Exploring an Income Adequacy Standard for Children

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Abstract
This paper explores the concept of an income adequacy standard for children. Given the clear relationship between child poverty, income and welfare status, Ireland's child income policy as articulated in a number of significant policy documents is reviewed and the consideration of adequacy in these documents is highlighted. The relative generosity of Ireland's child benefit package in international terms is considered. In the absence of direct measures of the adequacy of child income support in Ireland, adequacy is considered in the light of two indirect indicators: child poverty rates and the estimated cost of a child. The contribution of social research through budget standards and equivalence scales estimates of the cost of a child and the value of research specifically on children's needs and of actively involving children in research studies is highlighted. In conclusion, some key issues for policy and research are presented.

Key Words: adequacy, children, income

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1 Introduction: An Adequacy Standard for Children

1.1 Supporting Children

> *Few aspects of social policy are more important than the programs we provide to support our children. The opportunity for every child to enjoy a happy and enriching childhood is surely one of the most cherished goals of a just society. Not only should we be interested in the well-being of children because they will become citizens of tomorrow, but children deserve a good childhood just because they are children.*
>
> *For the most part, though, even the richest nations on earth are far from this goal for every child.* (Battle and Mendelson (eds.), 2001, p. 1)

The support of our children is an accepted aspect of all western welfare states and all western nations operate a system of child income support or benefit. The particular content of this, the emphasis on universal as opposed to targeted payments, the eligibility criteria for and level of payments will all differ, but the objectives of child income packages are broadly the same. These include some or all of the following: contributing to the cost of raising children and redistributing resources over the life cycle, promoting horizontal equity between families with and without children, addressing unemployment and poverty traps and improving incentives to work. Primary among the objectives of child income support systems, however, is the alleviation or prevention of poverty. In Ireland, the reduction and elimination of child poverty is encompassed within the National Anti-Poverty Strategy (NAPS) which aims to

> *… eliminate child poverty and to move to a situation of greater equality for all children in terms of access to appropriate education, health and housing, thus breaking the cycle of disadvantage and exclusion experienced by certain children in society.*
>
> *Over the period to 2007, the Strategy will aim at reducing the numbers of children who are 'consistently poor' below 2 per cent, and, if possible, eliminating consistent poverty, under the current definition of consistent poverty.* (Government of Ireland, 2002, p.14)

This commitment is further supported by the Special Initiative on Ending Child Poverty included in the current national agreement, *Sustaining Progress* (Government of Ireland, 2003). The issue of relative and consistent poverty[1] among children in Ireland is addressed in Chapter 4 below. While consistent child poverty is declining, relative income poverty is proving more difficult to address. Consequently, the issue of adequate income for households with children remains.

1.2 The Case for an Adequacy Standard for Children

The point of departure for this paper is a Minimum Income Standard (MIS). A Minimum Income Standard is the internationally recognised term for an adequate income benchmark. It is a set of criteria for evaluating the adequacy of income levels

[1] Relative poverty is based on income poverty alone and the poverty line now officially used is 60 per cent of median disposable income. Consistent poverty is defined as the proportion of households living on less than 70 per cent of mean disposable incomes and experiencing an enforced lack of at least one item on the following list of eight necessities: one substantial meal each day; chicken, meat or fish every second day; a 'roast' or equivalent once a week; two pairs of strong shoes; a warm coat; new rather than second-hand clothes; and, being able to pay everyday household expenses without falling into arrears.

for achieving a specific minimal level of living and which is embodied in a formal administrative instrument (Veit-Wilson, 1998). Politically, it is the standard that reflects a government's concept of what is an adequate income to allow for a decent standard of living, without serious social exclusion or poverty (Veit-Wilson, 2000). In reviewing the literature on MIS and child income in other countries, references to assessments of adequacy were conspicuous by their absence. In addition, it became clear that the assumption that countries that operate an MIS for their adult population extended this in any real way to children was unsafe. In most countries, as in Ireland, child income arises in the context of broader welfare policy relating to adults and families, and a measure of adequacy specifically for children along with political support is rarely articulated. Consequently, general approaches to adequacy need to be reviewed and inform debate on adequacy standards for children.

MISs has a number of essential properties that can also apply to adequacy. They must be publicly acceptable, methodologically defensible and administratively feasible (Citro and Michael, 1995). What changes this measure into a governmental MIS is political legitimacy. MISs also have a number of uses: as guides in setting welfare rates, maintenance payments, etc., as a benchmark against which to evaluate the adequacy of welfare payments or as proxy measures for poverty. As Veit-Wilson (1998) puts it:

> *The MIS are thus used to set goals, calculate costs and measure achievements, as governments work towards providing minimally adequate social security benefits, ensuring minimum incomes from employment, and setting tax thresholds, or assessing the scope for politically viable public expenditure economies.* (p. 41)

It is important to recognise that governmental MISs are frequently based on political expediency as opposed to rigorous research. What distinguishes an MIS from other measures, such as poverty lines or minimum wage rates, is its clear relationship with the concept of adequacy. However, MISs are not always easy to identify as many governments or states do not employ measures of adequacy or do not articulate their policies or provisions in these terms. Nonetheless, many of the issues and principles underpinning the concept of a government MIS apply to the establishment of an adequacy standard.

Welfare payments are often seen as the basic amount of money on which individuals or households can be expected to live. Measures of minimum income adequacy will therefore include these as well as earned income and private pensions, tax thresholds and social insurance contributions. In an anti-poverty and children's context, welfare payments, minimum wage levels, tax thresholds and maintenance are of particular concern.

Welfare income is relative not only to other types of income, it is also relative in terms of the availability, accessibility and quality of social services that are readily available to children. It is also relative to the environment in which children are raised. Sweeney (2002) succinctly states the relationship between income as an input and children's outcomes.

> *A clear association between household poverty and a low level of child well-being does not mean that, in every case, more income raises child-well-being: substance abuse, neighbourhood insecurity, chronic indebtedness, etc., may severely limit the ability to transform any feasible increase in household income into greater well-being*. (p. 26)

While mediating factors such as parenting skills are important in transforming income into outcomes, the role of public services should not be disregarded. High quality public services such as childcare, education and health and a range of benefit-in-kind subsidies such as school transport and essential clothing play a vital role in counteracting the negative effects of income poverty. The need for action across a range of policy areas is widely accepted in combating child poverty and breaking the intergenerational cycle of poverty and exclusion (Commission of the European Communities, 2003a). However, this paper is concerned only with a minimum income or adequacy standard as a measure of direct income. To establish the value or contribution of services such as education, health, childcare and other services is beyond its scope.

This paper is concerned with the issue of an income adequacy standard for children. This can be loosely defined as the income required to secure an acceptable level of living relative to the society and community in which children live. In developing nations where absolute poverty is still very much a reality, adequacy is often defined in terms of having enough food on which to survive. In contrast, in our society where absolute poverty of this sort is not a fact of every day life, adequacy is necessarily relative and is informed by our culture, values and expectations both for ourselves and for others. In this context adequacy is also a subjective concept as one cannot define what is ‘acceptable’ or ‘normal’ in any strictly objective way.

> *Where the conception of adequacy is accepted as a relative notion, the critical decision becomes the determination of those social conventions which are to be incorporated in the notion of adequacy. This decision is invariably subjective and a failure to embrace this subjectivity will frustrate attempts to establish benchmarks of income adequacy. Indeed, it has been argued that a perception that these concepts can be derived objectively and scientifically has … contributed to a reluctance to formulate a practical and relevant standard of adequacy* (Mitchell 1988:4-5, quoted in Department of Social Security, 1995)

The relevance of income adequacy standards or benchmarks of child income support lies in the existence and level of child poverty. In western welfare states one of the principal reasons for child income support is the alleviation and/or the elimination of child poverty. Despite highly developed welfare systems, child poverty exists to some degree in all western nations. Clearly the level and nature of child poverty varies considerably between countries and is affected to a greater or lesser degree by the coverage and level of child income support. However, the fact that relatively high rates of child poverty remain a feature of developed nations is a clear indication that child income support is inadequate in meeting one of its central objectives and makes the concept of adequacy a pertinent one.

In addition, the right of a child to live in a manner that is free of poverty and in line with the standard of living considered normal in its society and community has long been established. This is enshrined in Article 27 of the UN Convention on the Rights of the Child to which Ireland is a signatory (see Chapter 2 below). That 7 per cent of children in Ireland experience income poverty and deprivation and 23 per cent experience income poverty alone (Whelan *et al.,* 2003) clearly indicates that Ireland is not meeting its obligations under this Convention and provides a further rationale for examining the issue of the adequacy of child income support.

Income adequacy has received considerable attention in a number of key policy debates and documents in Ireland (see Chapter 3 below). However, traditionally these debates have focused on adult welfare rates. Little account has been taken of adequacy standards for child income support and, where this has formed part of the debate, a rate extrapolated from the adult standard is used. Specific adequacy standards for children would serve to not only complement this approach to adult welfare, but can also take account of the particular needs and poverty experience of children.

Recent policy on child income support in Ireland has focused on increasing the universal Child Benefit payments and freezing the additional Child Dependant Allowances paid to welfare recipients. Reasons for this include achieving greater horizontal equity and reducing unemployment and poverty traps. However, such increases have also been made in the context of increasing female labour force participation and therefore of child care costs. While still primarily articulated in terms of contributing to the overall costs of raising a child, this policy does not meet or significantly contribute to the additional childcare costs incurred by working mothers, while simultaneously gradually reducing the value of additional payments to families dependent on welfare incomes. In light of this, the objectives of child income support need to be reconsidered and, within this, questions of adequacy must be considered.

1.3 The Importance of Income

One counter argument to substantially increasing the income of low-income families is that income poverty alone may play a very minor role in shaping children's futures. Other factors, such as parents' education and employment record, parenting skills and community environment may have a more profound effect on children's futures. However, there is little research examining the direct relationship between poor outcomes for children and living on a low income. Recent research in Germany has examined the relationship between childhood poverty and education and suggests that it is not low income *per se* that decreases the probability of educational advancement but factors such as parents' education and work history. Research in the UK shows that although adult wages for boys who experienced childhood poverty may fall significantly below the average, this fall is halved when parents' education is taken into the equation (Innocenti Research Centre, 2000).

While this research seems to indicate that increasing the income of low-income households may have only a limited impact on outcomes for children, a number of qualifying points need to be made. First, most studies look at only one outcome for children – such as educational attainment or wages in adulthood. While the impact of childhood poverty on any one aspect of children's lives may be quite small, the combined effect across a number of areas is likely to be more substantial. Second, raising the family income may have positive knock-on effects not directly related to income. For example, if income is raised through moving parents into education, training and ultimately employment, this may well have a positive impact on children's aspirations.

Does the source of income matter? Again, the answer to this is not simple. It is implicit in many welfare systems and supported by research that, while increased income may have an impact on child poverty, income derived from employment – that is, self-reliant income – will have a greater positive impact than welfare income. This is based on the belief that the experience of having a parent in employment provides children with a better role model and generates an increased value on self-sufficiency. However, research in the US has shown that the impact of increased parental employment is related to the child's age, with pre-school and school age children showing the most marked improvements in terms of their educational attainment, social behaviour and in some instances health, but some negative effects were found on adolescents. As the additional income achieved through parental employment is indirectly available to children, its impacts will also be indirect and mediated through the quality of parental employment, parental availability, the use of quality childcare and early education facilities and other family circumstances (Rafferty Zedlewski, 2002).

1.4 Report Structure

This paper considers the concept of income adequacy and its treatment in international conventions, revisits the Irish debates on child income and adequacy, presents data on child poverty and child income support and considers the contribution of social research to child income adequacy debates through estimates of the cost of a child and identifying essential elements in considerations of what income should be adequate for. Where relevant and possible, international data are drawn on in order to place the Irish debate in a broader context.

