POVERTY, INCOME INEQUALITY AND LIVING STANDARDS IN IRELAND: FIFTH ANNUAL REPORT

Barra Roantree, Helen Russell, Anousheh Alamir, Míde Griffin, Bertrand Maître and Tara Mitchell

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ESRI ECONOMIC & SOCIAL RESEARCH INSTITUTE

Community Foundation Ireland

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Barra Roantree

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Bertrand Maître

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THE AUTHORS

Barra Roantree is an Assistant Professor at the Department of Economics, Trinity College Dublin and a Research Affiliate at the Economic and Social Research Institute (ESRI). Míde Griffin is a PhD student at the Department of Economics, Trinity College Dublin. Tara Mitchell is an Assistant Professor at the Department of Economics, Trinity College Dublin. Bertrand Maître is a Senior Research Officer at the ESRI. Helen Russell is a Research Professor at the ESRI. Anousheh Alamir is a post-doctoral Research Fellow at the ESRI.

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We are also grateful to the Central Statistics Office (CSO) and Eurostat for facilitating access to much of the data underlying the analysis. This includes:

- The Survey of Income and Living Conditions (SILC) Research Microdata Files from the CSO
- The Household Budget Survey (HBS) microdata from Eurostat
- The EU Survey of Income and Living Conditions (EU-SILC) microdata from Eurostat (http://doi.org/10.2907/EUSILC2004-2023)

The responsibility for all conclusions drawn from the data lies entirely with the authors.

This report has been peer-reviewed prior to publication. The authors are solely responsible for the content and the views expressed.

FOREWORD

With child poverty rates approaching levels last seen in the darkest days of the economic crash, we are in a moment where our country faces important policy choices. This fifth annual report on Poverty, Income Inequality and Living Standards by the Economic and Social Research Institute (ESRI) in partnership with Community Foundation Ireland captures the depth of the crisis while also offering options to lift tens of thousands of children and families out of poverty.

The finding that one in five children are living below the poverty line will come as no surprise to the many voluntary, community and charitable partners of the Foundation. Advocates such as the Children's Rights Alliance and their members are witnessing the impact on children and families in their local areas every day. Food on the table, clothing, lighting or heat are stark choices forced on parents and families – choices which must be made in more and more homes as the cost-of-living crisis deepens.

Inflation since 2021 disproportionately affects those in lower income homes. Universal welfare increases often do not keep pace with rising costs. In real terms, they translate as welfare cuts or freezes when measured against inflation.

With the withdrawal of temporary measures such as energy credits and double payments of Child Benefit, these families will be impacted even more. To counteract this, the case is again made for a targeted second tier of Child Benefit for those with the greatest need. The body of evidence for such an approach is growing and is compelling. Such a reform could lift more than 50,000 children out of poverty. The cost of €772 million is a price worth paying, not just for the immediate benefits but the opportunity it offers to end the cycle of intergenerational poverty.

As the authors point out, a child's development, education and even health needs can be difficult to meet in homes facing huge financial pressures. Yet, addressing each is essential so we can become a society where everyone is equal and communities thrive.

Denise Charlton,
Chief Executive, Community Foundation Ireland

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ABBREVIATIONS

AHC	After housing costs
AROP	At risk of poverty
BHC	Before housing costs
CSO	Central Statistics Office
ECHP	European Community Household Panel
ESRI	Economic and Social Research Institute
EU	European Union
HAP	Housing Assistance Payment
LFS	Labour Force Survey
LIIS	Living in Ireland Survey
OECD	Organisation for Economic Co-operation and Development
RMF	Research Microdata File
RS	Rent Supplement
SILC	Survey of Income and Living Conditions

EXECUTIVE SUMMARY

KEY FINDINGS

This report is the fifth from an Economic and Social Research Institute (ESRI) research programme in partnership with Community Foundation Ireland, which seeks to address gaps in our knowledge and understanding of poverty, income inequality and living standards in Ireland.

The key findings of this year's report are as follows:

Income growth and inequality

- **Average incomes – adjusted for household size and inflation – fell by 0.6 per cent in the year to 2023, leaving them 3.3 per cent below their 2021 level.** This is despite growth of 11.3 per cent in nominal income over that period, which has been counteracted by faster growth in prices: 14.6 per cent for the average household.
- **Inflation has been even higher for lower-income households, a result of light, heat and groceries making up a larger share of their total expenditure.** We estimate that recent inflation has been 8 per cent higher than the headline rate for the lowest-income fifth of households and 5 per cent lower than the headline rate for the highest-income fifth of households. This – combined with patterns of nominal income growth – has led to incomes stagnating at all but the middle of the distribution.
- **These patterns of growth have led to a decline in most measures of income inequality, but a rise in the gap between the bottom and the middle.** While both the Gini coefficient and top decile share fell in the latest year of data, the 50:10 ratio increased slightly.
- **All these measures of income inequality have fallen substantially over the longer three-and-a-half-decade horizon covered by our data.** However, the decline in measures of expenditure inequality – which may provide a better measure of longer-run living standards – is less pronounced. For example, data which contain information on both

show the Gini coefficient for income has declined from 0.329 to 0.303 between 2009–10 and 2022–23, while that for non-durable expenditure has only fallen from 0.259 to 0.247.

Poverty and material deprivation

- **Overall, rates of income poverty and material deprivation have not changed significantly in the most recent year of data.** The before housing costs (BHC) at-risk-of-poverty rate for incomes in 2023 was 12 per cent: similar to that for incomes in 2022 (11 per cent) and 2021 (13 per cent). There has also been very little change in the rate of income poverty after housing costs (AHC) or the rate of material deprivation, which both remain around 15 per cent.
- **Rates of income poverty and material deprivation for children have remained persistently high**. The latest data show that one in five (c.225,000) children are below the poverty line when housing costs are accounted for: little different from the share seen during the worst years of the financial crisis. This suggests no real progress in reducing levels of child poverty despite such reductions forming a key goal of policy over this time. Ireland also performs poorly in comparison to other EU countries in terms of rates of AHC income poverty for children, ranking 16th out of 27 countries.
- **Measures of overall poverty based on expenditure rather than income have changed little over the last decade-and-a-half.** For example, the poverty rate based on total expenditure was 16.7 per cent in 2022–23 compared to 16.2 per cent in 2015–16 and 16.6 per cent in 2009–10. Similarly, the poverty rate based on non-durable, non-housing expenditure stood at 19.5 per cent in 2022–23 compared to 19.7 per cent in 2015–16 and 20.2 per cent in 2009–10.

Intergenerational poverty

- **This year, a thematic chapter explores the link between childhood poverty and adult outcomes, including poverty, material deprivation and health.** This analysis is based on retrospective questions asked in a special module in the Survey on Income and Living Conditions in 2011, 2019, and 2023.
- **After taking educational, labour market differences and other characteristics into account, people aged 25–59 who grew up in poverty are 8 percentage points more likely to be in bad health and 15 percentage points more likely to be deprived compared to those who grew up in good or very good conditions.** Similarly, those who grew up poor are 3 percentage points more likely to be unemployed or inactive.
- **Reducing the intergenerational transmission of poverty requires narrowing the educational attainment gap between those who grew up in financially disadvantaged versus advantaged households.** Improving access to healthcare for children from low-income households is also essential, as poor health in childhood can undermine both educational achievement and future employment prospects.

CHAPTER 1

Introduction

Barra Roantree

This report is the fifth from a research programme in partnership with Community Foundation Ireland exploring the evolution of poverty, income inequality and living standards in Ireland. The programme seeks to advance our understanding of the nature and determinants of poverty and inequality in Ireland, building on a strong history of such work at the Economic and Social Research Institute (ESRI).[1]

Central to the programme is the construction of harmonised data over a prolonged period of time. Although the Central Statistics Office (CSO) has – through the Survey of Income and Living Conditions (SILC) – collected comprehensive information on the living standards of households annually since 2003, these do not cover the period of rapid economic growth seen in Ireland over the 1990s. And while comparable surveys – the 1987 ESRI Survey of Income Distribution, Poverty and Usage of State Services (the 1987 Survey) and the Living in Ireland Survey (LIIS) – were conducted by the ESRI over these years, the indicators of poverty, income inequality and low living standards derived by researchers using these data (e.g. Callan et al., 1989; Nolan and Maître, 2000; and Nolan, 2003) are not directly comparable with those produced subsequently.[2]

This research programme aims to help address some of these gaps by constructing – and providing analysis of – a harmonised set of indicators that can inform debate about issues relating to poverty, income inequality and living standards by policymakers, academics and the wider public alike.[3] These are derived from the three high-quality, large-scale household surveys mentioned above, which are described in greater detail in Appendix A along with the approach used to construct the measures of poverty, deprivation, income inequality and living standards used in the report. While much work

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1 See, for example, Callan et al. (1988); Nolan and Maître (2000); and Roantree (2020).

2 This is for reasons as varied as differences in the definitions of income, deprivation, inflation and equivalence scales used across studies, in addition to revisions to the weights used to make these data representative of the underlying populations they are designed to measure.

3 A spreadsheet containing the data underlying the figures presented in this report is being published at https://doi.org/10.26504/jr14, which will be updated for the duration of this research programme (2023–2026).

has been done by the data collectors to maintain the comparability of these surveys over time, there were some methodological changes which nevertheless may affect estimates and which we flag here.

The first is that the LIIS adopted a longitudinal design with household members followed up in subsequent waves of the survey. By Wave 7 (2000), attrition was deemed to be a cause of concern and the original sample of individuals still in scope of the survey (i.e. who had not died, moved to an institution or outside of the EU) were supplemented with a booster sample of more than 1,500 individuals selected via a similar procedure as that used for the first wave of the survey. However, to avoid potential concerns about the representativeness of these later waves, we use only Waves 1–6 of the LIIS, spanning the years 1994–1999.

Second, 2020 saw some changes to SILC, most notably in the reference period about which individuals surveyed for SILC were asked about their incomes, from the 12 months prior to the date of interview to the calendar year prior to the date of interview. This means that respondents in 2023 – the latest year of data available – reported their incomes for the calendar year 2022, whereas respondents in 2019 reported their incomes for some period over 2018 and 2019 depending on when they were interviewed. In addition, there was also a change to the definition of a household from an address concept to a shared income and expenditure concept.[4]

Finally, as with any household survey, there is likely incomplete coverage of the very top of the income distribution by the household surveys we utilise due to non-response and undersampling (Atkinson et al., 2011; Callan et al., 2021). In addition, like in many countries, neither SILC nor its predecessors collect information on realised or unrealised capital gains, which are more prevalent towards the top of the income distribution, not least because of their preferable tax treatment relative to employment or dividend income (Björklund and Waldenström, 2021; Kakoulidou and Roantree, 2021).

[4] Further information on these and other changes to the SILC are detailed at https://www.cso.ie/en/releasesandpublications/in/silc/informationnote-breakintimeseriessilc2020/

Previous editions of this series have reported findings using this harmonised data from 1987 through to the present. The first annual report in the series (Roantree et al., 2021) highlighted how long-run disposable income growth in Ireland had been exceptionally strong, particularly for those in the bottom half of the income distribution. This resulted in a reduction in inequality, as measured by the Gini coefficient and other measures, despite a 'lost decade' of income growth between 2007 and 2017 due to the global financial crisis. However, the report also pointed to rates of income poverty and material deprivation remaining high among lone parents, their children, and those in households without anyone in paid work.

The two most recent reports in the series (Roantree et al., 2023; Roantree et al., 2024) highlighted how the onset of rapid inflation had brought an end to a decade of uninterrupted growth, with disposable incomes falling for those in the bottom half of the distribution and remaining stagnant for others. As such, income inequality increased in 2021, halting the sustained decline in income inequality that had been seen in prior years. A notable exception to the decline in average incomes was for those aged 65 and over. Although measures of income poverty were stable, 2022 also saw a significant rise in the rate of material deprivation. Overall, these trends have posed a real challenge for government in recent Budgets, especially as temporary cost-of-living-related payments have played a key role in maintaining the income of those at the bottom of the distribution.

This latest addition to the series provides an up-to-date view with the latest data available from the Survey of Income and Living Conditions. Chapter 2 studies developments in income growth and inequality for the entire population. Chapter 3 then focuses in on those worse off in our society, considering trends in poverty and material deprivation. A special focus is placed on intergenerational poverty in this report, with Chapter 4 exploring the link between childhood poverty and outcomes in adulthood using data from a special module in the Survey on Income and Living Conditions in 2011, 2019, and 2023. The report concludes in Chapter 5 with a summary of our key findings and some reflections on their implications for policy.

CHAPTER 2

Income growth and inequality

Barra Roantree, Míde Griffin and Tara Mitchell

Last year's report highlighted how average disposable (after tax and transfer) income had stagnated, marking the end of almost a decade of uninterrupted growth (Roantree et al., 2024). Although subject to some limitations,[5] this measure of disposable income – adjusted (equivalised) for household size[6] – provides an important measure of material living standards that is widely used by statistical agencies and researchers alike.

Figure 2.1 shows that the stagnation in average real equivalised disposable income highlighted last year has continued at the mean, with incomes falling by 0.6 per cent in the most recent year of data. Although collected in 2024, this data refers to incomes in 2023 (the previous calendar year) when inflation averaged 6.3 per cent across the year. In other words, while average disposable incomes increased in nominal – or cash – terms, prices increased faster, leaving average incomes lower in real – or inflation adjusted – terms. As a result, mean equivalised disposable income remains 3.3 per cent below its 2021 level in real terms. Again, this is despite growth of 11.3 per cent in nominal income over that period and reflects the faster growth in prices experienced over that period (14.6 per cent).

Such stagnation in real incomes contrasts with the strong growth experienced between 2011 and 2021, when mean real equivalised disposable income grew by 3.4 per cent per year on average. It also contrasts with the strength of growth experienced over the 1990s, when mean real equivalised disposable income grew by 6 per cent per year on average.

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5 For example, there is evidence of under-reporting of incomes – especially among very high- and low-income households – in similar surveys internationally (Brewer et al., 2017; Bollinger et al., 2019; Meyer et al., 2015), while even those households for whom incomes are recorded with perfect accuracy, the measure is a 'snapshot' one that captures both temporary and permanent differences between individuals.

6 As discussed further in Appendix A, we use the modified OECD equivalence scale which assigns the first adult in a household a weight of 1, children under 14 a weight of 0.3 and any other individuals a weight of 0.5. This is consistent with the approach of Eurostat among others, but differs from that of the CSO in official statistics who use equivalence scales of 1, 0.33 and 0.66 respectively. Using this scale allows us to produce estimates which can be compared to other EU Member States, the United States (Joyce and Ziliak, 2020) and Britain (Bourquin et al., 2020).

FIGURE 2.1 AVERAGE REAL EQUIVALISED DISPOSABLE INCOME (2011/12=100)

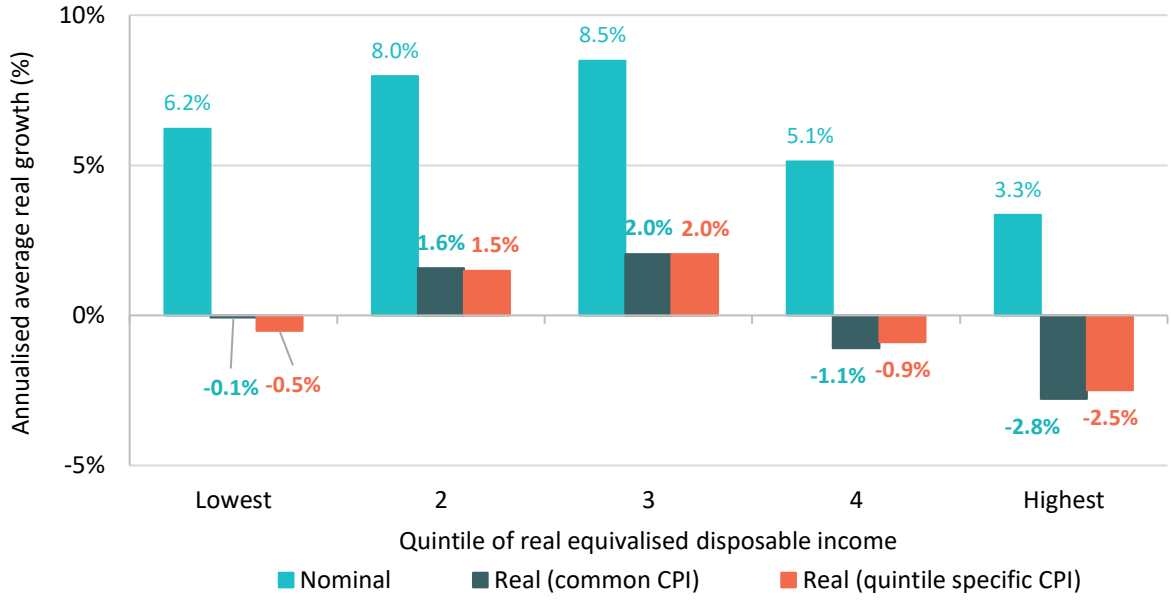
Sources: Authors' calculations using the ESRI Survey of Income Distribution, Poverty and Usage of State Services, the Living in Ireland Survey and the Survey of Income and Living Conditions Research Microdata Files.

Notes: Incomes adjusted for household size and composition using the modified OECD equivalence scales and expressed in 2024 prices using the all-item Consumer Price Index (CPM02). Income reference period refers to previous calendar year from data year 2020, and previous 12 months before.

However, disposable incomes in Ireland have also been subject to significant volatility, with a sharp decline of almost 15 per cent experienced over the course of the 2007–2012 recession. Indeed, while the subsequent recovery was relatively rapid, it was not until 2018 that mean real equivalised disposable income surpassed its pre-recession peak, amounting to a lost decade of income growth for the population on average.

Changes in average incomes can mask different experiences at different levels of income. For this reason, we now turn to look at income growth across the distribution of income. Figure 2.2 plots the growth in average equivalised disposable income for each quintile (fifth) of the distribution. The first (light blue) series shows that while each quintile experienced positive nominal income growth between 2022 and 2023, this was lower at the bottom (6.2 per cent) and top (3.3 per cent) of the distribution than the middle (8.5 per cent). Given headline CPI inflation of 6.3 per cent, this translates into a decline in real incomes at the bottom and top of the distribution, but growth in the middle as shown by the middle (dark-blue) series in Figure 2.2.

FIGURE 2.2 GROWTH IN EQUIVALISED DISPOSABLE INCOME 2022–23, BY INCOME QUINTILE



Sources: Authors' calculations using the 2023 and 2024 editions of the Survey of Income and Living Conditions Research Microdata Files.

Notes: Incomes after direct taxes paid and benefits received – but before housing costs deducted – adjusted for household size and composition using the modified OECD equivalence scales. Overall inflation calculating using the all-item Consumer Price Index (CPM02) while quintile-specific inflation calculated using the approach of Lydon (2022) applied to the 2022–23 Household Budget Survey.

However, previous research has shown that households' spending patterns differ substantially across the distribution of income with lower-income households spending more on heat, lighting and food than middle- or higher-income households (e.g. Coffey et al., 2020). Given the sharp inflation experienced in recent years was driven by increases in energy and grocery prices, this suggests lower-income households likely experienced higher levels of inflation than others.

