 1980 | 12.1 | 21.3 | 31.8 |
| 1987 | 14.7 | 30.0 | 41.9 |
| <i>Scale C</i> | | | |
| 1973 | 7.2 | 15.7 | 27.4 |
| 1980 | 10.1 | 18.5 | 29.5 |
| 1987 | 9.1 | 26.0 | 39.0 |
| <i>Scale D</i> | | | |
| 1973 | 6.8 | 14.2 | 24.9 |
| 1980 | 9.3 | 17.6 | 27.9 |
| 1987 | 8.2 | 24.9 | 37.9 |

Table 5.4: *Adults Below Relative Poverty Lines, 1973, 1980 and 1987, with Different Equivalence Scales*

| % below line | Relative Poverty Lines | | |
|----------------|------------------------|------|------|
| | 40% | 50% | 60% |
| <i>Scale A</i> | | | |
| 1973 | 6.9 | 15.3 | 25.1 |
| 1980 | 8.5 | 16.4 | 26.2 |
| 1987 | 10.0 | 18.5 | 28.5 |
| <i>Scale B</i> | | | |
| 1973 | 6.7 | 14.4 | 23.6 |
| 1980 | 8.0 | 15.6 | 25.2 |
| 1987 | 8.8 | 17.5 | 28.2 |
| <i>Scale C</i> | | | |
| 1973 | 6.6 | 14.4 | 23.1 |
| 1980 | 7.7 | 15.2 | 25.4 |
| 1987 | 7.8 | 17.3 | 28.2 |
| <i>Scale D</i> | | | |
| 1973 | 6.6 | 14.5 | 22.8 |
| 1980 | 7.5 | 15.2 | 25.5 |
| 1987 | 7.9 | 17.3 | 28.4 |

5.3 Further Variation in the Equivalence Scales

So far, the equivalence scales employed have all had a particular form. The “needs” of additional adults and of children are reflected in proportionate adjustments to household income. The particular proportion chosen for a child has not varied with the age of the children or the number of children in the household. We now look at the difference which would be made by taking such possibilities into account.

We look first at variation by age. There is some evidence both internationally (for example Piachaud, 1979) and for Ireland (see Conniffe and Keogh, 1988) that the “needs” of a child will vary depending on age. A number of studies suggest that teenagers are more expensive than younger children, for example, and this can be taken into account in the construction of equivalence scales. In the UK both the scales implicit in social security support rates and those estimated on the basis of household expenditure patterns incorporate such an age-related element. Table 5.5 shows the “DHSS scales” derived from the analysis of expenditure data by McClements (1977), together with the scales implicit in the Supplementary Benefit payment rates (in 1987), both of which are frequently used in the

study of poverty and income distribution in the UK. The DHSS scales have a considerably finer categorisation, distinguishing 6 age ranges for children compared with 3 in the SB scales. The DHSS ones also incorporate values for extra adults which decline as the number of adults in the household increases. Piachaud (1979) concluded that, even with a higher payment for teenagers, SB scales still were substantially below the amounts required to meet minimum needs.

Conniffe and Keogh (1988), in their study of equivalence scales for Ireland, adopt a quite different approach (as discussed in detail in the next section), but their results do indicate children over 5 having significantly greater costs than younger children (see Table 5.6 below). Comparing a household with one child aged under 5 to a household with one child aged 5-14, for example, the costs associated with the older child were estimated to be almost 1.5 times those for the younger one. Likewise Lee and Gibney (1989) emphasise the need to take into account the greater demand for food of older children in setting social welfare support rates.

Table 5.5: *UK Equivalence Scales*

| | DHSS scales ^a | Supplementary Benefit scales ^b |
|---|--------------------------|---|
| Married couple | 1 | 1 |
| Single adult (householder) | 0.61 | 0.62 |
| Second adult (non-householder) ^c | 0.46 | } 0.49 |
| Third adult (non-householder) | 0.42 | |
| Fourth adult (non-householder) | 0.36 | |
| Child aged 16-17 | 0.35 | } 0.38 |
| Child aged 13-15 | 0.27 | |
| Child aged 11-12 | 0.25 | } 0.32 |
| Child aged 8-10 | 0.23 | |
| Child aged 5-7 | 0.21 | |
| Child aged 2-4 | 0.18 | } 0.21 |
| Child aged 0-1 | 0.09 | |

Source: Social Trends No. 8, 1977, p.

Notes: ^a Including housing costs.

^b Excluding housing costs, from 1985 rates.

^c That is, a second adult who is not the spouse of the householder.

We can assess the impact of incorporating an age variation in the equivalence scales first by altering the 1/0.66/0.33 scales to allow for higher costs for older children. Holding the value for children under 5 years at 33 per cent of the single adult level, we could for example attribute 40 per cent to children aged 5 or over. This scale would produce a slightly higher percentage of all households, and of households with children, below relative poverty lines. For example, where 23 per cent of households with children were below the 50 per cent line with the 1/0.66/0.33 scale, about 24.5 would be below that line with a scale which instead allowed 40 per cent for older children. This increase is, unsurprisingly, concentrated among larger families since these are more likely to have older children. Instead of simply increasing the allowance for older children and leaving that for younger children unchanged, we could instead reduce that for younger children at the same time so as to leave the average approximately unchanged. For example, the scale could allow 30 per cent for younger children and 36 per cent for older ones. Such a scale would produce results very like those seen for the simple 1/0.66/0.33 scale – in other words, simply introducing variation by age of child does not in itself significantly alter the relative position of households with children.

A further analysis of the effect of introducing age variation in the scales can be carried out by applying the UK DHSS scales which as Table 5.5 shows allow more for the needs of older than younger children. The results may most usefully be compared with those produced by the equivalence scale B discussed above – that is, 1/0.6/0.4 – since the DHSS scales on average allow about that for extra adults and children. The levels of average equivalent income and the poverty lines are in fact little different whether the 1/0.6/0.4 scale or the DHSS scales are applied, and about the same percentage of households and children are below the lines in each case. For example, with the 1/0.6/0.4 scale we found above that about 30 per cent of children were in households below the 50 per cent line. With the DHSS scales, about 28 per cent of children are in such households.

The use of scales allowing for needs varying with the age of the child do not therefore appear to alter the overall pattern of the results presented earlier. There may be some differences in the actual households found above/below the lines, of course. However,

a comparison of the households below the poverty lines in each case did not indicate that this produced marked differences in the type of households with children involved, in terms of such variables as size and composition and labour force participation.

Alternatively, variation may be introduced in terms not of the ages of children, but of the number of children in the family. Instead of allowing 33 per cent of the “needs” of an adult for each child, for example, we could allow 33 per cent for the first child and less, or more, for further children. The major difficulty here is that there are conflicting views about the form this might take. Economies of scale in consumption would suggest a smaller allowance for additional children. However, some would argue for higher social welfare allowances for larger families, on the basis that such families face particular problems or are especially likely to be in poverty. This conflict is to be found in the current structure of social welfare rates. The level of Child Benefit is considerably higher for fifth and subsequent children. The child dependant allowances for recipients of UB or Disability Benefit, on the other hand, are slightly higher for the first two children than for subsequent children. Conniffe and Keogh (1988) found that the costs for a second child were well below those for a single child. They were able to examine only a limited number of family types, though, due to the constraints imposed by the numbers of larger families in the data they employed. They could not therefore shed light on the position of larger versus smaller households.

Notwithstanding the degree of uncertainty about how scales might sensibly take account of family size, it is clearly important to assess the sensitivity of our results to the introduction of such an adjustment. We can do this by simply using a scale which begins at 0.33 for the first child, is 0.31 for the second child, and declines steadily by 0.02 for subsequent children. The overall percentage of households with children falling below the relative poverty lines is little changed, and the same is true of the composition by household type of these households. This remains true if we “start” the equivalence scale for children at 0.33 for the first child and allow 0.03 less for the second, third etc. Indeed even if the scale declines by 0.04 so that the fifth child, for example, is now allowed only 13 per cent of the needs of the single adult rather than 33 per cent – larger families continue to face a relatively high risk of falling below the poverty lines. Using such a scale, about 26 per cent of couples with 4 or more children are

still below the 50 per cent relative line. Thus incorporating an assumption of lower “needs” per child for larger families does not alter the relatively high risk which they face.

5.4 “Absolute” Equivalence Scales

Up to this point, the equivalence scales employed in this study have been proportional in structure: that is, a household with children is assumed to be able to attain the same standard of living as one without children if it has an income level which is greater by a particular proportion. Using the scale $1/0.66/0.33$, for example, a couple with two children require 2.32 times the income of a single adult to attain the same standard of living. This implies that the “extra” income the larger family requires will vary depending on the income level of the “reference” household with which it is being compared, i.e., the single-adult household. To be at the same standard of living as a single adult on £50 per week, the couple with two children require $(50 \times 2.32) = £116$, or an extra £66 per week. To attain the same standard as a single adult on £150 per week, though, it will require $(150 \times 2.32) = £348$, an extra £198 per week. Thus, by construction, the extra income required by the larger household increases as the income level of the reference household rises, in a strictly proportional manner.

Scales of this general structure are applied widely in research on income distribution and poverty internationally. In particular, scales of this type are universally used when converting the entire income distribution to an equivalent income basis, in order to make comparisons throughout the distribution. However, it is not the only type of scale which could be applied, and rather different structures are produced by various methods of estimating equivalence scales. As emphasised earlier, a variety of methods for estimating equivalence scales has been applied in the research literature internationally, and none has won widespread acceptance. Some of these methods produce estimates of the “costs of children” as money amounts which then apply irrespective of the income of the household in which the child lives. Equivalence scales derived from these estimated cost figures then decline rather than remain constant as household income increases, as the constant cost figure as a proportion of that income falls.

The recent study by Conniffe and Keogh (1988) applies such an

approach to Irish data, and it is therefore particularly interesting to consider the implications of this approach for the analysis of child poverty in Ireland. Conniffe and Keogh estimate the “costs of children” by analysing detailed expenditure data from the Household Budget Survey for 1980. They fit a well-known model of household expenditures, the linear expenditure system, and derive estimates for the “extra” income which would be required by households with children to attain the same standard of living as the reference household, which in their case is a couple with no children. They distinguish two age categories for children – less than 5 years and 5-14 years – and look at five distinct types of households with children – a couple with 1 “young” or 1 “older” child, 2 “young” or 2 “older” children, and 1 “young” plus 1 “older” child. They were not able to look directly at other types of households with children, but extrapolated their results to provide estimates for larger families.

Conniffe and Keogh’s estimated costs of children for the five family types they analysed directly are shown in Table 5.6. (The updated figures they present for 1987 rather than the original 1980 estimates are shown since they are directly relevant to our analysis of the 1987 ESRI survey data.) These have a number of particularly interesting features, some of which have already been mentioned earlier in this chapter. There is a marked difference between young and older children, the latter having considerably higher estimated costs – £28 compared with £20 for a single child. There is also evidence of economies of scale, particularly for younger children: 2 young children “cost” only £24 where one young child costs £19.60. For older children the second child also costs considerably less than the first – £16 compared with £28 – but the economies are not so very marked as for young children.

As Conniffe and Keogh point out, these cost estimates are quite different in level and structure to the support provided by the State through the social welfare system. Table 5.6 also presents the actual level of payment for the children in such households which were paid in 1987 under both Unemployment Benefit and Unemployment Assistance (long-term), including Child Benefit. With the exception of the 2 young children household type, the payment levels are significantly below the estimated costs. Further, the structure of the payments is quite different, since they take into account neither the age of the child nor, to any great extent, the size of the family.

Table 5.6: *Estimated Costs of Children and Social Welfare Payments for Children (1987)*
(£/week)

| | <i>1 young child</i> | <i>1 older child</i> | <i>2 young children</i> | <i>2 older children</i> | <i>1 young child</i> <i>1 older child</i> |
|---|----------------------|----------------------|-------------------------|-------------------------|--|
| Conniffe/Keogh estimated costs (updated to 1987) | 19.60 | 28.20 | 24.30 | 44.20 | 33.40 |
| Short-Term Urban Unemployment Assistance ^a | 11.87 | 11.87 | 24.94 | 24.94 | 24.94 |
| Unemployment Benefit ^a | 13.17 | 13.17 | 27.44 | 27.44 | 27.44 |

Source: Conniffe and Keogh (1988), Table 7.4.1, p. 99.

Note: ^a Including Child Benefit

As Conniffe and Keogh are at pains to stress, their estimation of the costs of children and the issue of what level of costs should be met by the State, either for social welfare recipients or for the remainder of the population, are quite separate. A variety of other considerations come into play in making recommendations as to the appropriate policy. However their estimates are a useful input, particularly in illustrating the potential importance of economies of scale and of distinguishing between younger and older children.

We have already discussed both these issues earlier in this chapter, but it is necessary to further consider here the broader implications which adopting equivalence scales derived from such estimated "costs of children" would have for the level and pattern of poverty among households with children. Using proportional scales, equivalent income is calculated by dividing actual household income by the number of adult equivalent units in the household. Using the absolute "costs of children" approach, though, adult equivalent units become rather meaningless: instead, equivalent income is calculated simply by deducting from actual income the "costs" of the children in that household.

Applying this approach runs into the initial problem that only children have been covered by the Conniffe/Keogh study: no estimate is available of the "cost" of an extra adult, so we cannot compare a single adult household with a couple. For the purpose of an illustrative exercise, we may however simply assume a cost per extra adult of, say, £25 (which is about the amount paid for an adult dependent under UA/UB in 1987). Again as an initial illustration, suppose we

just want to see the impact of applying a fixed rather than proportional scale, and therefore do not want at this stage to take into account Conniffe/Keogh's actual level of costs, economies of scale and the difference between young and older children. We thus may simply take a "cost" of £15 per child – again about the level paid in social welfare support in 1987.

This structure of costs – £25 per "extra" adult and £15 per child – would allow equivalent income to be calculated for each household, by deducting £25 for each adult other than the household head and £15 for each child. How then would we approach the application of poverty lines to such an equivalent income distribution? The first interesting feature to be noted is that average household equivalent income is now very much higher than that produced by the proportional scales employed above. In fact, mean equivalent income in the ESRI sample on this basis would be over £130 per week, compared with about £85 using the 1/0.66/0.33 proportional scale. The explanation is straightforward: the incomes of households with children are now being reduced by an absolute rather than proportional amount, and for many higher income households with children this leads to higher equivalent incomes.

The implication, though, is that poverty lines derived simply as percentages of mean income – in the manner of the relative poverty lines employed above – would now be at a much higher level for the single adult reference household. A 50 per cent relative line would be £65 per week, and a 60 per cent line would be close to £80, for a single adult. For a couple with two children, though, the additional costs would be the same in each case – £55 – so the 50 per cent line for such a family would be £120 and the 60 per cent line would be about £135. The result is that a significantly higher percentage of all households, and an extremely high percentage of single-adult households, would be below such lines. About 30 per cent of all households in the sample would be below the 50 per cent line and 40 per cent would be below the 60 per cent line, and this would include 62 per cent and 73 per cent respectively of all single-adult households. This appears inherently implausible and unsatisfactory.