The next chapter examines the concept of adequacy and places this within a rights framework. Chapter 3 presents a review of child income policy in Ireland as articulated through a number of policy reports, and in particular highlights the various options they presented for child income reform and their consideration of adequacy in relation to children. This chapter also provides a brief account of how Ireland's child benefit package compares internationally. Chapter 4 provides an overview of children, family structure and child poverty in Ireland as well as a brief comparison of child poverty rates in the EU. This chapter also considers the extent to which child income support in Ireland can be considered adequate. Chapter 5 reviews the two principal methodologies for estimating the cost of a child, budget standards and equivalence scales, revisits Irish estimates of this cost and considers what social research can contribute to establishing adequacy standards. Finally, Chapter 6 attempts to draw together the key issues arising from the previous chapters and presents some key issues for research and policy if adequacy standards for children are to be pursued.

2 The Concept and Treatment of Adequacy

2.1 Questions of Adequacy

As alluded to in Chapter 1, adequacy is by its nature a relative concept that requires some level of judgement on the part of those seeking its measure. Four principal questions commonly arise in respect of this judgement: *adequate for what? adequate for whom?, adequate for how long?* and, *who decides what is adequate?*

The question of *adequate for what?* is frequently answered in loose and vague terms. For instance, according to various international conventions and national policies, income should be adequate to live in a manner compatible with human dignity, adequate for a socially acceptable standard of living or adequate to avoid social and economic exclusions. The realisation of these aims, however, through the adoption of an adequacy standard requires that indicators of these concepts be developed. However, what constitutes an adequate standard of living remains unclear and in some instances overtly contested. This question is central to this report and is examined later through the consideration of child poverty and deprivation and estimates of the cost of a child.

Adequate for whom? raises the question of whether we wish to establish what is adequate for all of society or what is adequate for those we define as poor or those who rely on welfare income. For example, should an adequacy standard be developed for all children or only for those experiencing individual or household poverty? If we adopt the latter targeted approach do we require further stratifications such as children experiencing poverty in inner-city areas, children from refugee or asylum seeking families, Traveller children, etc.? Adequate for whom also raises the question of whether the standard should apply to households or to individuals. This has a particular importance in the case of children who are not generally regarded as independent economic units.

Adequate for how long? raises a number of issues. Consideration must be given to (a) is the standard intended as a short-term measure designed to support households or children though periods of crisis or (b) is it a long-term measure aimed at ensuring that children have an adequate standard of living throughout their childhood? This latter point raises the question of universal versus means-tested payments and consideration of different levels of payment according to the income status of the household and, potentially, the age of the child.

A number of possibilities arise when asking *who decides what is an adequate income?* This can be decided on the basis of scientific research or political expediency or be negotiated through partnership arrangements. Ultimately, however, if an adequacy standard is to be enshrined in policy making and administrative instruments, political support will be necessary.

2.2 Approaches to Establishing Adequacy

A number of approaches to assessing adequacy are identified in the literature. Essentially these approaches seek to answer the question: what is an adequate income? The principal methods used are briefly described here, but this is not intended to be an exhaustive list.

The *Budget Standards Approach* is reviewed in more detail in Chapter 5 below in considering methodologies for estimating the cost of a child. This approach is based on the identification and pricing of a basket of goods that allow for an acceptable or adequate standard of living. In the UK this approach has been used to establish Low Cost but Acceptable and Modest-but-Adequate budgets based on detailed budgets for households with various compositions. In the US the Budget Standard approach has tended instead to examine expenditure on core costs, such as food, to which a multiplier is then applied. Variations of the Budget Standards approach have been used to inform the MIS in Sweden and as a means of assessing adequacy in Norway and the Netherlands.

The *Deprivation Indicator/Standards Approach* is based on identifying a range of items and/or experiences considered necessary for a ‘decent’ or average standard of living. Usually these items are identified by the proportion of the population who have them or who identify them as social necessities, say 50 per cent or 80 per cent. Individuals or households are considered to be deprived of these if they want them but do not have them through a lack of money. Deprivation could be seen as one or more of the following: non-possession of certain goods; non-participation in certain activities; non-use of certain services; and other non-voluntary adverse social, personal and economic outcomes (Department of Social Security, 1995).

Researchers then establish the income level at which there is a statistical correlation between income and multiple enforced deprivations. While affluent households may report an absence of one or two items/experiences, multiple deprivations tend to be clustered and highly correlated with incomes below the poverty line.

The *Attitudinal* or *Consensual Approach* uses public surveys. This approach attempts to establish what the public considers to be an adequate income based on the belief that people are the best judges of this. Respondents can be asked to identify the cash income at which they could 'make ends meet' or to identify goods or activities they consider to be a part of achieving a given level of living. These are then used to either construct an index of the extent to which households meet the defined level of living or items and activities can be priced to deduce the income level necessary to achieve this standard of living.

The *Relative Approach* expresses adequacy as a proportion of an indicator of income or economic well-being such as average earnings or income per capita. Primarily based on general or specifically designed surveys of income and expenditure, this approach is typically used in poverty studies. The issue of the relationship between poverty lines and measures of adequacy warrants some comment here.

Veit-Wilson (1998) argues convincingly that poverty lines reveal much about income distribution and even about the availability or absence of income but on their own they tell us little or nothing about adequacy of income. Most poverty lines are set by the relatively arbitrary selection of a percentage of either mean or median individual or household incomes. They indicate the level of income required to escape poverty at a particular level, but say nothing as to whether this allows people a standard of living that affords *adequate food, clothing and housing, and to the continuous improvement of living conditions* as determined by the UN Convention on Economic, Social and Cultural Rights, or to provide *sufficient resources and social assistance to live in a manner compatible with human dignity* as stated in the EU's so-called Minimum Income Recommendation (see below).

In Ireland, the question relating to adequacy and poverty lines must also extend to include the consistent poverty line. Does this line, including both an income and deprivation component, represent an implied adequacy level? Furthermore, it has been accepted by the Government as an official target, with income and child related targets. Does this make it a minimum income standard? It is the view of the present author that the consistent poverty line, while having a number of uses and limitations, does not represent an adequacy standard. First, the consistent poverty measure is not equated with a specific amount of income, that is, we do not know what income is required to allow people to buy themselves out of poverty at the 70 per cent of median income relative poverty line and to avoid deprivation on a number of non-cash indicators over a sustained period. Second, there is no basis for assuming that such an income would provide for an 'adequate' standard of living, simply one free of a given level of poverty and deprivation. No matter how scientifically determined, relative poverty lines or concepts based on them do not necessarily equate with levels of income adequacy. However, in the absence of alternative direct measures of adequacy, the corollary of this may be used as one indication of the absence of an adequate income, that is, those living in poverty have inadequate incomes.

The distinction between social assistance payments and adequacy standards is also worthy of comment. Social assistance payments are determined by governments with a number of objectives in mind. Very often these do not relate to any concept of adequacy, but more frequently to issues of labour market incentives, fiscal constraints and public opinion on acceptable payments to those who are viewed as economically non-productive. In many instances assessments of adequacy play no part in setting or uprating social welfare rates. Eardley *et al.* (1996) found that few social assistance payments in OECD countries were in fact based on any defensible concept or measure of adequacy. Instead social assistance rates are frequently politically determined not by knowledge or agreement on what constitutes an adequate income, but on budgetary resources and restraints or political expediency.

2.3 Approaches to Adequacy at EU Level

The right of people to an adequate standard of living relative to their society, which affords them participation and dignity by their society's standards, is enshrined in a number of international conventions and agreements to which Ireland is party. These include the UN Convention on Economic, Social and Cultural Rights (1996), which provides for

> *The right of everyone to an adequate standard of living … including adequate food, clothing and housing, and to the continuous improvement of living conditions.*

In 1992 the European Council issued a recommendation that Member States should adopt

> *... common criteria regarding sufficient resources and social assistance in social protection systems.*

Furthermore, it recommended that Member States

> *… recognise the basic right of a person to sufficient resources and social assistance to live in a manner compatible with human dignity as part of a comprehensive and consistent drive to combat social exclusion, and to adapt their social protection systems, as necessary, according to principles and guidelines set out [in the Recommendation].* (Official Journal of the European Communities, 1992)

This Recommendation became widely known as the Minimum Income Recommendation and the stated principles underlying it included the following:

- The right to sufficient income is based on respect for human dignity.
- The right is to be defined *vis-à-vis* individuals and progressively cover all situations of exclusion.
- Access to guaranteed minimum income could be based on availability for employment or the need for social and economic integration measures as appropriate, but with the option of excluding those in full-time work and students.
- Access is not subject to time limits.
- This right is an auxiliary to other rights and an effort should be made to integrate the poorest people into the system of rights.
- The right to a guaranteed minimum income should be supported by policies to combat economic and social exclusion.

The Minimum Income Recommendation identifies practical guidelines by which Member States were to assess and adapt social protection schemes. A number of these are particularly relevant here.

- *1(a) fixing the amount of resources considered sufficient to cover essential needs with regard to respect for human dignity, taking account of living standards and price levels in the Member States concerned, for different types and sizes of households*
- *1(b)adjusting or supplementing amounts to meet specific needs*
- *1(c) in order to fix the amounts, referring to appropriate indicators, such as, for example, statistical data on the average disposable income in the Member*

State, statistical data on household consumption, the legal minimum wage if this exists or the level of prices.

Also of interest is that while a minimum income is defined *vis-à-vis* the individual the Recommendation contains a guideline stating that

- *granting, to people whose resources taken at the level of the individual or the household are lower than that amounts thus set, adjusted or supplemented, differential aid to bring them up to these amounts.*

Given the focus of this paper on children and their lack of access to direct income, this is of particular relevance as it implies the adequate distribution of income within households.

This recommendation lays the ground for the development of MISs in the Member States. However, its weaknesses lie not only in the fact that it is not enforceable, but also in that the terms 'human dignity' and 'sufficient resources' remain undefined and levels and indicators of adequacy are determined at the discretion of each individual Member State. More fundamentally, however, reports on the implementation of the Recommendation clearly show that it has been reduced and narrowly interpreted as minimum income schemes. In Ireland this is Supplementary Welfare Allowance (Commission of the European Communities, 1998). Recent research has clearly illustrated that children are poorly protected by this payment. Between 1993 and 1997 an average of 4 per cent of children lived in households with incomes equivalent to Supplementary Allowance and 13 per cent lived in households below this income (Nicaise *et al.*, 2004).

A review of Ireland's social assistance system using the guidelines and principles of the Minimum Income Recommendation highlighted the absence of an adequacy standard and indicators of adequacy in respect of social assistance payments.

> *... while the payment rates are increased each year, there are no arrangements setting out the basis on which this is to be done, the indicators to be used, etc. ... The absence of a systematic framework within which the adequacy of social assistance rates can be officially assessed and changes in rates set, is one of the most serious failings in the Irish system as it currently operates, in light of the Recommendation.* (Nolan, 1995, p. 73)

These weaknesses apply to all social welfare payments, including those aimed at supporting children.

Adequate income is a key consideration in the EU Joint Report on Social Inclusion (Commission of the European Communities, 2003). This report is based on the National Action Plans against Poverty and Social Exclusion (NAPsincl) that are drawn up every two years by the Member States. Guaranteeing an adequate income and resources to live in human dignity is a key theme of these reports and the Joint Report encourages Member States to ensure that an adequate income is available through the labour market, tax and social protection systems. However, what comprises an adequate income is not explicit, nor are indicators of adequacy developed. Instead, the NAPsincl and the Joint Report use a range of primary and secondary indicators endorsed at the Laeken European Council in 2001. These indicators are primarily concerned with income and income poverty. Of particular relevance here is the focus placed on children in these indicators and the age breakdown provided. These are returned to in Chapter 4 below. However, as already discussed above, poverty lines and rates do not directly correspond with measures of adequacy.