Recently published data from the Household Budget Survey (HBS) confirms this. We follow Lydon (2022) in computing income quintile-specific inflation rates for 2022–2023 which are 7 per cent higher than the headline rate of inflation for the lowest-income quintile and 5 per cent lower than the headline rate of inflation for the highest-income quintile. The third (orange) series in Figure 2.2 shows that adjusting incomes using these quintile-specific inflation rates results in a larger decline at the bottom of the distribution and a slightly smaller decline at the top.

Figure 2.3 shows that these patterns of growth are also reflected in some key summary measures of income inequality. The light blue series plots the Gini coefficient, which

summarises the level of income inequality as a number between 0 (where everyone has the same income) and 1 (where one person has all income). This declined from 0.266 in 2022 to 0.257 in 2023, following small increases in 2021 and 2022. Similarly, the top decile share – the share of total equivalised disposable income held by the top 10 per cent – shown by the darker blue series fell from 0.225 to 0.214 reversing the small increases seen in 2021 and 2022.

There were less clear changes in other measures of inequality, with the 90:10 ratio – the income of the person at the 90th percentile of the distribution divided by that of the person at the 10th percentile – (shown in orange on the right-hand side axis) flat at 3.026, and the 50:10 ratio (shown in purple) increasing slightly from 1.72 to 1.78. This is consistent with incomes growing at the middle of the distribution but not elsewhere, as described above.[7] [8]

However, all these measures of income inequality have fallen substantially – if unsteadily – over the longer horizon covered by our data. For example, the Gini coefficient has fallen from 0.332 in 1986/87 to 0.257 in 2023: a decline of more than a fifth. Such a decline is relatively uncommon internationally, as highlighted by Roantree and Barrett (2024) and Thewissen et al. (2018), among others.

While most discussion of economic inequality focuses on the distribution of (equivalised disposable) incomes, economists have long argued that consumption may provide a better measure of individuals' long-run living standards (e.g. Poterba, 1989; Slesnick, 1993). A key reason for this is because households can – and do – draw on savings or borrow to improve their living standards when incomes are temporarily low (e.g. when retired or in education). As a result, research has found that assessments of living standards can differ substantially depending on whether they are conducted using data on consumption or income (e.g. Meyer and Sullivan, 2023; Blundell and Preston, 1995).

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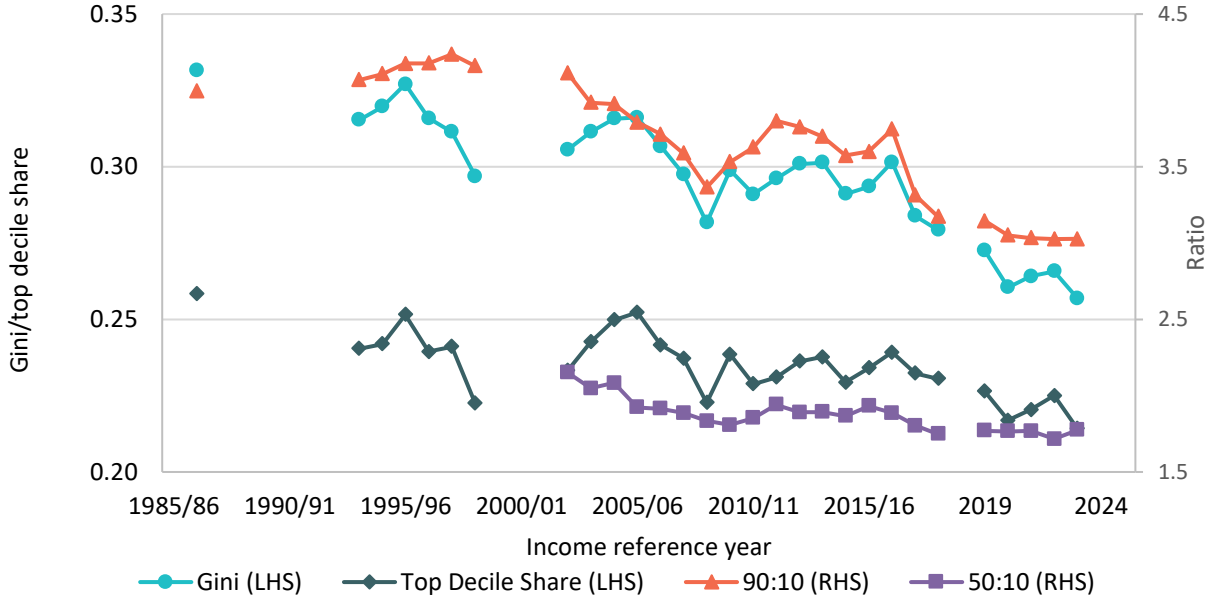
7 These different trends in inequality measures also reflect the greater sensitivity of the Gini coefficient to incomes at the middle of the distribution, as highlighted by Atkinson (1970) among others.

8 Appendix Figure B.1 shows similar but even less pronounced patterns in terms of after housing cost measures of income inequality. These deduct the recurrent or ongoing cost of housing from disposable income following Roantree et al. (2022), Slaymaker et al. (2022) and Belfield et al. (2015) among others.

FIGURE 2.3 DISPOSABLE INCOME INEQUALITY



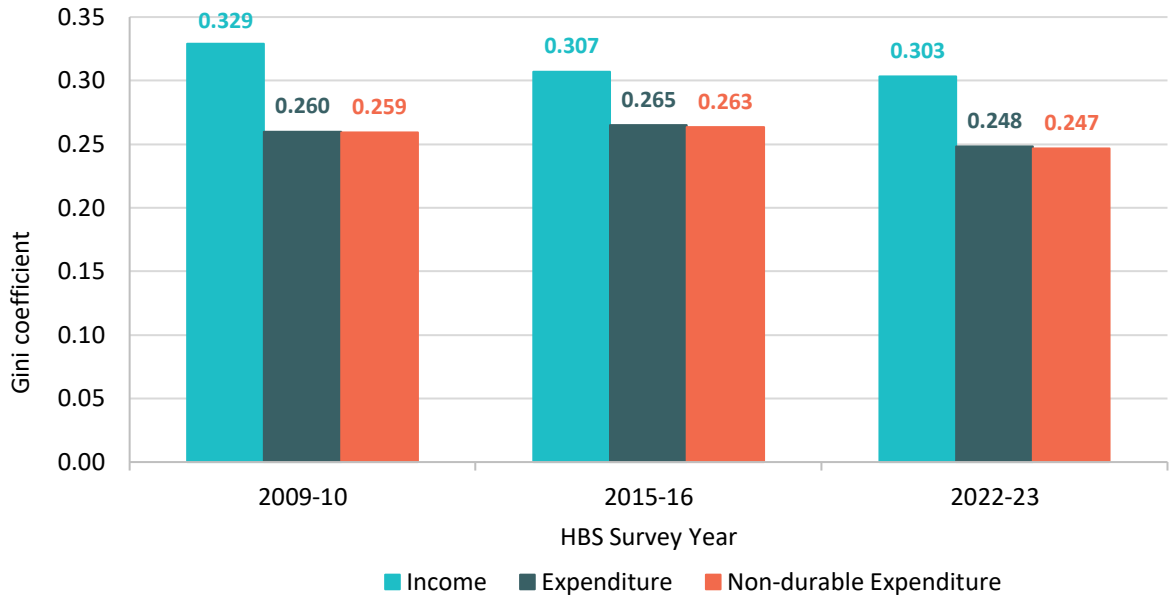
Sources: Authors' calculations using the ESRI Survey of Income Distribution, Poverty and Usage of State Services, the Living in Ireland Survey and the Survey of Income and Living Conditions Research Microdata Files.

Notes: Incomes after direct taxes paid and benefits received, but before housing costs. Adjusted for household size and composition using the modified OECD equivalence scales. Excludes a small number of observations with non-positive incomes (see Appendix A). Income reference period refers to previous calendar year from data year 2020, and previous 12 months before.

Figure 2.4 presents income and expenditure based estimates of the Gini coefficient from the last three editions of the Household Budget Survey (HBS) (2009–10, 2015–16, and 2022–23). Although somewhat higher than those obtained from the (larger and more reliable) EU Survey of Income and Living Conditions (EU-SILC) presented above, estimates of equivalised disposable income inequality from the HBS have also declined: from 0.329 in 2009–10 to 0.303 in 2022–23.

As we would expect, the Gini coefficient for expenditure is lower than for income, at around 0.250 in 2022–23. However, more notable is that the decline in expenditure inequality is far less pronounced than for income inequality. This is true for both equivalised total expenditure – which has fallen from 0.260 in 2009–10 to 0.248 in 2022–23 – and equivalised non-durable expenditure – which has fallen from 0.259 to 0.247. This corresponds to a decline of less than 5 per cent in the expenditure Gini compared to 8 per cent in the income Gini according to the HBS and 15 per cent according to SILC.

FIGURE 2.4 INCOME VERSUS EXPENDITURE BASED MEASURES OF INEQUALITY



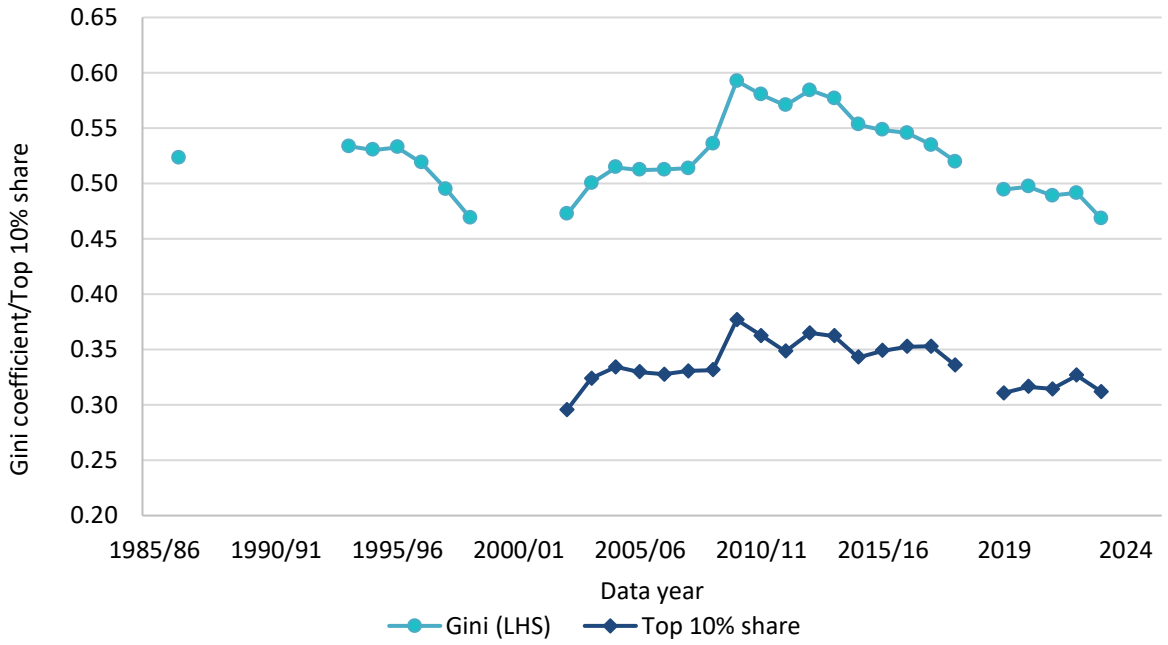
Sources: Authors' calculations using the Household Budget Survey.

Notes: Adjusted for household size and composition using the modified OECD equivalence scales.

Another important component of economic inequality is changes in pre-tax and transfer income. For example, Bozio et al. (2024) find that changes in such pre-tax income inequality have been the main driver of overall income inequality changes in France and the United States.

Figure 2.5 plots measures of pre-tax and transfer income inequality, again using data from the SILC and its predecessors (the Living in Ireland Survey and the 1987 ESRI Survey). This shows that the Gini coefficient for (equivalised) pre-tax and transfer income rose sharply over the course of the 2007–2012 recession, from 0.514 to 0.584. So too did the top 10 per cent share of pre-tax and transfer income, from 0.330 to 0.365 over the same period. However, these measures of pre-tax and transfer income inequality have decreased substantially since, with Figure 2.5 showing that the Gini coefficient had fallen to 0.468 in 2023 (its lowest recorded level) and the top 10 per cent share to 0.312.

FIGURE 2.5 PRE-TAX AND TRANSFER INCOME INEQUALITY



Sources: Authors' calculations using the 1987 ESRI Survey of Income Distribution, Poverty and Usage of State Services, the Living in Ireland Survey and the Survey of Income and Living Conditions Research Microdata Files.

Notes: Incomes before direct taxes paid and benefits received. Excludes non-positive values. Income reference period refers to previous calendar year from data year 2020, and previous 12 months before that.

Research has shown that in Ireland, these measures of pre-tax and transfer inequality are closely linked to the share of the working-age population living in a household without anyone in paid work (Nolan and Maître, 2021; Roantree, 2020). This share increased sharply alongside the rise in unemployment that accompanied the 2007–2012 recession, and has fallen steadily with the economic recovery and rising employment.

Although previously the highest in the EU, the sustained decline in measures of pre-tax and transfer Gini coefficient mean that Ireland was ranked mid-table (8th) of the 26 Member States for whom data was available in 2022. However, it remains the case that taxes and transfers do comparatively more to reduce income inequality in Ireland than other countries, with the difference between the pre- and post-tax and transfer Gini coefficients in Ireland higher than all but three other EU countries (Slovakia, Hungry and Greece).[9]

[9] See Appendix Figure B.2 for these estimates.

While this is sometimes put forward as evidence that Ireland has one of the most progressive tax and transfer systems in the EU, such an interpretation is complicated by a number of factors. This includes how indirect taxes and non-cash transfers are accounted for in measures of disposable income, as well as the role that the tax and transfer system itself plays in shaping the distribution of pre-tax and transfer income (Roantree, 2025). Nevertheless, it is clear taxes and transfers play a key role in reducing the incidence of poverty and deprivation, the subject of the next chapter.

CHAPTER 3

Poverty and material deprivation

Tara Mitchell, Míde Griffin and Barra Roantree

Our focus so far has been on income growth and inequality across the entire population. However, policymakers may have particular concerns about the living standards of those with the least resources. In this chapter, we look at how two key indicators of low living standards have evolved: income poverty and material deprivation.

Measures of income poverty conceptualise low living standards as not having sufficient resources to buy essential goods and services. However, what constitutes an essential good or service is a subjective question, with the answer evolving over time, reflecting changes in average living standards, technology and the views of society more generally.

Because of this, most measures of income poverty are ultimately relative, explicitly defined with respect to average incomes which sets a 'poverty line' under which individuals are deemed to be at risk of poverty if their incomes fall below.[10]
We consider income poverty rates defined in terms of both before housing costs (BHC) and after housing costs (AHC) income.

While income poverty is widely used as a measure of low living standards, Whelan et al. (2019, p.684) – among others – argue that its limitations include: 'the failure to take account of longer-term command over resources, unusually high expenses, accumulated debt, the distinctive circumstances of the self-employed and the role played by state services'.

[10] This is true even for what are sometimes (confusingly) called measures of 'absolute poverty'. These define the poverty line in relation to average incomes in some fixed year, in contrast to what are sometimes called measures of 'relative poverty' that do so in relation to contemporary average incomes. We restrict attention to the latter class of measures as our focus in this section is changes in poverty over the medium to long run.

In part because of these limitations, researchers working in the area of poverty and social exclusion have moved towards using multiple measures including non-monetary indicators.

Material deprivation is one such measure of low living standards. Like income poverty, measures of material deprivation also conceptualise low living standards as not having sufficient resources to buy essential goods and services. However, they take a different approach to assessing this than measures of income poverty, directly asking people whether they are able to afford certain items which might be considered essential.

We construct an indicator which classifies people as being materially deprived if they are unable to afford two or more of ten such items,[11] which is plotted in Figure 3.1 alongside rates of income poverty on both a before housing costs (BHC) and an after housing costs (AHC) basis for the full horizon allowed by our data.[12]

This shows that there was a decline in rates of income poverty both BHC and AHC in the late 2010s, falling from 16 per cent and 19 per cent in survey year 2016 (referring to incomes in 2015) to 13 per cent and 15 per cent in survey year 2019 (referring to incomes in 2018). Since then, rates of income poverty have hovered around the same level and are little changed in the most recent year of data (survey year 2024, referring to incomes in 2023).

The rate of material deprivation also fell sharply as the economy recovered after the financial crisis, from a peak of 30 per cent in survey year 2013 to a recent low of 13 per cent in survey year 2021. However, unlike with rates of income poverty, rates of material deprivation rose notably afterwards, reaching 16 per cent in survey year 2023. The latest year of data suggests the rate of material deprivation has fallen slightly from 16 per cent to 15 per cent in survey year 2024.

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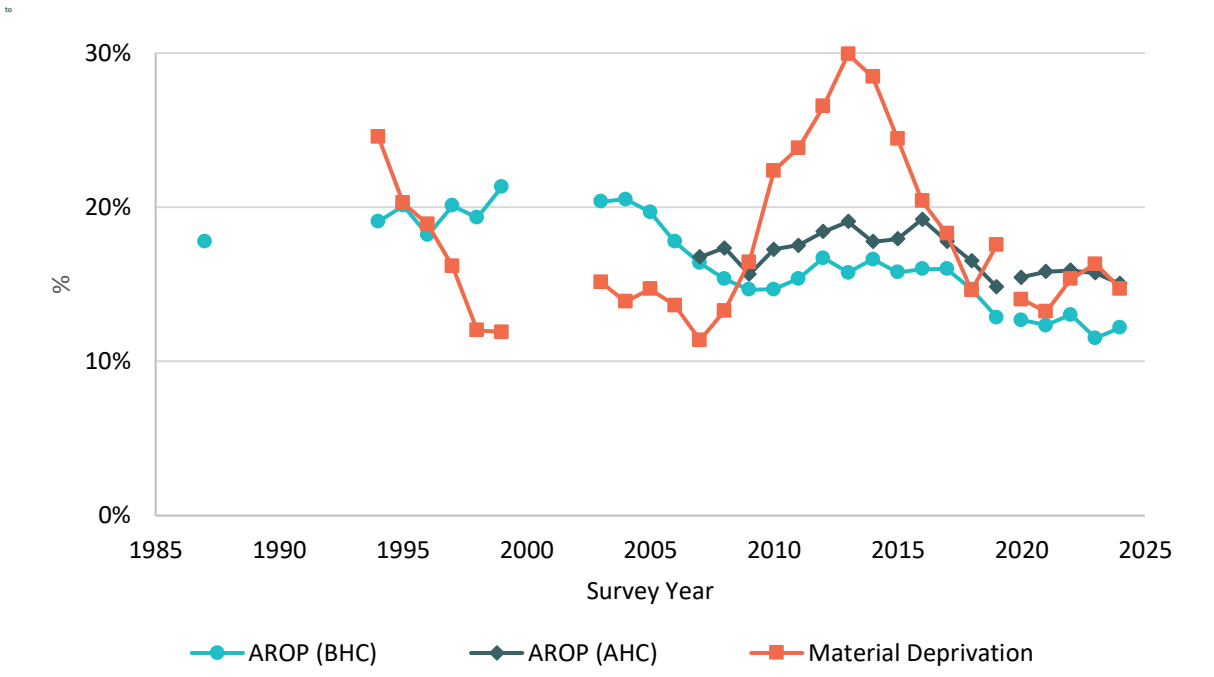
11 Section A.3 in Appendix A provides a detailed description of these ten items, as well as how our indicator differs from that used by the Department of Employment Affairs and Social Protection (DEASP) (2020) and published by the CSO in its annual Survey of Income and Living Conditions release.