Suppose then we do not attempt to derive relative poverty lines, but instead simply specify a number of – lower – poverty lines for the single adult reference household, while maintaining the same additional "costs" for extra adults and children. We could, for exam-

ple, focus on the values for a single adult of £32, £40 and £48 (which our earlier analysis based on relative lines derived from proportional scales in fact employed), and add the £25 per adult plus £15 per child "costs" figures to derive lines for larger households. For the £32 and £40 figures, the results this produces do not look very different from proportional scales. This is not surprising, since the constructed poverty lines then incorporate additional amounts for extra adults and children which in fact represent proportions of the single adult figures similar to those in the proportional scales. Households with children are still much more likely to be below the line, and comprise almost two-thirds of those below it. With the £48 figure for a single adult, but the same additional costs for children and extra adults, the composition of poor households does shift away from those with children somewhat, but these continue to be over-represented among the poor.

We took £25 per extra adult and £15 per child as "absolute costs" simply for illustration of the general impact of using such an approach. It is also useful to take the actual estimates produced by Conniffe and Keogh, which differ from those in that (a) the level of costs for children is generally higher, (b) economies of scale are significant, and (c) young children "cost" considerably less than older children. In doing so we have used, in addition to the figures shown in Table 5.6, their extrapolated estimates for larger family sizes (see their Table 6.11), which we have updated to 1987. The problem of the treatment of extra adults remains, since they covered only children. Their estimate of the cost of a single older child is £28 per week: it therefore seems reasonable to adopt a higher figure for an "extra" adult, of £35. (We will use this figure for each extra adult rather than introducing the complication of further economies of scale as the number of adults increases.)

Calculating average equivalent income on this basis and basing relative income lines for the reference one-adult household as percentages of that average runs into the problem outlined above – the levels are very high and a majority of single-adult households fall below them. If we again adopt the alternative approach, and specify lines of, for example, £40 and £48 for a single adult, and then add the additional "costs" for extra adults and for children to this for other household types, the results are interesting. (Using the line of £32 for a single adult, as above, would not now appear sensible since

the assumed "cost" of an additional adult is higher than that figure). At each line, households with children are still significantly over-represented, though less so at the higher figure as would be expected. In fact, the risk of being below these lines for households with children is as high or higher than that shown by the relative poverty lines based on proportional scales used earlier in this chapter (see Table 5.1 for example). Where about 23 per cent of households with children were below a 50 per cent relative poverty line based on the proportional scale $1/0.66/0.33$, about 30 per cent of such households are below a poverty line of £40 per single adult, £35 per extra adult, and the Conniffe/Keogh estimated costs per child.

This arises essentially because, although the Conniffe/Keogh cost estimates incorporate economies of scale and are fixed rather than proportional, they are at a rather high absolute level for most family types. Thus, employing their estimated costs of children together with a poverty line of £40-£50 per week for a single person still leaves households with children heavily over-represented among the poor. Only as the poverty line for a single adult is raised above £60-£65, while the additional amount allowed for children and "extra" adults remains fixed, does this pattern alter significantly as more and more single adult households fall below the line. Then the feature already remarked on arises, namely that a high percentage of all households, and a very high percentage of single-adult households, fall below the line.

These results reveal that using fixed "costs of children" rather than proportional scales does not generally have much impact at lower income levels (depending of course on the level of costs used). It is at higher income levels that the differences are very pronounced, and for a study concentrating on lower incomes it is not therefore crucial to determine which is more appropriate. This would however be important if the aim was to calculate equivalent income through out the income distribution – in order to calculate average equivalent income, on which relative poverty lines could be based, for example. All the studies we have seen which adopt the latter approach employ proportional scales. This may be partly for convenience, but also appears to reflect the view that proportional scales are the "least bad" option for such a purpose.

It is important to reiterate that, in the words of a recent survey by *Statistics Canada*, "the construction of equivalence scales is an unset-

led matter, depending on judgements of an essentially arbitrary character" (1989). It is the investigator's choice of method and the assumptions which they build into the estimation procedure which determine the type of scales produced. Thus Conniffe and Keogh's fixed scales are the result of their choice of model: they *define* the problem in such a way that a particular money amount represents the "cost" of, for example, a single young child for all households irrespective of income level. This they regard as a plausible and desirable property. It may not be considered so for all purposes, however. Once again, it implies that to reach the same standard of living as a couple on £75 per week, a couple with two young children need about £100. To reach the same standard of living as a couple on £400 per week, a couple with two young children need only the same £25 per week extra – £425. This may not reflect common perceptions about the ranking of these households with children relative to those without children.

This is *not* to argue that rich families "need" more per child than poor ones in any absolute sense. Rather, it may be argued that the extra income which a rich couple with children needs to obtain the same living standard as a rich couple without children may be greater than that required by a low-income household with children to reach the same living standard as a low-income household without children. A proportional adjustment is not the only way such a view could be taken into account – an amount per child which increased as income rose, but at a declining rate, might be more satisfactory, or indeed a proportion but only up to an income ceiling. Fixed and proportional scales may in that sense be seen as points along a spectrum of possible choices. Nor, it must be stressed, does the use of proportional scales imply that State intervention to assist with child support should necessarily take the form of greater absolute transfers to richer families. There could be a case for such transfers from the point of view of promoting *horizontal* equity, between those with and without children at various income levels, and this was in fact the justification for child tax allowances in the income tax code. However, as discussed in our final chapter, this is only one of the range of objectives towards which policy may be directed, and choices have to be made about the priority to be accorded to each.

To conclude this discussion of the "absolute" costs of children approach, at low income levels the results it produces may not differ

greatly from those of alternative equivalence scales. In the particular case of the estimated "costs of children" produced by Conniffe and Keogh (1988) for Ireland, over a substantial range of values for the poverty line for the reference (without children) household these continue to show households with children to be overrepresented among the poor. "Absolute" scales may not however be most suitable for application throughout the income distribution, which makes the derivation of purely relative poverty lines problematic with this approach. In the context of the present study, though, this is not critical since it has been possible to assess the position of low-income households with children without having to rely on such lines.

5.5 Conclusions

This chapter has examined the sensitivity of the results presented earlier, on the situation of households with children, to the precise way in which allowance is made for the greater needs of larger versus smaller households. This applied in particular to the high proportion of households with children, compared to those with no children, found below the relative poverty lines in 1987, and the deterioration in the position of households with children over the 1973-87 period.

The equivalence scales employed were varied over a considerable range to see if these results still held when different assumptions were made about the "needs" of children and of additional adults in a household. First, different proportional scales were tried, and compared with the results based on the 1/0.66/0.33 scales used in earlier chapters. The main findings clearly still held, even with a smaller allowance for the needs of children and a larger one for extra adults. Scales which incorporated larger adjustments for older children, and which varied with the number of children in the household, were also tried, and this remained the case.

The choice of equivalence scale is largely a matter of judgement, given the current state of knowledge about how they can sensibly be derived. Different scales may be appropriate for different purposes, and scales which are based on child costs which are fixed, irrespective of household income, were also tried. At lower income levels these gave results which did not differ greatly from those produced by proportional scales.

Having looked at the overall situation of households with children compared to those without, we now turn to the analysis of the characteristics of households which contain children and are at relatively low income levels.

Chapter 6

CHARACTERISTICS OF LOW-INCOME HOUSEHOLDS WITH CHILDREN

6.1 Introduction

Having analysed in some detail the income position of households with children and the risk of poverty facing children, we now go on to ask why so many of these households are found at relatively low income levels, taking their needs into account. In doing so we focus on some key characteristics of the households in question, particularly their size and composition, the extent and nature of their members' labour force participation, and social welfare payments received. This analysis is then extended in Chapter 7 to an examination of trends over time, and in particular the central role which increased unemployment has played in producing the deterioration in the relative position of households with children, which has been documented in the previous two chapters.

In this analysis we will for the most part employ the equivalence scale 1/0.66/0.33 derived from social welfare payment rates. Presenting detailed disaggregations of household characteristics on the basis of a range of different scales would be unwieldy, particularly since three different poverty lines are already being used. However, the sensitivity or otherwise of the main results to variations in the equivalence scales will be remarked on where appropriate.

6.2 Household Composition

We begin by looking at the composition, in terms of numbers of adults and children, of the households with children below each of the relative poverty lines. In doing so we employ the household composition types used by the CSO in the HBS reports. Table 6.1 shows the risk of poverty in 1987 facing households with and without children, broken down into these categories. Table 6.2 shows

the percentage which each group comprises of all households below the poverty lines, and of all households in the sample.

Table 6.1: Risk of Poverty Facing Households of Different Composition, 1987

| Household Composition Type | % Falling Below Relative Poverty Line | | |
|----------------------------------|---------------------------------------|------|------|
| | 40% | 50% | 60% |
| <i>households with children:</i> | | | |
| 2 adults + 1 child | 6.2 | 16.7 | 22.3 |
| 2 adults + 2 children | 3.7 | 19.4 | 27.3 |
| 2 adults + 3 children | 5.5 | 21.7 | 33.9 |
| 2 adults + 4 or more children | 9.0 | 35.1 | 50.3 |
| 3 adults with children | 16.2 | 25.5 | 37.3 |
| 4 adults with children | 11.3 | 20.1 | 33.6 |
| others with children | 10.4 | 24.9 | 45.1 |
| all households with children | 8.3 | 23.0 | 34.8 |
| all households without children | 6.9 | 13.1 | 26.1 |
| all households | 7.5 | 17.5 | 30.0 |

Table 6.1 shows that, as already noted, households with children have a higher risk of being in poverty at each of the three poverty lines than households without children, though the difference is most pronounced at the 50 per cent line. Looking at the risk for the different types of households with children, there is a clear and substantial increase in risk as the number of children increases. Households consisting of 2 adults and 1 or 2 children are only at greater risk than households without children at the 50 per cent line, and are generally not above the average risk for all households. It is 2-adult households with 3 and even more those with 4 or more children which face the particularly high risk levels. Over one-third of all households consisting of two adults and 4 or more children are below half average equivalent income, and half are below the 60 per cent line.

The household types “3 adults with children” and “4 adults with children” also face relatively high risks. It is worth recalling that “adult” is defined here as aged 14 or over. Some of these households thus in fact consist of a couple with their children, of whom for

example 1 or 2 are aged 14 or over, but not necessarily completed full-time education. (Similarly, some “3 adults without children” households will actually be a couple with one or more children aged 14 or more but *still dependent*). The “others with children” group also faces a high risk, particularly at the 60 per cent line. This includes both one-adult and five or more adults with children, but most of the households in the category in fact have only 1 adult. Such single adult households with children face an even higher risk than the group as a whole – their risk being 14%, 29% and 70% respectively at the three poverty lines.

Table 6.2 shows the breakdown of the households below the poverty lines, and of all households in the sample, by composition type. The importance of a particular category among the poor will depend on the combination of its importance in the overall sample and the risk which it faces. Looking at the 50 per cent poverty line, then, the most important categories with children are two adults with two children – which is the most substantial single group in the sample as a whole – and two adults with four or more children, which although a much smaller proportion of the sample faces a very high risk.

Table 6.2: Households Below Relative Poverty Lines, and All Households, By Composition Type 1987.

| Household Composition Type | % Of All the Households Below Relative Poverty Line | | | % of total sample |
|---------------------------------|---|-------|-------|-------------------|
| | 40% | 50% | 60% | |
| <i>households with children</i> | | | | |
| 2 adults + 1 child | 5.1 | 5.9 | 4.6 | 6.2 |
| 2 adults + 2 children | 4.7 | 10.6 | 8.7 | 9.6 |
| 2 adults + 3 children | 5.1 | 8.7 | 7.9 | 7.0 |
| 2 adults + 4 or more children | 6.7 | 11.1 | 9.3 | 5.5 |
| 3 adults with children | 13.0 | 8.8 | 7.5 | 6.0 |
| 4 adults with children | 7.1 | 5.4 | 5.3 | 4.7 |
| others with children | 7.9 | 8.1 | 8.5 | 5.7 |
| all households with children | 49.6 | 58.6 | 51.8 | 44.7 |
| all households without children | 50.4 | 41.4 | 48.2 | 55.3 |
| all households | 100.0 | 100.0 | 100.0 | 100.0 |

Because of the interaction of group size and risk, households with 2 adults and one or two children thus make up a significant proportion of all households with children falling below the lines, despite their relatively low risks. However, in the present context another particularly relevant way of looking at the picture is to ask how the children in poor households are distributed – which will of course differ from the distribution of poor households with children. Table 6.3 shows that, simply because the larger households contain more children, children in poor households are concentrated in the 2 adults with 3 children, 2 adults with 4 or more children, and 3 adults with children groups. These groups contain 60 per cent or more of all children in households below the relative poverty lines.

Table 6.3: Number of Children in Poverty by Type of Household

| In Households With | Percentage of Children Below Relative Poverty Lines | | |
|-----------------------|---|-------|-------|
| | 40% | 50% | 60% |
| 2 adults + 1 child | 4.6 | 3.8 | 3.4 |
| 2 adults + 2 children | 6.1 | 12.9 | 12.4 |
| 2 adults + 3 children | 11.2 | 16.9 | 17.0 |
| 2 adults + 4 children | 26.2 | 35.4 | 33.2 |
| 3 adults + children | 21.2 | 12.1 | 12.6 |
| 4 adults + children | 16.6 | 9.0 | 8.9 |
| Others with children | 14.2 | 9.8 | 12.5 |
| All | 100.0 | 100.0 | 100.0 |

This result is not merely a product of the equivalence scale used, as is shown in Table 6.4. There the three other proportional scales introduced in chapter 5 are also used and the classification of households below the lines in each case presented. Compared with the results produced by the 1/0.66/0.33 scale used so far in this chapter – shown again under scale C in Table 6.4 for ease of comparison – scales A and B allow more for the “needs” of children. As a result, households with children make up a larger proportion of all poor households, and in particular large families are even more important. Even with scale D, though, which allows less (0.3) for

children and more (0.7) for adults, there is little diminution in the importance of the groups “2 adults with 3 children”, “2 adults with 4 or more children”, and “3 adults with children”.