2.4 Children's Right to an Adequate Income

The traditional view of children has been challenged in Irish social policy in the last number of years through the emergence of a rights-based approach to children and childhood (Government of Ireland, 1998) based on the UN Convention on the Rights of the Child. This Convention is based on a view of children as active participants in their own lives and who have rights that are distinct from those of adults. Covering civil, social, economic and cultural rights, the Convention places a significant onus on parents, families, communities and the State to ensure that these rights are promoted and protected (Corrigan, forthcoming, 2004). With regard to income it promotes

> *… the right of every child to a standard of living adequate for the child's physical, mental, spiritual, moral and social development.* (Article 27)

The Convention on the Rights of the Child was ratified by Ireland in 1992. In its Concluding Observations on the State of Children's Rights in Ireland in 1998, the UN drew attention to, among other things, the lack of measures to address child poverty. On foot of this the Government undertook a number of measures to improve the position of children in Ireland, including the development of a National Children's Strategy. Following this, the Government established the National Children's Office (NCO) and the Office of the Ombudsman for Children. These are crucial measures in realising children's rights.

Ireland's National Children's Strategy recognises the importance of an adequate income. Under Objective G the Strategy ambitiously states that

> *Children will be provided with the financial supports necessary to eliminate child poverty*. (Government of Ireland, 2000, p.63)

As most poor children live in poor households, this has far-reaching implication for the provision of an adequate household income. This is recognised in the Children's Strategy with the proposed measures to eliminate child poverty relating not only to increased child income but also to the employment status of parents and the elimination of unemployment and poverty traps. This is an important consideration in the development of administrative instruments to realise an adequacy standard for children and raises a number of fundamental questions: Should the child or the family be the unit of analysis for welfare payments? Should such payments be universal as in the case of Child Benefit or be targeted at children in poverty? Should payments be general, again as in the case of Child Benefit or Child Dependant Allowances (CDAs), or specifically tied to child related expenditure (such as children's clothes vouchers, grants for school books or medical cards for children)? Or should payments be targeted at low-income families with children, such as CDAs or through the Family Income Supplement (FIS) on the assumption that income will be equitably distributed within the household? To what degree should child income support and eliminating child poverty be linked with labour policy? We return to many of these questions throughout this paper.

2.5 Adequacy for Children: The Australian Case

As indicated above, literature on adequacy and children is difficult to find. However, one example of an attempt to develop adequacy standards with particular relevance to children or families with children can be identified in Australia.

In 1987 the Australian Prime Minister promised to eliminate child poverty by 1990. Following this promise a range of initiatives was introduced that resulted in significant real increases in child allowances for income support recipients and low-income working families, and measures to increase child maintenance payments to and improve the labour market opportunities of lone parents. Of considerable importance was the indexation to prices of a number of these child-related payments.

However, no official poverty line was established. Instead, ‘benchmarks of adequacy’ were implicitly accepted as the indicators by which success would be measured. These benchmarks of adequacy were based on the combined rate of child income support to welfare recipients reaching 15 per cent of the married rate of pension in the case of children under 13 years of age and 20 per cent of the married rate of pension for children between 13 and 15 years of age (Whiteford, 2001). By the mid-1990s these had increased to 16.2 per cent and 21.2 per cent respectively for those in receipt of the higher rate of Australia’s Family Payment. In addition, because the pension rate is indexed, this committed the Australian government to maintaining the real value of child-related payments. However, the National Commission of Audit was explicit that these benchmarks

> *were not the product of a detailed exploration of client requirements but have been treated as a matter of judgment. … there is clearly no meaning to the benchmark as either reflecting what families 'need' or the support they should get.* National Commission of Audit (1996)

In 1993 the Australian Department of Social Security undertook a study of benchmarks of adequacy for social security payments. This comprehensive report and the background papers that accompany it provide considerable detail on approaches to adequacy and their potential application in Australia (Department of Social Security, 1995). The Department essentially adopts an understanding, rather than a definition, of adequacy that is based on the provision of sufficient income to allow the recipient to secure certain outcomes. Securing these outcomes is not a measure or indicator of adequacy as these will always be a choice on behalf of welfare recipients. Nonetheless, it is accepted that no welfare payments could be considered adequate if certain groups within society consistently experience poor outcomes. Also, concern was expressed in relation to how outcomes are achieved. If household or family income is such that an adequate standard of living can only be achieved by one member through compromise of another – for instance, a child having an adequate diet or clothing due to sacrifice by a parent – then the basis of adequacy is undermined. Therefore, the State should be concerned not only in how adequate outcomes are achieved but in how they are achieved by one group relative to another.

With specific regard to the adequacy benchmarks for children, the report suggests that these be viewed as informed ‘community’ judgements. This is due to the lack of any record of the relative weight attached to the various sources of information and lobbying that informed the benchmarks. The report also claims that the legitimacy of these benchmarks are undermined by the fact that they have been increased in line with prices only, rather than on the basis of new research.

In moving forwards the Department’s report identifies a methodology that, if workable, would potentially benefit children and families with children. This is identified as a *descriptive approach.* Rather than establish a benchmark by which the adequacy of income can be assessed, this approach identifies those client groups who are achieving inadequate or lesser outcomes relative to other social protection client groups. The question to be addressed therefore is: are payments adequate for all social welfare clients to have equal outcomes? Drawing on a range of other methods, primarily the deprivation indicators and the consensus method, this allows client priorities to be established. It does not allow for the estimation of an adequate income level but identifies the direction of desirable change for specific client groups.

Table 3.1
Main Components of Child Income in Ireland

Payment	Entitlement	Rate 2004
Child Benefit	Universal; paid monthly in respect of all children until age 18 and to age 19 if in full-time education	1st and 2nd child: €131.60 per month 3rd and subsequent children: €165.30per month
Child Dependant Allowance	Paid to adults in receipt of social assistance or social benefit payments in respect of children aged under 18 years or aged 18 to 22 years if in full-time education	€16.80 to €21.60 per week
Family Income Supplement	Paid to families with low income from employment of at least 19 hours per week or 38 hours every two weeks. Payments are based on a range of income limits that vary by the number of children.	FIS is calculated at 60% of the difference between net earnings and the relevant income limit.
Back-to-School Clothing and Footwear Allowance	Paid annually in respect of children who are eligible for CDAs or whose parents are on approved employment, training or education courses. This is means tested against all parental income and income limits vary by the number of children.	Each child aged 2 to 11 years: €80 per year Each child aged 12 to 17 years and 18 to 22 years if in full-time education and eligible for a CDA: €150
Orphans Contributory Allowance/Non-Contributory Pension	Paid in respect of children where (i) both parents are deceased or (ii) where both parents are unknown, have abandoned or refused or failed to care for the child. Paid in respect of children aged under 18 years or aged 18 to 22 years if in full-time education	Contributory Allowance: €97 per week Non-Contributory Pension: €14.50 – €107 per week
Foster Care Allowance	Paid in respect of children placed in approved foster families	Each child less than age 12: €285.50 per week Each child over 12 years of age: €316.50
Adoptive Benefit	Contributory payment made for a period of 14 weeks from the date of placement of the adopted child.	€151.50 – €232.40 per week
Maternity Benefit	Contributory payment made for a period of 18 weeks, four of which must be before the child is born.	€151.50 – €232.40

Source: **www.welfare.ie**

This method is not without methodological difficulties, such as the construction of a mechanism to undertake a comparative assessment of outcomes for different client groups and the determination of which apparent differences in living standards are most appropriately addressed through income support and which are more appropriately dealt with through other arms of policy. However, it could allow for the identification of children as a particular group experiencing inadequate outcomes. It is also recommended that this approach is supplemented by the development of Budget Standards for Australia as this would provide data on the expenditure patterns and income requirements of households. It is notable that only the latter approach has seen significant development in Australia so far and that estimates of the cost of a child are a core component of this work.

3 Child Income Reform and Adequacy in Ireland

3.1 Child Income in Ireland

The main forms of child income In Ireland are shown in Table 3.1. This paper is particularly concerned with the three main child payments:

- universal Child Benefit
- Child Dependant Allowances (CDA) attached to adult welfare payments
- payments made in respect of low-income working families through Family Income Supplement (FIS).

Although very different payments in terms of structure, targeting and value, in recent years policy on Child Benefit and CDAs has become increasingly entwined. It is therefore difficult to consider approaches to and changes in one without considering the other. In the majority of policy documents FIS is also considered alongside these payments. These three payments are the focus of this section. The discussion on these as articulated through Irish policy documents is presented chronologically here both for convenience and also to highlight the development of the debate on child income and adequacy.

The Commission on Social Welfare

One of the most comprehensive and most important social policy documents of the past two decades is the *Report of the Commission on Social Welfare* (Government of Ireland, 1986). While significant for a number of reasons, this report attempted to articulate, for the first time, the principles that should underlie the design and implementation of the social welfare system. Primary among these principles was adequacy.

> *Firstly, and most important in a system of social welfare, the payments must be adequate in relation to prevailing living standards. To be adequate, payments must prevent poverty, and in our view, poverty must be judged in the light of actual standards of living in contemporary Irish society*. (p. 123)

The report of the Commission goes on to define poverty in line with Townsend's relative definition of poverty as individuals, families or groups having resources so far below the average that they are effectively excluded from the normal living patterns, customs and activities of their society. Adequacy should therefore be considered in the light of exclusion from the prevailing standard of living rather than mere subsistence. In their evaluation of social welfare payments overall, the Commission were clear that payment levels were not related to any measure of adequacy but were determined in an *ad hoc* manner according to available resources and the priority afforded to individual schemes and interest groups. This supports their claim that setting adequacy levels is a political problem. The Commission goes on to assert that social welfare payments at the time were inadequate and left many individuals and families in or at the margins of poverty and exclusion.

The Commission deliberated on the position of children within the social welfare code. Underlying its recommendations is its position that the State should provide for the full child-rearing costs of welfare dependent families and contribute to the child-rearing costs of all other families. In line with this, the Commission expressed the view that adequacy for children in welfare dependent families should be aimed at meeting the full costs of a child, based on the application of, at the time, an undetermined equivalence scale. Reflecting international experience and practice, this scale was also to reflect the additional costs found to be attached to older children, with 12 years of age recommended by the Commission as an appropriate age divide.

In essence the Commission recommended the child income payment structure that exists in Ireland today: universal support to all families through Child Benefit, additional targeted support to welfare dependent families through CDAs, and targeted support for low-income working households through the child components of FIS. However, the balance between these components of child income support, recognised by the Commission as a difficult issue, remains contentious. The Commission recommended the rationalisation of CDAs as at the time of their deliberations 13 different rates applied. This has now been reduced to three. In addition, the Commission recommended that substantially increased Child Benefit should be the main component of child income support. This has undoubtedly also come about. However, the recommendation that the full cost of children in welfare dependent households should be met through child income support has not been achieved.

The Commission provided seven estimates of an adequate adult income using seven different methods: the Food Ratio Approach; the Institutional Budget Method; Average Industrial Earnings Method; estimates based on National Accounts Personal Disposable Income Method; Official Standards Approach; estimates based on Low Pay; and the Average Household Income Method. Despite the Commission's separate consideration of children in its report, all of these methods were based on the objective of calculating an adequate income for a single adult. In only one of the seven methods were estimates of adequacy for children, or more precisely families with children, employed. In this case, where estimates were based on family expenditure recorded in the Household Budget Survey, these were not assessed for their adequacy in themselves. Instead, equivalence scales of 60 per cent for additional adults and 37 per cent for each child were used to estimate adequate additional incomes. This absence of an examination of an adequate payment for children represents one of the most serious gaps in the Commission's report.