12 This horizon is limited to the years since 2007 for the AHC AROP rate as this is when consistent information on housing costs is available from. Note that while income poverty rates refer to the income reference period of the survey (the previous calendar year from 2020, and the previous 12 months before then), material deprivation rates refer to the year of the survey itself.

FIGURE 3.1 AT-RISK-OF-POVERTY AND MATERIAL DEPRIVATION RATES: SURVEY YEARS 1987–2024



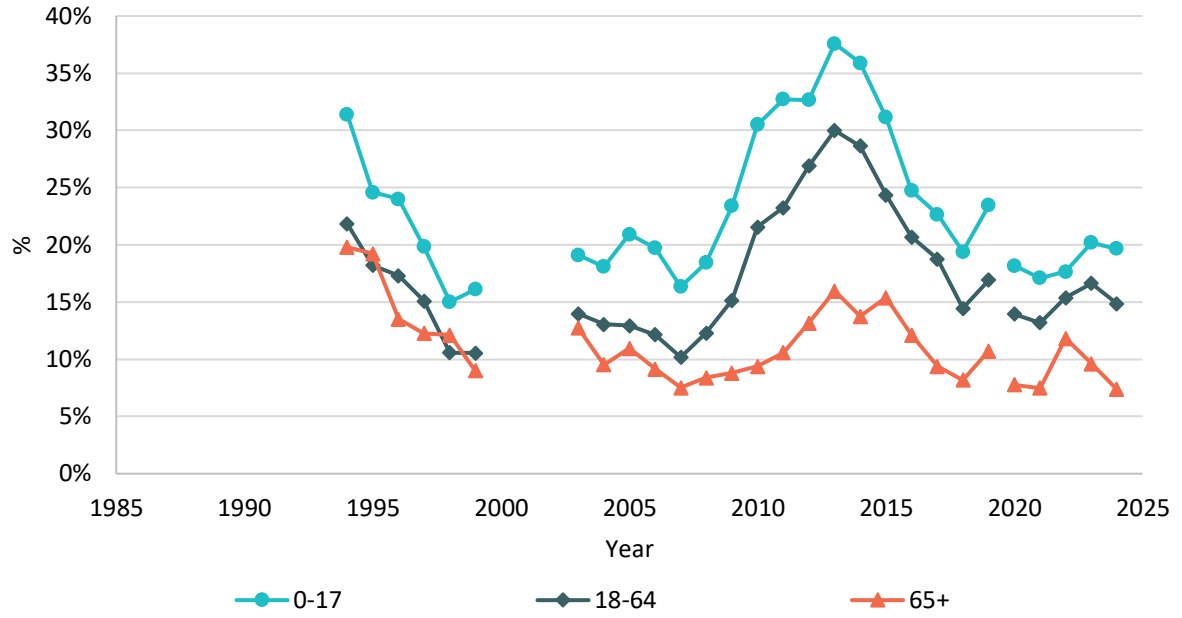
Sources: Authors' calculations using the ESRI Survey of Income Distribution, Poverty and Usage of State Services, the Living in Ireland Survey and the Survey of Income and Living Conditions RMF.

Notes: Poverty line defined as 60 per cent of median equivalised disposable income, that is after direct taxes paid and benefits received adjusted for household size and composition using the modified OECD equivalence scales. Deprivation defined as being unable to afford two or more items from a list of ten essentials. Income reference period refers to previous calendar year from survey year 2020, and to previous 12 months before that. Material deprivation relates to status at the time of interview.

Figures 3.2 and 3.3 present the rates of material deprivation and income poverty, respectively, broken down by age group. From Figure 3.2, we can see that the decline in the rate of material deprivation in the most recent survey year is reflected across all age groups. It is important to note however that the sharpest decline can be seen in older age groups, with only a minimal decrease occurring in the 0–17 age group.

In contrast, Figure 3.3 shows some interesting differences across age groups in the income-based measures of poverty. The at-risk-of-poverty rate for those aged 65+ has increased in both BHC and AHC terms in recent years, with little change for the younger cohorts, thereby bringing at-risk-of-poverty rates closer together across age groups.

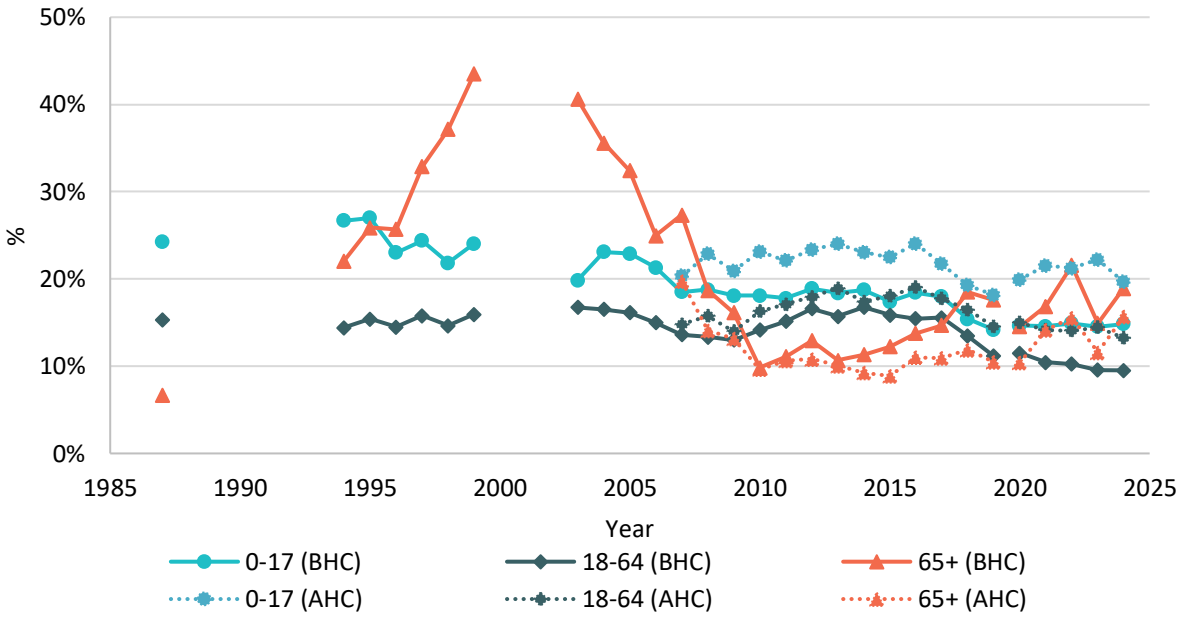
FIGURE 3.2 MATERIAL DEPRIVATION RATE, BY AGE GROUP: SURVEY YEARS 1987–2024



Sources: Authors' calculations using the Living in Ireland Survey and Survey of Income and Living Conditions RMF.

Note: Material deprivation is defined as being unable to afford two or more items from a list of ten essentials, described in Appendix A.3.

FIGURE 3.3 AT-RISK-OF-POVERTY RATE, BY AGE GROUP: SURVEY YEARS 1987–2024



Sources: Authors' calculations using the Living in Ireland Survey and the Survey of Income and Living Conditions RMF.

Note: Poverty line defined as 60 per cent of median equivalised disposable income, that is after direct taxes paid and benefits received adjusted for household size and composition using the modified OECD equivalence scales.

Table 3.1 presents estimates of the rates of income poverty and material deprivation, along with headcounts, across various sub-groups for survey year 2024 (referring to incomes in 2023 and deprivation levels in 2024). Some important differences can be seen from the figures in this table, which highlight certain demographic groups that are particularly vulnerable.[13] For example, the rate of material deprivation for a single adult with no children is 16 per cent, but this increases to 46 per cent for a single-adult household with children. Notably, the differences in rates of income poverty across these two groups are not as pronounced, highlighting the importance of looking at multiple measures of poverty for understanding vulnerabilities.

The importance of housing costs for renters once again stands out from the figures in this table, as for unsupported renters the at-risk-of-poverty rate increases from around 18 per cent before housing costs to around 30 per cent after housing costs. Finally, the figures in the table show once again the higher rates of deprivation for younger age groups, with the rate for the 0–17 age group remaining close to a concerning 20 per cent. In terms of actual numbers, this means that there are over 227,000 children in Ireland who are materially deprived.

It is also informative to view income poverty rates for Ireland in a relative sense to help us understand where Ireland lies in comparison to the rest of the EU. The overall rates of income poverty both BHC and AHC for each of the 27 EU countries are presented in Figures 3.4a using EU-SILC data provided by Eurostat for survey year 2022. This uses country-specific poverty thresholds, which are shown in both euro and purchasing power parity adjusted terms in Appendix Figure B.3.

Overall, Ireland ranks ninth lowest among the EU-27 for BHC poverty rates and seventh lowest for AHC poverty rates. While accounting for housing costs leads to a large increase in the at-risk-of-poverty rates in Ireland, some other countries see an even larger increase. The result is that Ireland's rank remains similar across both measures, even improving slightly once housing costs have been accounted for.

[13] These differences remain statistically significant when included in a logit model similar to that presented in Table 3.2 of Roantree et al. (2022).

TABLE 3.1 POVERTY AND MATERIAL DEPRIVATION RATES, SURVEY YEAR 2024

	Material deprivation		AROP (BHC)		AROP (AHC)	
	%	N	%	N	%	N
Household type						
Single adult, no kids	16.1%	68,584	38.4%	163,453	41.1%	174,946
Single adult, w/kids	45.5%	81,546	32.6%	58,458	43.8%	78,524
2 adults, no kids	12.4%	129,622	8.5%	88,586	8.3%	87,128
2 adults w/kids	15.2%	229,160	11.7%	177,462	16.8%	253,899
3+ adults, no kids	8.2%	110,158	5.3%	70,418	6.8%	90,745
3+ adults, w/kids	20.6%	155,464	10.9%	82,065	14.0%	105,250
Housing tenure						
Owned outright	6.5%	114,955	11.8%	210,060	8.9%	158,090
Owned w/mortgage	10.1%	189,485	4.1%	75,773	3.6%	67,742
Unsupported renter	15.8%	143,596	17.5%	158,940	30.3%	275,537
Supported renter	46.7%	326,496	28.0%	195,669	41.4%	289,122
No. workers in HH						
0	26.4%	223,969	38.5%	327,209	36.8%	312,318
1	19.2%	265,698	15.8%	218,605	23.3%	321,418
2+	9.4%	284,867	3.1%	94,629	5.2%	156,755
Age group						
0–17	19.7%	227,036	14.9%	171,532	19.6%	226,751
18–64	14.9%	486,239	9.5%	311,633	13.2%	433,260
Aged 65+	7.4%	61,258	18.9%	157,278	15.7%	130,480
of which⋯						
Live with another	5.6%	30,023	7.8%	42,046	5.5%	29,321
Live alone	10.6%	31,235	39.1%	115,231	34.3%	101,159
Has children						
No	10.7%	286,367	11.6%	310,301	12.6%	336,643
Yes	18.9%	488,167	12.8%	330,141	17.6%	453,848
Age of youngest child						
0–5	17.4%	169,983	14.8%	144,923	21.5%	210,004
6–11	19.2%	170,283	12.3%	108,845	17.0%	150,406
12–17	20.7%	147,900	10.7%	76,373	13.1%	93,438
Disability in HH						
No	12.2%	454,688	10.6%	394,656	14.3%	533,892
Yes	20.9%	319,846	16.0%	245,786	16.7%	256,599
Total	14.7%	774,534	12.2%	640,442	15.0%	790,491

Source: Authors' calculations using the 2024 Survey of Income and Living Conditions Research Microdata File (SILC RMF).

Note: Excludes a very small number of observations with non-positive values for disposable income.

Looking at the rates of income poverty for the entire population can mask some important differences by age. To explore this further, the rates for children (aged under 17) and those aged 65+ are presented in Figures 3.4b and 3.4c respectively. The difference in these rates is particularly large for children in Ireland, whose rank falls from 12th lowest BHC to 16th lowest AHC. This worsening in rank reflects the relative high cost of housing for those with children in Ireland.

By contrast, accounting for housing costs makes little difference to the income poverty rate for those aged 65+ in Ireland, reflecting the relatively low housing costs for this age group, who are largely owner-occupiers without mortgages. However, accounting for housing costs substantially increases poverty rates for those 65+ in other EU countries, resulting in Ireland's rank improving substantially from 22nd BHC to 14th AHC.

Finally, in line with the expenditure-based inequality measures presented in the previous chapter, we present here the at-risk-of-poverty rates based on different categories of expenditure. Akin to at-risk-of-poverty rates based on income, households at risk of poverty here are defined as those whose expenditure is less than 60 per cent of the median in Ireland in a given year for that type of expenditure. Total expenditure captures spending on all goods and services as recorded in the Household Budget Survey, for example food, fuel and housing costs. Non-durable expenditure excludes spending on durable goods, for example household appliances such as washing machines. Non-durable non-housing expenditure captures all spending excluding spending on durable goods and on housing (e.g. mortgage repayments, rent, property taxes, refuse charges).[14]

Figure 3.5 shows that the rates of these expenditure-based measures of poverty have remained quite stable over time. The numbers for the first two measures are fairly comparable to the income-based measures, but they increase substantially when looking at non-durable, non-housing expenditure. This once again highlights the importance of taking into account housing costs in assessing wellbeing from income and expenditure measures.

[14] See Appendix A.1 for a full description of the survey data and expenditure categories.

FIGURE 3.4 EU COMPARISON OF POVERTY RATES BY AGE BEFORE AND AFTER HOUSING COSTS

Figure 3.4a: overall

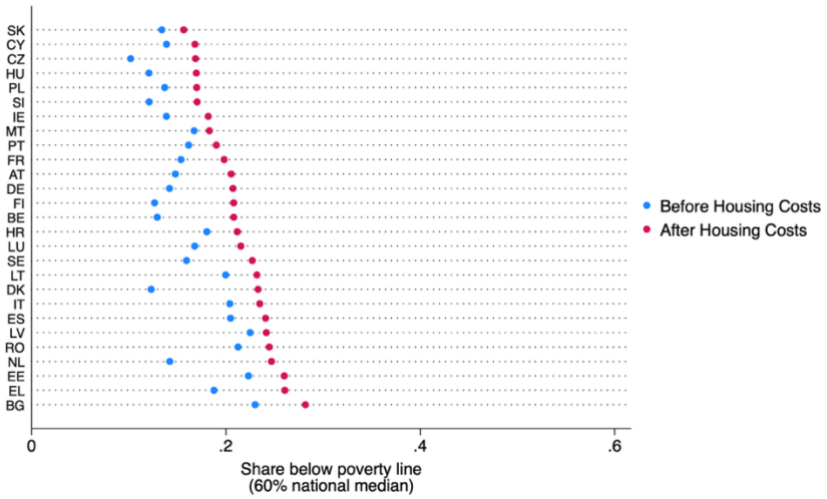


Figure 3.4b: age 0–17

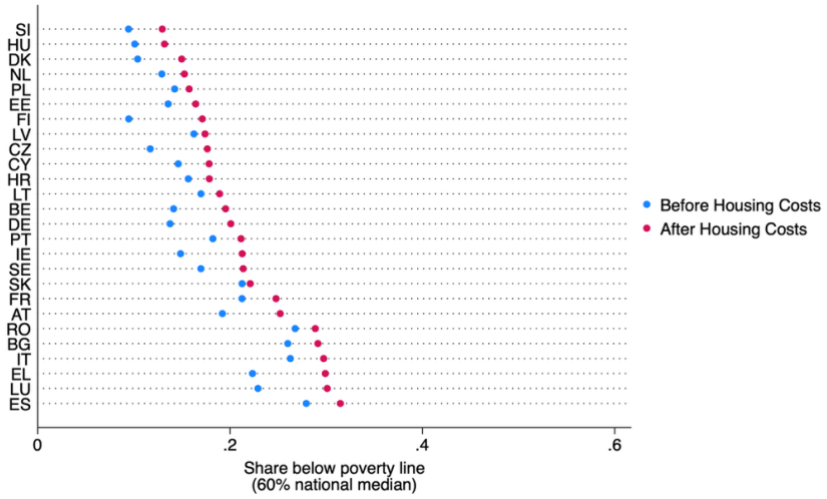
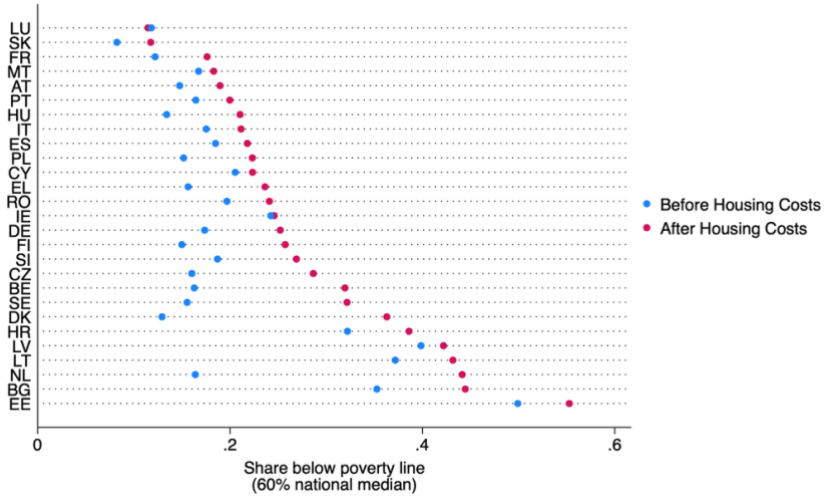


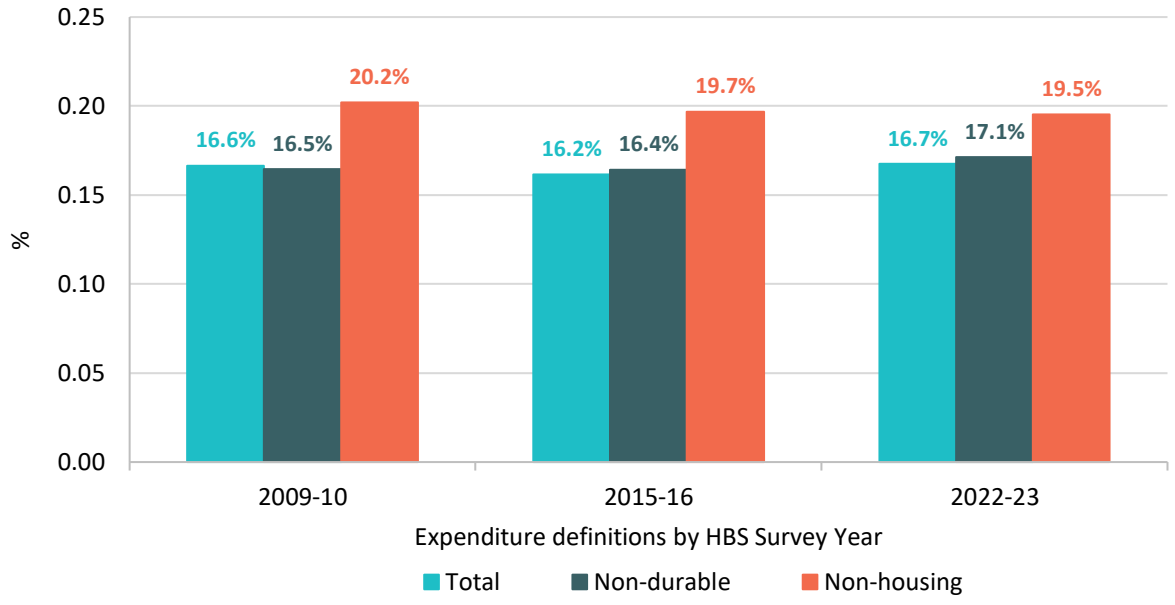
Figure 3.4c: age 65+



Source: Authors' calculations using the 2022 EU Survey of Income and Living Conditions microdata provided by Eurostat.