Table 6.4: Households Below 50 per cent Relative Poverty Line by Composition Type, with Different Equivalence Scales

| Household Composition Type | Equivalence Scale | | | |
|---------------------------------|-------------------|-------|-------|-------|
| | A | B | C | D |
| <i>households with children</i> | | | | |
| 2 adults + 1 child | 5.6 | 5.6 | 5.9 | 5.9 |
| 2 adults + 2 children | 11.1 | 10.4 | 10.6 | 10.3 |
| 2 adults + 3 children | 10.5 | 9.9 | 8.7 | 8.0 |
| 2 adults + 4 or more children | 14.8 | 13.3 | 11.1 | 10.6 |
| 3 adults with children | 9.3 | 8.5 | 8.8 | 8.7 |
| 4 adults with children | 5.4 | 4.8 | 5.4 | 5.6 |
| others with children | 10.5 | 9.0 | 8.1 | 8.1 |
| all households with children | 67.2 | 61.5 | 58.6 | 57.2 |
| all households without children | 32.8 | 38.5 | 41.4 | 42.8 |
| all households | 100.0 | 100.0 | 100.0 | 100.0 |

In framing policy aimed at improving the situation of children in poor households, then, larger families are an obvious focus of particular concern. We now turn from household composition to another crucial characteristic of poor households, namely the nature of the household head’s involvement in the labour force.

6.3 Labour Force Participation

The current labour force status of the household head is a key influence on current household income. The analysis of households below the relative poverty lines in 1987 presented in Callan, *et al.* (1988) and Callan, Nolan, *et al.* (1989) revealed that households headed by an unemployed person or a farmer dominate, particularly at the 40 per cent and 50 per cent lines. Concentrating here on child poverty, does this also hold for the subgroup of households below the lines which contain children?

Table 6.5 compares the households with and without children falling below the 50 per cent line, classified by head's labour force status. This shows that there are in fact some important differences between the pattern for all households below the line and that for households with children. For households with children, farmer-headed households are considerably less important, whereas those headed by an unemployed person are even more dominant, accounting for almost half of those below the line. The other major difference is that, unsurprisingly, very few of the households with children are headed by a retired person. Households headed by an employee are more important, though they still account for only 12 per cent of those with children and below the line.

Table 6.5: *Households With and Without Children Below 50 per cent Relative Poverty Line, by Head's Labour Force Status*

| <i>Labour Force Status of Household Head</i> | <i>Per Cent of Households Below Line</i> | | |
|--|--|-------------------------|----------------------------------|
| | <i>With Children</i> | <i>Without Children</i> | <i>All Households Below Line</i> |
| employee | 11.9 | 5.5 | 9.6 |
| self-employed | 5.2 | 4.6 | 4.9 |
| farmer | 16.9 | 33.9 | 23.7 |
| unemployed | 48.5 | 14.1 | 34.2 |
| ill | 9.3 | 11.7 | 10.4 |
| retired | 0.7 | 21.4 | 9.3 |
| home duties | 7.1 | 8.4 | 7.8 |
| | 100 | 100 | 100 |

This pattern is accentuated when we look, in Table 6.6, at these below the highest, 60 per cent line. Again unemployed are much more important, and farmers much less so, for households with children. The divergence is now even greater, though, for households headed by an employee: these account for 21 per cent of the households with children below the line, but only 6 per cent of those without children. For households below the poverty lines and containing children, then, a majority do not have the household head in employment – the head is unemployed, ill or in home duties. Nonetheless, a significant minority do have a head who is at

work, generally as an employee or a farmer. In most of these cases, the head is the only household member at work.

Table 6.6: *Household With and Without Children Below 60 per cent Relative Poverty Line, by Head's Labour Force Status*

| <i>Labour Force Status of Household Head</i> | <i>Per Cent of Households Below Line</i> | | |
|--|--|-------------------------|-----------------------|
| | <i>With Children</i> | <i>Without Children</i> | <i>All Households</i> |
| employee | 20.6 | 5.5 | 13.5 |
| self-employed | 6.5 | 2.9 | 4.8 |
| farmer | 13.8 | 21.5 | 17.5 |
| unemployed | 39.4 | 9.9 | 25.2 |
| ill | 9.3 | 16.2 | 12.6 |
| retired | 0.9 | 20.5 | 10.3 |
| home duties | 9.3 | 23.0 | 15.9 |
| | 100 | 100 | 100 |

Again, the breakdown of *children* below the lines may of course differ from the breakdown of the *households* containing children, if there are significant differences in household size across labour force status categories. Table 6.7 shows households with children below the 50 per cent line by the labour force status of the head *and* by the number of children in the household. It can be seen that those headed by a farmer have a relatively high proportion with one child only. This is also the case for those headed by a sick or disabled person. Those headed by an employee, on the other hand, have a relatively high proportion with 2 children, and those headed by an unemployed person have a high proportion with 5 or more children. Overall, though, the average number of children per household is not substantially above average for any particular group, as also shown in the table. This means that the distribution of children below the relative lines is similar to the distribution of households with children by labour force status category. Thus about 41 per cent of children below the 60 per cent relative line are in households where the head is unemployed, 22 per cent in households with an employee as head. It is worth emphasising that 52 per cent of all children below the 50 per cent relative line are in households with an unemployed head.

Table 6.7: Households with Children Below 50% Poverty Line, by Head's Labour Force Status and Number of Children

| No. of Children | Labour Force Status of Head of Household | | | | | |
|----------------------------|--|----------|-----------------------|---------------|-------|---------------|
| | Employee % | Farmer % | Other Self-Employed % | Un-employed % | Ill % | Home Duties % |
| 1 | 15.8 | 29.6 | 18.1 | 20.9 | 34.8 | 23.9 |
| 2 | 36.6 | 23.2 | 22.2 | 29.9 | 22.1 | 36.9 |
| 3 | 21.6 | 24.6 | 38.2 | 20.3 | 16.3 | 16.4 |
| 4 | 15.3 | 13.9 | 15.7 | 11.6 | 12.4 | 18.4 |
| 5 or over more | 10.5 | 8.9 | 5.1 | 17.3 | 14.2 | 4.9 |
| Average number of children | 100 | 100 | 100 | 100 | 100 | 100 |
| | 2.9 | 2.6 | 2.7 | 2.7 | 2.4 | 2.4 |

6.4 Social Welfare

It is also of interest to look at the risk of being below the relative poverty lines facing households in receipt of various social welfare benefits, particularly for households with children. Table 6.8 shows the percentage of households falling below each of the three relative lines where the household head is in receipt of Unemployment Benefit, Unemployment Assistance, etc. (We concentrate on cases where the household head is in receipt because in other circumstances – where, for example, a teenage son living with parents is in receipt of UA – the social welfare received may not be a principal determinant of the economic position of the household.) The high risk facing households where the head is in receipt of Unemployment Benefit, but even more so, Unemployment Assistance, is no great surprise given the results described in the previous section on the position of households where the head is unemployed. It is worth emphasising, though, that 61 per cent of households with the head in receipt of UA are below the 50 per cent relative poverty line, and 70 per cent are below the 60 per cent line.

Similarly, the relatively low risk facing households headed by those in receipt of old age pensions is consistent with the position of households headed by a retired person outlined above. Those in

receipt of contributory rather than non-contributory pensions are much less likely to be below the lines, reflecting not only the higher rate paid to such recipients but also the fact that many would also receive occupational pensions. There is a similar differential between those in receipt of Widow's Benefit rather than Allowance, with 39 per cent of the latter below the 60 per cent relative line.

Table 6.8: Risk of Being Below Relative Poverty Lines for Households with Head in Receipt of Various Social Welfare Payments

| Household Head in Receipt of | Per Cent Below Relative Poverty Line | | |
|------------------------------------|--------------------------------------|------|------|
| | 40% | 50% | 60% |
| Unemployment Benefit | 6.3 | 38.3 | 59.9 |
| Unemployment Assistance | 16.0 | 60.9 | 70.3 |
| Disability Benefit | 3.6 | 34.3 | 56.8 |
| Invalidity Pension | 3.3 | 13.0 | 64.2 |
| Old Age Pension (contr.) | - | 0.9 | 10.1 |
| Old Age Pension (non-contr.) | 3.5 | 10.1 | 35.7 |
| Widow's Pension (contr.) | 1.0 | 3.6 | 21.0 |
| Widow's Pension (non-contr.) | 8.0 | 13.7 | 38.8 |
| Deserted Wife's Benefit/Assistance | - | 17.4 | 69.4 |
| Unmarried Mother's Allowance | - | 21.7 | 69.1 |
| Supplementary Welfare Allowance | 26.0 | 42.8 | 69.0 |
| Family Income Supplement | - | 47.8 | 92.7 |

While the households headed by a person in receipt of Disability Benefit and Invalidity Pension do not face a particularly high risk at the 50 per cent line, a much higher proportion are below the 60 per cent one – largely due to the fact that the rate of support paid is between these two lines. At the 60 per cent line, the risk for these households headed by an ill/disabled person is not very different to those for the unemployed. The same is true of households where the head is in receipt of Deserted Wife's Benefit or Assistance or Unmarried Mother's Allowance – a very high proportion are below the 60 per cent line but at the 50 per cent line their risk is about average. Households where the head is in receipt of Supplementary Welfare Allowance or Family Income Supplement have a particularly high percentage below the 50 per cent line, and almost all the latter are below the 60 per cent line.

In the present context it is of particular interest to look at the risk facing such households with children. Table 6.9 compares the positions of households with children and those without, where the head is in receipt of the various payment types (except Unmarried Mother's Allowance and Family Income Supplement where children must be present in all cases for payment to be received). The proportions below the 50 per cent and 60 per cent relative lines are shown – with small numbers below the 40 per cent line in most instances that line is not particularly informative. Clearly the risk facing households with children compared to those without depends on the structure of benefits paid to different family types, and the extent of other income received by the households in question. The equivalence scale being used to arrive at equivalent incomes incorporates in broad terms the same relativities between adults and children as the social welfare system, so this should not be a major determinant of the differential risks facing those with and without children. None the less, even minor variations can be significant at a particular poverty line so this could still play some part in the observed differences in risk.

Table 6.9: Risk of Being Below Relative Poverty Lines for Households with Head in Receipt of Social Welfare: With Versus Without Children

| Household Head in Receipt of | 50% Line | | 60% Line | |
|---------------------------------------|------------------|---------------------|------------------|---------------------|
| | With Children | Without Children | With Children | Without Children |
| Unemployment Benefit | 39.4 | 35.2 | 62.6 | 52.5 |
| Unemployment Assistance | 69.7 | 43.3 | 79.9 | 51.3 |
| Disability Benefit | 39.3 | 30.1 | 63.4 | 51.3 |
| Invalidity Pension | 48.1 | 2.7 | 76.8 | 60.5 |
| Old Age Pension (contr.) | 16.0 | 0.4 | 19.5 | 9.8 |
| Old Age Pension (non-contr.) | 26.6 | 9.6 | 58.7 | 35.1 |
| Widow's Pension (contr.) | 0.0 | 4.1 | 22.5 | 20.8 |
| Widow's Pension (non-contr.) | 55.9 | 9.7 | 80.8 | 34.8 |
| Deserted Wife's Benefit/Assistance | 9.7 | 26.8 | 62.5 | 77.7 |
| Supplementary Welfare Allowance | 55.4 | 12.9 | 65.1 | 78.2 |

Table 6.9 shows that for most schemes households with children face a higher risk than those without, though there are exceptions, notably Deserted Wife's Benefit/Assistance. For Unemployment and Disability Benefit, those with children have somewhat higher risks, but the gap is considerably wider for Unemployment Assistance: 80 per cent of households with children and a head in receipt of UA are below the 60 per cent line. Very few households where the head receives an Old Age Pension have children so the comparison is not particularly relevant there. For Supplementary Welfare Allowance, households with children face a higher risk at 50 per cent, but not the 60 per cent line. It is also worth emphasising the particularly high risk facing households where the head receives Family Income Supplement – and for the 60 per cent line those receiving Unmarried Mother's Allowance – which by the nature of the schemes all contain children.

Finally, it is interesting to look not just at households with children in receipt of social welfare, but also at the distribution of children among those households. We saw earlier that about one-quarter of all children (aged under 14) were in households below the 50 per cent relative poverty line. A notable result of the analysis of patterns of social welfare receipt is that over 40 per cent of these children are in households where the head is in receipt of Unemployment Assistance. This is produced by the combination of the substantial number of household heads receiving UA and the relatively high risk of being below the poverty lines faced by these households. (Size of family is not particularly high among UA recipients, compared to UB or DB recipients, so this does not make an independent contribution to the proportion of "poor" children in these households.) A further 11 per cent are in households where the head is in receipt of UB, so again the importance of unemployment is to be emphasised.

For other social welfare schemes, even those where there is a very high risk of being below the poverty lines, the numbers involved are very much smaller. Thus, for example, less than 5 per cent of children below the 50 per cent line are in households where the head receives Supplementary Welfare Allowance, and the figure for Family Income Supplement is about 3 per cent. For Deserted Wife's Benefit/Assistance and Unmarried Mother's Allowance the numbers are even smaller, though these do appear to be underrepresented in the

sample to some extent (see Chapter 3). They also face a much higher risk at the 60 per cent than the 50 per cent poverty line because of the level of the benefit paid, but even at the higher line they represent only a small proportion of all children in households below the line. In the particular case of Unmarried Mother's Allowance, it is interesting that only about 35 per cent of recipients are in fact household heads, with about two-thirds living in larger households. These larger households also face a relatively high risk of being below the poverty lines, though, about half being below the 60 per cent line. Even taking into account all such households receiving UMA – rather than only those where the head is in receipt – and using the 60 per cent rather than 50 per cent line, children in these households account for only about 1.5 per cent of all those below the line.

About 70 per cent of the households containing children and falling below the 50 per cent relative poverty line have the household head in receipt of one of the social welfare schemes shown in Table 6.8. A majority of the remainder are headed by a farmer or other self-employed person, but about 28 per cent of those below the line and not in receipt (making up 8 per cent of all those below the line) have an employee as head (and are not receiving FIS). In many of these cases, social welfare payments are being received by another household member though not by the head.

6.5 Conclusions

In summarising the results of this analysis of the characteristics of households with children falling below the income poverty lines, two important features may be highlighted. First, not only do households with children have a considerably higher risk of falling below the lines than those without, but households with more than 2 children generally face a relatively high risk compared to those with only one or two children. Households consisting of two adults and four or more children, or of a single adult with children, were identified as being at particularly high risk. About one-third of all children in households below half average income were in households of 2 adults plus 4 or more children.

Secondly, a majority of the households with children falling below the lines had a household head who was not at work, for the most part because of unemployment. Households with an unemployed

head accounted for almost half of all the households with children below half average equivalent income. Households headed by a person on Unemployment Assistance contained over 40 per cent of the children falling below that income line. Particularly at the highest, 60 per cent line, though, a significant minority were headed by an employee.

Chapter 7

EXPLAINING TRENDS OVER TIME

7.1 Introduction

We have looked in some detail at the characteristics of households in the ESRI sample which were below the relative income poverty lines and contained children. In particular, we have focused in Chapter 6 on the size and composition of these households, and on their relationship with the labour force, especially the current labour force status of the household head. In Chapter 4 we looked at the overall trend over time in the position of households with versus those without children, and in the numbers of children in households falling below the relative thresholds.