The Commission's methods for estimating a minimum adequate income and the range of monetary amounts they produced were reviewed and up-rated in 1996 by the Economic and Social Research Institute. With regard to children this review states:

> *The absence of an examination of what would be an adequate level of support for children meant that a clear recommendation about child income support rates, to go alongside the recommendations on support rates for adults, could not be made – a serious drawback.* (Callan *et al.*, 1996)

In considering the difficulties facing the Commission in this regard, the ESRI take account of the complex question of applying equivalence scale to individual adult payments in order to take due account of families or households of varying size and composition. At the time of the Commission there was no research carried out in Ireland on such scales.

Shortly after the Commission reported, however, Conniffe and Keogh (1988) undertook research on equivalence scales for children. This research is reviewed in Chapter 5 below in considering methodologies for estimating the cost of a child. It is worth noting here again that this study found that in most instances, the child components of income support fell far short of the estimated costs of a child. This was particularly true in the case of families with older children.

Integrating Tax and Social Welfare

In 1993 the Expert Working Group on the Integration of Tax and Social Welfare was established. The primary focus of this Working Group was on the poverty traps and work disincentives arising from the operation of the tax code and social welfare system and ways to address these through the greater co-ordination of the two systems. Its report, *Integrating Tax and Social Welfare* (Government of Ireland, 1996), gave considerable attention to the question of child income support. Families with children were identified as one group that was particularly vulnerable to unemployment and poverty traps. CDAs were clearly identified as contributing to employment disincentives or unemployment traps. The Working Group considered four options for the integration of child income payments: a Basic Income for Children, Integrated Child Benefit, Child Benefit Supplement and a reformulated FIS. All of these are formulated on the basis of ending CDAs.

Basic Income for Children would involve a payment made to all children in the State and was estimated as being equivalent to the Child Benefit plus CDAs. It would replace these two payments plus FIS and would not be taxable. The impact of this Basic Income would be to protect the income of welfare dependent families and improve the situation of all other families. While simple in terms of administration and also with the capacity to significantly ease poverty traps, a Basic Income for Children was not recommended by the Working Group on the grounds that it would require significant increases in public expenditure and income tax, and many of the benefits would accrue to higher income households for which employment disincentives were not an issue. Nevertheless, the rate of Basic Child Income recommended – that of Child Benefit plus CDAs – was accepted as a benchmark against which other options could be assessed.

The groups examined an Integrated Child Benefit that would also be paid at the level of Child Benefit plus CDAs. The key difference between this and Basic Income is that Integrated Child Benefit would be taxed. Through this, the cost to the exchequer is significantly lowered and lower increases to the tax rates arise if a revenue neutral option was adopted. However, the Working Group acknowledged that legal issues could arise in relation to taxation as the payment is made in respect of children, who are not taxable. Alternatively, given that Child Benefit is paid to mothers, these could be deemed as the tax unit, but this would require not only legislative but also substantial administration changes. In principle the Integrated Child Benefit had many positive aspects. Employment incentives improved for many, but these also decreased for some with low earnings and in receipt of FIS. This signalled that some form of FIS should remain. The poverty trap was all but eliminated. However, the distributive impact of this payment illustrated that middle income earners would be the main beneficiaries and those in employment or the self-employed would enter the tax net at a lower point. In addition, although a cheaper option than Basic Income for Children if tax could be applied, significant increases in public expenditure would still be required.

The third option presented by the Working Group was a Child Benefit Supplement. Under this, universal Child Benefit would remain but would be supplemented by an additional payment made to families whose income was below a given threshold regardless of their employment status. This is the seed of the idea of a second tier payment recently taken up by the NESC (see below). This supplement, payable for each child, was set at the lowest rate of CDA at the time. Operationally, this Supplement would be withdrawn on a tapered basis once income reached a certain threshold. Positive aspects of this option include distributive gains that are concentrated among low-income families, lower costs to the exchequer and Marginal Tax/Benefit Rates of over 100 per cent. However, a residual form of FIS would be required as work incentives for some earners would decrease. In addition, this is possibly the most difficult scheme to administer as it involves means-testing in respect of all low-income households.

Finally, the Working Group considered an In-Work Benefit to replace the current FIS as each of the previous options required some residual in-work benefit. Consideration was given to the poor take-up of FIS by eligible workers, insecurity related to whether or not individuals would be awarded FIS and the perception of a stigma being attached to the payment as employers had to provide certification of income. The Working Group recommended that CDAs would be retained by those moving from unemployment into employment for a period of 13 weeks after they officially ‘signed off’. In addition, self-assessment for an in-work benefit, involving minimum verification, was recommended to remove the perceived stigma that arose due to the direct involvement of the employer. This option is possibly the most positive described by the Working Group. Work incentives are improved more than under any of the previous options, the poverty trap in removed, low-income earners are the main beneficiaries and only moderate additional public expenditure would be required. However, for these positive outcomes to be achieved the problem of low uptake that dogged FIS would need to be addressed.

The complex relationship between employment, earnings and children and the difficulties in resolving issues in this arena are acknowledged by the Working Group. That these difficulties could not be resolved by the Working Group is evident in the fact that no one option is recommended. While all options are viewed as potential directions for policy, and detailed analysis of the costs and benefits of each option for families of various sizes and composition is presented, agreement could not be reached on what was the ‘best’ way forward.

Each of the four options proposed was considered to be an improvement on the prevailing situation. However, in the context of this paper, it is worth noting that the Working Group does not provide a clear rationale for accepting Basic Income for Children as its benchmark by which to judge other possibilities. Neither does it relate any of these options to a concept or measure of adequacy. Indeed, the Working Group was explicit in its view that it did *not* address the issue of adequacy. While recognising the difficulties of establishing an adequacy benchmark, it would appear that, given the close involvement of both the Department of Social Welfare and the Department of Finance in this Working Group, an opportunity for valuable discussion at least on an adequate income for children or families with children was lost.

The Child Benefit Review Committee

In 1995 the Child Benefit Review Committee reported to the Department of Social Welfare (Department of Social Welfare, 1995). This review of Child Benefit identified the two main purposes of the payment as

(1) [providing] *assistance to all households with children in recognition of the higher costs incurred and*
(2) the alleviation, without contributing to labour market disincentives, of household poverty associated with children. (p. 4)

The Review Committee was emphatic that Child Benefit represented a contribution towards the costs of children and was not intended to meet their full costs. In addition, welfare dependent or low-earning households were seen to be receiving substantial additional payments through CDAs and FIS. However, when compared with estimates of the cost of a child, the combined income from Child Benefit and CDAs was found to leave welfare dependent households with a considerable income gap.

The structure of Child Benefit payments, i.e. paying a higher rate for the third and subsequent children, was defended on the grounds that larger families experienced a higher risk of poverty. Despite available evidence of the greater costs associated with older children, as older children did not have a higher risk of poverty than younger children, the argument for increasing payments for older children was refuted. In addition, the higher costs of older children were possibly offset by the initial high indirect costs, mainly income foregone by women involved in caring for their children at home, as well as the high costs of paid childcare for younger children. In light of this the Review Committee recommended leaving the payment structure unchanged.

In examining the potential labour market disincentive effects of child income payments, the Committee concluded that CDAs should not be increased, but that Child Benefit should be increased to lessen the anti-poverty effect of this. This policy of freezing CDAs and increasing Child Benefit has been obvious in Irish budgets since the mid-1990s. In particular, Child Benefit has been raised considerably in recent years. This is a process that began in Budget 2001 when the lower rate of Child Benefit increased by 59 per cent from €53.90 per month to €85.70, and the higher rate increased by 54 per cent from €71.10 to €109.20. In his budget speech the Minister for Finance identified these substantial increases as part of a three-year plan to increase Child Benefit payments to €149.19 per month (€34.43 per week) for the first and second child and to €185.38 per month (€42.78 per week). These substantial increases were provided in the context of the Government’s core objective

> *to provide support which will offer real choice to parents and will benefit all our children’* (Department of Finance 2000, p. A13)

In addition, these increases were expected to

> *help all parents with the costs of caring for their children and will represent a major move towards achieving the goals of ending child poverty in this country.* (p. A13)

However, these rates have not yet been achieved and, as is the case in relation to all child income payments in Ireland, do not appear to have been based on any explicit concept of adequacy or the cost of children.

The Working Group Examining the Treatment of Married, Cohabiting and One-Parent Families under the Tax and Social Welfare Codes

In 1997 the Minister for Social Welfare brought the Working Group Examining the Treatment of Married, Cohabiting and One Parent Families under the Tax and

Welfare Codes into being. The rationale for this Working Group lay in the inconsistency between the treatment of households on the basis of their marital status. Broadly, these inconsistencies arose as the tax code treated cohabiting couples, with or without children, as two single people or two single tax units. The social welfare system on the other hand treated cohabiting couples as a couple. In essence, this meant that cohabiting couples were penalised by both systems as they could not transfer tax bands and rates in the event of one partner not working, but had their partner's income assessed as means in respect of any non-contributory social welfare payment. Eligible lone parents receive the means-tested One Parent Family Payment through the welfare system unless they cohabit or marry, while they also receive an additional tax allowance if they are employed.

The deliberations of the Working Group were shaped by the growing demand for individualised social welfare payments, a questioning of the rationale and validity of the tax treatment of married couples, particularly those one-earner families who benefited from the tax system but who had no dependent children, and the growing demand for increased child-related payments with the arguments being a refocusing of support on the basis of family status as opposed to marriage.

The Working Group put forward a number of options for addressing these inconsistencies. All of these could be considered to improve the position of families with children. However, only some of these directly involve child income support through Child Benefit. These options were based on the restricted transferability of tax bands with the revenue raised being used to fund (i) increased Child Benefit, or (ii) increased Child Benefit combined with a special 'stay-at-home' allowance for parents with children under the age of three and a special investment in pre-schooling after this age until the child attends primary school, as proposed by the Commission on the Family (see below), or (iii) the introduction of a Household Responsibility Payment (HRP) with increased Child Benefit. The distributional impacts of these options were examined and the first two were found to benefit the bottom income deciles, although the latter was more efficient in this respect. With regard to the third option, this distributed income away from and resulted in higher losses among households in the lower income deciles. This option was not supported by the Working Group. However, the Working Group could not reach agreement on either of the other two options considered.

Adequacy was adopted as a guiding principle by the Working Group on the Treatment of Married, Cohabiting and One-Parent Families under the Tax and Social Welfare Codes. However, the manner in which adequacy was defined and addressed was very limited. The Working Group acknowledged that the minimum adequate social welfare rates recommended by the Commission on Social Welfare were reached in 1999. No reference is made to the adequacy of such rates and their uprating was formulated in terms of poverty proofing. Therefore, the report of the Working Group states that

> …*future changes to the tax/social welfare codes should be made on the basis that the circumstances of families most at risk* [of poverty] *and their chances of moving out of poverty are not worsened, and if possible improved … (Government of Ireland, 1999, p. 71)*

In considering the adequacy of the options presented by the Working Group, each is assessed on its distributional impact, with a focus on families with children, as opposed to any serious consideration of adequacy. While improvement or worsening of income is considered, whether these options are adequate to move families out of poverty is not addressed.

The Commission on the Family

In 1998 one of the most in-depth reports on children and families was produced by the Commission on the Family – *Strengthening Families for Life* (Department of Social, Community and Family Affairs, 1998). In considering the question of child income support, the Commission was clear that its approach was based on the premise

> *… that the State and the wider community should share with all parents the cost of rearing children.* (p. 59)

In the light of other work going on at the time, particularly that of the Expert Working group on the Integration of Tax and Social Welfare (see below), the Commission focused its attention on young children, primarily those aged under three years. This focus was also informed by research that indicated that the majority, some 70 per cent, of children aged less than three years were cared for at home by one parent. The Commission recommended that a greater role be adopted by the State in supporting the care of pre-school children.