Note: Excludes a small number of observations with non-positive values for disposable income.

FIGURE 3.5 EXPENDITURE-BASED MEASURES OF POVERTY



Sources: Authors' calculations using the Household Budget Survey.

Notes: Adjusted for household size and composition using the modified OECD equivalence scales. Non-durable refers to total expenditure less expenditure on durable goods. Non-housing expenditure refers to spending on non-durable goods less expenditure on housing goods and services.

As explained in the previous chapter, expenditure may provide a better measure of individuals' long-run living standards than income and so expenditure-based measures of poverty allow us another means of understanding how households are faring. However, it is important to note that higher household expenditure does not necessarily translate into higher standards of living. For example, a household may have high expenditure but may still be struggling if they require much of that expenditure to meet their basic needs, for example people with disabilities who experience higher-than-average costs in terms of housing and healthcare. Likewise, a household with high expenditure is not necessarily 'well-off' if their expenditure is greater than their income and they are accruing unsustainable debt to fund their spending. While expenditure-based measures of poverty can help us to understand poverty in Ireland from a different lens, they do not tell the whole story.

Furthermore, there are many aspects of living standards that matter to people in addition to their income and expenditure which we cannot capture in this analysis. Households' savings and assets (e.g. home-ownership), as well as leisure time, mental

and physical health, and environmental quality are just some of the factors that contribute to people's living standards and sense of wellbeing.[15]

This chapter has shown that Ireland ranks mid-table across the EU in terms of most measures of income poverty. One reading of this is that Ireland compares reasonably well with other EU countries, with similar rates of overall income poverty as Finland, Denmark and Belgium once housing costs are accounted for.

However, the previous Government's Roadmap for Social Inclusion (Department of Social Protection, 2020) set out an ambition to 'to make Ireland one of the most socially inclusive countries in the EU'. From this perspective, Ireland's comparative performance can be seen as disappointing, particularly in relation to child poverty, where Ireland ranks 16th of 27 countries when housing costs are accounted for, with a rate twice that of the lowest in the EU (Denmark).

Given the significant lifelong impacts experiencing childhood poverty can have (National Academies of Sciences, Engineering, and Medicine, 2019), the failure to make sustained progress over the past two decades in reducing the rate of child poverty should be of particular concern to policymakers. We return to this theme in the final chapter of the report.

[15] This is among the reasons the Government of Ireland has published a Well-being Framework designed 'to help improve our understanding of people's quality of life'. See https://www.gov.ie/en/department-of-culture-communications-and-sport/publications/well-being-framework/.

CHAPTER 4

Intergenerational poverty: exploring the link between childhood poverty and outcomes in adulthood

Helen Russell, Anousheh Alamir and Bertrand Maître

Despite narratives around meritocracy, decades of research have repeatedly found a strong relationship between circumstances in childhood and later life chances, including income, social class, occupational and health outcomes across a wide range of countries (Aizer, 2017; Bavaro et al., 2024; Bellani and Bia, 2017; Duncan et al., 2018; Eshaghnia et al., 2022; Nolan et al., 2006; Parolin et al., 2025; Vaid and Datta, 2024). Here we focus on the relationship between experiencing poverty in childhood and later life circumstances, specifically income poverty, deprivation, poor health, and employment in adulthood. Understanding the strength of the association between financial circumstances in childhood and adulthood, as well as the mechanisms that underpin this relationship, is important to inform policy and break the cycle of poverty.

We draw on special modules of SILC from 2011, 2019 and 2023, which ask retrospective questions about financial conditions during childhood and about current circumstances. These data allow us to consider the following questions:

1. Does childhood poverty increase the risk of income poverty, deprivation, poor health and unemployment/inactivity in adulthood?
2. How has intergenerational disadvantage changed over time between 2011 and 2023?
3. What mechanisms explain the link between childhood poverty and current poverty?

4.1 PREVIOUS RESEARCH ON THE INTERGENERATIONAL PERSISTENCE OF POVERTY

The relationship between the social class of origin and destination, and the opportunity for social mobility is a core focus of sociological research (Erikson and Goldthorpe, 1992, 2002; Hout, 2015). In economics, there is also well-developed literature on the

link between parental income/earnings or parental education and income (earnings) of their offspring in adulthood (Bavaro et al., 2025; Torche, 2015). Here the focus is on previous studies that address the relationship between poverty in childhood and in adulthood. This is sometimes referred to as the 'intergenerational transmission of poverty'. However, that term tends to focus attention on the actions or motivations of individuals. Instead, we outline the range of mechanisms through which childhood poverty increases the risk of poor outcomes in adulthood as identified in previous research.

4.1.1 Childhood poverty and poverty in adulthood

Analysing the European Union, Bellani and Bia (2017) use the 2005 and 2011 EU-SILC data and find that individuals who grow up in poor financial circumstances are more likely to be at risk of poverty in adulthood and their income to be lower. This is especially the case among Southern European countries (Dewilde, 2025) but also in Continental, Central and Eastern European countries (Bellani and Bia, 2017). As noted by Dewilde (2025), across Eastern European countries which are characterised by reduced social mobility, enhanced segregation and strong increases in income and wealth inequality, intergenerational poverty has become stronger for younger cohorts (particularly in Bulgaria, Romania, Hungary, Slovakia, Lithuania, and Croatia). In other Eastern European countries, changes over time were more limited, which could be explained by exceptional economic growth in combination with legacy effects of state-socialist redistribution.

In the United States, Parolin et al. (2025) find that spending all of one's childhood in poverty is associated with a 43 percentage point (pp) increase in the mean poverty rate during early adulthood. In contrast, that figure is 21 pp in Australia, 15 pp in Germany, 16 pp in the United Kingdom, and 8 pp in Denmark. As the authors point out, cross-national variation in intergenerational poverty is not mechanically related to childhood poverty. One example is the United Kingdom, which features notably higher child poverty rates than Australia or Germany, yet comparable intergenerational poverty rates.

Similar results have been found for Ireland. In 2001, 30 per cent of those that had experienced 'great difficulty making ends meet' in childhood were below the

60 per cent median poverty line in adulthood compared to 11.3 per cent of those that experienced 'little difficulty' in childhood (Nolan et al., 2006). Although the authors point out that risk is not destiny: while a quarter of those below the poverty line had experienced 'great difficulty' during childhood, 37 per cent had experienced 'little difficulty' (ibid).

More recent research for Ireland shows that in 2019 the proportion of adults experiencing deprivation was 35 percentage points higher among those who reported 'very bad' financial circumstances during childhood when compared to individuals of the same gender and age who reported 'very good' financial circumstances (Curristan et al., 2022). However, the influence of childhood poverty was found to be most pronounced for younger adults and weaker for older adults. The authors also find that poverty in childhood was more strongly linked to adult deprivation than to income poverty (i.e. being below the 60 per cent national median income). They also found that the deprivation gap between those from advantaged and disadvantaged backgrounds during childhood widened between 2011 and 2019.

4.1.2 Potential mechanisms

The literature has identified several mechanisms that lead to intergenerational persistence of poverty. This is a useful exercise to guide policies that disrupt the cycle of poverty. We describe the main ones here below.

(i) Education

Both parents' and children's educational attainment have found to be amongst the most influential factors shaping intergenerational poverty (Bavaro et al., 2024; Erikson and Goldthorpe, 2002; Jerrim and MacMillan, 2015), exerting both direct and indirect effects on the likelihood that people who experienced poverty during childhood will also go through it in adulthood.

a. Effect of child poverty on cognitive development, motivation and attainment

Beginning with early childhood, Guo (1998) shows that poverty at a young age has a significantly negative effect on cognitive development. Likewise, Eshaghnia et al. (2022) show, using Danish data, that parental resources received when children are at an

earlier age are better predictors of their cognitive skills and education than parental income received later in their childhood. In Ireland, Maître et al. (2021) find that economic vulnerability[16] during early and middle childhood is associated with lower cognitive scores and lower attainment in the Junior Certificate, and longer exposure to economic vulnerability is associated with more negative outcomes. Bellani and Bia (2017) find, using the 2011 EU-SILC, that those who experience poverty between 14 and 16 are significantly less likely to complete secondary education. And those with below-secondary education levels are more vulnerable to adult poverty and low income.

Grundiza and Vilaplana (2013) highlight the strong link between parental education and children's educational attainment: individuals born to low-educated parents are far more likely to remain low-educated themselves. Amongst potential reasons for this, Parolin et al. (2025) describe a 'role model' effect, wherein children emulate the educational and employment behaviours of their parents. Moreover, parents with higher educational attainment not only earn more (Black and Devereux, 2011), but also tend to invest more time and resources in their children's learning and development (Guryan et al., 2008; Smyth, 2016a). As well as economic resources, middle-class parents have social capital that is used to improve children's educational outcomes. This includes language codes, and behaviours that are more valued by the middle-class teachers and institutions, knowledge about the educational systems and where to access resources, and networks (see for instance Bourdieu, 1977; Bourdieu and Passeron, 1979; Dika and Singh, 2002; and Lareau, 2011).

Some studies provide further evidence that own education can mediate the relationship between childhood and adult poverty. For instance, using UK data, Serafino and Tonkin (2014) find that once educational attainment is accounted for, childhood financial conditions no longer significantly predict adult poverty.

b. Cost of education and parallel activities

Children's education requires not only financial means, but also time investment. In their ethnographic study, Newman and Chin (2003) show that many low-income parents need to prioritise their family's economic survival, resulting in a trade-off with

[16] Economic vulnerability is based on low income, deprivation and financial stress.

their children's educational needs. Work demands such as irregular hours, long commuting times and long shifts often translate into having less time to monitor and support children's education, resulting in worse school performance.

Furthermore, a 2021 United Nations report highlights that, while education is almost universally free to access, the associated costs – such as school supplies, learning materials, and transportation – can pose substantial obstacles for disadvantaged families. In contrast, high-income households are better positioned to afford additional educational expenses including technology, childcare, summer camps, private tutoring, and other enrichment opportunities that support children's learning – resources that are often inaccessible to families with lower incomes (United Nations, 2021).

In the US, Snellman et al. (2015) show that participation in extracurricular activities is associated with higher educational and income outcomes, but such participation has become increasingly dominated by affluent families since the 1970s.

In Ireland, similar patterns are observed. Smyth (2016a) and Curristan et al. (2022) show that children from advantaged households are more likely to benefit from cultural and educational enrichment, which is associated with better academic and wellbeing outcomes. McCoy and Byrne (2022) examine the rise of 'shadow education' – fee-based supplementary instruction – and argue that it reinforces existing educational inequalities. O'Mahony et al. (2021) further demonstrate the intergenerational transmission of educational advantage: 86 per cent of young adults with highly educated parents participated in higher education, compared to just 48 per cent of those whose parents did not complete secondary school. And as shown by McGuinness et al. (2019), those who complete post-Leaving Certificate education end up with higher employment opportunities than those without.

c. Limits of education as a pathway out of poverty

Although education remains a critical driver of social mobility, some evidence suggests that its pathway to upward mobility can be restricted in some contexts. For instance, Van de Werfhorst and Andersen (2005) talk about a 'credential inflation', whereby the widespread availability of higher education qualifications has reduced their labour

market value. Similarly, several studies have highlighted that as a rising proportion of the population achieves third-level education, there has been growing class differentiation in fields of study (Jackson et al., 2008) and quality of institutions (Marginson, 2016).

Using data from the EU-SILC and the European Social Survey, Bernardi and Ballarino (2011) found that the prestige-related returns to education – measured by improvements in occupational class – tend to be lower in countries where tertiary education is more common. Likewise, Jerrim and Macmillan (2015) found that in countries with higher income inequality, both educational opportunities and the economic benefits of education are reduced. Limitation in access to education for the poorest is found to be the main mechanism through which income inequality hampers social mobility. Using EU-SILC data, Bavaro et al. (2025) found that, since 2005, the proportion of parents with low education has been decreasing more rapidly than the proportion of highly educated parents has been increasing. They also observed that the income penalty associated with having low-educated parents is declining, though the extent of this decline varies significantly across countries. Various institutional, demographic, and structural factors contribute to these different trends within and across countries. However, the authors find that the income advantage associated with high parental education has remained relatively stable over time.

In Ireland, although the share of parents with low levels of education has declined, the negative impact on their children's income in adulthood has actually worsened (Bavaro et al., 2025). Similarly, Layte and Whelan (1999) had found that while there was a significant increase in absolute social class and educational mobility in the latter part of the 20th century due to rising educational levels and changing occupational structure, relative inequalities were substantially unchanged. The children of the professional/managerial class were able to maintain their relative advantage in educational qualifications and class destinations. Qualitative research has also highlighted that while the nature of educational constraints for those born into poorer households changed over time, their greater exposure to such constraints persisted. For instance, Gray (2010) analysed several generations of respondents whose households had difficulty making ends meet when they were growing up. While the older respondents have memories of physical hardship to get to school, the younger

ones emphasised the financial obstacles that they faced when trying to pursue third-level education.

(ii) Childhood poverty and health

An additional mechanism through which disadvantage is reproduced from childhood to adulthood is through the channel of health. Islam and Jaffee (2024) find, through a meta-analysis, that individuals who are disadvantaged at various stages of their lives (including childhood) are more likely to suffer from mental health issues than socially advantaged individuals. Duncan et al. (1998, 2018) find that children living in poverty have higher chances of having reduced physical, social, emotional, and psychological wellbeing. Aizer (2017) reviews the evidence for the United States. She finds that, in comparison to children who do not live in poverty, those who do are 70 per cent more likely to have low birth weight; twice as likely to require hospitalisation; 40 per cent more likely to miss school because of sickness; three-and-a-half times more likely to have high levels of lead in their blood; and 80 per cent more likely to have their activity limited by a chronic disease and to be rated by their parents as being in fair or poor health.

Amongst the potential reasons behind the relation between child poverty and health, Aizer (2017) points out that poorer families tend to be more exposed to pollution and environmental toxins. Similarly, children living in poverty are more exposed to poor housing conditions such as damp, inadequate heating, which influences their short- and long-term health (Laurence et al., 2024). Such families are also exposed to more stressful situations in their lives (Taylor and Seeman, 1999), thereby increasing the chances of developing certain pathologies like hypertension, cardiovascular disease, and diabetes (McEwen and Gianaros, 2010; Seeman et al., 2010).

More generally, Curristan et al. (2022) point out that by inhibiting access to healthcare and good living conditions, poverty can impede on physical and mental wellbeing, leading to higher likelihood of chronic illness or disability. In turn, these conditions entail more health costs and less employment opportunities (Kelly and Maître, 2021; Hughes and Avoke, 2010; Lustig and Strauser, 2007), thereby further reducing the likelihood of exiting poverty by adulthood.

(iii) Childhood poverty and family formation

The literature has also highlighted the potential mediating role of family formation characteristics on intergenerational poverty. Current family structure, such as number of children, marital status and lone parenthood, are strongly related to poverty risk, especially for women (Chzhen and Bradshaw, 2012; Hübgen, 2018; Köppe and Curran, 2025; Slevin et al., 2025). The demographic literature shows a significant intergenerational correlation in fertility, marriage and divorce (Amato, 1996; Lansford et al., 2019; Barber, 2000; van Poppel et al., 2008). These correlations in the family structure between generations are related to familial norms (and factors such as religion) (e.g. De Vries et al., 2009), and to economic conditions faced by families. For example, poverty can play in constraining choices around the transition to adulthood, including processes such as partnership formation and childbearing (Bloome, 2017; Lesner, 2018). Differences in the duration of participation in education, by social class, and income also shape family formation patterns (Hannan, 2014).

Empirical studies have shown that the rate of marriage and lone parenthood differs significantly depending on circumstances in childhood. Lesner (2018) finds that in Denmark, those who experience childhood poverty are less likely to be married and less likely to have children by age 30. While Duncan et al. (2012) find that in the US, childhood poverty, especially during adolescence, is associated with higher rates of non-marital births.

(iv) Structural factors

While individualist explanations attribute intergenerational poverty to personal characteristics such as ambition, skills, or educational motivation – structural perspectives argue that poverty arises from the systemic marginalisation of certain groups, which limits their opportunities for upward mobility (Duncan et al., 2017). Deeply rooted structural inequalities and community-level disadvantage have been shown to hinder individuals' ability to escape poverty (Sharkey, 2016; Small et al., 2010). These structural inequalities are embedded in the functioning of social institutions and may include racial and gender discrimination, inadequate welfare provisions, and residential segregation (Royce, 2009). Community-level structural deficits often manifest through limited job opportunities, poor infrastructure,

insufficient public services (such as healthcare and childcare), inadequate housing, restricted access to quality education (Royce, 2009) and lesser safety, which can impede on children's psychological and physical health (Duncan et al., 2017; Evans, 2004).

A 2008 OECD report shows that countries that experience greater income inequality (as measured through the Gini coefficient) tend to experience lower intergenerational mobility in terms of earnings (OECD, 2008). Corak (2013) calls this the 'Great Gatsby Curve'. In the European Union, this is also the case in countries where current or parental poverty (Bavaro et al., 2024) as well as persistent poverty (Dewilde, 2025) are highest. Intergenerational poverty is also found to be weaker in countries where average social protection spending relative to GDP is historically higher (Dewilde, 2025).

Parolin et al. (2025) analyse the impact that the tax and transfer system can have on intergenerational poverty. They find that in the UK, the tax and transfer insurance effect decreases intergenerational poverty by around 16 percentage points. But in the United States, the comparatively weak welfare state does relatively little to reduce poverty persistence. Had they had the same tax and transfer insurance effect as the UK, the authors estimate that intergenerational poverty would be 33 per cent lower.

(v) Cross-country differences

Both Parolin et al. (2025) and Dewilde (2025) find that in countries like Denmark, where institutions provide a more egalitarian access and returns to education and employment than other countries, intergenerational persistence of poverty is more strongly associated with family characteristics such as mother's age at birth, mean number of children, share of childhood in single-parent household, educational attainment of mother, and mother's mean employment rate during childhood.
As posited by Dewilde (2025), 'in these predominantly high-spending welfare states characterized by more generous and/or more universalistic welfare arrangements, labour market risks are well-insured, such that deeper/longer experiences with poverty, as well as long-term impacts, are limited to specific household types'. On the other hand, in countries like the UK or Germany, unequal access to education and employment seem to be the main factors behind intergenerational poverty (Parolin et al., 2025).