We now analyse the factors underlying the deterioration in the relative position of households with children since 1973. This involves a decomposition of the overall trends between 1973, 1980 and 1987 making use of the household composition and labour force participation categories already used. The results highlight the role of increasing unemployment and its impact on households with children.

7.2 Decomposition of the Overall Trends for Households with Children

In Callan, Nolan, *et al.* (1989) a method for decomposing the changes over time in the risk of poverty facing households with children was set out. The results presented there were based on the classification of households by labour force composition of the household head. These were based on the expression whereby the overall risk of poverty is written as a weighted sum of the risk of poverty facing households in each distinct labour force status category, with the weights equal to the proportion of all households falling into each category. That is,

$$R = \sum_{i=1}^k W_i R_i$$

where R is the overall risk of poverty (the overall percentage falling below the poverty line), R_i is the risk facing category i , with a total of k categories, and W_i is the weight applied to the category i , which is the percentage of households in that category.

Thus the increase in risk of poverty for all households with children which was documented in Chapter 4 can be broken down into the effect of changes in (i) the risk of poverty facing households where the head is an employee, a farmer, unemployed etc., and (ii) the numbers falling into each of these groups. We now look at these two elements separately in the next two sections.

7.3 The Risk of Poverty Facing Different Household Types

We first look at the way the risk of being below the relative lines has evolved, distinguishing between households on the basis of their head's current labour force status. Table 7.1 shows the percentage of households in each of the categories "head an employee", "head a farmer" etc. falling below the 50 per cent poverty line in each of the years 1973, 1980 and 1987. This shows that the risk of being below the line has *not* risen for households headed by an employee, a self-employed person, someone who is ill, or – it is to be emphasized – those headed by an unemployed person. For the unemployed, in fact, the risk has actually fallen overall, from 64 per cent to 59 per cent. That is, households headed by an unemployed person were slightly *less* likely to be below the 50 per cent line in 1987 than in 1973.

For households headed by a farmer, though, there was a substantial increase in risk. This was partly because of the particular features of farm income in the year covered by the ESRI survey, 1986, which was a low-point for farm incomes and was followed by very substantial increases. (A significant increase in risk for farmers was also seen between 1973 and 1980 however.) For households headed by a retired person or someone in home duties, on the other hand, there was a very substantial decline over the period in the percentage falling below the line. Whereas one-third of the households headed by a retired person were below the line in 1973, only 11 per cent were in 1987. The improvement in the situation of those headed by someone in home duties was even more dramatic. It is

worth noting that although there is also a fall in risk for the retired and those in home duties with the 60 per cent line, it is not as substantial: this reflects that fact that many of these households are relying on social welfare old age or widow's pensions, which by 1987 had risen to well above the 50 per cent line but not (for the non-contributory ones) the 60 per cent line.

Table 7.1 Risk of Falling Below 50% Relative Poverty Line, for Households Classified by Labour Force Status of Head of Household, 1973, 1980 and 1987

| Labour Force Status of HOH | 1973 HBS | 1980 HBS | 1987 ESRI |
|--------------------------------|-------------|-------------|--------------|
| Employee | 4.6 | 3.7 | 4.4 |
| Self Employed | 10.6 | 8.6 | 11.6 |
| Farmer | 16.7 | 27.0 | 35.8 |
| Unemployed | 63.8 | 63.1 | 58.9 |
| Ill | 53.4 | 49.6 | 51.2 |
| Retired | 33.1 | 23.3 | 11.4 |
| Home duties | 43.6 | 32.2 | 12.3 |
| Other (Not in Labour Force) | 37.9 | 42.9 | 25.7 |
| Total | 17.7 | 16.8 | 17.5 |

These trends in the risks facing households classified by labour force status of the head clearly have implications for the risks facing households with children. The decline in risk for those with a retired head, and to a lesser extent those in home duties, does not have much impact on the risk for households with children simply because such households do not contain many children, as seen above. Those headed by an employee, a farmer or an unemployed person are the most important groups in the context of a focus on children, and for these groups there have been offsetting trends in risk: a small fall for employees, an increase for farmers, and a decline for the unemployed. The overall change in risk for these groups would not therefore have a major impact in increasing the risk for families with children.

This implicitly assumes, of course, that the trend in risk *within* each labour force status grouping is the same for households with and without children. Table 7.2 shows that this is not entirely the

case, though, focusing on the crucial employee, farmer and unemployed categories. For households headed by an employee the overall decline in risk of falling below the 50 per cent line between 1973-87 was about the same for those with and without children. For farmer-headed households, though, those with children saw a somewhat sharper increase in risk than those without. For households headed by an unemployed person, likewise, the *fall* in risk was considerably greater for households without children.

Table 7.2: Risk of Falling Below 50 per cent Relative Poverty Line, for Households With and Without Children, by Labour Force Status of Head, 1973-80-87

| Labour Force Status of HOH | 1973 | Per Cent Below Line 1980 | 1987 |
|----------------------------|------|-----------------------------|------|
| <i>employee</i> | | | |
| - with children | 5.7 | 3.9 | 5.1 |
| - without children | 2.4 | 1.5 | 1.9 |
| <i>farmer</i> | | | |
| - with children | 14.2 | 32.3 | 38.9 |
| - without children | 18.5 | 23.4 | 30.1 |
| <i>unemployed</i> | | | |
| - with children | 69.3 | 68.8 | 64.7 |
| - without children | 51.8 | 50.3 | 40.7 |

When we distinguish between households with and without children within each labour force status grouping, then, the trends for those with children are worse than for those with no children. Even so, we still have a pattern where, in effect, a large increase in risk for farmer-headed households is being partially offset by a small decline in risk for those with an employee or unemployed head. The net effect would be to increase the overall risk for households with children, but would not be close to the magnitude of the actual increase in risk for all households with children described in Chapter 4. To explain this increase, we must turn to the changes over time in the *size* of the different labour force groupings.

7.4 Trends in Labour Force Status Categories

There have been major changes over the 1973-87 period in the overall importance of the various labour force status categories, as shown in Table 7.3. The percentage of all households headed by an

employee or a farmer has fallen, balanced by a very considerable increase – from 3 per cent to 10 per cent – in the percentage headed by an unemployed person. This of course reflects the rise in the national unemployment rate, from about 7% in 1973 to over 18 per cent in 1987. There has also been an increase in the percentage headed by a retired person.

Table 7.3: *Composition of Households by Labour Force Status of Head of Household, 1973, 1980 and 1987*

| Labour Force Status of HOH | Per Cent of All Households in Sample | | |
|-------------------------------|--------------------------------------|-------------|--------------|
| | 1973 HBS | 1980 HBS | 1987 ESRI |
| Employee | 49.2 | 47.1 | 38.6 |
| Self-employed (excl. farmers) | 6.9 | 6.8 | 7.5 |
| Farmer | 14.3 | 16.1 | 11.8 |
| Unemployed | 2.8 | 3.9 | 10.3 |
| Ill | 2.3 | 2.5 | 1.2 |
| Retired | 10.8 | 13.7 | 14.4 |
| Home Duties | 11.5 | 9.1 | 11.3 |
| Other (Not in Labour Force) | 2.2 | 0.8 | 4.9 |
| Total | 100 | 100 | 100 |

These changes have very substantial implications for the percentage of households with children falling below the poverty lines, because of (i) the enormous differences in the risk of poverty facing households in the different labour force status groupings and (ii) the significant differences across groupings in the percentage of households which contain children. The sharp increase in the number of households with an unemployed head means that a group (i) facing a relatively very high risk of being in poverty, and (ii) with a relatively high proportion containing children, forms a much higher proportion of the overall population in 1987. Not only does this mean that the proportion of all households falling below the poverty lines increases, it also produces an even greater rise in the proportion of households with children falling below the lines. Employee-headed households, which declined in importance as the

unemployed increased, also have a relatively high number of children, but they face a very low risk of being in poverty. This is the most important factor contributing to the increase in the proportion of households with children falling below the poverty lines.

At the same time, the proportion of the population made up of households headed by a retired person rose, and the risk of falling below the poverty lines for such households declined, as we have seen. Such households contain very few children, and these trends therefore had little direct impact on the percentage of households with children falling below the poverty lines. They did, however, contribute to the deterioration in the *relative* position of households with children compared to those without.

As demonstrated in Callan, Nolan, *et al.* (1989, Ch. 7), the increase in the importance of households headed by an unemployed person is, by itself, sufficient to explain most of the rise in the percentage of households with children falling below the poverty lines. This is based on a simple decomposition which calculates what would have happened if the risk for each labour force status (LFS) grouping remained unchanged, while the distribution of households by labour force status group changed in the manner actually observed. The results of this exercise make clear that between 1980 and 1987 it was the change in the distribution of households by LFS group, and in particular the increase in unemployment, rather than changes in risk for particular LFS groups, which was the predominant cause of the increase in the proportion of households with children falling below the 50 per cent line. Most of the increase in children in poverty over the 1973-87 period took place between 1980-87, and this general conclusion also holds over the longer period.

So far, we have distinguished simply between households with and without children. However, in looking at the evolution of the position of children themselves, it is also important to examine how "small" versus "large" families have fared. This we turn to in the next section, analysing the trends in risks for households of different compositions within the key labour force status groupings.

7.5 Risk by Household Composition and Labour Force Status of Head

We again concentrate on the three most important labour force status categories in the context of children in poverty, namely households headed by an employee, a farmer or an unemployed person.

We begin with the risk of poverty facing households headed by an *employee*. Table 7.4 shows the risk of falling below the relative lines in each of the years 1973, 1980 and 1987 for one or two adult households headed by an employee and with no children, compared with those consisting of two adults and 1 child, 2 children, three children, and four or more children. Clearly the risk of falling below each of the lines in 1987 is higher for the households with 2, 3, and 4 or more children than those with no or only 1 child.

Table 7.4: Households Headed by an Employee Below Relative Poverty Lines, by Composition Type

| | 40% Line | | | 50% Line | | | 60% Line | | |
|-----------------------------|----------|------|------|----------|------|------|----------|------|------|
| | 1973 | 1980 | 1987 | 1973 | 1980 | 1987 | 1973 | 1980 | 1987 |
| 1/2 adults with no children | 1.0 | 1.1 | 1.7 | 1.7 | 1.6 | 1.7 | 2.9 | 2.9 | 4.3 |
| 2 adults with: | | | | | | | | | |
| 1 child | 0.0 | 0.3 | 1.0 | 0.9 | 0.9 | 1.0 | 3.8 | 2.4 | 2.9 |
| 2 children | 1.0 | 1.9 | 0.9 | 1.9 | 2.6 | 5.1 | 6.5 | 5.9 | 11.0 |
| 3 children | 0.6 | 0.3 | 0.8 | 2.4 | 2.5 | 5.1 | 8.7 | 10.6 | 14.9 |
| 4 or more children | 1.4 | 1.2 | 2.0 | 9.7 | 8.2 | 7.9 | 28.1 | 23.5 | 29.2 |

What we are particularly interested in here, though, is the way in which the risk for these households has been changing over time. Looking first at the 50 per cent line, the risk of being below this line has been fairly stable between 1973, 1980 and 1987 for households with no or one child, and for those with 4 or more children. It has risen significantly, though – from about 2 per cent to 5 per cent – for two-adult households headed by an employee with two or three children. Even so, the level of that risk is still relatively low, compared to the average risk for all households (of 17.5%).

For the 60 per cent line, a similar pattern to the 50 per cent line is seen. With the 40 per cent line, there has been little change over the period in the risk facing any of these groups, with the risk remaining very low for all these households headed by an employee.

Households headed by a farmer, as shown in Table 7.5, saw an increase in risk between 1973 and 1987 for almost all categories, whether with or without children, for each of the three poverty lines. There was a greater increase for larger families over the period as a whole, though, with the risk for a household of 2 adults

and 4 or more children rising particularly rapidly, from for example 20 per cent to over 60 per cent at the 60 per cent line.

Table 7.5: Households Headed by a Farmer Below Relative Poverty Lines, by Composition Type

| | 40% Line | | | 50% Line | | | 60% Line | | |
|-----------------------------|----------|------|------|----------|------|------|----------|------|------|
| | 1973 | 1980 | 1987 | 1973 | 1980 | 1987 | 1973 | 1980 | 1987 |
| 1/2 adults with no children | 17.3 | 18.4 | 23.3 | 24.1 | 26.0 | 34.7 | 33.0 | 37.7 | 42.4 |
| 2 adults with: | | | | | | | | | |
| 1 child | 26.0 | 27.5 | 44.1 | 37.2 | 36.1 | 44.1 | 37.2 | 44.6 | 44.1 |
| 2 children | 8.0 | 27.5 | 0 | 8.0 | 36.4 | 38.2 | 17.0 | 43.6 | 44.7 |
| 3 children | 7.7 | 27.1 | 26.7 | 15.0 | 35.2 | 33.3 | 15.0 | 45.1 | 46.7 |
| 4 or more children | 6.7 | 28.2 | 42.6 | 8.6 | 39.3 | 47.4 | 20.0 | 48.8 | 61.7 |

A key group in the context of the trends over time is households headed by an unemployed person. Table 7.6 shows that the risk of falling below the 50 per cent line for such households actually *fell* significantly between 1973 and 1987 for most categories. For those with 1 or 2 adults and no children, or two adults and only 1 or 2 children, the percentage falling below the line fell from 70-90 per cent in 1973 to 50-60 per cent in 1987. For households with 4 or more children, though, the risk of falling below the 50 per cent line remained stable at the very high level of about 87 per cent.

Table 7.6: Households Headed by an Unemployed Person Below Relative Poverty Lines, by Composition Type

| | 40% Line | | | 50% Line | | | 60% Line | | |
|-----------------------------|----------|------|------|----------|------|------|----------|------|------|
| | 1973 | 1980 | 1987 | 1973 | 1980 | 1987 | 1973 | 1980 | 1987 |
| 1/2 adults with no children | 49.9 | 54.2 | 2.7 | 70.3 | 65.8 | 51.2 | 76.8 | 82.6 | 65.4 |
| 2 adults with: | | | | | | | | | |
| 1 child | 50.9 | 61.3 | 8.5 | 80.6 | 71.4 | 54.4 | 80.6 | 76.1 | 67.4 |
| 2 children | 59.4 | 47.5 | 3.9 | 90.8 | 73.7 | 62.8 | 90.8 | 84.0 | 73.4 |
| 3 children | 77.4 | 36.0 | 7.0 | 100.0 | 56.5 | 76.8 | 100.0 | 86.7 | 93.8 |
| 4 or more children | 48.0 | 61.2 | 10.5 | 89.9 | 83.4 | 87.1 | 89.9 | 92.1 | 95.3 |

At the 40 per cent line the fall in risk facing all households headed by an unemployed person between 1980 and 1987 is indeed

dramatic. The percentage below this lowest threshold in 1980 was about 40-60 per cent for the various composition types, but in 1987 only about 5-10 per cent were below the corresponding line. The explanation is that in 1987 the 40 per cent line is *just below* the rate of support provided by the social welfare system to the unemployed – at about 32 per week for a single adult. This means that a large proportion of the households headed by an unemployed person are at income levels just above the 40 per cent line in 1987 – as can be seen in the very substantial proportions falling below the 50 per cent line. For the 60 per cent line, there was a decline in risk for households with no, or with 1 or 2 children. For those with 4 or more children, though, no such fall was seen, with almost all such households still below the highest relative line.