The three options for improving income support in respect of young children presented by the Commission on the Family are placed in the context of allowing parents more choice in how their young children are cared for and to address the hidden costs of child rearing. These hidden costs are identified as the loss of income and pension rights, as well as production in the economy, where one parent remains at home to care for young children and the cost of childcare where both parents work outside the home.

The first option proposed by the Commission is a Parent Allowance and a complementary Childcare Allowance. The Parent Allowance would be paid at an initial rate of approximately €38 per week to a parent who chose to work full-time in the home and who has at least one child under the age of three. It would be paid irrespective of the employment status of the other parent and in addition to social welfare payments where the family is dependent on such payments, including the One Parent Family Payment. The positive aspects of this option include that it validates currently unpaid care in the home, compensates to a small degree for earnings foregone, thereby allowing parents greater choice, and facilitating children in being cared for by their parents in their own home. The primary disadvantages of this option are that it provides no support for families where both parents work outside the home and incur childcare costs. Neither does it provide support for parents who share the full-time care of their children through part-time work or job-sharing. It is to address these issues on equity grounds that the Commission proposed a complementary Childcare Allowance of a similar amount to be paid in respect of children both of whose parents work outside the home. It should be noted that this option was opposed by a number of the members of the Commission.

The second option proposed by the Commission on the Family is extended parental leave with a social insurance based payment for parents who wish to take time out of the workforce to care for young children. This would be initially set at the same rate as personal Disability or Unemployment Benefit (at the time approximately €89.50, now approximately €134.80). Advantages again include that this would compensate to some degree for loss of earnings, would spread the cost of caring for children across workers, employers and the State, introduce a rights-based approach to the parental leave and encourage its take up, and provide recognition of the societal value of caring for the next generation. In particular, the Commission was of the view that caring responsibilities that may arise in the future – for instance, in the case of the care of older people – are already part of policy-makers' thinking in relation to the social insurance fund. This option requires the extension of this thinking to time spent away from the labour force to care for young children.

The disadvantages are that this option only applies to those in insurable employment which, using eligibility for maternity benefit as a measure of eligibility, means that this option would apply to approximately 20 per cent of children aged less that three years. In addition, issues in relation to the right to return to the same employment and longer term effects on employment security, social insurance benefits and pension rights arise. Again, the Commission proposes a complementary Child Allowance for parents either in paid employment and who do not wish to take extended parental leave but who incur childcare costs and parents who are not in the paid labour force but have children aged less that three years.

The third option presented by the Commission is a substantially increased Child Benefit for children aged less than three years. In order for Child Benefit to provide a serious contribution to the costs of young children a weekly payment of approximately €38 per week was considered necessary. The advantage of this option is its universality and its neutrality in respect of parental employment status or choices.

It is important to note that these options were presented by the Commission to support children up to the age of three years. For children aged between three and their entry to primary school, the Commission recommended the introduction of an Early Years Opportunities Subsidy. This Subsidy was to be redeemed by parents against the cost of childcare services in registered group facilities to the value of €1,270 per child in 1998 prices. Although the Commission was clear about the advantages of this subsidy, no drawbacks were identified. In particular, the Commission failed to recognise that this measure contributes nothing to parents who wish to care for their children at home to school going age. Neither does it recognise the shortage of appropriate childcare facilities that frequently exists in disadvantaged areas and in many rural locations. Nonetheless, parents whose children remained at home until they started primary school, either due to parental choice or lack of childcare facilities, would lose the income made available through any one of the three previously outlined income schemes.

It is noteworthy, however, that the Early Years Opportunities Subsidy was the only one of these four measures to be recommended by the Commission. While the Commission emphasised that any of the first three income measures presented would be an improvement on the existing situation, they offered these only as options. The Commission did not recommend any one of them over the other, nor did it consider them on adequacy grounds.

The Social Welfare Benchmarking and Indexation Working Group

Under Ireland's National Agreement for 1999 to 2001, *Programme for Prosperity and Fairness* (Government of Ireland, 2000), a Working Group was established to examine the issue of adequacy and benchmarking of social welfare payment. The terms of reference of this group were to:

- *examine the issues involved in developing a benchmark for adequacy of adult and child social welfare payments, including the implications of adopting a specific approach to the ongoing uprating or indexation of payments, having regard to their long-term economic, budgetary, PRSI contribution, distributive and incentive implications, in light of trends in economic, demographic and labour market patterns; and*

- *examine the issue of relative income poverty*. (Benchmarking and Indexation Group, 2001, p. 2)

The Group considered a number of adequacy benchmarks for adults including the upper bound of the Commission on Social Welfare rate uprated for inflation, 27 per cent and 30 per cent of Gross Average Industrial Earnings (GAIE) and 50 per cent of Average Weekly Disposable Income. Various payment levels are then determined for adults ranging from €118.40 to €142.85 per adult per week in 2001 prices. These rates of course only apply to the first adult in the household, with a 70 per cent equivalence scale being recommended by the Group.

In specifically considering the rates of child related payments, the Group noted the particular lack of research on the adequacy of child related payments. However, using research by Carney *et al.* (1994) that used a budget standards approach to estimating the cost of a child (see Chapter 5 below), the Working Group concluded that, post-budget 2001, the higher rate of child income based on a combination of the higher rate of Child Benefit and the highest CDA fell approximately €5 per week short of the average Basic Minimum Budget determined by this research.

The Working Group also considered the use of equivalence scales for children as a means of benchmarking child related social welfare payments. In examining this issue the Working Group reviewed the existing ratios of the lower rate of Child Benefit plus the full amount of CDA attached to individual welfare payments. These implied equivalence scales fell in the range of 33 per cent to 37 per cent. Implied equivalence scales for these payments have increased marginally since 2001, primarily due to substantial increases in Child Benefit (Table 3.2).

Table 3.2
Child Income Support as Percentage of Selected Payments, 2001 and 2004

Payment	Weekly Adult Payment		Weekly Child Income Support		Implied Equivalence Scale	
	2001	2004	2001	2004	2001	2004
Unemployment Benefit	€108.56	€134.80	€36.54	€47.17	33.7%	35.0%
Short-Term Unemployment Assistance/ Supplementary Welfare Allowance	€06.66	€34.80	€36.54	€47.17	34.3%	35.0%
Pre-Retirement Allowance	€108.56	€134.80	€36.54	€47.17	33.7%	35.0%
One-Parent Family Payment	€108.56	€134.80	€39.08	€49.67	36.0%	36.8%
Widow's/Widower's Contributory Pension (under 66 years)	€113.13	€140.30	€41.37	€51.97	36.6%	37.0%

Source: Benchmarking and Indexation Group, (2001) *Final Report of the Social Welfare Benchmarking and Indexation Group*, Dublin: The Stationery Office and materials available at www.welfare.ie

Different perspectives on the purpose and, by extension, on the adequacy of Child Benefit arose in the Working Group. These differences were primarily related to how Child Benefit was viewed in relation to childcare costs. The Minister for Finance's Budget 2001 speech clearly linked increases in Child Benefit to paid childcare. Some members of the Working Group held the view that childcare costs must then be included in any consideration of the adequacy of the level of child income support. Other members held the view that Child Benefit is a means of assisting parents with the basic costs of child rearing such as food, accommodation and clothes, and a separate mechanism needed to be found to assist working parents with the costs of childcare. Still others saw Child Benefit as a means of assisting parents with all child related costs that could not be separated into function-related components. Clearly the question of *adequate for what?* remains.

The majority of the members of the Working Group agreed that the single adult social welfare payment should be set at 27 per cent of GAIE and that this target should be achieved by 2007. Preliminary estimates for September 2003 show GAIE to be approximately €537 (Central Statistics Office, 2003a). Therefore the 27 per cent of GAIE benchmark was €145. The majority of the Working Group recommended that child related income – the combination of Child Benefit and CDA – should be set between 33 per cent and 35 per cent of the adult rate, therefore between approximately €48 and €51 per week. As Table 3.2 shows, child income payments have reached and surpassed in some instances the targets set for them in relation to the prevailing single adult payments. However, these ratios would not be maintained if the adult single rates currently stood at 27 per cent of GAIE.

The National Children's Strategy

Based on wide consultation with experts in a range of child related disciplines, teachers, parents, children and those involved in the provision of services and supports to families and children, the National Children's Strategy came into being in November 2000. This Strategy takes its perspective from the UN Convention on the Rights of the Child and promotes an approach to children based on this. All actions in respect of children should be child centred, family oriented, equitable, inclusive, action oriented and integrated.

Supported by the National Children's Office, the National Children's Strategy is a wide ranging policy document. As stated in Chapter 2 above, this Strategy recognises the importance of an adequate income. Under Objective G the Strategy states that

> *Children will be provided with the financial supports necessary to eliminate child poverty*. (Government of Ireland, 2000, p.63)

The ambitious nature of this commitment and the many questions it raises are referred to in Chapter 2. In seeking to achieve this objective, the Strategy identifies a range of existing measures as being of central importance. These include increased Child Benefit, initiatives to support families in managing debt, active labour market policies, new targets in the NAPS and the work of the Social Welfare Benchmarking and Indexation Working Group in establishing adult and child income adequacy measures. However, no new measures are proposed. In addition, the National Children's Office adopts a 'watching' brief in relation to many national policies that impact on child poverty, but has no pro-active role in their implementation.

The National Economic and Social Council Strategy Document – An Investment in Quality: Services, Inclusion and Enterprise

The National Economic and Social Council (NESC) addressed the issue of child income in its recent strategy document, *An Investment in Quality: Services, Inclusion and Enterprise* (NESC, 2003). The analysis presented raised some significant issues about the balance between Child Benefit and CDAs. In particular, given that the distribution of Child Benefit shows that the top 30 per cent per cent of the population received more than the bottom 30 per cent, then increased spending on this measure is better viewed as meeting the objective of horizontal equity rather than addressing child poverty. With this in mind greater attention needs to be given to targeted measures that aim to increase the incomes of low-income households.

In considering this issue and the specific roles of Child Benefit and CDAs, the NESC points to the fact that the Government has agreed that child income support (combined Child Benefit and CDAs) in low-income households should be raised to between 33 per cent and 35 per cent of the lowest adult social welfare rates by 2007. By bringing these increases forward to 2003 for illustrative purposes, the NESC shows that there would be a 13 per cent increase in child income support to low-income households for the first and second child, but only a 3.3 per cent increase for the third and fourth child. The NESC goes on to state:

> *This uneven pattern of increases leaves open the question whether the standard being set for child income support in low income households is sufficient to secure Ireland's ambitions in, for example, eliminating child poverty and reducing educational disadvantage.* (p. 331)

The NESC report restates the disadvantages of the current system of child income from an anti-poverty perspective: Child Benefit is not solely intended to alleviate child poverty even in low-income households and for it to do so would require an unrealistic level of investment; CDAs are reducing in value and their contribution to alleviating child poverty is therefore increasingly limited; FIS and child additions to the tax exemptions only benefit those who can successfully make the transition to work. In light of these the NESC argues for a second-tier payment targeted at low-income households that would result from an amalgamation of CDAs and FIS. This idea was considered by the Expert Working Group on the Integration of the Tax and Social Welfare Systems (see above). The NESC suggest that this second-tier payment could take the form of a refundable tax credit to households in the tax net and a cash payment to those whose incomes are below the tax net threshold. This payment would have a withdrawal rate at a low level to minimise work disincentives and would have priority with respect to additional resources for child income support. However, the administrative difficulties originally highlighted by the Expert Working Group on the Integration of the Tax and Social Systems remain relevant and need to be considered. In particular, low take-up due to means testing and the creation of poverty traps need to be carefully considered.