4.2 DATA AND ANALYTIC STRATEGY

This chapter draws on a special module of the Survey of Income and Living Conditions (SILC) fielded in 2011, 2019 and 2023 that collects retrospective data on respondents' family situation in childhood.[17] The module is restricted to adults aged between 25 and 59 years. This group are asked: 'How would you rate the financial situation of your household when you were around 14 years old?'

The available response categories were: 'Very bad; bad; moderately bad; moderately good; good; and very good.'

For the analysis below, we aggregate these responses into four categories: very bad/bad, moderately bad, moderately good, and good/very good. Respondents were also asked about their experience of deprivation when they were around 14.[18] We thus proxy child poverty through living in 'very bad' or 'bad' financial circumstances at 14.

Current poverty is measured using the at risk of poverty before housing costs (AROP BHC) measure described in the earlier chapters, namely living in a household with an income below 60 per cent of the national median equivalised household income. The deprivation measure identifies those that cannot afford two or more of a list of ten necessities, such as being able to keep the home adequately warm and to afford a warm, waterproof coat.[19]

To analyse whether financial hardship at 14 is related to current hardship, we undertake several logit analyses[20] in which the outcome (or dependent) variables are binary variables representing (1) current deprivation; (2) current AROP; (3) current bad health; and (4) current unemployment/inactivity[21]. These models, which include only child

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17 In 2011 and 2019, the module was called Intergenerational Transmission of Disadvantages. In 2023, the module name was changed to The Impact of Childhood Poverty Experiences on Adult Life. A similar module was conducted in 2005 but with somewhat different childhood poverty categories. The 2005, 2011 and 2019 modules were analysed in Curristan et al., 2022. The modules were fielded across Europe as part of EU-SILC.

18 Respondents were asked whether, around the age of 14, they lacked any of the following due to financial reasons: basic school supplies (such as books and equipment); a daily meal including meat, chicken, fish, or a vegetarian equivalent; and a one-week annual holiday away from home.

19 See https://www.cso.ie/en/releasesandpublications/ep/p-silc/surveyonincomeandlivingconditionssilc2024/backgroundnotes/ for the full list of items.

20 A logit regression is a statistical method used to estimate the probability of an event occurring (e.g. being AROP during adulthood) based on one or more independent variables (e.g. being poor at 14, educational attainment, migration status, gender, etc.).

21 Namely each observed individual is attributed a value of 1 if they are deprived, AROP, in bad health or economically inactive/unemployed when being surveyed, respectively; and 0 if they are not.

poverty and survey year (2011, 2019, 2023), are presented in Model 1 in Tables 4.1 to 4.4.

The second step of the analysis considers the mechanisms through which childhood poverty influences outcomes in adulthood. This is done through a series of nested models, which examine the effect of potential mediating variables on the effect of childhood poverty. We also control for a set of ascribed characteristics, that is country of birth (Ireland, European Union other, Other), gender and age (Model 2 in Tables 4.1 to 4.4).

The literature outlined above highlighted the central role of education as a mechanism for reproducing advantage and disadvantage, this is added in Model 3 for each outcome. Education also has an indirect role linking childhood and adult circumstances through its influence on current labour market status (employed/non-employed). We examine how the coefficients for childhood poverty change, when the mediating effect of employment status is considered. The literature also points to health as an intermediate mechanism; childhood poverty is associated with poorer health, which in turn can affect educational, occupational and poverty outcomes. We therefore include current disability status (i.e. whether the respondent has a condition that hampers their daily activity).[22] We also consider the mechanism of family structure, examining the potential mediating effect of marital status and number of children on the relationship between childhood poverty and adult outcomes. Both disability and family structure variables are added in Model 4. We additionally carry out a Gelbach decomposition (Gelbach, 2016) to test the mediating effect of these mechanisms on the relation between child poverty and adult outcomes.

The final element of the analysis considers whether the influence of childhood poverty has changed over time and differs by age. The data are collected at three timepoints – 2011, 2019 and 2023. This is a relatively short period in which to expect changes in intergenerational poverty persistence, as previous research has shown that relative mobility patterns are structural and slow to change (Meng and Li, 2023; Neidhöfer, 2019). Nevertheless, the risk of current poverty and deprivation fluctuated over this

[22] Note that we do not know the timing of onset of the current disability. Disability is not included in the model of current health as it is too correlated with the outcome of interest, and measured simultaneously.

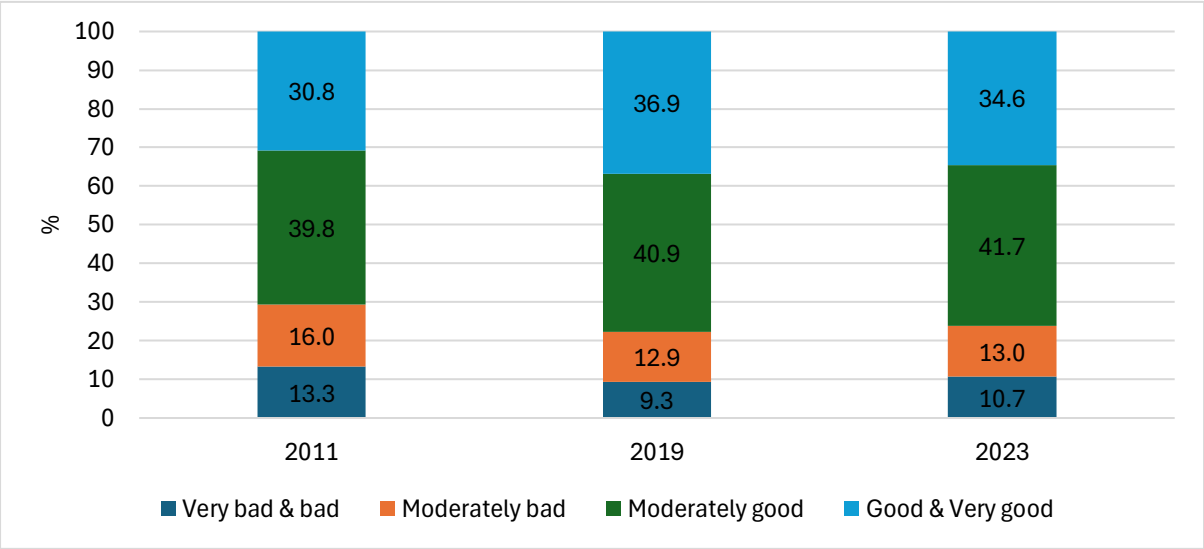
period, due to the ongoing effects of the great recession in 2011, and the pandemic in 2023 (see Chapter 1). These contemporary patterns may influence the strength of the relationship between childhood poverty and adult outcomes. Secondly, we might expect that the influence of childhood poverty might diminish over time (due to the greater period for intervening mechanisms) or may strengthen due to cumulative (dis)advantage. These potential variations in the relationship between childhood and adult outcomes are tested with interactions. The results are depicted through graphs that show how this relationship changed with the respondent's age, poverty background, and survey year.

4.3 RATE AND DISTRIBUTION OF CHILDHOOD POVERTY OVER TIME

In 2023, 11 per cent of respondents reported very bad/bad circumstances in childhood (see Figure 4.1). This is somewhat higher than that found in 2019 (9.3%) but still lower than the proportion in 2011 (13.1%). The proportion reporting very good/good circumstances in childhood follows a similar trajectory, rising between 2011 and 2019 but falling slightly in 2023.

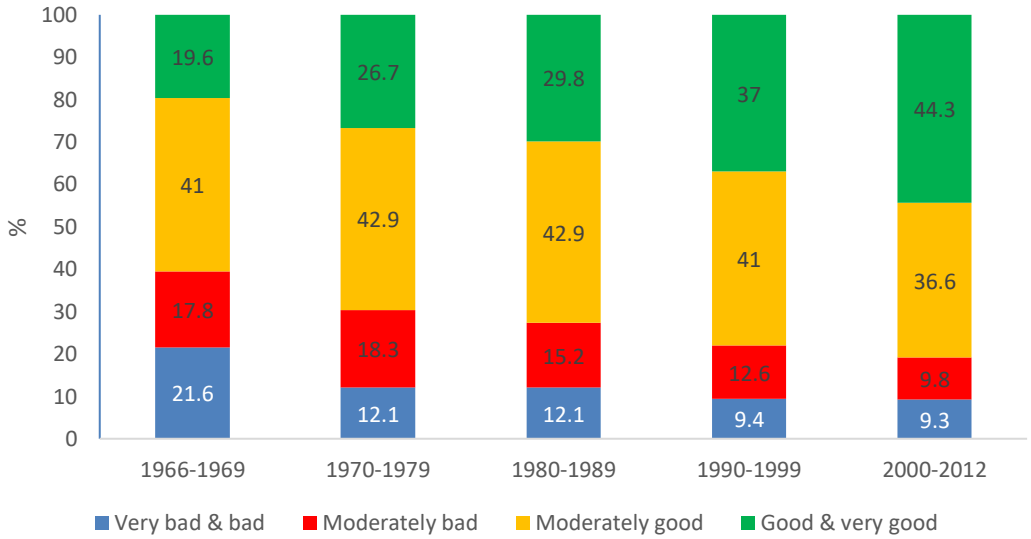
These differences are likely to reflect the different time periods (cohorts) covered by the three surveys. The oldest age group (55–59 years) in the 2011 survey were aged 14 in the late 1960s, while the same age group in the 2023 survey were 14 in the period 1972–1978 and the youngest age group (25–29 years) in 2023 were 14 in 2008–2012. The period 1968 to 2012 encompasses vastly changing economic circumstances, covering both long-term structural changes in the economy as well as more short-term fluctuations like the recession in the late 1980s and financial crash in 2008. Over the period, there were also significant changes in access to education and the class structure (Layte and Whelan, 1999).

FIGURE 4.1 FINANCIAL CIRCUMSTANCES DURING CHILDHOOD OVER TIME: 2011–2023



Sources: Authors' calculations using the Survey of Income and Living Conditions RMF 2011, 2019, 2023.

FIGURE 4.2 CHILDHOOD ECONOMIC CIRCUMSTANCES BY CHILDHOOD COHORT (WHEN RESPONDENT WAS 14)



Sources: Authors' calculations using the Survey of Income and Living Conditions RMF.

Note: Pooled data for 2011, 2019 and 2023.

We therefore also examine how exposure to childhood poverty differs by cohort, i.e. the time period in which the respondent was aged 14 years (see Figure 4.2). This shows that childhood poverty was most common for those who were aged 14 in 1966/69; 22 per

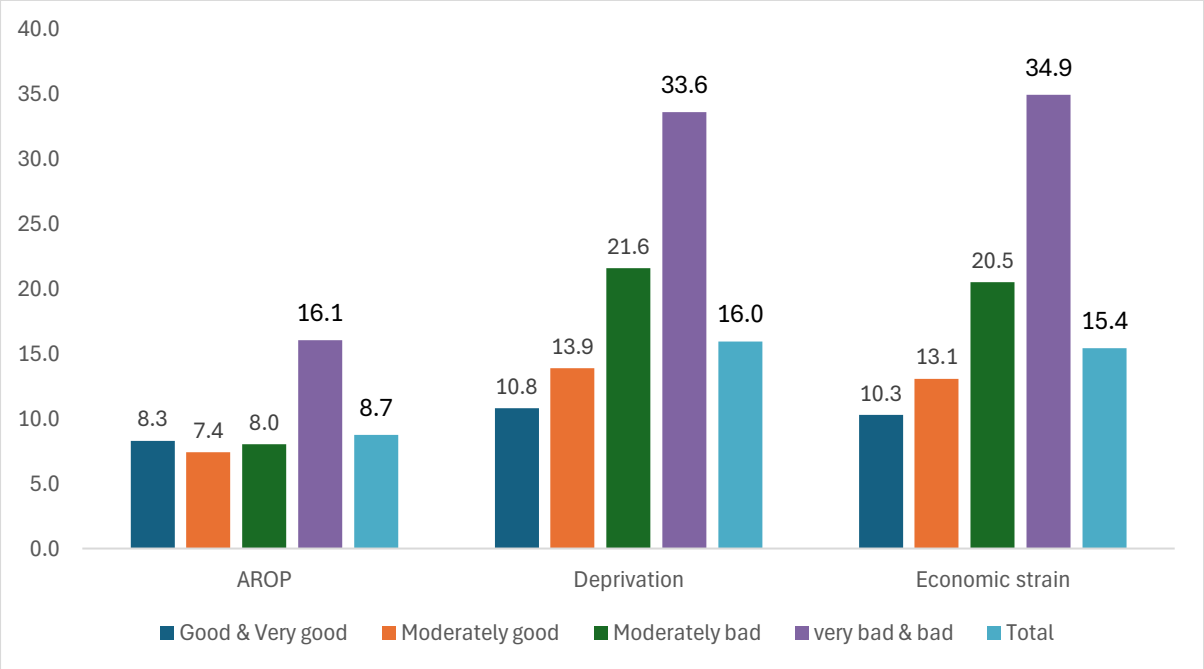
cent of this cohort said their circumstances were bad/very bad and 18 per cent said it was moderately bad. Only 20 per cent of this cohort said their circumstances were good/very good. The proportion reporting (very) bad circumstances dropped to 12 per cent for those aged 14 in the 1970s and remained stable for the 1980s cohort; however, the 'moderately bad' group continued to fall in size in the 1980s and the proportion reporting (very) good circumstances rose. The size of the group experiencing (very) bad childhood circumstances fell again for the 1990s cohort and then remained stable for the 2000s cohort, who experienced both the boom and the bust in that period. The proportion reporting (very) good financial circumstances continued to rise, reaching 44 per cent for the 2000s cohort. Overall, the percentage reporting (very) bad childhood circumstances has fallen over cohorts but this is more 'sticky' than the proportion reporting (very) good circumstances, which has risen more dramatically over the period covered by the three surveys.

4.4 RELATIONSHIP BETWEEN CHILDHOOD POVERTY AND CURRENT AROP AND DEPRIVATION

Figure 4.3 outlines the relationship[23] between childhood financial circumstances and three different measures of current circumstances in adulthood in 2023. In the case of income poverty, those who experienced (very) bad financial circumstances at 14 are twice as likely to be AROP (16%) as those who lived in (very) good circumstances in childhood (8%). The two intermediate groups do not differ in their AROP risk compared to the (very) good group.

[23] We note that we use the terms 'relationship', 'relation', 'association', and 'correlation' interchangeably throughout the chapter.

FIGURE 4.3 RELATIONSHIP BETWEEN CHILDHOOD CIRCUMSTANCES AND INCIDENCE OF CURRENT AROP, DEPRIVATION AND ECONOMIC STRAIN (2023)



Sources: Authors' calculations using the Survey of Income and Living Conditions RMF.

There is a more linear relationship between childhood circumstances and deprivation, with deprivation increasing as childhood circumstances worsen. One in three of those who reported (very) bad financial circumstances in childhood are currently deprived, compared to one in ten of those whose childhood situation was (very) good. A very similar relationship is observed between childhood poverty and economic strain, i.e. the proportion who currently experience difficulty/great difficulty making ends meet as an adult.[24]

[24] Unlike the AROP and deprivation measures, we do not report the statistical model for economic strain in Section 4.5, as the pattern of results is very similar to the deprivation results.

4.5 CHILDHOOD POVERTY AND POVERTY IN ADULTHOOD

Earlier descriptive results showed that living in poverty as an adolescent is associated with higher levels of poverty and deprivation later in life.[25] In this section, we use formal statistical models to look at the strength of association between these outcomes and childhood poverty status, taking account of other individual characteristics. For ease of communication, we define those who experienced very bad or bad financial circumstances as experiencing 'child poverty'. We report in the next set of tables the results from logit regressions of current AROP, deprivation, bad health, and unemployment/inactivity. The results are presented as average marginal effects. These represent the change in the risk (probability) of being one unit change in the predictor variables, assuming all other variables are held constant.[26]

As outlined above, each table first shows the correlations between childhood poverty and each current adult outcome[27], only controlling for the year of observation (Model 1). We next estimate a series of nested models that examine the potential mechanisms linking child poverty and adult outcomes. The observed mechanisms are education, disability, labour market status and current family structure. The models additionally control for age, gender, and country of birth as these are known to be related to current poverty risk. Finally, potential interactions between childhood poverty and survey year and age are examined and presented graphically. We finish each analysis with a Gelbach decomposition (Gelbach, 2016), which shows the contribution of each set of variables to the change in the observed correlation between childhood financial circumstances and adult outcomes, from the first to the final model (i.e. as we add the covariates)[28]. The objective is again to decipher the mechanisms behind intergenerational poverty.

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25 Descriptive statistics in Appendix Table B1 indicate that individuals who grew up in very bad or bad economic circumstances are also more likely to be separated or divorced, unemployed or economically inactive, have lower levels of education, experience poorer health, and have a disability, compared to those from good or very good economic backgrounds.

26 When the predictor is a categorical variable, it represents the average change in the predicted probability of an event when moving from the reference category to another category (e.g. level of education). For a continuous predictor, it reflects the average change in the predicted probability of an event for each one-unit increase in the predictor (e.g. age).

27 We use the BHC measure as it is the most commonly used measure of income poverty. It is very likely that the pattern of results in a model with the AHC measure would be very similar.

28 We note that while the main analyses use logit regressions given the binary nature of the dependent variables, the Gelbach decomposition uses linear regressions (OLS).

4.2.1 Childhood poverty and current deprivation

Model 1 of Table 4.1 shows that living in a very bad or bad financial situation at 14 years old increases the probability of being currently deprived by 25 percentage points (pp) when only controlling for survey year. On the other hand, living in a moderately bad or in a moderately good situation raises the chances of being currently deprived by 10 pp and 4 pp respectively, compared to those who lived in very good or good financial circumstances at that age.

Model 2 shows that those average marginal effects of child poverty remain similar when adding gender, age and country of birth to the controls. Model 3 shows that the average marginal effect of poverty at 14 is reduced when education is added to the model. The additional risk associated with childhood poverty reduces from 25 pp to 17.7 pp. This indicates that education is an important mechanism linking childhood and adult circumstances. However, even for those that achieve the same level of education there is a substantial difference in the risk of deprivation in adulthood associated with childhood financial circumstances. We next consider whether childhood poverty operates through current family status, disability and employment status. Adding these characteristics reduces the risk associated with childhood poverty further by 3 pp, suggesting that these are also relevant mechanisms, though not as significant as education. A Gelbach decomposition confirms that education plays the largest role in reducing the direct effect of childhood circumstances on current deprivation (48%), followed by employment (31%), and disability status (17%)[29].

[29] Tables available upon request.