The most important point to emerge from this analysis, of risk by household composition type and head's labour force status jointly, may be summarised. This is that the position of larger households relative to those with no or a small number of children has worsened, in both the case of households headed by a farmer or an unemployed person, over the 1973-87 period. This therefore provides a further contribution to the increasing number of children below the poverty lines, in addition to the unfavourable trends in the position of households with versus those without children discussed earlier.

7.5 Conclusions

This chapter has analysed in some detail the factors producing a deterioration in the position of children over the 1973-87 period. The results have emphasised the importance of changes in the make-up of the population in terms of labour force status. The increase in the proportion of household heads who were unemployed was identified as the most important single factor in bringing about the increase in the percentage of households with children falling below the relative poverty lines. Changes in the risks of falling below the lines within (household head) labour force status categories over time played a subsidiary role. A disimprovement in the position of large versus small families within certain labour force status categories also contributed to the increase in the number of children (as opposed to households with children) below the lines.

Chapter 8

DEPRIVATION AND STYLE OF LIVING

8.1 Introduction

So far we have concentrated on the current disposable income of households with children. This is a central determinant of a household's standard of living, and is also the only basis on which it is possible to make comparisons over time. However, as pointed out in Callan, Nolan, *et al.* (1989 Ch. 8), it is important to supplement such income-based analyses with more direct measures of households' activities and possessions. First of all, this is because factors other than current disposable income will influence current possessions, consumption possibilities and living standards. Such factors include possessions such as durables (and housing) acquired in the past, the availability of savings or other assets, access to borrowing and to networks of social support, and to free or subsidised services. Thus a particular level of current income will not have the same implications for all households at that level. Not all those below a particular income line will be equally "poor" in terms of lifestyle and deprivation, and the fact that most of those under a given line have what would generally be considered a "poor" lifestyle does not necessarily mean that everyone below that income line is poor. Secondly, direct indicators of living patterns and deprivation allow the nature and meaning of poverty, what it *means* in concrete terms to the poor in a particular society at a particular point in time, to be explored and illustrated.

A wide range of questions on household possessions and activities were included in the ESRI Survey of Income Distribution, Poverty and Usage of State Services, in order to permit this kind of analysis. The relationships involved between a household's current income, wider resources, consumption levels and experience of deprivation are extremely complex, and have not been well researched interna-

tionally. This is the subject of an in-depth study currently under way at the Institute, which aims to elucidate these complexities and highlight the value of using both income/resources and direct measures of deprivation in analysing poverty. For present purposes we concentrate simply on an overview of the position of households with children in terms of the various deprivation indicators. We look first at the range of items/activities which have previously been examined in Callan, *et al.* (1988) and Callan, Nolan, *et al.* (1989), now comparing the situation of households with to those without children. Secondly, we also look for the first time at several indicators which apply only to households with children. Finally, we analyse the subjective views and feelings of households in terms of how difficult they find "making ends meet".

8.2 Living Patterns and Deprivation Indicators

The survey gathered information on a set of household possessions or activities as to whether the household has or does the item/activity in question, and whether the respondent feels it is something that "every household (or person) should be able to have and that nobody should have to do without". Further information was also sought, for those lacking an item, as to whether this was because they could not afford it. The proportion of households "lacking" an item who say they are experiencing "enforced lack" in this sense varies considerably across the items. There may be problems in using these responses, since those on low incomes may come to accept the lack of certain items as normal, while some people may be reluctant to admit that lack is enforced, even if they are on very low incomes. None the less, the responses on whether lack was "enforced" do add to our ability to interpret the actual pattern of possession/absence of the various items, and will also be employed here.

In Callan, Nolan, *et al.* (1989, Chapter 8) the percentage of households in the sample "lacking" each of 20 style of living indicators, the extent to which this was reported to be "enforced", and the percentage regarding each as a "necessity" was described. A significant number of these items were not regarded as necessities by a majority or most of the sample – for example, having a daily newspaper or a week's annual holiday away from home. Here we concentrate on the sub-set of ten indicators which were *both* regarded as a necessity *and*

actually possessed by over three-quarters of the sample. It appears a reasonable starting-point to regard these as indicators of deprivation, though the derivation of satisfactory indicators is a complex topic to which we will return in the future. The items involved are shown in Table 8.1, which also sets out the percentage of households in the sample lacking each, the percentage who lack and state this is because they cannot afford it, and the percentage regarding each as a necessity.

Table 8.1: Indicators of Deprivation, Entire Sample

| Item/ Activity | Percentage Lacking | Percentage Experiencing Enforced Lack | Percentage Regarding as a Necessity |
|---|-----------------------|---|---|
| refrigerator | 4.6 | 2.8 | 92 |
| washing machine | 19.4 | 9.7 | 82 |
| a dry damp-free dwelling | 9.7 | 9.0 | 99 |
| heating for the living rooms when it is cold | 3.2 | 2.1 | 99 |
| an indoor toilet in the dwelling | 6.5 | 5.7 | 98 |
| bath or shower | 8.5 | 7.0 | 98 |
| a meal with meat chicken or fish every second day | 12.7 | 9.1 | 84 |
| a warm water- proof overcoat | 13.2 | 8.1 | 93 |
| two pairs of strong shoes | 16.0 | 11.2 | 88 |
| new, not second- hand clothes | 9.3 | 7.5 | 77 |

The percentage in the sample lacking the item ranges from 3 per cent without heating for the living rooms to 20 per cent without a washing machine. There is much less variation in the percentage experiencing enforced lack, from 2 per cent to 11 per cent – because a substantial proportion of those lacking a washing machine, two pairs of shoes, a meal with meat, chicken or fish every second day, or a warm overcoat stated that this was *not* because they could not afford it. The items are, by construction, regarded as necessities by most people – though significant minorities do not

regard new rather than secondhand clothes, a meal with meat etc. or a washing machine as necessities.

We now look in Table 8.2 at the situation of all households with children, compared to all those without, in terms of these 10 indicators. It is noticeable first of all that households without children have a considerably higher percentage lacking the items related to housing and consumer durables – a refrigerator, washing machine, dry dwelling, indoor toilet and bath/shower. This reflects the fact that the two groups most likely to be without these items/facilities are the rural elderly and those living in flats, neither of which will usually contain children. For the items more directly related to current consumption, namely possession of new clothes, two pairs of strong shoes, a warm overcoat, a meal with meat, chicken or fish every second day, and being able to heat the living rooms, the picture is rather different. For three of these items, households with children have a higher percentage lacking – though the difference

is not large – while only for the item “a meal with meat etc.” are more households without children doing without.

Table 8.2 also shows the percentage of households with/without children experiencing “enforced lack” of the items. For the 5 housing/durable items, there is now much less difference between those with and without children – a substantial number of those without children state that the absence of e.g., a washing machine or fridge is not because they cannot afford it. For most of the 5 “current” items, households without children continue to show a slightly higher incidence of enforced lack. Over 24 per cent of households with children report an enforced lack of at least one of these five items, compared with 18.5 per cent of households without children.

While there are many complex determinants of the extent of deprivation, the labour force status of the household head is clearly likely to be a major one. It is therefore particularly interesting to compare households with and without children controlling for the head’s labour force status. Concentrating on the five “current” deprivation indicators, it is found that 15 per cent of households headed by an employee and containing children report an enforced lack of at least one of these items, compared to only 8 per cent of such households without children. A similar pattern is seen for households headed by a self-employed person – where 8 per cent of those with children, compared with 3 per cent of those without, report at least one enforced lack. For those with an unemployed head, the differential is substantial – 49 per cent of those with children compared with 31 per cent of those without children report at least one enforced lack. The exception to this pattern is households headed by a farmer. Eighteen per cent of those with children but 24 per cent of those without report at least one enforced lack. About 80 per cent of all children are in households headed by an employee, self-employed (non-farm) or unemployed person. The fact that such households experience higher levels of enforced lack of these “current” items is therefore of considerable interest.

We focus now on the situation of the households below the income poverty lines. Table 8.3 shows, again for the set of 10 items, the percentage of those below the 60 per cent relative poverty line lacking each item and experiencing enforced lack, distinguishing between households with and without children. Compared with all households, in Table 8.1, those below the 60 per cent line have

Table 8.2: Indicators of Deprivation for Households with and without Children

| Item | % Lacking | | % Enforced Lack | |
|--|----------------------------|-------------------------------|----------------------------|-------------------------------|
| | Households With Children % | Households Without Children % | Households With Children % | Households Without Children % |
| Refrigerator | 2.2 | 7.3 | 1.6 | 3.9 |
| Washing machine | 6.6 | 31.1 | 5.3 | 13.5 |
| A dry damp-free dwelling | 8.5 | 11.5 | 7.2 | 10.4 |
| Heating for the living room | 3.2 | 3.2 | 2.3 | 2.0 |
| Indoor toilet | 3.1 | 9.5 | 2.7 | 8.3 |
| Bath or shower | 3.0 | 13.2 | 2.3 | 11.0 |
| A meal with meat, chicken or fish every second day | 12.1 | 13.4 | 10.4 | 8.0 |
| A warm waterproof overcoat | 14.6 | 12.3 | 7.8 | 8.3 |
| Two pairs of strong shoes | 17.9 | 14.8 | 13.2 | 9.4 |
| New (not second-hand) clothes | 10.8 | 8.5 | 9.4 | 6.0 |

consistently higher percentages lacking each item, both for those with and those without children (though the differences are not always great). In terms of the contrast between households with and without children very much the same pattern as for all households is seen. Those without children have a considerably higher proportion lacking the housing items such as an indoor toilet, a bath or shower, a fridge and a washing machine. For items such as two pairs of shoes, new clothes and a meal with meat etc. every second day, though, households with children below the line are more likely to be going without and to be experiencing an enforced lack.

Table 8.3: *Indicators of Deprivation for Households with and without Children Below 60 per cent Line*

| Item | % Lacking | | % Enforced Lack | |
|--|----------------------------|-------------------------------|----------------------------|-------------------------------|
| | Households With Children % | Households Without Children % | Households With Children % | Households Without Children % |
| Refrigerator | 3.7 | 10.3 | 3.2 | 7.2 |
| Washing machine | 9.5 | 45.3 | 8.5 | 20.3 |
| A dry damp-free dwelling | 12.4 | 18.7 | 11.0 | 18.5 |
| Heating for the living room | 5.4 | 3.8 | 4.7 | 3.4 |
| Indoor toilet | 4.4 | 15.2 | 4.3 | 13.3 |
| Bath or shower | 4.9 | 20.1 | 4.2 | 16.7 |
| A meal with meat, chicken or fish every second day | 24.3 | 21.6 | 22.6 | 15.6 |
| A warm waterproof overcoat | 20.5 | 20.3 | 13.1 | 17.4 |
| Two pairs of strong shoes | 28.5 | 23.1 | 25.2 | 19.0 |
| New (not second-hand) clothes | 21.4 | 14.5 | 19.2 | 13.3 |

Clearly, quite disparate groups will be found under any income poverty line. We might for example expect farm households to have a somewhat different style of living to those headed by an unemployed person or an employee, even if they were on similar incomes

(and leaving aside income measurement problems). It is therefore also of interest to look in detail at two sub-sets of those below the 60 per cent line which we have seen are of particular importance in the context of child poverty, namely those headed by an employee and an unemployed person.

Table 8.4 shows the percentage of these households lacking the 10 items, again distinguishing between those with and without children. In the case of households headed by an employee, a much higher percentage of those with children lack one of the five "current" items. Further, for most of the housing/durable items those without children are not now registering higher levels of absence, except for a washing machine (which is presumably because many of those without children are in flats). Households headed by an unemployed person and below the 60 per cent relative poverty line generally have higher levels of deprivation than employee-headed

Table 8.4: *Indicators of Deprivation for Households with and without Children Below 60 per cent Line, where Head is an Employee or Unemployed.*

| Item | % Lacking Head an Employee | | % Lacking Head Unemployed | |
|--|----------------------------|--------------------|---------------------------|--------------------|
| | With Children % | Without Children % | With Children % | Without Children % |
| Refrigerator | 1.6 | 0.0 | 3.9 | 4.9 |
| Washing machine | 5.5 | 36.5 | 12.5 | 35.1 |
| A dry damp-free dwelling | 12.8 | 0.0 | 11.2 | 7.9 |
| Heating for the living room | 4.5 | 0.0 | 6.4 | 7.7 |
| Indoor toilet | 3.0 | 5.2 | 4.8 | 16.7 |
| Bath or shower | 5.0 | 5.2 | 5.0 | 16.7 |
| A meal with meat, chicken or fish every second day | 22.0 | 2.9 | 28.2 | 16.0 |
| A warm waterproof overcoat | 16.1 | 0.0 | 22.5 | 22.3 |
| Two pairs of strong shoes | 22.9 | 3.4 | 31.7 | 29.7 |
| New (not second-hand) clothes | 11.1 | 5.2 | 27.3 | 15.0 |

households below the line. The difference between households with and without children is, in the case of the unemployed, less marked. None the less, 57 per cent of those with children compared to 40 per cent of those without lack one or more of the 5 current items. The differential in terms of *enforced* lack (not shown in the table) rather than lack between those with and without children is slightly wider for both those headed by an employee and an unemployed person. For households with children, 40 per cent of employee-headed households below the 60 per cent line report enforced lack of at least one of the five current items, compared to only 11.5 per cent of those without children. For households headed by an unemployed person and below the line, 54 per cent of those with children compared with 34 per cent of those without report such an enforced lack.

We now turn to four further items or indicators, which are specific to households with children. These are whether the household does not have or cannot avail of:

- (i) toys or leisure equipment for children;
- (ii) separate bedrooms for different sexes for children over 10 years of age;
- (iii) three meals per day for the children;
- (iv) education up to age 20 for all children

Confining attention to households with children, then, Table 8.5 shows that only a very small proportion of such households – 1.5 per cent – said they did not have three meals each day for the children. Higher percentages – 6/7 per cent – said they did not have toys etc. and separate bedrooms for different sexes. About one-third of all households with children said they did not or could not avail of education up to age 20 for all children. About half of these households stated that they could not *afford* education up to age 20 for their children.