The National Partnership Agreements

Children did not feature as a separate constituency for consideration in national partnership agreements until the current agreement, *Sustaining Progress*, in 2003. Up to this children were considered within the bounds of broader policy themes such as social exclusion and equality (Hayes, 2002). In *Sustaining Progress* (Government of Ireland, 2003) ending child poverty emerges as an issue for specific consideration under what are called Special Initiatives. These Special Initiatives address cross-cutting policy issues that require the involvement and mobilisation of a range of policy actors, sectors and organisations. In particular the Special Initiatives are expected to be focused on problem-solving in the context of limited financial and other resources.

The Special Initiative on Ending Child Poverty will address income support for low-income families in addition to a range of other policy areas including health, education, neighbourhood amenities and parenting. Under income support the Special Initiative is concerned primarily with examining ways in which child income support can be more effectively targeted at low-income families within the context of existing arrangements. For example, building on the analysis of child income support presented by the NESC in 2002, this will consider the amalgamation of CDAs and FIS.

The Combat Poverty Agency

The Combat Poverty Agency (CPA) has commissioned substantial research on child poverty and low-income families and has recommended increases in income supports for children and families with children. The CPA also provides research-based estimates of the cost of a child. These are based on a budget standards study originally carried out in the early 1990s (Carney *et al.*, 1994) uprated for inflation (see 5.2 below). In considering the adequacy of child income in Ireland, the CPA has highlighted a number of anomalies related to adequacy and children. These include the existence of three different rates of CDA that are specific to welfare payment rather than objective criteria, variable and in most cases higher child-related payments under FIS than under welfare payments and the arbitrary level of support available under various child related schemes including the provision of school meals (Combat Poverty Agency, 2001).

The CPA views child income policy in the context of a wider social welfare policy that affects children and families with children. For many years, the CPA has recommended using Child Benefit payments as the principal means of conferring the greatest gains in income on families in poverty while minimising poverty and unemployment incentives. They have been supportive of the recent increases in Child Benefit as a means of both combating poverty and achieving horizontal equity (Walsh, 2003).

The CPA acknowledges that the adequacy standard recommended by the Social Welfare Benchmarking and Indexation Working Group (see above) – 33 per cent to 35 per cent of the adult social welfare rate – has been achieved, with the combined value of Child Benefit and CDA being €45 per week. However, it also points out that this weekly rate falls short of the minimum required to meet the average costs of a child as suggested by uprated budget standards measures (Combat Poverty Agency, 2003).

While recognising that the freezing of CDAs had some value in a period of high unemployment and low employment, where the disincentive effects of welfare payments weighted heavily with policy advisors and makers, the CPA recommends that the role and level of these now need to be reconsidered. In light of the very substantial economic and employment changes that have occurred over the past decade, the CPA now prioritises increases in CDAs. In a period where the costs of the universal approach of Child Benefit are considerable, CDAs provide a cost efficient way of targeting additional resources on welfare dependent families (Combat Poverty Agency, 2003). In addition, the CPA also recommends higher CDAs for older children as the budget standard approach highlights that older children cost more than younger children (excluding the cost of childcare). These increases in child income payments are recommended alongside increased adult welfare payments and improvements in employment supports so that not just children but also their families are lifted out of poverty.

The Economic and Social Research Institute

One of the main contributors in the Irish debate on adequacy has been the Economic and Social Research Institute, which has provided a number of background papers and reports that have informed most of the key policy documents outlined above, reviews and evaluations of policies and schemes that affect children, as well as significantly contributing to research on child poverty in Ireland. The ESRI has highlighted the tensions between the various objectives of child income support, key mechanisms through which child income can be delivered and the distributional impact of tax and welfare changes based on SWITCH analyses.[2]

Of particular interest here is the ESRI's recent position on the reform of child income in Ireland (Callan *et al.*, 2001). This analysis effectively rules out tax-free and standard rated tax allowances for children as inequitable, with only small additions accruing to the lower income deciles. The option of introducing a Refundable Child Tax Credit (RCTC) is examined. While an RCTC has a more favourable distributional impact for those at the lower income deciles, it also has disadvantages including administrative difficulties and removing what in many cases is the only payment going directly to mothers in low-income households.

While acknowledging that significantly increased Child Benefit is an effective policy, the high costs of this is also raised. In addressing this issue, the ESRI examines the possibility of making this payment taxable. This would reduce the costs of substantial increases to the exchequer and result in greater proportional gains being accrued to the lower income deciles than is achieved through increasing Child Benefit alone. However, legislative issues arise in respect of taxing payments made in respect of children who are not themselves taxable units.

4 Children, Income Adequacy and Poverty

4.1 Children and Families in Ireland

In 2002 children aged 18 years and under comprised over one quarter of Ireland's population and almost one tenth of the population was aged six years or under (Table 4.1). By virtue of their sheer numbers alone, children should be a key policy priority in Ireland.

Table 4.1
Children in Ireland by Age, 2002

Age	Total	% of Total No. of Children	Cumulative % of Total Population
Birth-3 Years	222,349	20.7	5.6
4-6 Years	162,363	15.1	9.7
7-9 Years	157,008	14.6	13.7
10-12 Years	169,557	15.8	18.0
13-15 Years	177,033	16.4	22.5
16-18 Years	187,730	17.4	27.3
Total	1,076,040	100	

Source: Central Statistics Office (2003b) *Census 2002, Volume 2: Ages and Marital Status*, Dublin: The Stationery Office.

[2] SWITCH is the ESRI's tax/ social welfare benefit model used to examine the impact, cost and distributive effect of tax and welfare changes.

Until the late 1960s, marriage and fertility patterns in Ireland were characterised by relatively low rates of marriage, high fertility and large families. These patterns were unique to Ireland in late twentieth-century western Europe. More recently, a higher incidence of marriage, lower fertility and smaller families have brought Ireland's marriage and fertility patterns closer to those of most western societies.

Because of these family formation patterns, in addition to a small baby boom in the late 1970s and early 1980s, Ireland has one of the youngest populations in Europe. This favourable demographic situation will remain for a while longer and the dependency ratio worries currently facing many European countries will not affect Ireland for some time yet (Corrigan, forthcoming 2004).

In 1960, Ireland's total fertility rate (TFR)[3] stood at just below 4. This declined substantially during the 1970s, 1980s and 1990s, but bottomed out in 1999 at 1.89. This still leaves Ireland with the highest TFR in Europe. Family size also decreased significantly over this period. In 1960, approximately one third of births were registered as the mother's fifth child or more compared to 10.2 per cent of births in 1999.[4] There is also evidence of delayed childbearing with fertility among women in their 30s, and particularly in the 30-35 years age group, increasing substantially in the 1990s (Fahey and Russell, 2001).

Almost all children (99 per cent) aged 18 years or under live in private households. Published material in respect of family households is presented in age groups that do not correspond to the 18 years cut off point. Instead the age groups of 0-4 years, 5-9 years, 10-14 years and 15-19 years are used. Further, in looking at family *units* the open-ended age groups of 15 years and over is also used. This makes it difficult to look at the family structure in which children, defined as aged 18 years or under, live. If one accepts the first three age groups, covering the age group age to 15 years, as encompassing most children, it is as important to note that almost all 15 to 19 year olds (93 per cent) live in private households, and that most private households (918,685 or 71%) are family households.[5] The noticeable fall in the proportion of children living in family households when considering the 15-19 years age group most probably reflects the formation of non-family households as those in the upper end of this range leave home to attend third level education or take up employment.

Table 4.2
Children Aged 19 Years or Less by Family Type, 2002

	0-4 Years	**5-9 Years**	**10-14 Years**	**15 – 19 Years**
Living with Both Parents	216,777 80%	213,949 82%	232,182 83%	238,567 82%
Living with a Lone Parent	33,958 13%	37,528 14%	42,890 15%	47,132 16%
Living in Other Family Households	20,267 7%	8,732 3%	6,235 2%	6,173 2%
Total	271,002 100%	260,209 100%	281,307 100%	291,872 100%
As a % of All				

[3] Total fertility rate refers to the number of children women of childbearing age can be expected to have if the fertility rates for any one year are applied.
[4] See Fahey and Russell (2001) for a discussion of the use of birth order data for determining family size.
[5] This is the total number of private households less one person and non-family households.

Children in the Age Group	98%	99%	98%	93%

Source: Central Statistics Office (2003b) *Census 2002 Volume 3: Household Composition and Family Units*, Dublin: The Stationery Office.

The economic and social circumstances of children are in large part determined by family structure and size and labour market status. Large families (those with three or more children), lone parent households and households in which there is no employed person have been shown to have a particularly high risk of poverty. Table 4.2 shows the number of children in family households and family units.

Virtually all children live in family households, and the vast majority live with at least one parent. This is a key consideration in developing appropriate child income supports. Although individual rights may be conferred on the child, in most instances these will be achieved or denied in the context of a family household. Therefore the intra-household distribution of money and the commodities it buys will affect the attainment of financial security for children. In addressing poverty and inequalities, one of the questions that arises is whether income measures should be targeted directly at children or at the households in which they live.

Changes in family formation patterns were evident throughout the 1980s and 1990s, the most significant of which relate to an increase in births to unmarried, and more specifically never married parents. In 1986, just over one-fifth of lone parents had never been married, with just under half (47.5 per cent) being widowed. Ten years later, over one-third (35 per cent) of lone parents had never been married and only one-eighth (12.4 per cent) were widowed. The remaining lone parents had previously been married but were separated: in 1986 these accounted for one third (32.3 per cent) of lone parent families but by 1996, this had increased to just over half (52.7 per cent) (Fahey and Russell, 2001). This trend had changed direction again by 2002. Of the 153,863 persons enumerated as lone parents in family units in private households in Census 2002, 24 per cent had never been married, 6 per cent were classified as married, 39 per cent were widowed and 32 per cent were separated or divorced (CSO, 2003a).

Other changes in family composition are also evident in the most recent Census data. In particular the number of cohabiting couples has increased dramatically. In 1996, 12,630 cohabiting couples living with children of any age, living with or without other persons, were recorded in the Census. In 2002 this had risen to 29,633, an increase of almost 135 per cent. Over the same period, lone parent households with at least one child of any age, with or without other persons, saw a more modest increase, rising from 125,492 to 150,634, an increase of 20 per cent. Finally, the number of larger family units, that is, those with four or more children, fell from 102,257 in 1996 to 78,919 in 2002, a decrease of 23 per cent.

Family size and composition – particularly the presence, number and age of children and the presence or absence of one parent – have substantial impacts on household incomes, the experience of poverty and the degree to which the State needs to intervene in providing financial support.

While recognising the right of children to live in financial security free of poverty, children are not independent economic units. Policy in respect of child income in Ireland, as elsewhere, must therefore be seen primarily in the context of support to families with children. In this context it is important to clarify what we mean by the term ‘child income’. Child income is commonly taken to mean the proportion of income entering a household that is attributed to children, even though in most instances children do not have control over this and this income is rarely explicitly linked to expenditure on children. In relating this to poverty it is important to note that children are rarely considered poor in their own right. Rather, they are poor by virtue of living in poor households, and households are considered poor on the basis of equivalised income. This income is based on equivalence scales that attribute a proportion of household income to each person depending on the person's adult or child status and on observed or assumed economies of scale in households of various sizes and composition. We will return to the question of equivalence scales later in Chapter 5. What is important to note here is that these equivalence scales assume an equitable intra-household distribution of resources, that the money that is 'theirs' or is child income according to the equivalence scale is being used to provide for their needs (Sweeney, 2002).

In considering the relevant focus on increasing cash income in order to decrease child poverty and improve child well-being, the question of intra-household income distribution is an important one. Sweeney (2002) argues that if evidence is found to support the belief that intra-household income distribution is more unequal in favour of adults in poor households then the case for increasing child income is substantially weakened and the argument for the provision of services-in-kind that directly benefit children is increased. Conversely, if evidence is found that parents sacrifice their own needs for the benefit of their children in poor households, then the case for increasing income transfers is strengthened.