TABLE 4.1 FACTORS INFLUENCING DEPRIVATION, AVERAGE MARGINAL EFFECTS, AGE 25–59 YEARS 2011–2023

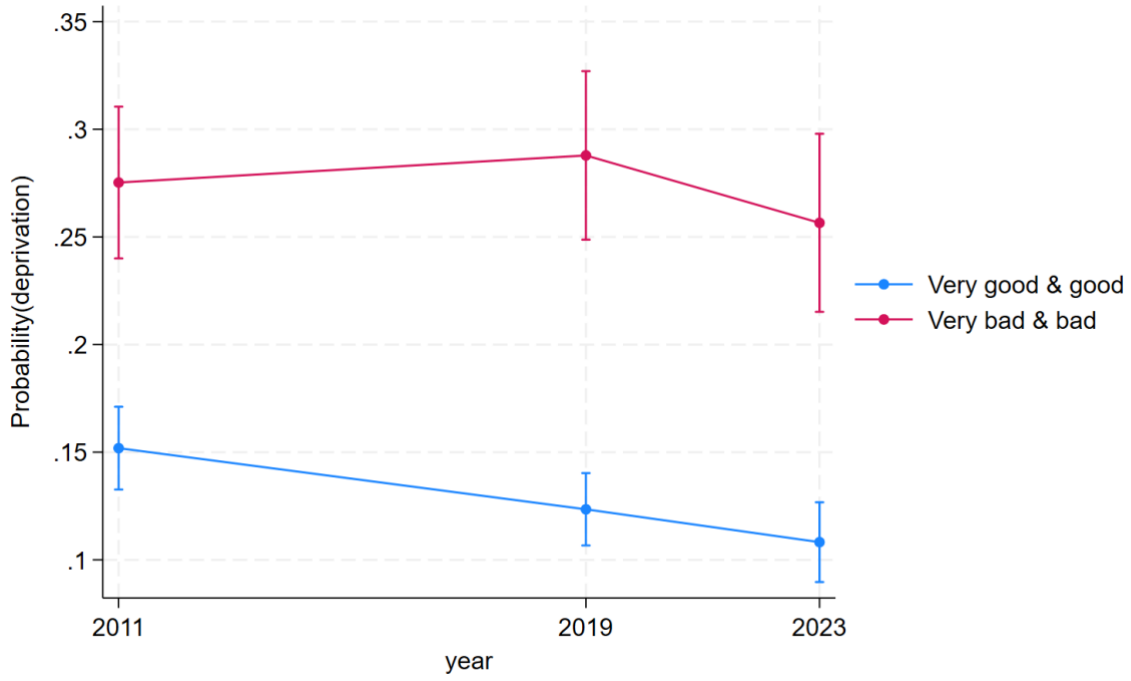
	Model 1	Model 2	Model 3	Model 4
Financial situation at 14				
Very good and good (ref)				
Very bad and bad	0.246***	0.250***	0.177***	0.146***
Moderately bad	0.100***	0.107***	0.075***	0.058***
Moderately good	0.038***	0.044***	0.031***	0.028***
Year (ref=2011)				
2019	-0.062***	-0.057***	-0.030***	-0.017*
2023	-0.106***	-0.100***	-0.066***	-0.039***
Male (ref)				
Female		0.033***	0.043***	0.021**
Age		-0.002***	-0.003***	-0.002***
Born in Ireland (ref)				
Born in EU or UK		0.021*	0.028**	0.027***
Born outside EU		0.087***	0.133***	0.121***
Tertiary education (ref)				
Primary			0.294***	0.170***
Secondary			0.129***	0.090***
Post-secondary			0.115***	0.086***
Married (ref)				
Never married				0.095***
Separated/divorced				0.146***
Number of children				0.030***
No disability (ref)				
Disability				0.097***
Employed (ref)				
Unemployed				0.169***
Inactive				0.098***
Observations	11,006	11,006	11,006	11,006

Sources: Authors' calculations using the Survey of Income and Living Conditions RMF.

Note: Deprivation defined as being unable to afford two or more items from a list of ten essentials as used in Chapter 3. *** p<0.001, ** p<0.01, * p<0.05. Unlike the p-value indicated by the results of the full model's logit regression (Model 4), a robustness test using the Romano-Wolf corrected p-value (with a significance level of 0.05) suggests that there is no strong evidence of an association between living in moderately good conditions at age 14 and current deprivation.

Model 4 also shows that, all else equal, those with a primary education are 17 pp more likely to be deprived than those with a tertiary education; being separated from a partner increases the probability of being deprived by 15 pp; being disabled increases the probability by 10 pp; being unemployed or inactive increases the probability by 17 and 10 pp, respectively; those born outside the EU are 12 pp more likely to be deprived than those born in Ireland; and women are 2 pp more likely to be deprived than men.

FIGURE 4.4 PROBABILITY OF EXPERIENCING DEPRIVATION IN ADULTHOOD: INTERACTION BETWEEN YEAR AND CHILDHOOD FINANCIAL CIRCUMSTANCES, 2011–2023



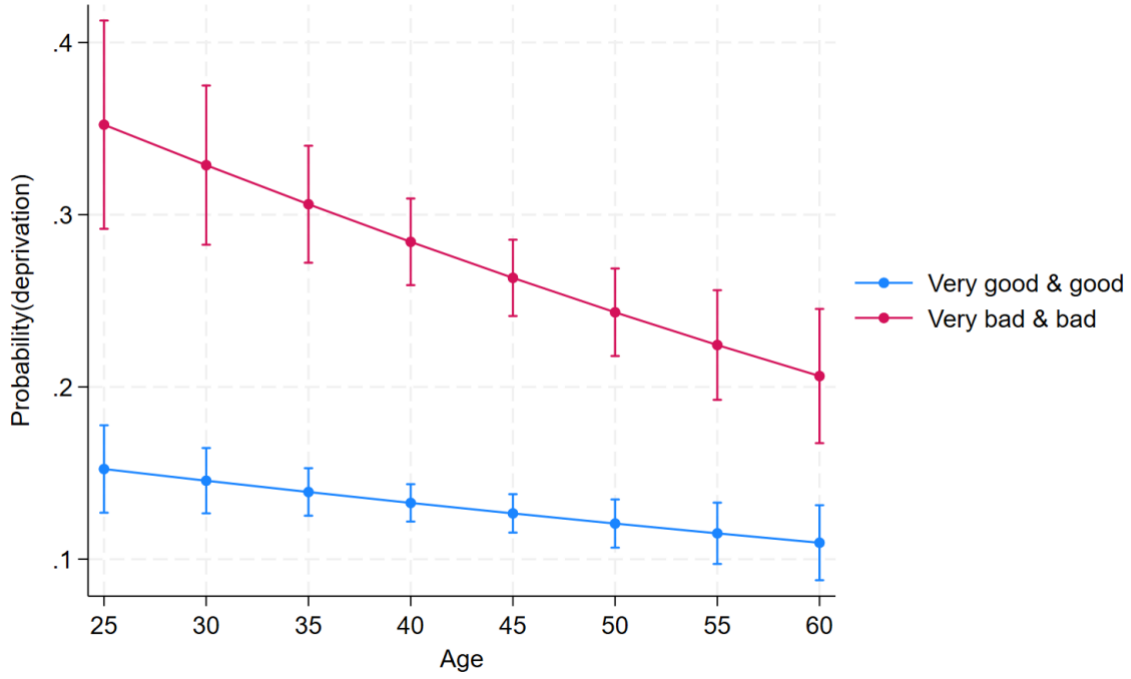
Note: Interaction results drawn from Model 4 in Table 4.1

Figure 4.4 shows the average marginal effects when interacting survey year with childhood financial circumstances. Generally, we see that growing up in very bad or bad circumstances is associated with a significantly higher probability of being deprived in adulthood. Furthermore, while the risk of deprivation decreased between 2011 and 2019 for those who grew up in very good or good circumstances, it remained unchanged for those growing up in very bad or bad circumstances, leading to a widening gap that persisted into 2023.

Figure 4.5 shows the average marginal effects when interacting childhood situations with age. While we do not see much effect of age on the probability of being deprived for those who grew up in a very good or good financial situation, that probability does go down with age for those who lived in a very bad or bad situation at 14.[30]

[30] The interaction between financial circumstances and cohort, rather than age, shows similar patterns.

FIGURE 4.5 PROBABILITY OF EXPERIENCING DEPRIVATION IN ADULTHOOD: INTERACTION BETWEEN AGE AND CHILDHOOD FINANCIAL CIRCUMSTANCES, 2011–2023



Note: The interaction results are based on a different specification than Model 4 in Table 4.1, using an age interaction instead of a year interaction. Full model results are available from the authors.

4.2.2 Childhood poverty and current AROP

In Table 4.2, we follow the same approach as in Table 4.1, using nested models with the covariates entered in the same order (we repeat the same approach for Table 4.3 and 4.4 in the following sections). Model 1 of Table 4.2 shows that living in very bad or bad financial circumstances at 14 years old increases the probability of being AROP in adulthood, although to a lesser extent than for deprivation (8 pp vs. 25 pp for deprivation when only controlling for year of observation). Model 3 shows that adding education halves the AME for child poverty, underlining the importance of education as a mechanism for reproducing poverty (and advantage) between childhood and adulthood. Model 4 shows that adding other personal characteristics like employment, disability and marital status renders the childhood poverty effect on current AROP statistically insignificant. The Gelbach decomposition shows that both education and employment play by far the largest roles on reducing the direct effect of childhood

circumstances on current AROP status (around 40% each), followed by family characteristics (8%) and disability status (3%)[31].

TABLE 4.2 FACTORS INFLUENCING AROP, AVERAGE MARGINAL EFFECTS, AGE 25–59 YEARS 2011–2023

	Model 1	Model 2	Model 3	Model 4
Financial situation at 14				
Very good and good (ref)				
Very bad and bad	0.081***	0.074***	0.027**	0.003
Moderately bad	0.047***	0.042***	0.017	0.000
Moderately good	0.008	0.006	-0.006	-0.010
Year (ref=2011)				
2019	-0.026***	-0.031***	-0.011	0.008
2023	-0.059***	-0.065***	-0.038***	0.002
Male (ref)				
Female		0.011	0.019**	-0.006
Age		0.002***	0.001**	0.003***
Born in Ireland (ref)				
Born in EU or UK		0.028**	0.034***	0.030***
Born outside EU		0.051***	0.086***	0.060***
Tertiary education (ref)				
Primary			0.215***	0.097***
Secondary			0.100***	0.064***
Post-secondary			0.080***	0.056***
Married (ref)				
Never married				0.084***
Separated/divorced				0.106***
Number of children				0.027***
No disability (ref)				
Disability				0.008
Employed (ref)				
Unemployed				0.235***
Inactive				0.144***
Observations	11,006	11,006	11,006	11,006

Sources: Authors' calculations using the Survey of Income and Living Conditions RMF.

Note: Poverty line defined as 60 per cent of median equivalised disposable income, that is after direct taxes paid and benefits received adjusted for household size and composition using the CSO equivalence scales. *** p<0.001, ** p<0.01, * p<0.05. Unlike the p-value indicated by the results of the full model's logit regression (Model 4), a robustness test using the Romano-Wolf corrected p-value (with a significance level of 0.05) suggests that there is no strong evidence of an association between being born in the EU or the UK and being currently AROP.

[31] Personal characteristics (age, gender and country of birth) account for the remaining 9%. Tables available upon request.

Furthermore, Models 1 and 2 show a decrease in AROP rate over the years (by 3 pp in 2019 compared to 2011, and by 6 pp in 2023 compared to 2011). However, Model 4 shows that these reductions are no longer significant when other personal characteristics are taken into account. While we also tried the interactions with age and year to further investigate differences between poverty background groups, no other significant differences emerged.

4.2.3 Childhood poverty and current bad health

In this section, we examine how the variables used in the previous models on deprivation and AROP contribute to the likelihood of individuals reporting poor health. All models in Table 4.3 show that living in moderately bad, bad or very bad financial circumstances at age 14 significantly increases the probability of being in bad health at adulthood, when compared to those who lived in good or very good circumstances at age 14. In Model 1, we see that the probability of being in poor health is 15 pp higher for those who experienced child poverty compared to those who grew up in good and very good conditions. Adding education to the model reduces the increased risk associated with child poverty from 13.6 pp to 9 pp (a reduction of around one-third) suggesting that this is one mechanism linking childhood poverty and poor health in adulthood. Controlling for current family and employment status leads to an additional decline of 1 pp in the risk associated with child poverty. The Gelbach decomposition shows that employment status plays the largest role in reducing the direct effect of childhood circumstances on current health status (52%), followed by education (31%), and family characteristics (2%)[32].

Model 4 shows that the probability of being in bad health rose over time (2 pp higher in 2019 than in 2011; and 5 pp higher in 2023 than in 2011). It also shows that women are significantly less likely to be in bad health than men, and that people with lower education are more likely to be in bad health. When the whole set of controls is included, we however see no significant differences between Irish and non-Irish-born. On the other hand, we see that those who were never married and those who separated from their partners/spouses are 4 and 5 pp, respectively, more likely to be in bad health than those who are married. Furthermore, having children is associated with

[32] Tables available upon request.

significantly less chances of being in bad health. The unemployed are 8 pp more likely to be in bad health than the employed, while the inactive are 23 pp more likely to be in bad health.

Figure 4.6 shows the average marginal effects when interacting survey year with childhood financial circumstances. Generally, we see that growing up in very bad or bad circumstances is associated with a significantly higher probability of being in bad health in adulthood. We also see that for both types of childhood circumstances, the probability of being in bad health in adulthood rose in recent years while it was stable between 2011 and 2019 for those who grew up in good or very good circumstances. However, this increase is only statistically significant for those who grew up in good or very good circumstances (blue line).

No significant differences emerged when we tried the age interaction on having bad health between poverty background groups.

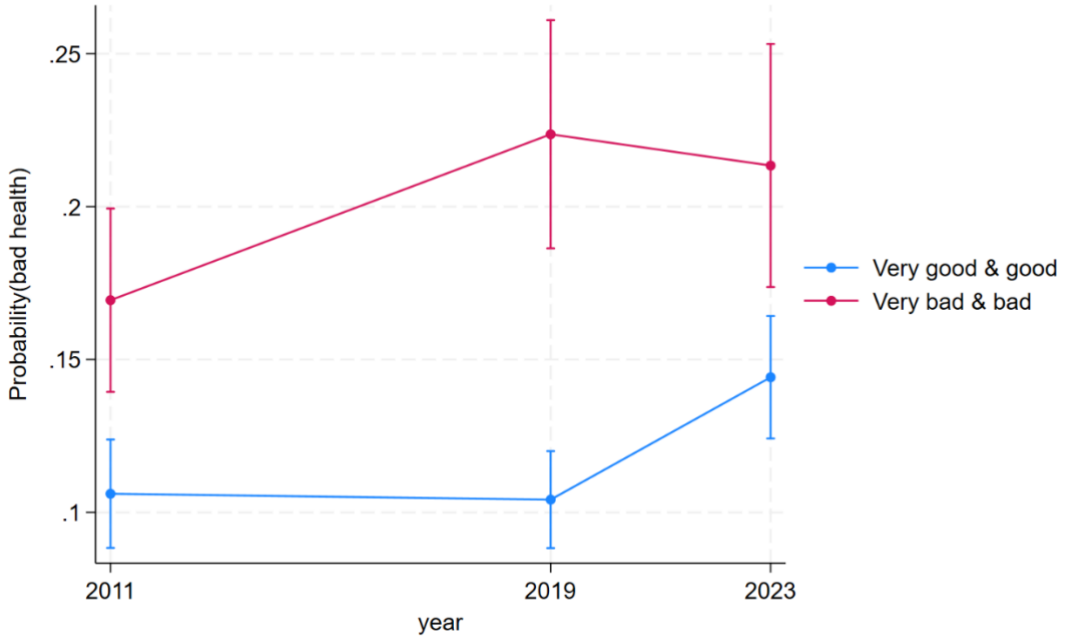
TABLE 4.3 FACTORS INFLUENCING BAD HEALTH, AVERAGE MARGINAL EFFECTS, AGE 25–59 YEARS 2011–2023

	Model 1	Model 2	Model 3	Model 4
Financial situation at 14				
Very good and good (ref)				
Very bad and bad	0.150***	0.136***	0.090***	0.080***
Moderately bad	0.082***	0.070***	0.049***	0.043***
Moderately good	0.025***	0.018*	0.009	0.009
Year (ref=2011)				
2019	0.005	-0.003	0.012	0.022**
2023	0.018*	0.006	0.027**	0.055***
Male (ref)				
Female		0.004	0.010	-0.030***
Age		0.005***	0.004***	0.003***
Born in Ireland (ref)				
Born in EU or UK		0.014	0.020*	0.018
Born outside EU		0.004	0.026	0.024
Tertiary education (ref)				
Primary			0.199***	0.082***
Secondary			0.074***	0.034***
Post-secondary			0.059***	0.034***
Married (ref)				
Never married				0.035***
Separated/divorced				0.052***
Number of children				-0.016***
Employed (ref)				
Unemployed				0.082***
Inactive				0.232***
Observations	11,006	11,006	11,006	11,006

Sources: Authors' calculations using the Survey of Income and Living Conditions RMF.

Note: Being in bad health is based on self-definition of having 'fair', 'bad' or 'very bad' general health as opposed to 'very good' or 'good' general health. *** p<0.001, ** p<0.01, * p<0.05. Unlike the p-value indicated by the results of the full model's logit regression (Model 4), a robustness test using the Romano-Wolf corrected p-value (with a significance level of 0.05) suggests that there is no strong evidence of an association between being interviewed in 2011 and being currently in bad health.

FIGURE 4.6 PROBABILITY OF HAVING BAD HEALTH IN ADULTHOOD: INTERACTION BETWEEN YEAR AND CHILDHOOD FINANCIAL CIRCUMSTANCES, 2011–2023



Note: Interaction results drawn from Model 4 in Table 4.3.

4.2.4 Childhood poverty and current unemployment/inactivity

All models in Table 4.4 show that living in moderately bad, bad or very bad financial circumstances at age 14 significantly increases the probability of being unemployed or inactive in adulthood, when compared to those who lived in good or very good circumstances. The gap in the probability of unemployment/inactivity for the (very) good and the (very) bad group is 15 pp in Model 1. When education is taken into account (Model 3), we see that the average marginal effect of growing up in poverty reduces from 14 pp to 5.6 pp, highlighting that education is a key mechanism linking childhood circumstances and later labour market outcomes. When disability and family status are added to the model, the average marginal effect of childhood poverty reduces further to 2.8 pp, which suggests that health and partnership/parenthood patterns are also potential mechanisms.

All models also show that the probability of being unemployed or inactive decreased with time (e.g. Model 4 shows a reduction of 10 pp in 2019 in comparison to 2011; and of 18 pp in 2023). Women are also more likely to be unemployed/inactive, as are those born abroad (especially outside the EU) and those who never married. After accounting

for all relevant characteristics, Model 4 indicates that individuals with only primary education and those with disabilities face the highest relative likelihoods of being unemployed or inactive (36 pp and 31 pp respectively), compared to people with tertiary education and those without disabilities.

The Gelbach decomposition shows that education plays by far the largest role in reducing the correlation between childhood circumstances and current unemployment/inactivity status (59%), followed by disability (32%) and family characteristics (3%)[33].