Looking at households with children falling below the 60 per cent relative poverty line, the percentage lacking each of the four items is somewhat higher. Even here, though, only 3 per cent said they did not have three meals per day for the children. (This does not give any indication of the content or nutritional quality of the meals involved, of course – on which see Lee and Gibney (1989)).

About 23 per cent of these households said they could not avail of education for their children up to 20 years of age because they could not afford it. A similar picture is shown by the other two relative poverty lines.

Table 8.5: *Indicators for Households with Children*

| Item | % Lacking All Households with Children | % Lacking Households with Children Below 60% Line |
|---|--|--|
| | % | % |
| (i) Toys/leisure equipment for children | 6.8 | 13.3 |
| (ii) Separate bedrooms for different sexes for children over 10 | 6.1 | 9.1 |
| (iii) three meals per day for children | 1.4 | 3.2 |
| (iv) education up to age 20 for all children (can't afford) | 17.0 | 22.7 |

It is clear from the results presented here – and those in Callan, Nolan, *et al.* (1989) – that not all households below the relative income poverty lines display high levels of deprivation in terms of the indicators we have employed. This may arise partly because the income position of the household is being assessed on the basis of current weekly income (except for farmers and other self-employed, where annual income is used). Where there is substantial variation in income over time, current income may not fully reflect command over resources. Likewise, it does not capture assets which some households may have available, or networks of support from outside the household. Some households currently on low incomes may therefore be able to smooth their consumption and thus avoid experiencing the severe forms of deprivation reflected in the indicators, at least for a time. Ongoing research in the Institute will elucidate the determinants of different facets of deprivation, and in particular the role of current income, income over a longer period, and asset holdings/debts.

For the purpose of the present study, the contrast between the housing-related deprivation indicators and those likely to be more directly related to current income was particularly interesting. In focusing on children, households headed by an employee or an unemployed person – containing about 70 per cent of all children – are of central importance. For such households, current income below the 60 per cent relative poverty line was in many cases associated with the experience of deprivation in terms of these “current” items. This was clearly seen to be more likely where the household contained children. This reinforces the concerns about the position of children arising from the analysis of the relative income position of their households in earlier chapters. If households with children both face a high risk of being on low income *and* a high probability that this will be associated with deprivation in terms of these “current” items, then they clearly constitute a particularly serious problem for policy.

8.3 Subjective Responses

Finally, it is interesting to look at the subjective responses and reaction of households on low incomes to their situation. This we can do in a straightforward manner, making use of replies to a question included in the survey about how difficult it was for the household to “make ends meet” on its current weekly income.

The range of (prompted) responses were
 with great difficulty
 with some difficulty
 with difficulty
 fairly easily
 easily
 very easily

As shown in Table 8.6, 26.5 per cent of the sample said they were having great difficulty making ends meet, a further quarter were making ends meet with some difficulty, slightly less than a quarter were having difficulty, and about 23 per cent were getting by fairly easily or easily.

For all households with children, the situation is more negative, as also shown in the table. About 32 per cent are having great difficulty making ends meet, and only 16 per cent are doing so easily or fairly easily. Looking at households with children below the 60 per

cent relative poverty line, 57 per cent of these are having great difficulty, and 83 per cent are having great or some difficulty. This is considerably worse than the households without children and below the line, of whom about 44 per cent were having great difficulty.

Table 8.6: Responses on Difficulty with which Household is “Making Ends Meet”

| % Giving | All Households | Households With Children | Below 60% Line | |
|------------------|----------------|--------------------------|----------------|------------------|
| | | | With Children | Without Children |
| Great difficulty | 26.6 | 31.8 | 56.2 | 43.5 |
| Some difficulty | 26.7 | 29.0 | 26.8 | 28.3 |
| Difficulty | 23.1 | 22.7 | 12.0 | 19.9 |
| Fairly easily | 18.0 | 13.1 | 4.1 | 6.2 |
| Easily | 4.4 | 3.0 | 0.8 | 2.1 |
| Very Easily | 1.3 | 0.5 | – | – |
| | 100 | 100 | 100 | 100 |

8.4 Conclusions

The relationships between current income, wider command over resources, consumption and living patterns, and subjective responses and reactions are extremely complex, and are currently the subject of a separate in-depth ESRI study. This chapter has presented a brief overview of the living patterns of households with children in the ESRI Survey. Such households were less likely to be deprived than those without children in terms of particular indicators related to housing quality and possession of durables, for example whether the household had a refrigerator, washing machine, bath/shower or indoor toilet. These are most likely to be absent in households of the elderly rural or flat-dwellers, which by their nature usually do not contain children. For other more “current” indicators, such as whether the respondent had items like a warm overcoat, or two pairs of shoes, households with children were in general somewhat more likely to be doing without. This was the case most clearly when comparing households with and without children within categories distinguished by labour force status of the household head. Concentrating on households below relative poverty

lines, a similar pattern (but with higher levels of deprivation) was found in comparing those with/without children. Households headed by an unemployed person and containing children appeared particularly likely to be experiencing significant current deprivation.

On the basis of subjective responses about the difficulty experienced in making ends meet, about one-third of all households with children were having "great difficulty". For households with children and below the 60 per cent relative income poverty line, the corresponding figure was 56.5 per cent, somewhat higher than for households below the line but without children.

Chapter 9

CONCLUSIONS AND IMPLICATIONS

9.1 Introduction

In this final chapter we bring together the key findings of our analysis of the situation of households with children. We also consider briefly some of the implications of these findings and the issues they raise for policy.

9.2 Key Findings

Demographic Profile

The demographic profile of the Irish population is, by the standards of developed countries, quite unusual. Ireland has the second-highest proportion of children in the population of all the OECD countries. About 28 per cent of the population are aged under 15, compared, for example, with about 20 per cent in the UK, US, France or The Netherlands. While this is projected to decline over time, the size of the Irish child population will still be relatively large into the next century.

Researching Child Poverty

Research on poverty internationally has highlighted a marked trend, in a number of developed countries, towards a worsening of the position of families with children relative to others in the society. Such a trend was also highlighted for Ireland in several studies based on the ESRI's Survey of Income Distribution, Poverty, and Usage of State Services. One of the main objectives of the present study has been to analyse this development, and the factors producing it, in depth. Thus we focused on the situation of households with children, using the ESRI Survey, together with the Household Budget Surveys of 1973 and 1980 for comparisons over time.

The ESRI Survey obtained responses from almost 3,300 households, and gathered detailed information on, *inter alia*, household composition, income from various sources, employment status of household members, a variety of indicators of patterns of living and deprivation, and subjective views and opinions on needs. Households were randomly selected from the Register of Electors, and the results were reweighted to accord with known national figures for some key variables, such as location and the age of the household head.

Measuring Poverty

The primary approach to measuring poverty employed in the study was based on relative income poverty lines. We have discussed the limitations of relying purely on income in measuring poverty elsewhere, and have set out there the reasons why we regard relative income lines as an indispensable first step in measuring poverty (see Callan, Nolan, *et al.* 1989). Research under way at the ESRI is exploring in detail the complex relationships between income, broader measures of resources, consumption, living patterns and deprivation. For present purposes we have confined attention for the most part to what can be learned about the situation of households with children in terms of their relative income – though we have also looked briefly at some indicators of living patterns. The use of a range of relative poverty lines allows for the fact that there are different views about where such a line might best be drawn, and permits conclusions which continue to hold across different lines to be highlighted.

Household Size and "Needs"

In constructing such lines, it is necessary to take into account the greater needs of larger households. This is done by applying "equivalence scales"; when divided into total household income, these produce "equivalent income" which is intended to allow meaningful comparisons of welfare or standard of living across households of different size and composition. The major difficulty here is that there is no consensus as to what the appropriate set of scales should be, or how it should best be derived. The approach adopted in this study has therefore been to employ a variety of different scales, and see the extent to which key findings remain unaffected by changes

in the scales. This is particularly important in the present context, where a main element in the study is the comparison of the situation of households with and without children.

The central results presented in the study were based on an equivalence scale which, taking the household head as 1, allows 0.66 for the "needs" of each extra adult and 0.33 for the "needs" of each child. For a couple with two children, and weekly income of £150, then, equivalent income is $£150/[1 + 0.66 + 0.33 + 0.33] = £65$. These are approximately the relativities implicit in the rates of support payable under the main social welfare schemes.

The Relative Poverty Lines

Three relative poverty lines were derived, as 40 per cent, 50 per cent and 60 per cent, respectively, of average disposable equivalent household income. Using the 1/0.66/0.33 equivalence scales, for a single adult household these lines were about £34, £43 and £51 per week (in 1987 terms) respectively. For a couple with two children, they were about £80, £100 and £120, respectively.

The Income Position of Households with Children

Households with children were more likely to be below each of these lines than households without children, with the difference being quite pronounced at the 50 per cent and 60 per cent lines. Households with children were about 1.5 times as likely to be below these two lines as those without children. As a result, a much higher proportion of children than of adults were in households below these lines.

Trends Over Time in Income Position

A direct comparison can be made between these results and those produced by the application of the same methods to the 1973 and 1980 Household Budget Surveys. Such a comparison revealed a very sharp rise in the percentage of children in households below the poverty lines over the 1973-87 period. The percentage of children in households below the 50 per cent relative line grew by 66 per cent between these two years, while the corresponding figure for adults grew by only 20 per cent. This was associated with a marked deterioration in the position of households with children compared to those without children concentrated in the 1980-87 period.

Robustness of the Results

The sensitivity of these results to the precise equivalence scales used was assessed in a number of different ways. The main findings were shown to hold with a variety of other scales which allowed a uniform proportional amount for the needs of each child. Scales which allowed higher proportions for older children, as well as ones which declined with family size, were also tried. Again the overall pattern in terms of the situation of households with *versus* those without children remained broadly unchanged.

Characteristics of Low-Income Households

The characteristics of low-income households with children were analysed. Larger families – couples with 3 or particularly 4 or more children – were found to be at particularly high risk of being below the relative poverty lines. Single-adult households with children were also at relatively high risk. Focusing on the labour force status of the household head, households headed by an unemployed person, a farmer or an employee contained most of the children in households below the poverty line. Those where the head was unemployed made up the largest single group, containing over half of all children below the 50 per cent relative poverty line.

Explaining the Deteriorating Position of Children

The factors producing the marked deterioration in the position of households with children were analysed, concentrating on the classification of households by size/composition and by the labour force status of the head. The results showed that the principal element was not an increase in the overall risk of falling below the poverty lines *within* particular labour force status categories. That is, it was not an increase in the probability that households headed by, for example, an unemployed person would fall below the lines. Nor was it primarily an increase in risk for larger versus smaller households within labour force status categories. Rather, it was the change in the importance of the different labour force status groups – in particular the sharp rise in the percentage of households with an unemployed head – which was the main factor at work in producing the increase in the numbers of children below the lines.

Deprivation Indicators

The study also looked briefly at some indicators of patterns of living and deprivation for households with children. In terms of housing quality – whether the house had an indoor toilet and a bath or shower – and housing-related durables such as a fridge and a washing machine, those with children were in fact less likely than households with no children to be doing without. This is presumably related to the fact that households most likely to be without these items or facilities, such as the rural elderly and those in flats, will usually not contain children. For items more directly related to current consumption, on the other hand, households with children in general were somewhat more likely to be doing without – particularly households with children where the head was unemployed. This is also true of subjective responses of households about how they viewed their own situation. When asked how much difficulty they were having “making ends meet”, for example, 27 per cent of all households in the sample said they were having “great difficulty”. For households with children the figure was higher, at 32 per cent, and for those with children and below the 60 per cent relative poverty line it was 56 per cent.

Income, Poverty and Deprivation

Clearly a great deal of further research is required to enhance understanding of the complex relationship between current incomes, command over resources more broadly defined, and patterns of living and deprivation. All households currently on low income are not in identical situations with respect to command over resources, and not all appear to be currently experiencing severe deprivation. Research underway at the ESRI is focusing on the way in which low incomes are produced, the manner in which different low income households have arrived in their current situations, as a key element in explaining observed differences in living patterns. This holds out considerable promise not only in terms of producing more sophisticated methods of measuring poverty, but also of conveying in more concrete terms what the experience of poverty means.

In the current study the objective has been much more limited. Concentrating for the most part on current income, the emphasis has been on documenting and analysing the relative income posi-

tion of households with children. While the 1987 ESRI Survey will allow the relationships between current income and deprivation to be explored, it would be difficult – given the data available for earlier years – to directly link relative income trends over time to their implications for day-to-day living patterns. The scale of the deterioration in the relative income position of households with children has been such, however, that its impact is likely to have been substantial.

9.3 *Issues for Policy*

The findings of this study clearly pose a challenge for State policy: policies need to be designed to offset the deterioration in the relative position of households with children which has occurred over the past 15-20 years. This deterioration is the result of a variety of factors, and policies in response will need to be equally varied.

Kennedy (1989) has reviewed the way in which State policy towards families has developed in recent decades, encompassing both direct support through the tax/transfer system and, drawing on Rottman and Reidy (1988), the impact of public expenditure on education, health, and housing. McCashin (1988) has examined trends in family income support provided by the State since the late 1960s, and has emphasised that different instruments may be aimed at a range of objectives, not solely the prevention or alleviation of child poverty. There may be a conflict between, for example, the elimination of child poverty and the achievement of horizontal equity – equity between households of different size and composition – throughout the income distribution. There may also be conflicts between increasing social welfare support levels and maintenance of work incentives.

Public expenditure on the provision of education, health services and housing is extremely important in influencing the welfare of children. The redistributive effects of such State spending, together with direct and indirect taxes and cash transfers, have been analysed in detail by Rottman and Reidy (1988) on the basis of the CSO's exercises based on the 1973 and 1980 Household Budget Surveys (CSO, 1980, 1983). Their results include an examination of the effects of State policy on families at different stages in the life cycle. One of their most significant findings in the current context is that redistribution in 1980 was dominated by the transfer from families

at work, irrespective of their burden of dependency, to the households in which the members were generally over retirement age. Families with children do benefit substantially from State expenditure on education, although the elderly gain a great deal more from State intervention. It is single people or married couples without children who bear the largest net burden as a result of State taxes and transfers/social spending, but some families with children – notably those in the formation stage who are not yet benefiting from educational spending – are also bearing a substantial net cost. Rottman and Reidy also emphasise that the effects of policy changes over the 1970s in taxation and social expenditure were to the clear detriment of households in which families were being raised: households in which a family was being reared were less well off relative to other types of households in 1980 than in 1973.¹

Tax/Transfer Strategies

This wider redistributive context is a key one, and research is to be undertaken on these areas using the ESRI survey and the 1987 HBS in the near future. Here we concentrate on policy with respect to the income tax and social welfare cash transfer systems. A number of distinct strategies within the tax and transfer systems could be adopted in order to improve the situation of families with children:

- (i) Child dependant payments which are paid to those in receipt of social welfare transfers through various schemes – Unemployment Benefit and Assistance, Disability Benefit/Invalidity Pension, Widow's Pension, Deserted Wife's Benefit/Allowance, Old Age Pensions, Unmarried Mother's Allowance, etc. – could be increased;
- (ii) Child Benefit, paid in respect of all children irrespective of parents' means or labour force status, could be increased;
- (iii) Child tax allowances could be reintroduced, to help those in work on low incomes with children, and to promote equity as between taxpayers with and without children;
- (iv) More low-income families could be removed from the income tax net entirely through increasing child additions to the tax exemption limits, which were introduced in 1989;

- (v) Assistance for those in low-paid jobs and with children could be channelled through the social welfare system, through improving the Family Income Supplement scheme which is specifically designed to help such families.