The problem in adjudicating on this issue is the lack of research on intra-household income and more specifically on how children fare in this distribution, and what research exists does not present a clear picture. Research outlined in Chapter 5 has thrown considerable light on the intra-household distribution of resources reflected in non-monitory indicators. This research also highlights that, in most households in which a couple was present, parents do not need to make basic sacrifices in favour of their children. For example, in 90 per cent of such households neither partner reported having to skimp on his/her own meals in order to benefit other family members – presumably mainly children (Cantillon *et al.*, 2004). However, contrary to this, most qualitative studies in the UK and Ireland indicate that in low-income households, parents, and more specifically mothers, often sacrifice their own needs in favour of their children (Middleton, 2001, O'Neill, 1992, Vincentian Partnership for Social Justice, 2001).

4.2 The Adequacy of Child Income in Ireland

The principal child income supports in Ireland were identified in Chapter 3 above. Table 4.3 shows how the value of these has changed over the past decade and clearly illustrates the policy of significantly increasing Child Benefit while freezing CDAs. Other means of increasing child income exist. These include providing support through the tax system in the form of tax allowances or credits for children or a Refundable Tax Credit (see Callan *et al.*, 2001 for a discussion of these options and their distributional impact). However, although costly, increasing Child Benefit has been accepted as the principal way of contributing to the cost of a child, as a means of ensuring an equitable sharing of resources, with low-income households achieving the greatest proportional gain, and as a means of better targeting children by paying the benefit to mothers.

Although child income support has increased significantly in the past decade, there is at present no direct measure of the adequacy of these payments. However, at a basic level, it should be expected that child income should, at a minimum, substantially contribute to or meet the basic costs of a child and reduce child poverty.

Table 4.3
Child Benefit and Child Dependent Allowances Weekly Rates – 1994 to 2004

		1994 €	1996 €	1998 €	2000 €	2002 €	2004 €
Child Benefit	***Lowest***	5.86	7.91	9.23	12.45	27.14	30.37
	Highest	7.32	9.38	12.31	16.40	33.99	38.15
Child Dependent Allowances	***Lowest***	16.80	16.80	16.80	16.80	16.80	16.80
	Highest	21.60	21.60	21.60	21.60	21.60	21.60
Total	***Lowest***	22.66	24.71	26.03	29.25	43.94	47.17
	Highest	28.92	30.98	33.91	38.00	55.59	59.75
% Increase	***Lowest***	n/a	9.1	5.4	12.4	50.3	7.4
	Highest	n/a	7.1	9.5	12.1	46.3	7.5

Source: compiled from materials on www.welfare.ie

The Cost of a Child in Ireland

In any assessment of adequacy for children, one of the first questions posed is: what does it cost to raise a child? This is not a simple question to answer as the cost of a child will be influenced by a number of factors including age and birth order, cultural and societal norm, and essentially subjective ideas of what materials and experiences a child should have to have an adequate lifestyle. Methodologies for estimating the cost of a child are returned to in Chapter 5 below. Here, we consider the estimated costs of children of different ages based on a budget standards or basket of goods approach. The baseline figures here apply to 1994, the year in which the original study was conducted (see Chapter 5 below and Carney *et al.*, 1994). These have been updated using the annual Consumer Price Index.[6]

In 1994, only the combined child income from the higher rates of Child Benefit and CDAs would have met the lowest estimated cost of a child, that of a basic minimum standard for a child aged six years and under. By 2003, combined child income would have met three estimated costs, that is, both basic minimum budgets and Modest-but-Adequate budgets for children aged six and under and the basic minimum cost of a child aged seven to twelve years. It is perhaps worth noting that in 2004, the highest level of combined child income would not have met the costs of a teenage child in 1994.

[6] These figures may also be uprated by changes in aggregate Real Personal Disposable Income per head or aggregate Personal Consumer Expenditure per head. Both these methods adjust the estimated cost of a child in line with changes in overall living standards since the time of the original study, in line with Townsend's thesis that basic living standards should be judged relative to those in the wider society. These methods assume that the socially necessary spending on children grows in line either with overall disposable incomes, or pro-rata with consumer spending on adults.

Table 4.4
Estimated Weekly Cost of a Child, 1994 and 2003

	1994 €	2003 €
Children by Age	**Basic Minimum Budget**	
Birth-6 years	26.28	36.41
7-12 years	36.19	50.15
13 years and over	47.49	65.80
	Modest-but-Adequate Budget	
Birth-6 years	34.79	48.20
7-12 years	46.60	64.57
13 years and over	61.33	84.98
	Combined Child Income Support	
Lowest Rate	22.66	45.78
Highest Rate	28.92	57.90

Source: unpublished material provided by the Combat Poverty Agency and www.welfare.ie

Child Poverty in Ireland

Returning to Veit-Wilson's (2000) assertion that an MIS illustrates a government's concept of the income required to avoid serious social exclusions and poverty it is appropriate to consider the issue of child poverty as one indicator of inadequate income. In addition, in part answer to the question of *adequate for what?* it is held here that an adequate income should at least lift children out of poverty.

Irish children have a higher risk of poverty than Irish adults, although this gap has been narrowing in recent years. This holds true whether one uses relative income poverty lines or consistent poverty measures that combine both income poverty and enforced deprivation.[7] As Table 4.5 shows, the risk of income poverty for children remained relatively unchanged in the period from 1994 to 2001, while for adults this increased, primarily due to a very significant increase in poverty among older people.

[7] It should be noted here that until recently the widely used measure of relative income poverty was the 50 per cent of the mean disposable income line. Equally, consistent poverty was defined as the proportion of households living on less than 60 per cent of average disposable incomes and experiencing an enforced lack of at least one item on the following list of eight necessities: one substantial meal each day; chicken, meat or fish every second day; a 'roast' or equivalent once a week; two pairs of strong shoes; a warm coat; new rather than second hand clothes; and, being able to pay everyday household expenses without falling into arrears. However, in order to counter the effect of a very small number of very high incomes the new measures based on the median or mid-point of the income distribution are now used. These are the 60 per cent median disposable income line for relative income poverty and the 70 per cent median income line plus deprivation for consistent poverty. These measures also correspond with the social inclusion indicators used by Eurostat.

Table 4.5
Percentage of Adults and Children Living in Relative and Consistent Poverty, Living in Ireland Surveys 1994, 1997 and 2001

	1994	1997	2001
Relative Income Poverty	***60% of the Median Income Line***		
Children *Adults*	24.5% 11.1%	23.5% 16.1%	23.4% 21.3%
Consistent Poverty	*70% of the Median Income and Basic Deprivation*		
Children *Adults*	na na	15.3% 8.8	6.5% 4.3%

Source: Whelan *et al.* (2003) *Monitoring Poverty Trends in Ireland: Results from the 2001 Living in Ireland Survey*, Dublin: ESRI.

These figures indicate the limited extent to which the very rapid economic growth has impacted on poverty when measured by income alone. However, when one looks at the consistent poverty measure, it becomes evident that these income poor households experienced a real improvement in living standards. This is illustrated by the decrease in the proportion of adults and more notably of children falling below the 70 per cent median income line and experiencing deprivation. Nonetheless, it is important to note here one of the underlying premises of poverty measured in relative terms, that is, that poverty may be worsening even if the absolute living standards of the poor are rising. For example, in Ireland real incomes linked to price inflation alone increased for all groups between 1994 and 2001, including those dependent on social welfare payments. Consequently the numbers under the ‘real’ poverty line decreased substantially. However, relative poverty encompasses the notion that what constitutes an acceptable standard of living changes over time and that falling behind the average means exclusion from the normal life of society (Innocenti Research Centre, 2000).

If one accepts that children suffer from the poverty of their parents, then the risk of poverty for children is influenced by a number of household characteristics. Primary among these are the labour force and welfare status of the household head and household size and composition.

In their most recent report on poverty in Ireland using the Living in Ireland Survey (Whelan *et al.*, 2003) the ESRI draws attention to the fact that there has been a considerable shift in the labour force status of the households in which poor children live. While in 1994 almost half of the children experiencing poverty lived in households headed by an unemployed person, this had fallen to one in ten by 2001. Conversely, the proportion of children experiencing poverty living in households in which the reference person was employed had risen from approximately one in ten to one in three. The proportion of poor children living in households in which the household head was engaged in home duties, ill or disabled also rose.

With regard to household type, the number of children and the absence of one parent are positively correlated with risk of poverty. Broadly speaking, relative income poverty has increased for the majority of households, with the most striking increases being in one and two adult, childless households. However, among households with children, larger households with four or more children and lone parent households have some of the highest risks of income and consistent poverty, although substantial declines in both measures are evident. The risk of income poverty among households with two adults and four or more children fell from 44 per cent to 40.7 per cent between 1994 and 2001, with a corresponding decrease in the risk of consistent poverty from 35.6 per cent to 10.1 per cent. For lone parent households, the risk of income poverty increased from 36.3 per cent to 42.9 per cent while their risk of consistent poverty fell from 42.8 per cent to 24.4 per cent over the same period.

It is important to recognise that households can move in and out of poverty over time, but the probability of experiencing long-term poverty is higher among children than adults. For example, an OECD study showed that children in the EU have a higher probability of experiencing long-term poverty and a lower probability of escaping poverty than adults. Even when other influential factors – the employment status of other household members and the education attainment of the household head – were controlled for, the probability of escaping poverty remained lower for children than adults (OECD, 2001).

In addition, households with particular characteristics have a higher risk of persistent poverty, that is, where their income falls below the at-risk-of-poverty income threshold in the current year as well as in at least two of the previous three years. Using the 70 per cent of median income threshold, the risk of persistent poverty among those aged under 18 years was 23.6 per cent in 2001 (Whelan *et al*, 2003). This marked a reversal of a pattern of decreasing persistent poverty over the 1997 to 2000 period. Lone parent households and those with four or more children had particularly high risks of persistent poverty at 21.6 per cent and 45.1 per cent respectively. Persistent poverty is an important consideration as being poor over an extended period of time impacts negatively on quality of life in terms of financial strain, psychological well being and health (Layte *et al.*, 2001).

Despite this, it is clear that consistent child poverty has decreased substantially in Ireland in recent years. The major factors underlying this are economic growth and employment growth.

As with most groups, children who experience poverty and social exclusion are not homogenous. The importance of this diversity is highlighted in the National Children's Strategy which states that particular children, including children with disabilities, Traveller children, the children of refugees and other immigrants, have special needs which have to be considered (Government of Ireland, 2000). There is, however, relatively little known about the experience of such groups of children.

There are over 15,000 Traveller children aged 15 years or less in Ireland, an estimated 12,000 of who are aged less than 10 years old. As a minority within an already disadvantaged minority, these children experience particularly high levels of poverty as well as discrimination, and are vulnerable to ill health and poor physical development and experience disadvantages in emotional and cognitive development (Pavee Point, 2002).

Although no accurate figures currently exist, it is known that a substantial proportion of asylum-seekers in Ireland are children. As with the Traveller community, these children represent a minority within a disadvantaged minority and as such many face very high levels of poverty and exclusion. Families in receipt of direct provision appear to fare particularly badly. Under the system of direct provision introduced in 2001, newly arrived asylum seekers are no longer entitled to full rates of supplementary assistance. Instead, adults dispersed into hostels and other reception centres around the country receive a benefit of €19.10 per week, with €9.60 per week plus Child Benefit in respect of each child. Exceptional payments that are at the discretion of Community Welfare Officers may be made in respect of children aged less than three years. In a study of 43 families in receipt of direct provision most were found to be below the 20 per cent poverty line, with children experiencing extreme material deprivation (Fanning *et al*., 2001).