TABLE 4.4 FACTORS INFLUENCING UNEMPLOYMENT/INACTIVITY, AVERAGE MARGINAL EFFECTS, AGE 25–59 YEARS 2011–2023

	Model 1	Model 2	Model 3	Model 4
Financial situation at 14				
Very good and good (ref)				
Very bad and bad	0.153***	0.142***	0.056***	0.028*
Moderately bad	0.094***	0.089***	0.042***	0.028*
Moderately good	0.036***	0.034***	0.011	0.010
Year (ref=2011)				
2019	-0.128***	-0.131***	-0.088***	-0.095***
2023	-0.216***	-0.221***	-0.168***	-0.179***
Male (ref)				
Female		0.118***	0.133***	0.124***
Age		0.003***	0.001*	0.002***
Born in Ireland (ref)				
Born in EU or UK		0.022	0.032**	0.038***
Born outside EU		0.072***	0.123***	0.128***
Tertiary education (ref)				
Primary			0.431***	0.357***
Secondary			0.198***	0.174***
Post-secondary			0.136***	0.115***
Married (ref)				
Never married				0.069***
Separated/divorced				0.030*
Number of children				0.028***
No disability (ref)				
Disability				0.308***
Observations	11,006	11,006	11,006	11,006

Sources: Authors' calculations using the Survey of Income and Living Conditions RMF.

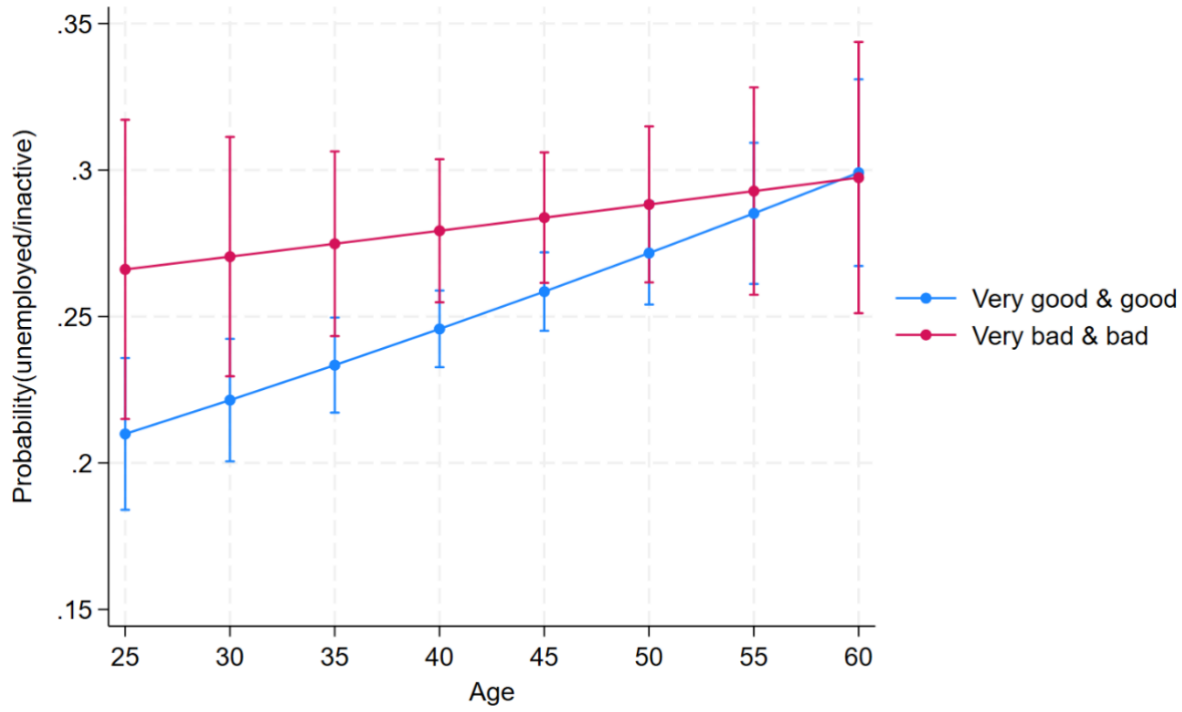
Note: Being unemployed or inactive is based on self-defined principal economic status. *** p<0.001, ** p<0.01, * p<0.05.

[33] Tables available upon request.

Figure 4.7 shows the average marginal effects when interacting age with childhood financial circumstances. The pink line shows no statistically significant differences between ages amongst those who grew up in bad or very bad financial circumstances. On the other hand, the blue lines show that the older the people who grew up in good circumstances, the more likely they are to be unemployed or inactive. And at 60 years old, there is no difference between the two groups.[34]

Similarly to some previous outcomes examined above, no significant differences emerged when we tried the interactions with year on being unemployed/inactive between poverty background groups.

FIGURE 4.7 PROBABILITY OF BEING UNEMPLOYED/INACTIVE IN ADULTHOOD: INTERACTION BETWEEN AGE AND CHILDHOOD FINANCIAL CIRCUMSTANCES, 2011–2023



Note: The interaction results are based on a different specification than Model 4 in Table 4.4, using an age interaction instead of a year interaction. Full model results are available from the authors.

[34] The interaction between financial circumstances and cohort, rather than age, shows similar patterns.

4.6 CONCLUSION

The chapter highlights that the rate of reported childhood poverty (as measured with bad or very bad financial circumstances at age 14) in Ireland has slightly declined over time from 13 per cent in 2011 to 11 per cent in 2023. However, this decline is uneven across cohorts, with those aged 14 in the late 1960s reporting the highest rates of childhood poverty. The analysis shows a strong association between poor childhood financial circumstances at age 14 and negative adult outcomes. Indeed, adults aged 25–59 who experienced childhood poverty are more likely to experience income poverty, material deprivation, poor health, and unemployment or inactivity. The effect of childhood poverty appears to be stronger in the case of deprivation than of AROP. This is likely to arise because deprivation better captures longer-term economic resources of households.

Nested models complemented with Gelbach decomposition analyses show that education and labour status are the two main mechanisms through which childhood poverty affects adult outcomes. For example, the Gelbach decomposition shows that educational differences and labour status each account for around 40 per cent of the difference in the relationship between childhood poverty and adult income poverty, between models that only control for the year, and those that include all other observed covariates (including disability status, other personal characteristics and family formation).

Higher rates of disability and differences in family formation also account for some of the connection between childhood circumstances and adult outcomes, although to a much lesser extent. However, even when all of these pathways are included in the model, there remains a significant direct relationship between childhood poverty and both adult deprivation and poor health. This suggests that there are other unmeasured mechanisms at stake, such as differences in occupational transmission, or discrimination.

This chapter's findings highlight the long-term negative impact of childhood poverty in adulthood, and the importance of tackling childhood poverty in order to break the cycle of intergenerational persistence of poverty.

CHAPTER 5

Conclusion

Barra Roantree, Helen Russell, Anousheh Alamir, Míde Griffin, Bertrand Maître, Tara Mitchell

This report is the fifth in a series in partnership with Community Foundation Ireland examining the evolution of income inequality, poverty and living standards in Ireland. It concludes with a summary of the report's main findings and some reflections on their implications for policy.

Chapter 2 showed that household income has continued to stagnate for much of the population, with average equivalised disposable income falling by 0.6 per cent in real terms in 2023. Although such incomes grew at the middle of the distribution, it has stagnated elsewhere, leaving real incomes 3.3 per cent lower than their 2021 level on average.

These declines in real incomes are as a result of the rapid inflation that has been experienced following the COVID-19 pandemic and the invasion of Ukraine by Russia. While the annual rate of inflation – price increases – has since fallen to less than 2 per cent, price levels remain substantially higher than before the pandemic, particularly for essentials like energy and groceries. Given such items make up a larger share of their expenditure, the inflation seen since 2021 has disproportionately affected lower-income households.

This is likely to be of particular concern to policymakers, not least that the living standards of such households are very reliant on cash transfers such as social welfare payments. Although the weekly rate of these payments has increased in nominal terms over recent Budgets, many have not kept pace with inflation. For example, at the time of writing, the personal rate of the State Pension (contributory) was worth 5 per cent less in real terms than in January 2020, while the amount of One-Parent Family Payment received by the parent of a single child was just 0.2 per cent higher than January 2020.

The effects of such sustained real cuts and effective freezes in rates of welfare payments has been somewhat offset by the combination of universal and targeted 'temporary' payments made by the previous Government, such as household energy

credits and double payments of Child Benefit. However, these payments will inevitably need to be withdrawn which – as ESRI research has repeatedly highlighted – will have adverse effects on the incomes of those at the bottom of the distribution (Doolan et al., 2022; Doorley et al., 2023; Roantree et al., 2024; Doorley et al., 2025).

This means that – barring significant real increases to payments in Budget 2026 – the incomes of those at the bottom of the distribution are likely to continue lagging behind those of the rest of the population. Such patterns of income growth will have important consequences for rates of poverty and material deprivation.

As Chapter 3 showed, in general, these rates have not seen many dramatic changes in recent years. The latest SILC data show that the rate of income poverty before housing costs (BHC) was around 12 per cent in 2023, while the rates of after housing costs (AHC) income poverty and material deprivation were both around 15 per cent.

However, these averages across the population can obscure important differences between groups. Rates of income poverty and material deprivation are substantially higher among single parents, households with no working adult, those aged 65+ who live alone, and people with a disability. Accounting for housing costs also makes a significant difference to poverty rates by age, increasing them for younger age groups but reducing them for those aged 65+.

Such high after housing cost poverty rates for children stand out as a particular cause for concern. Around one in five (227,000) children are below the poverty line when housing costs are accounted for: little different from the share during the worst years of the financial crisis. This suggests no real progress in reducing child poverty despite such reductions forming a key goal of policy over this time.[35] The goal of reducing child poverty was reiterated most recently in the Programme for Government, which included a commitment to set 'an ambitious child poverty target ensuring a focus on inequality' (Government of Ireland, 2025).

[35] This included the setting of targets for 2020 and 2025, the first of which was not met and the second of which appears very unlikely to be met: see https://www.kildarestreet.com/committees/?id=2025-06-18a.1944#g1945.

Achieving such reductions will require more than incremental inflation or earnings-related increases to core rates of social welfare payments. Rather, it will inevitably involve substantial real increases in expenditure on payments to low-income families with children. Given the limited room for future discretionary spending increases set out under the Government's medium-term fiscal strategy (Government of Ireland, 2024), this suggests careful consideration is needed as to the most cost-effective way of meeting the child poverty reduction targets the Government sets itself.

Recent ESRI research – including previous editions of this report – have highlighted the role a second tier of Child Benefit could play in this regard. Such a reform – proposed by the NESC (2007, 2020b) and the Commission on Taxation and Welfare (2022) – would replace the existing Working Families and Child Support Payments with an integrated means-tested payment to low-income families with children. Doorley et al. (2025) estimate that such a reform would reduce child poverty by 4.6 percentage points, lifting more than 50,000 children out of poverty at a cost of €772 million. Although such expenditure is substantial, it should be considered against the wider economic and social costs of child poverty, which there is good evidence to show are substantial (National Academies of Sciences, Engineering, and Medicine, 2019).

There is also good evidence that poverty can persist across generations. This topic was the subject of Chapter 4, which explored the link between childhood poverty and adult outcomes including income poverty, material deprivation, health, and employment status. The analysis is based on retrospective questions asked in a special module in the Survey on Income and Living Conditions in 2011, 2019, and 2023. Overall, the percentage of 25-to-59-year-olds reporting bad or very bad financial circumstances at 14 (our proxy for childhood poverty) fell from 13 per cent in 2011 to 11 per cent in 2023. On the other hand, the proportion reporting good or very good circumstances at 14 rose from 31 per cent in 2011 to 35 per cent in 2025.

Statistical models show that childhood poverty significantly raises the risk of deprivation in adulthood. A Gelbach decomposition shows that education is the most prominent mechanism behind this relationship, followed by labour status. For example, education accounts for 48 per cent of the difference in the relationship between childhood poverty and adult deprivation when only controlling for year of observation,

versus when controlling for other characteristics. Other mechanisms include family structure and disability. But even when taking these mechanisms into account, and controlling for other risk factors such as age and gender, childhood poverty is associated with a 15 percentage points (pp) increase in the probability of current deprivation.

The relation between childhood poverty and current deprivation declines with age, but the positive effect of being advantaged in childhood remains throughout the life course. This means that among younger adults, the deprivation gap between those from disadvantaged and advantaged backgrounds is quite wide, but it narrows with age. Strikingly, we also see that those born outside the EU are more likely to be deprived than those born in Ireland, even when their financial circumstances at 14 are taken into account.

The literature shows that one leading factor behind intergenerational poverty is poor health. For instance, Aizer (2017) finds that US children who grow up in poverty are 40 per cent more likely to miss school because of sickness compared to those who do not, and 80 per cent more likely to have their activity limited by a chronic disease. We thus analyse whether similar findings emerge for Ireland, by examining the relationship between respondents who declare being currently in bad health and their financial circumstances during childhood. We find that people aged 25–59 who grew up in poverty are 8 pp more likely to be in bad health than those who grew up in good or very good conditions. We also see that the probability of being in bad health rose over time since 2019 among those who grew up in advantaged financial circumstances.

Results show that those who grew up poor are 3 pp more likely to be unemployed or inactive, even when intervening mechanisms such as education, labour market status, disability and family structures are considered. This is thus another way through which poverty persists through generations. Models also show that individuals with only primary education and those with disabilities face the highest likelihoods of being unemployed or inactive.

The literature reviewed in Chapter 4 also identifies education as an important mechanism in the intergenerational transmission of poverty. Previous research found that the association between parents' education or social class and their children's

income and social class during adulthood has persisted despite substantial increases in the educational profile of the population (Bavaro et al., 2025; Layte and Whelan, 1999). In Ireland, while access to education and higher occupational positions has improved over time, relative educational and class advantages remain entrenched, particularly among children of the professional or managerial class (Layte and Whelan, 1999; Smyth, 2016b). Furthermore, Bavaro et al. (2025) find that in Ireland, the negative effect of low parental education on children's income worsened over time.

Childhood poverty negatively affects children's cognitive development and educational outcomes, which in turn increases the risk of adult poverty. Low-income parents often lack the financial, social capital and time resources to support their children's education, and disadvantaged children face barriers such as the hidden costs of schooling and limited access to enrichment activities (Smyth, 2016b). Parental education also shapes children's outcomes, including through social capital and expectations.

The current study echoes these findings, showing that education plays a key role in mediating the relationship between childhood poverty and adult income poverty, deprivation, poor health and non-employment (i.e. unemployment or inactivity). Educational outcomes are also a key determinant of labour market status, and including current employment/non-employment further accounts for some of the effect of childhood poverty on adult outcomes (namely health, income poverty and deprivation). The analysis also highlights the mediating role played by health status: those growing up in poverty have a higher rate of disability which in turn is strongly linked to deprivation and employment status.

These results suggest a multi-faceted and cross-departmental approach is necessary to address the intergenerational persistence of poverty. In addition to the importance of adequate social transfers in preventing current poverty highlighted in Chapters 2 and 3, the analysis highlights that narrowing the educational attainment gap between those who grew up in financially disadvantaged versus advantaged households is essential.

This requires addressing inequalities in access to educational resources from early childhood onwards, but also less tangible inequalities in social capital and extracurricular activities. Policy supports to ensure equal access to the labour market

are also necessary, including guidance, training and childcare support. Improving access to healthcare for children from low-income households is also essential, as poor health in childhood can undermine both educational achievement and future employment prospects. Policies such as the recently enhanced school meals programme can potentially contribute to both the health and educational outcomes of children. Finally, the higher risk of deprivation among the non-Irish-born, regardless of childhood circumstances, highlights the need for targeted integration policies and anti-discrimination measures to ensure equitable outcomes for all population groups.

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APPENDIX A

Data and methodology

This appendix provides additional details on the data sources used in this paper as well as the methodology used to derive indicators of poverty, deprivation and income inequality measures.

A.1 DATA SOURCES

The Survey of Income Distribution, Poverty and Usage of State Services

The Survey of Income Distribution, Poverty and Usage of State Services was carried out by the Survey Unit of the ESRI in 1987 with the support of the European Commission and the Combat Poverty Agency. Results were first published in Callan et al. (1988), which reports that 3,286 households responded out of a valid sample of 5,155: an effective response rate of 63.7 per cent. These households contained just under 8,200 adults, each of whom was interviewed individually about their income sources and experience of the labour market. Weights were derived to correct for the greater likelihood of larger households being sampled (a product of the sampling frame being based on the electoral register and so households with more voters being more likely to be selected for inclusion) and a slight over-representation of older and rural heads of households. Analysis was carried out on the anonymised research microdata files held by the ESRI on its secure server.

Living in Ireland Survey

The Living in Ireland Survey was also carried out by the Survey Unit of the ESRI, beginning in 1994, again with the support of the European Commission. Each adult in a household completed an individual questionnaire through a face-to-face interview, with a similar initial sampling frame to the 1987 Survey. However, in keeping with the European Community Household Panel (ECHP) of which it was modelled, the survey adopted a longitudinal design with household members followed up in subsequent waves of the survey. By Wave 7 (2000), attrition was deemed to be a cause of concern and the original sample of individuals still in the scope of the survey (i.e. who had not died, moved to an institution or outside of the EU) were supplemented with a booster sample

selected via a similar procedure as that used for the first wave of the survey. Weights were derived to correct for attrition and biases in the distribution of observed characteristics compared to the population of interest. There was an influx of more than 1,500 new individuals into the survey as compared to 5,530 from the original sample. However, to avoid any potential concerns about the representativeness of these later waves, we use only Waves 1–6 of the Living in Ireland Survey, spanning the years 1994–1999, with analysis again carried out on the anonymised survey microdata files held by the ESRI on its secure server.

Survey of Income and Living Conditions

The Survey of Income and Living Conditions (SILC) is an annual survey of households carried out by the Central Statistics Office (CSO) since 2003. Like the Living in Ireland Survey, it was initiated with the aim of collecting harmonised information on households for all countries in the European Union (EU). However, unlike the Living in Ireland Survey, it is not primarily a longitudinal survey with the vast majority of respondents sampled anew each year.[36] We use the anonymised research microdata file data made available by the CSO to researchers through a secure virtual desktop infrastructure. Methodological changes to SILC in 2020 – including to the data collection and income reference period – have resulted in a break to the time series in a similar way to that between the Living in Ireland Survey and SILC.[37]

Household Budget Survey

The Household Budget Survey (HBS) is a nationwide survey of Irish households carried out by the CSO. It is part of an EU-wide programme which captures how households are spending their money. In each wave, new households are randomly selected to participate and provide information on their day-to-day spending and regular outgoings such as utilities, television subscriptions, car insurance and direct debits. This information allows us to update the basket of goods used to track changes in costs of living and the rate of inflation over time and across countries. Anonymised Household Budget Survey data are available from the Irish Social Science Data Archive (ISSDA) for

[36] A small number of households are included in a panel element: see CSO (2017, pp.7–9).

[37] See https://www.cso.ie/en/releasesandpublications/in/silc/informationnote-breakintimeseriessilc2020/ for further details.

the years 1987, 1999–2000, 2004–2005, 2009–2010, 2015–2016 and 2022–2023. We also use anonymised HBS data provided by Eurostat for the years 2009–10, 2015–16, and 2022–23.

Expenditure categories in HBS are food, drink and tobacco, clothing and footwear, fuel and light, housing, household non-durable goods, household durable goods, transport, miscellaneous goods, services and other expenditure.