Costs and Benefits of Different Strategies

Child Dependant Allowances

Each of these options has advantages and costs, and policy over the last decade or so has shifted without obvious consistency or coherence from one to the other. Increasing child dependant additions payable under the various social welfare schemes is relatively efficient in terms of targeting resources on those at low incomes. The analysis of the overall effectiveness and efficiency of social welfare payments presented in Callan and Nolan (1989b) has shown that such payments do go predominantly towards the bottom of the (equivalent) income distribution. This was found to be the case not only for means-tested payments but also for expenditure on contributory benefits – about 90 per cent of means-tested benefits and 80 per cent of contributory payments went to the bottom 40 per cent of the equivalent pre-transfer income distribution.² However, increasing these child dependant payments exacerbates “poverty traps”: it is already those with large families who face the weakest financial incentive to work rather than remain on social welfare, and this would be worsened by raising the income of such families when out of work. Further, such increases would not help those on low incomes and not in receipt of social welfare – which our analysis (in Chapter 6) has shown makes up a significant proportion of all low-income households with children.³

It is interesting to look at how child dependant payments have in fact evolved over the past decade, and also specifically over the period since 1987 when the survey on which our analysis has been based was carried out. Table 9.1 shows the level of child dependant additions payable to those in receipt of Unemployment or Disability Benefit, Widow’s (Contributory) Pension, Unemployment Assistance and Supplementary Welfare Allowance in 1980, 1987, and currently. The payment rates for the earlier years have been converted to 1990 prices by indexation using the Consumer Price Index, so that the real value of the payments can be compared.⁴ For comparison, the

table also shows the personal rates payable to a single adult under the various schemes, again expressed in 1990 terms.

Table 9.1: *Child Dependant Payments under Social Welfare Schemes in 1990 Prices, 1980, 1987 and 1990*

| <i>Child Dependant Payments</i> | 1980 ^a | 1987 ^b | 1990 ^c |
|-------------------------------------|-------------------|--------------------|-------------------|
| Unemployment/Disability Benefit | | | |
| first/second child | 12.50 | 10.38/11.59 | 11.40 |
| subsequent children | 10.29 | 9.60 ^d | 11.00 |
| Widow’s Pension (contr.) | | | |
| first child | 15.75 | 13.69 | 15.00 |
| subsequent children | 15.75 | 15.07 ^d | 15.00 |
| Unemployment Assistance (long-term) | | | |
| first/second child | 11.13 | 9.60/10.93 | 11.00 |
| subsequent children | 8.61 | 8.50 ^d | 11.00 |
| Supplementary Welfare Allowance | | | |
| first/second child | 11.13 | 9.00/10.27 | 11.00 |
| subsequent children | 8.61 | 8.00 ^d | 11.00 |
| Personal payment rates | | | |
| UB/DB | 42.94 | 45.37 | 48.00 |
| WCP | 47.25 | 53.10 | 56.00 |
| UA | 35.70 | 40.52 | 52.00 |
| SWA | 34.54 | 36.43 | 45.00 |

^a from April 1980

^b to July 1987

^c from July 1990

^d up to and including fifth child: rate for sixth and subsequent child is lower.

In order to appreciate the implications of the way in which child dependant payments have evolved, it is essential to set them side-by-side with Children’s Allowances/Child Benefit. Taken in isolation, the level of child dependant payments has generally been increased in real terms since 1987, but this has served in many instances simply to bring them back up to about their real value in 1980. The real value of these payments in fact fell significantly in 1981 when the rates of payment were raised by much less than the rate of inflation. This reflected a policy decision to increase Children’s Allowances instead, to which we return below. Again in 1986, child dependant

rates were frozen, on the introduction of the Child Benefit scheme which replaced Children's Allowances. The revenue saved by not increasing child dependant payments, together with that accruing from the abolition of child tax allowances, was used to raise the rate of payment under Child Benefit to £15.05 per child (in respect of the first five children), compared to the £12.05 which had been payable in Children's Allowances. Given this interaction between child dependant payments and Children's Allowances/Child Benefit, their combined level is crucial and is examined shortly.

Before doing so, though, it is worth contrasting the absence of any substantial increase in the level of many child dependant payments over the 1980s as a whole with the significant real increases in the rates of support to adults. Table 9.1 also shows the rates paid to a single adult under the various schemes, and these increased substantially. Indeed, for some schemes the rise was dramatic – the rate payable to a single person in receipt of UA rose by 46 per cent in real terms. This reflected a deliberate policy of increasing payments to those on the lowest rates of support, particularly long-term recipients, so payments to those on Unemployment Benefit or Disability Benefit rose by less. The increases there were still significant, though, at about 12 per cent in real terms. Of course, families with children benefited from these increases: their position relative to recipients without children was however affected by the fact that child dependant payments did not keep pace with adult rates.

Child Benefit

Turning to Child Benefit, this universal payment in respect of all children has many advantages, both as a means of alleviating child poverty and in promoting horizontal equity. There is no problem of non-take-up, as there is with some social welfare schemes such as Family Income Supplement and Supplementary Welfare Allowance. Those on low incomes but not in receipt of social welfare are assisted as much as those in receipt. Since both those in and out of work receive the benefit, poverty traps are not created and the incentive to work is not likely to be adversely affected.⁵ The fact that the payment is made directly to the mother may increase the probability that it is applied to expenditure directly benefiting the children – as suggested in the UK-based studies by Walsh and Lister (1985) and Brown (1988). Finally, and centrally, Child Benefit acts

in effect as a form of tax relief for children, helping to promote equity in the treatment of those with, *versus* those without, children throughout the income distribution.

The main problems which are frequently put forward in considering Child Benefit as a means of poverty alleviation are its cost and the fact that it is poorly targeted. Since all children will receive it, an increase in Child Benefit is much more costly than, for example, the same weekly amount added to social welfare child dependant payments. Expenditure on Child Benefit is not concentrated on the bottom of the income distribution, even when household incomes are adjusted to take the greater needs of those with children into account (i.e., when equivalent income is used). Callan and Nolan (1989b) noted that the distribution of Child Benefit over equivalent income deciles is particularly sensitive to the exact equivalence scales used. However, a substantial proportion of expenditure on Child Benefit was seen to go to the top half of the distribution with even a relatively generous allowance for the “needs” of children.⁶

The way in which Child Benefit – Children's Allowances up to 1986 – have evolved since 1980 is shown in Table 9.2. Both the actual payment rates and the amount they represent in real terms is shown. As emphasised by Kennedy (1989) and McCashin (1988), Children's Allowances/Child Benefit have fluctuated in value in an erratic fashion. There were substantial increases in 1981 – when, as noted above, this was adopted instead of fully indexing social welfare child dependant payments – and again in 1982, when child tax allowances were reduced substantially and the revenue channelled into Children's Allowances. Apart from an increase in 1984, no further change was made until 1986, when the process begun in 1982 was completed: child tax allowances were eliminated entirely and Children's Allowances – renamed Child Benefit – increased by 25 per cent. There was no further increase until the 5 per cent rise announced in the 1990 Budget, to take effect from October.

Despite these major changes in the scheme over the 1980s, it is worth emphasising the fact, illustrated in Table 9.2, that the value of the payment per child has risen only marginally in real terms, except for the first child and for fifth and subsequent children. The extension of the full rate to the first child, and the introduction of a significantly higher rate for the sixth and subsequent child – extended to the fifth child in 1989 – have in fact been the most

important changes in the payment rates. Thus, although social welfare child dependant payments were on occasion held back and income tax child allowances reduced and then abolished, both in order to finance increases in Children's Allowances/Child Benefit, this has *not* resulted in a substantial real increase in the main rate payable. Rather, it has simply been enough to offset the decline in real value produced by the general failure to index rates to the annual increase in prices.

Table 9.2: *Rate of Children's Allowance/Child Benefit in Nominal Terms and in 1990 Real Terms*

| | First Child | | Second-Fifth Child | | Sixth and Subsequent Children | |
|-------------------|-------------|---------------|--------------------|---------------|-------------------------------|---------------|
| | Rate | In 1990 Terms | Rate | In 1990 Terms | Rate | In 1990 Terms |
| 1980 | 4.50 | 9.45 | 7.00 | 14.70 | 7.00 | 14.70 |
| 1981 | 6.00 | 10.46 | 9.00 | 15.70 | 9.00 | 15.70 |
| 1982 | 11.25 | 16.75 | 11.25 | 16.75 | 17.50 | 26.06 |
| 1984 | 12.05 | 14.96 | 12.05 | 14.96 | 18.75 | 23.27 |
| 1986 | 15.05 | 17.06 | 15.05 | 17.06 | 21.75 | 24.66 |
| 1990 ^a | 15.80 | 15.80 | 15.80 ^b | 15.80 | 22.90 | 22.90 |

^a With effect from October 1990.

^b The higher rate for sixth and subsequent children was extended to the fifth child in 1989.

It is therefore of interest to look at how the combined value of Children's Allowances/Child Benefit and child dependant payments have developed over the decade. Combining data from Tables 9.1 and 9.2, Table 9.3 shows the Children's Allowance/Child Benefit and the child dependant payment for a two-child and four-child family, distinguishing dependant payments under the UB and UA (long-term) schemes. This reveals that only for the four-child family on UA was there a substantial increase in the value of the total support received for children. The UB recipients saw little or no change in the real value of the combined child payments, while the two-child family on UA saw the total received rise by only 5 per cent. The large family on UA experienced a 13 per cent rise, primarily as a result of the fact that the payment for third and subsequent children payable

under UA, which was well below the rate for the first and second child in 1980, had been brought up to the same level by 1990. Recalling that the real value of social welfare payments to adults rose substantially during the decade – as described above – it is striking how poorly children have fared by comparison with the adult payments. As already noted, families with children do, of course, benefit from the increase in the adult rate, but the relative generosity of support to those with and without children has shifted significantly.

Table 9.3: *Child Dependant Payments and Children's Allowance/Child Benefit Combined, 1980 and 1990, in 1990 Terms*

| <i>per week</i> | 1980 | 1990 |
|--|-------|-------|
| <i>2-Child Family</i> | | |
| Children's Allowance/Child Benefit (weekly equivalent) | 5.57 | 7.29 |
| <i>plus</i> | | |
| Child Dependant Payments for (i) UB recipients | 25.00 | 22.80 |
| Total received for children | 30.57 | 30.09 |
| (ii) UA (long-term) recipients | 22.26 | 22.00 |
| Total received for children | 27.83 | 29.29 |
| <i>4-Child Family</i> | | |
| Children's Allowance/Child Benefit (weekly equivalent) | 12.36 | 14.59 |
| <i>plus</i> | | |
| Child Dependant Payments for: (i) UB recipients | 45.58 | 44.80 |
| Total received for children | 57.94 | 59.39 |
| (ii) UA (long-term) recipients | 39.48 | 44.00 |
| Total received for children | 51.84 | 58.59 |

Child Tax Allowances

If the objective is to help families which are in the tax net rather than dependent on social welfare, an alternative to Child Benefit is to incorporate child tax allowances in the income tax system. Such allowances traditionally formed part of the income tax code both here and elsewhere, with the objective of easing the tax burden on those who had the extra cost of supporting children. Their purpose

was thus to promote equity in the treatment of those with children compared to those without, rather than assist directly in the alleviation of family poverty. Indeed, for many years the benefit of such allowances was confined to the relatively well-off, since only a small proportion of the population came into the income tax net. As documented by Kennedy (1989), the child tax allowance was permitted to decline relative to those for a single person or married couple from the late 1960s, before being reduced sharply in nominal terms between 1979-82 and then abolished in 1986. As a result, the tax burden was shifted towards couples with children (see, for example, O Muircheartaigh, 1977). As a result of the changes in the treatment of married versus single people following the Murphy case in 1980, the tax burden has shifted significantly away from married couples towards single people during the 1980s, but the main beneficiaries of the tax changes over the last decade or so have been couples without children rather than those with children (see Kennedy, 1989, Chapter 5).

The main arguments put forward in favour of eliminating child tax allowances were that families which were not in the tax net received no benefit, and that those on the top of the income distribution paying the higher rates of income tax received the greatest benefit. It was argued that channelling the revenue forgone into Child Benefit instead would assist children in poor families outside the tax net, while also equalising the benefit received by those paying tax at the higher versus the standard rate of tax. This followed very much along the lines of the same debate in the UK in the 1970s, which led to child tax allowances being phased out and replaced by Child Benefit there. The arguments at the time, and those which consistently arise in the continuing debate on the role of Child Benefit both here and in the UK, reflect the considerable confusion generated by the different objectives being promoted. The arguments against child tax allowances were in fact rather beside the point in the context of their original objective of promoting equity between taxpayers with and without children. It was effectively a reorientation of child support to give greater priority to poverty alleviation and vertical equity, rather than horizontal equity, which lay behind the elimination of child tax allowances. However, Child Benefit still has an important role in promoting horizontal as well as vertical equity, as we shall argue below.

Income Tax Exemptions

Another strategy for assisting families with children, specifically those at work on low incomes, is to seek to reduce or eliminate their income tax payments. In 1989 child additions to the exemption limits for income tax purposes were introduced, and removed a significant number of families from the tax net entirely.⁷ In the 1990 Budget those child additions were increased, from £200 to £300 per child. This approach, although it helps some poor families, faces a number of disadvantages. Obviously, it does nothing to help those who remain in the tax net even on relatively low incomes, in particular large families whose incomes are low when their needs are taken into account. Further, exemption limits produce very high marginal tax rates for those just above the threshold: raising the threshold may increase the number of tax units facing these tax rates (because of the operation of “marginal relief” when incomes are just above the tax threshold).

Family Income Supplement

Another strategy which may be adopted to assist those in work with families operates through the social welfare system. The Family Income Supplement scheme provides for payment to those in work with dependent children, whose income falls below a specified ceiling (which varies with the number of children in the family). The payment is calculated as a multiple (currently 60 per cent) of the difference between actual income and the ceiling for that particular family, and lasts for a year (irrespective of changes in family income). As emphasised by Feeney (1990), though, the principal objective for which FIS was designed was to alleviate the “unemployment trap” – the situation whereby someone may be better off on social welfare than in work. Thus it does not aim to bring families up to a particular income level, but rather focuses on maintaining work incentives for low paid workers facing high replacement ratios – i.e., high social welfare payments relative to incomes when in work, which is most common for those with a large number of dependent children.

Means-tested schemes for employees of this type face particularly severe non-take-up problems, with the corresponding scheme in Britain achieving take-up rates of only about 50 per cent. Analysis of the Irish FIS scheme, based on the ESRI survey used in this study,

suggests that the rate of take-up here is, if anything, below that achieved in Britain (Callan, *et al.* 1988). Although recently there have been a number of initiatives to try to improve take-up, the numbers in receipt of the scheme remain small (at about 6,000 in late 1989). While efforts to maximise take-up are important, experience elsewhere suggests that it will not be possible to reach the level of take-up which would be required to make means-tested schemes of this sort an adequate response to the problem of low income families in work.

9.4 Directions for Tax/Transfer Policy?

Having reviewed the advantages and disadvantages of the various approaches to helping families with children through the tax/transfer systems, some directions for policy may be suggested. This is necessarily on a tentative basis: detailed costing and simulation (which will be possible using the tax-transfer model currently being developed in the Institute) would be required to fully assess the merits of the various policy options.

On the basis of the arguments outlined above, neither raising tax thresholds for families with children nor social welfare schemes such as FIS appear likely to be satisfactory approaches to alleviating child poverty among families which rely on income from work rather than social welfare. While increasing child dependant payments for the various social welfare schemes would assist those relying on social welfare because of unemployment, illness, etc., it reduces work incentives and reinforces poverty traps, while doing nothing to help the significant proportion of low-income households with children who do not receive such social welfare payments. It therefore appears necessary to consider once again the much-debated issue of the role of Child Benefit and the form which it should take.

Child Benefit is the most direct and effective means of assisting all low-income families with children, irrespective of the source of their income, labour force status, or whether they are in or outside the tax net. It also has the crucial property that, unlike most other proposed approaches, it should not entail significant adverse effects on the incentive to work, and therefore acts to reduce rather than increase dependency. In addition to these advantages in the context of poverty alleviation, it also has the effect of assisting families with

children who are not poor. While this is often used as, in effect, a “stick with which to beat” Child Benefit, from a broader perspective it is a central justification for this universal payment.

It is crucial, in evaluating the role and potential of Child Benefit, to see it not purely in terms of its effectiveness in alleviating poverty, but also in the wider context of providing some support to those with children *vis-à-vis* those without, throughout the income distribution, in recognition of their greater needs. As the discussion above made clear, child tax allowances were specifically designed to ensure fairness in the taxation of those with and without children, and following the phasing out of these allowances Child Benefit was intended to fulfil this purpose as well as help those not paying tax. Child Benefit is therefore to be seen, *inter alia*, as a form of tax relief, and evaluated in that light.

This was widely acknowledged at the time when child tax allowances were being phased out and the revenue accruing channelled into Child Benefit, both here and in the UK. However, as some warned before the event, this change from tax relief to cash payment, although in net cost terms irrelevant, was likely to affect perceptions of the child support being provided:

“People might then in time come to argue, on the one hand that child benefit should be subject to tax or, on the other hand, or possibly at the same time, that a separate allowance in respect of children should be given for income tax purposes.” [Evidence to a UK Select Committee 1973, quoted by Brown, 1988].⁸

Indeed, currently, both these arguments are put forward with respect to Child Benefit in the Irish case – while in the UK the corresponding scheme is apparently being allowed to “wither on the vine”, as its level is repeatedly frozen. Some argue that Child Benefit should not be paid to those on “high” incomes at all, and various proposals (including government proposals) to either tax Child Benefit or make it a means-tested payment have been made and hotly debated. At the same time, there continue to be calls for the re-introduction of child tax allowances in order to assist taxpayers with families. To a considerable extent these different approaches arise from differences in the objective which people have in mind, and little progress is possible without greater clarity in this vital respect.

In our view, Child Benefit can usefully be directed at *both* the objectives of poverty alleviation and the promotion of horizontal equity throughout the income distribution, and is in fact the best approach to attaining these objectives, subject to some modification. Horizontal equity among taxpayers could perhaps be better promoted by child tax allowances, worth more to higher-rate taxpayers, if the view is taken that higher income households with children require higher tax relief in absolute terms (than lower income ones) to put them on a par with high-income households without children. On the other hand, poverty alleviation could perhaps be better served by a more selective payment – though this would not necessarily be best accomplished by confining it to those below a particular income level, given the difficulties associated with further means-testing. However, most people would probably accept that both poverty alleviation and horizontal equity are valid objectives for policy, and a balance has therefore to be struck between them in designing the scheme.

Retaining Child Benefit as a universal payment has many advantages irrespective of which of the objectives is given priority. Restricting it to those on low incomes would:

- (i) remove any element of tax relief for taxpayers with children compared to those without children at incomes above the specified threshold;
- (ii) exacerbate poverty and unemployment traps for those below the threshold;
- (iii) create problems of non-take-up, if administered in the same way as social welfare schemes such as Supplementary Welfare Allowance or Family Income Supplement, so that a substantial proportion of poor households would not receive support.

The restriction to low-income households could perhaps be implemented through the tax rather than the social welfare system. This would entail the identification through income tax returns of those below a specified annual income and the limitation of benefit to children in these families. This would still be subject to objections (i) and (ii) above, and would also have difficulty coping with those whose circumstances change during the year – those who move in and out of employment, for example – whose annual incomes would have to be reassessed each time.

The main objection to the fact that Child Benefit is universal appears to arise from the view that “the rich” do not need and should not receive it. Most people would probably accept that middle-income families with children should receive some support in recognition of their extra costs, and might have no difficulty accepting that some tax relief should be allowed to such families. The objections most often raised are framed in terms of “the rich”, and the income levels implied are such that only a small proportion of children live in such families, and the amount which could be saved by withdrawal of benefit from them would be small. Data from the ESRI survey suggest that only about 7.5 per cent of all children for whom Child Benefit was payable in 1987 were in families with incomes over £25,000 per year. Using a gross income cut-off of £30,000 (in 1987 terms), the figure is only 4 per cent. Child Benefit provides much less relief to “rich” families than would child tax allowances, and the question of whether it should be withdrawn from such families appears to us something of a side issue.

It is important none the less in that the perception that Child Benefit is wasteful undermines public support and makes it more difficult to argue for maintenance or increase in the value of the payment. Partly for this reason, it may be worthwhile to introduce an element of selectivity by making the payment taxable in the context of a package of measures we outline below. This would have a number of advantages:

- (i) It would allow a substantial but not total withdrawal of the benefit from higher-rate income tax payers;
- (ii) It would not have as serious an impact on incentives as introducing a cut-off below which no payment is received;
- (iii) By maintaining the universal nature of the payment it ensures that all poor children continue to benefit;
- (iv) The level of benefit to the non-poor on “modest” incomes can also be fully maintained.

While recognising that this could in principle be seen as detrimental to horizontal equity in its treatment of high-income taxpayers with children versus those with no children, where a balance has to be struck we would argue in favour of giving greater priority to the objective of poverty alleviation. Further, as we now proceed to discuss, it could be done in such a way that the level of the payment itself is increased, so that higher-rate taxpayers do not actually lose

out in terms of Child Benefit received.

Callan and Nolan (1989a) explored the extent to which subjecting Child Benefit to income tax would release extra resources to permit the level of the payment to be increased and targeting improved. Estimates by the Revenue Commissioners show the revenue forgone by not taxing Child Benefit in 1986/7 to have been about £59 million.⁹ The analysis of the ESRI survey data in Callan and Nolan showed that an increase of about 40 per cent in the level of Child Benefit could be financed by making the payment taxable. On this basis standard rate taxpayers would suffer small losses (of about 20 pence per child per week), but with a net increase in expenditure of about £20m. the rate of benefit could be raised to the point where standard rate taxpayers are unaffected. The result of this – i.e., making Child Benefit taxable, channelling the revenue raised into an increase in the rate of payment and increasing expenditure by £20m. – would allow the rate of benefit to rise by about 50 per cent. This would represent the amount gained by those outside the tax net, while those paying tax at the standard rate would be unaffected and those paying at the higher rates would lose up to about 30 per cent compared to the current situation.

While a 50 per cent increase for non-taxpaying recipients appears substantial, given the low level of benefit currently paid this would not have much impact – the weekly payment per child would rise from £3.65 to about £5.50. However, as Callan (1990a) has shown, a range of options for broadening the tax base could also be pursued, along the lines proposed by the Commission on Taxation. One which may be of particular interest in the present context is the taxation of short-term social welfare benefits. Callan estimates that about £120m. (in 1987 terms) could be raised by taxing all short-term benefits, and that the distributional implications would not be adverse. About 70 per cent of those who are affected by taxing these benefits are in the top half of the (equivalent) income distribution, and less than 10 per cent are in the bottom 30 per cent of the distribution. As Callan emphasises, this does not mean that social welfare payments are themselves poorly targeted on low-income households – as noted earlier, they are in fact well targeted – but rather that the benefit of the current exemption of short-term social welfare payments from taxation is poorly targeted. If the revenue raised by making them subject to taxation was channelled into an increased

(and taxable) Child Benefit, it might be possible to further increase the rate paid per child to about £8 per week. This sort of increase might begin to make some impact on the living standards of poor children, in a manner which has the various advantages already emphasised.

A more radical restructuring of the tax/transfer systems leading to a substantial increase in Child Benefit could be pursued. One context in which this might usefully be considered is that also highlighted by Callan (1990a, b), namely the tax treatment of married couples. Currently, couples are taxed jointly but with a married couple having twice the personal allowance of a single person and also rate bands which are twice as wide. If both are earning, this means that the combined tax bill they face cannot be higher than that which two single people with the same incomes would pay – indeed the couple can opt, if they wish, to be treated as independent individuals. For a couple with only one earner, though, the result is that the earner – most often the husband – has twice the personal allowance and double the rate bands applying to a single person. The result is that married women face very high marginal tax rates on their earnings if their husband is at work, and so do single people – as Callan points out, both groups which are relatively responsive to the incentive effects which such marginal tax rates may produce.

Without going into the complexities in any detail here, it would be possible to move in a variety of ways towards a system whereby there was greater independence in the tax treatment of husband and wife (though the constitutional implications in the light of the judgement in the Murphy case would require clarification). For example, the transferability of personal allowances between husband and wife could be limited, or the doubling of rate bands could be eliminated. Callan (1990a) shows that the revenue which could be raised by such restructuring could be very substantial – of the order of £300-£400 million. He notes that this could be used to support families – which is the objective of the present treatment of married couples – but in a way which produces less disincentive to married women to take up work. We would point out that one way in which this could be done is to use the revenue to fund a very substantial rise in Child Benefit. This would provide significant support to taxpayers with children, but would also be extremely effective in improving the position of low-income families whether in the tax

net or not.

This could be implemented while leaving Child Benefit untaxed, and this would have certain advantages. In particular, if Child Benefit is taxed but is payable to the mother, then the issue would arise in moving towards more independent taxation as to whether the benefit is assessed as part of the father or the mother's income. If it is treated as part of the mother's income, then much less revenue would accrue from making the payment taxable, and the fact that the benefit is part of taxable income could also act as a disincentive to take up work at low earnings, which is likely to be more important for women than men. Various options have been suggested, including paying the benefit to the mother but taxing it as part of the father's income (see IFS, 1989). These cannot be properly assessed here: it is intended to consider their effects in detail using the tax/transfer model mentioned above, based on the ESRI survey, as part of a wider examination of the reform of the tax/transfer system. The point which we wish to emphasise here is that a number of possible approaches could be adopted whereby a substantial increase in the level of Child Benefit could make up a central element in a broader package of reform.

Indeed, it is possible to envisage a restructuring which would allow Child Benefit to be set at a level which would allow the child dependant allowances currently paid under the various social welfare schemes to be substantially reduced or even eliminated. These child dependant additions are presently at about £11 per week. Particularly in the context of restructuring the tax treatment of married couples and probably also making Child Benefit (and short-term social welfare benefits) subject to taxation, it might be possible to set Child Benefit at a higher rate than this. Being able to abolish, or at least significantly reduce, child dependant additions would not only contribute to the financing of such an increase in Child Benefit, it would greatly improve incentives for those on social welfare currently facing particularly severe poverty/unemployment traps. Low-income families not in receipt of social welfare would benefit greatly from the increase in Child Benefit, and those higher up the income distribution would also receive significant support for their children (as they, after a fashion, currently receive through the tax treatment of married couples).

Such a package would have very substantial redistributive effects,

both as between high/low income households and between those with/without children. It would also have the effect of reducing effective marginal tax rates for some groups – particularly social welfare recipients and married women – and increasing them for others – notably many married men. It is precisely for that reason that a careful assessment on the basis of a simulation of the detailed redistributive and other effects on a representative sample of households is essential. Implemented in a revenue-neutral way, it would not require an increase in the overall tax burden, though it would represent an alternative to using the revenue-increasing elements of the package to finance reductions in general tax rates. The very substantial fall in the ratio of children to working-age population projected to take place over the next twenty years provides a unique opportunity to implement a comprehensive strategy for child income support. We believe an approach which focuses on the potential of a universal support for children offers the best prospects of both alleviating child poverty and promoting equity in the treatment of families with children.

FOOTNOTES TO CHAPTER 9

1. See Rottman and Reidy (1988), p.145.
2. Callan and Nolan (1989b), p. 346.
3. See Section 6.3.
4. For 1990, the projected rate of inflation of about 3.25 per cent forecast in both the ESRI *Quarterly Economic Commentary* (April 1990) and the Central Bank Annual Report 1990 is used.
5. The fact that the payment is received irrespective of work status or income means that the incentive to work is not directly affected. The income provided could itself have an "income effect", by in effect reducing the cost of "leisure" versus "work", but this seems unlikely to be substantial at the levels of benefit usually under consideration.
6. Callan and Nolan (1989b), Tables 6 and 7, p. 346.
7. Together with an increase in the general exemption limits for a couple, the introduction of the child additions was estimated in the Budget Statement to be sufficient to remove 24,000 taxpayers with 46,000 children from the tax net. The decision to further increase the general exemption limits and the child additions in the 1990 Budget was estimated to remove 31,000 taxpayers with 58,000 children from the tax net.
8. Brown (1988), p. 30.
9. *Annual Report of the Revenue Commissioners 1988*, Table 77, p. 139.

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