Total housing expenditure is comprised of the following subcategories in 2022/23: Rent paid for primary dwelling; mortgage payment (primary dwelling); primary dwelling insurance; local property tax; refuse/sewage collection and skip hire; other services relating to dwelling; paint, wallpaper, timber and plaster; equipment hire and small material purchase (e.g. sandpaper); other materials for the maintenance and repair of the dwelling; central heating maintenance; services for maintenance and repair of the dwelling (e.g. electrician, painter); capital improvements; floor coverings; other housing costs.

Total household durable goods expenditure is comprised of the following subcategories in 2022/23: Bedroom textiles; other household textiles; fridges and freezers; washing machines, spin and tumble dryers; dishwasher; small electric household appliances; repairs and insurance for household appliances; glassware, china and pottery; electrical tools for house and garden; small tools (e.g. hammer, spanner, saw); electrical consumables (e.g. batteries, bulbs); lighting equipment; television sets; computers (including media tablets, laptops); printers, ink cartridges, calculators and computer accessories; consoles for computer games; computer games/software; repair and maintenance of other major durables for recreation; garden furniture; garden accessories; lawn mowers; fancy and decorative goods (e.g. mirrors); cookers (including microwave); household furniture (including recovering and repairs); other household appliances (including spare parts); cutlery and kitchen utensils; audio equipment (including accessories); other household durables.

A.2 INCOME CONCEPTS AND COMPARISONS

Before housing costs (BHC) disposable income

Our definition of BHC disposable income corresponds to that used by Eurostat for the purposes of SILC with the exclusion of the imputed value of a company car – which is available only in the SILC data from 2007 – and net contributions to individual private pension plans, which represent deferred income and should be treated in a manner consistent with those to (predominantly public sector) defined benefit pension schemes. In essence, this adds pension and social welfare income to market income (that from employment, the rent of land or property, regular inter-household cash transfers received, interest, dividends and profit from capital investments in unincorporated businesses), then deducts taxes on income, social insurance contributions, regular taxes on wealth and regular inter-household cash transfers. In some years, this measure of income is negative for a small number of observations (<30) for reasons that include self-employment losses.

After housing costs (AHC) disposable income

Our definition of AHC disposable income deducts from BHC disposable income our measure of housing costs. For renters, this is defined as rents gross of (including) any rental supports received (such as Rent Supplement (RS) and the Housing Assistance Payment (HAP), plus any rental contribution paid to local authorities (differential rent). For owner occupiers with a mortgage, housing costs include mortgage interest payments but exclude mortgage capital repayments on the principal private residence. This is because mortgage capital repayments are more appropriately considered a form of saving as they contribute to the accumulation of equity – and so net wealth – in residential property.[38]

[38] While a case can be made for deducting mortgage capital repayments in measures of AHC income poverty in order to take into account the fact that, for many, these payments are inescapable in the short term (e.g. Social Metrics Commission, 2018), that case is far weaker for measures of AHC income growth or inequality. This is because doing so would treat those with higher incomes accumulating net wealth in a residential property as having fewer resources available to them than someone with the same level of BHC income who accumulates net wealth through, for example, shares in a company. However, we have examined how much difference this makes to our estimates of income poverty and find that they are qualitatively similar, with AHC poverty rates for mortgage holders substantially below those of renters.

Our measures of market and disposable income are aggregated to the level of the household, before being adjusted for household size and composition (as discussed below). This implicitly makes an assumption of perfect income sharing within households. While appropriate for many households (e.g. a couple who both benefit from additional income in the household), it may be less so for others (e.g. students or young workers sharing a house). However, like Bourquin et al. (2020), we regard perfect income sharing as the most transparent and least arbitrary assumption given the data available.

Equivalisation

As described in the main text, our measures of disposable income are adjusted for household size and composition using the modified OECD equivalence scale. This is to account for the fact that two households with the same level of disposable income, but different composition, will typically experience different standards of living.
For example, a household income of €50,000 will – ceteris paribus – deliver a much higher standard of living to a single adult than a couple with two children. Equivalising incomes with the modified OECD scale is not the only approach one could take.
For example, the CSO uses a 'national' equivalence scale that (as shown in Table A.1) gives greater weight to second or subsequent adults and children aged 14+, while there are likely characteristics other than age and the number of individuals that affect a household's needs. Nevertheless, some method is needed for comparing incomes across different household types, and the approach we adopt allows us to produce estimates which can be compared to other EU Member States, the United States (US) (Joyce and Ziliak, 2020) and Britain (Bourquin et al., 2020).

TABLE A.1 EQUIVALENCE SCALES

	Modified OECD scale	CSO national scale
First adult	1	1
Second or subsequent adults	0.5	0.66
Child aged 14+	0.5	0.66
Child aged under 14	0.3	0.33

Although we aggregate income to the household level, the individual is our unit of analysis throughout. That is, we assign each individual in a household the equivalised income of their household, consistent with our assumption of perfect income sharing.

Adjusting for inflation

All monetary amounts are converted to 2024 prices using the CSO's all-item monthly Consumer Price Index (CPM02). All growth rates in these monetary variables are calculated after accounting for inflation.

A.3 THE MEASUREMENT OF MATERIAL DEPRIVATION IN IRELAND

The Survey of Income Distribution, Poverty and Usage of State Services was the first survey in Ireland to collect a wide range of information about households' and individuals' possession of items and activities; whether they considered those as essentials; and, in their absence, if that was because they could not afford them. The follow-up survey, the Living in Ireland Survey that was conducted by the ESRI between 1994 to 2001, included 23 non-monetary indicators capturing enforced deprivation due to lack of resources. Using factor analysis techniques, Callan et al. (1993) and later Nolan and Whelan (1996) identified several dimensions of deprivation (basic lifestyle, secondary lifestyle, housing deprivation). The basic lifestyle dimension (labelled basic dimension) included eight items from not being able to afford new clothes to having a meal with meat, fish or chicken every second day. This basic deprivation indicator was used to monitor deprivation in Ireland and people were considered to experience deprivation when they lacked one or more of the eight items. The measure of basic deprivation was also combined with the AROP measure to create a measure of consistent poverty – identifying people both at risk of income poverty and deprivation – which was officially adopted in 1997 by the Irish Government in the *National Anti-Poverty Strategy* (Government of Ireland, 1997).

As living standards rose rapidly during the late 1990s and early 2000s, there was some concern that the eight-item basic deprivation measure was no longer able to capture poverty and social exclusion. Maître et al. (2006) used the release of the SILC survey to re-examine the dimensions of deprivation and derived a new measure of deprivation. Some items of the original eight were dropped and replaced by new items, including

items about social interactions. The revised indicator of basic deprivation was in time extended to include 11 items, with people classified as being in material deprivation if they lacked two or more items: a definition that we follow in this report, given our focus in Chapter 3 is on the period since 2003.

Of the 11 items collected in SILC, ten are available in the Living in Ireland Survey which we use to construct a consistent measure of deprivation across the two surveys, with individuals classified as deprived if they are lacking two of the following ten items:

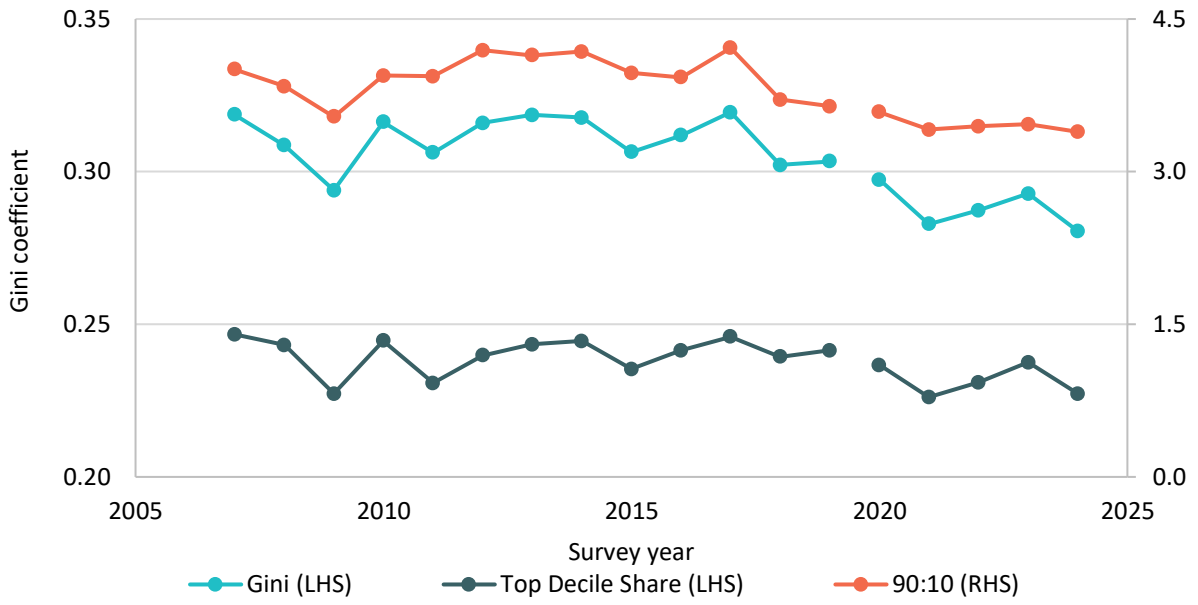
- Two pairs of strong shoes;
- A warm waterproof overcoat;
- New (not second-hand) clothes;
- Replacement of worn-out furniture;
- A meal with meat, chicken, fish (or vegetarian equivalent) every second day;
- A roast joint or its equivalent once a week;
- Home heating during the last year;
- Presents for family or friends at least once a year;
- Drinks or a meal for family or friends once a month;
- A morning, afternoon or evening of entertainment once a fortnight.

In the first release of the 2003 SILC results, the CSO (2005) noted deprivation rates were about 3 to 5 percentage points higher than those observed in the final wave of the Living in Ireland Survey (2001) and highlighted two factors that could explain these differences. The first was that SILC adopted 'computer-assisted personal interviewing', whereas the Living in Ireland Survey did not. The second possible explanation related to the longitudinal nature of the latter – with the associated issues of attrition discussed above – while the 2003 SILC sample was comprised entirely of households interviewed for the first time.

APPENDIX B

Additional tables and figures

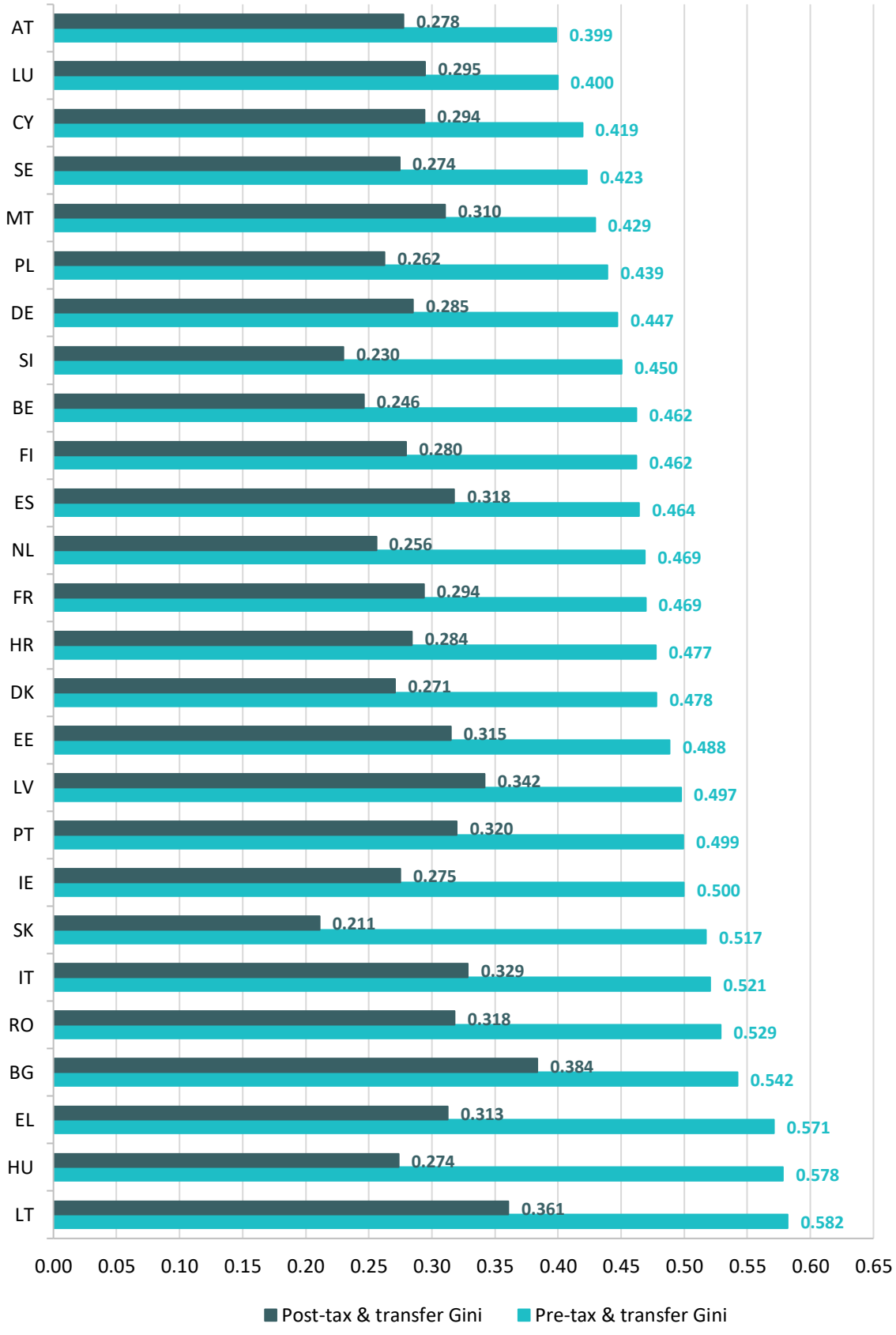
FIGURE B.1 REAL EQUIVALISED AFTER HOUSING COST INCOME INEQUALITY MEASURES



Sources: Authors' calculations using the ESRI Survey of Income Distribution, Poverty and Usage of State Services, the Living in Ireland Survey and the Survey of Income and Living Conditions Research Microdata Files.

Notes: Incomes after direct taxes paid and benefits received, but before housing costs. Excludes a small number of observations with non-positive values for disposable income. Income reference period refers to previous calendar year from data year 2020, and previous 12 months before.

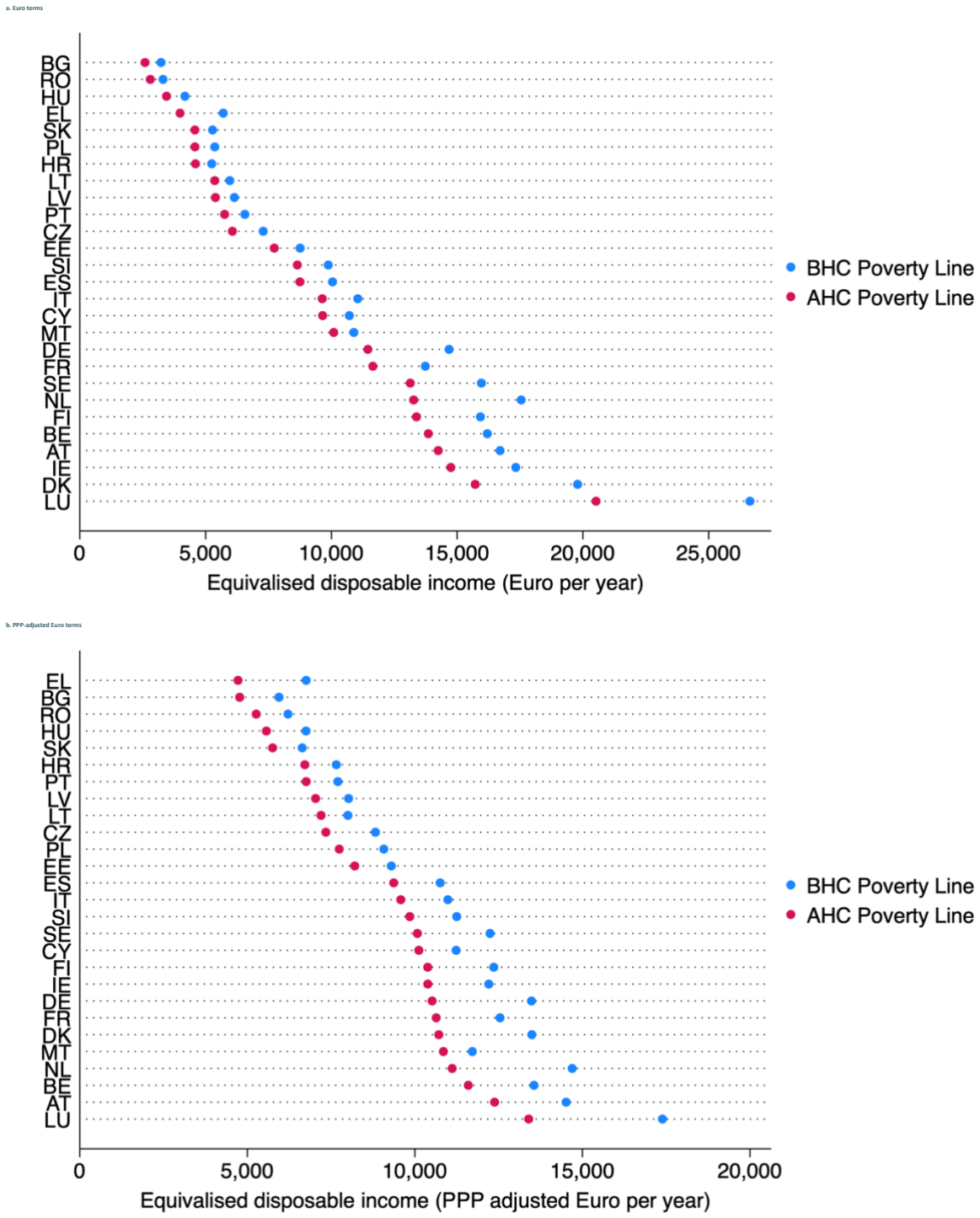
FIGURE B.2 PRE- AND POST-TAX AND TRANSFER GINI COEFFICIENTS ACROSS THE EU, 2022



Sources: Authors' calculations using 2022 EU-SILC microdata provided by Eurostat.

Notes: Adjusted for household size and composition using the modified OECD equivalence scales.

FIGURE B.3 NATIONAL POVERTY LINES IN EURO AND PPP-ADJUSTED EURO TERMS, 2022



Sources: Authors' calculations using 2022 EU-SILC microdata provided by Eurostat.

Notes: Incomes adjusted for household size and composition using the modified OECD equivalence scales.

AN INSTITIÚID UM THAIGHDE EACNAMAÍOCHTA AGUS SÓISIALTA
ESRI ECONOMIC & SOCIAL RESEARCH INSTITUTE

Whitaker Square,
Sir John Rogerson's Quay,
Dublin 2
Tel: +353 1 863 2000
Email: admin@esri.ie
Web: www.esri.ie

Community Foundation Ireland

Community Foundation Ireland
30 Merrion Square North
Dublin
D02 VE40
Tel: +353 (1) 874 7354
E-mail: info@foundation.ie
Web: www.communityfoundation.ie