4.3 Child Income and Child Poverty: the International Context

Child Poverty in Europe

As outlined above, substantial progress has been made in reducing consistent child poverty in Ireland in recent years. This has undoubtedly improved Ireland's position in the international league table of child poverty. However, internationally comparative data for 2000 from the European Community Household Panel (ECHP) show that Ireland's children still have an above average risk of poverty when compared to their EU counterparts.

- In 2000, 26 per cent of Irish children aged 15 years or less were at risk of relative income poverty at the 60 per cent median income line compared to an EU average of 19 per cent. Ireland's rate is comparable to that of Greece (26 per cent), Italy (25 per cent) and the UK (24 per cent). Only children in Portugal had a higher risk of poverty at this level (27 per cent). Ireland showed the greatest increase in the risk of poverty among children in the previous two years, rising by 5 per cent from 21 per cent in 1999.
- Just over one in eight Irish children (13 per cent) were at risk of persistent poverty, which is being poor in the survey year and in at least two of the preceding three years. Ireland is one of only five countries reporting a rate of persistent poverty above the EU average of 12 per cent: Portugal (22 per cent), Italy (18 per cent), Spain (16 per cent) and Luxembourg (13 per cent).
- One-fifth (20 per cent) of Irish households with children fell below the 60 per cent median income line. For households with two adults and three or more children the proportion stood at 37 per cent. Again these rates were above the EU average (17 per cent and 27 per cent respectively) and Ireland clustered with the southern EU countries of Portugal (22 per cent and 49 per cent respectively), Italy (23 per cent and 37 per cent respectively) and Spain (22 per cent and 34 per cent respectively) (Commission of the European Communities, 2003b).

However, Ireland diverges from southern member States when the impact of work and of tax and social protection transfers on child poverty rates are considered. In these areas Ireland clusters more closely with northern EU states. In 2002, just over one tenth (10.8 per cent) of Irish children aged under 18 years lived in households in which no-one was employed. This rate stood well above that of the southern Member States (for example, in Portugal this stood at 4.4 per cent and in Spain at 6.6 per cent). Only Ireland, the UK (17.4 per cent) and Belgium (13.8 per cent) reported rates higher than the EU average of 9.9 per cent.

One way in which the effectiveness of the child income package can be assessed is by examining the pre- and post-transfer child poverty rates. In their study of 12 OECD countries, Oxley *et al.* (2001) found that, on average, the impact of tax and welfare transfers was to half the rate of child poverty. In addition, as pre-transfer child poverty rates were generally increasing and the post-tax and transfer poverty rates were falling, the transfer systems were facing greater challenges but also becoming more efficient. Countries with high levels of anti-poverty spending and targeting of resources at low-income households were the most efficient in achieving poverty reductions.

Ireland was not included in this 12-country study. However, information on the effectiveness of the tax and transfer system can be gleaned from the EU Commission's Joint Report on Social Inclusion. With regard to the impact of tax and welfare transfers on child poverty, Ireland appears to have one of the most effective redistribution rates of income towards children and households with children. The at-risk-of-poverty rate for children aged under 16 years fell from 36 per cent pre-transfers (excluding pensions) to 26 per cent post-transfers. Although not as effective as some Member States, such as Sweden where the corresponding rates fell from 27 per cent to 10 per cent or the UK where the rates fell from 39 per cent to 24 per cent, Ireland is again distinct from its southern EU counterparts. For instance, in Portugal the pre- and post-transfer risk of poverty among children stood at 31 per cent and 27 per cent. In Spain the corresponding rates stood at 30 per cent and 26 per cent (Commission of the European Communities, 2003b).

Ireland's Child Benefit Package in International Comparison

The most comprehensive international comparison of contemporary child benefit packages is that of Bradshaw and Finch (2002). In this extensive review the authors compare the child benefit packages – including cash transfers, tax allowances, exemptions from subsidies and services-in-kind – in 22 countries on the basis of detailed information provided by national informants. This study highlights many of the difficulties with international comparisons, including the influence of historical, political, demographic, labour market and other factors. Relative performance is therefore heavily contextualised and also dependent on the particular family composition, income level and labour market status permutations considered.

For example, Ireland performs well when cash benefits to low-income, one earner couples with two school age children are considered. For such households on minimum wage Ireland is ranked first in terms of the monthly value of cash benefits in Purchasing Power Parity (PPP) and is ranked third for such households where the earner earns half average male earnings. Ireland also performs well when cash benefits to low-income (half average male earnings) working lone parent households are considered. However, when the cost of services such as childcare, education, health and housing are accounted for, Ireland performs poorly as subsidies in these areas, where they exist, are comparatively low. This reflects Ireland's choice in selecting direct cash payments as the principal way in which parents are assisted with the costs of supporting children. Consequently, the positive aspects of Ireland's child benefit package arise from a combination of tax allowances (the one parent family additional tax allowance and the transfer of tax allowances and bands between married couples) and cash transfers. On the negative side, however, costs are incurred in the areas of health, education and childcare and housing, although these do not cancel out the income achieved through tax allowances and cash benefits.

Bradshaw and Finch acknowledge the difficulty in developing an overall comparison between countries and to this end construct an overall ranking of the child benefit packages. This is based on 34 simulated families, encompassing lone parents and couples with different numbers and age of children and different levels of earnings. While the authors do not claim that these are representative of the actual family and earning structure in any one country, they are relatively unbiased towards one type of family or another or towards either the upper or lower earnings thresholds. Ireland's position in the overall ranking drops down from fourth, to sixth, tenth and finally to twelfth as one moves from the value of the child benefit package after tax and benefits, then after housing costs, after services and finally after all benefits and costs have been accounted for (see Table 4.6). Across these various estimates of the value of child benefit packages Austria and Luxembourg maintain their positions as either first or second and Greece is consistently at the bottom of the scale. When the value of the child benefit package is expressed as a proportion of average earnings, Ireland is ranked second after tax and benefits and housing costs are accounted for, but then drops to seventh after the cost of services is added in and to eleventh position after all benefits and costs have been calculated.

Table 4.6
Rank Position among 22 OECD Countries of Ireland's Child Support Package for 'Representative' cases, £PPPs and as % of Average Earnings

Ireland's Rank Position	After Tax and Benefits	After Housing Costs	After Other Services	After All
£PPPs	4th	6th	10th	12th
% of Average Earnings	2nd	2nd	7th	11th

Source: Bradshaw and Finch (2001) *A Comparison of Child Benefit Packages in 22 Countries*, Research Report No. 174, Leeds: HMSO.

In seeking to explain the overall rankings Bradshaw and Finch explore a number of possible factors that determine the generosity or otherwise of the child benefit packages. Firstly, the lack of a linear relationship between GDP per capita as a measure of the wealth of nations and the value of the child benefit package was noted. In other words, it is not necessarily the richest nations that have the most generous child benefit packages. However, a strong positive correlation was found between the level of social expenditure as a percentage of GDP or per capita and the generosity of the child benefit package. As Ireland has a low level of social expenditure in comparative terms, its overall ranking in twelfth place is not altogether surprising. The value of the minimum wage was found to have a positive correlation with child benefit packages, while the overall level of earnings, and women's earnings in particular, mother's employment rates and the incidence of lone parent households were not found to have any significant relationship with the value of the package. The level of social expenditure going to support older people was found to have a strong negative correlation with the value of the child benefit package, that is, the higher the spending on older people compared to children the lower the value of the child benefit package.

The relationship between child income packages and outcomes is less straight-forward. With regard to child poverty the authors note the time lag between the available data on child poverty (mid-1990s) and the data on child benefit packages (2001). This has particular implications for countries such as Ireland and the UK which have substantially improved their child income packages in the intervening years. However, it can still and not surprisingly be concluded that countries with more generous child benefit packages tend to have lower rates of child poverty. The relationship between fertility levels and child benefit packages is also considered and again, allowing for some notable exceptions, countries with more generous packages have higher fertility rates. Ireland is one exception to this pattern as its fertility rate is falling at a time when child income support was increasing.

However, although this study tells us a considerable amount about the child benefit packages in a large number of countries and their relative generosity, it is again notable that the issue of adequacy is addressed only in terms of poverty reduction. Therefore judgements cannot be made about the relative adequacy of Ireland or any other country's child benefit package outside this context.

5 The Cost of a Child: Estimates and Methodologies

5.1 Principal Methodologies for Estimating the Cost of a Child

The question of the cost of a child is closely related to an adequacy standard for children. However, the cost of a child can have a number of different meanings: the cost to the child's family, the cost of a child to the State and the cost shared by society generally, and direct and indirect or opportunity costs. In the discussion here the cost of a child is taken to mean the cost of a child to its family. There are two principal approaches to estimating the cost of a child thus defined: the budget standard approach and equivalence scales.

> *Basically, there are two possibilities to tackle the question of children's costs. Either one takes a the point of departure from children's needs, defines a basket and calculates a standard budget, or one compares the expenditures of households with different demographic compositions and arrives at an 'equivalence scale' indicating the costs of a (first, second, third, etc.) child (at a given age) as a proportion of the household expenditures of an adult person or a childless couple.* (Wintersberger, 1997)

Although specific methods may differ in the detail, most studies of the cost of a child are underpinned by either a budget standards or equivalence scale approach. Indeed, much research into the 'cost' or 'needs' of a particular unit of consumption – an adult, a child, families of different composition – use both methods where the specific basket of goods for any one member of the unit cannot be determined and an equivalence scale is applied instead. In both cases it is expenditure, estimated or actual, rather than income that forms the basis of these approaches.

5.2 The Budget Standards Approach

Budget standard methods have been in use in the social and economic sciences for a long time. Examples of their use in recent research can be seen, for example, in the work of the Family Budget Unit in the UK (e.g. Parker, 1998) and in work commissioned by the Department of Family and Community Services in Australia (e.g. Henman, 2001).

The budget standard approach is, as Winterberger indicates above, based on the selection of a basket of goods for a given unit of consumption. The appropriate unit of analysis is the first selection issue facing users of this method. Usually individual adults, adult couples or families are the selected unit of consumption, but the precise characteristics of the individuals involved represents a significant choice. In establishing the costs of children this leads to two possible methods. The first involves establishing the budget standard for a unit comprised of two adults without children and then the budget standard for a couple with one or more children. The difference between the two costs represents the cost of one or more children. Alternatively, using the basket of goods selected for a family including children, all of the items, or parts thereof that are attributable to children are costed separately. These methods are known as the difference (or deductive) method and the itemised method respectively (Henman, 2001). A third method, not widely used, is to establish the costs of moving from a childless household to one with children, that is, the transition costs associated with children.

It is this basket of goods that establishes the standard, the measure of what is necessary or adequate. This can be conceived as the second methodological question arising in relation to this approach: what standard of living is the basket of goods taken to represent? The two most commonly used budgets are the Low Cost but Acceptable (LCA) budget and the Modest-but-Adequate (MBA) budget. The purpose of the LCA budget has been described as

> *… reference points showing how much it costs families of different composition, in predefined circumstances, to maintain indefinitely a living standard which, though simple, provides a healthy diet, material security, social participation and a sense of control – indefinitely.* (Parker, 1998, p. 10)

The Modest-but-Adequate budget provides for a somewhat higher, although well below affluent, standard of living and usually allows for higher spending on areas such as food, education and leisure, improved quality of some items and also shortening the life expectancy of certain items.

The budget standards approach is widely used in poverty studies and in estimates of the cost of a child. For example, a partial budget standard provides the basis for the Orshansky scale, used as the US official poverty line, as well as a range of other estimators for the costs of a child (for a review of these see Rothe *et al.*, 2001) while in Australia a budget standards approach has been used to estimate the costs of children (Saunders, 1998; Henman, 2001). These latter estimates and their counterparts in the US, UK and other countries are frequently used to assess the adequacy of State supports to children and also in setting child maintenance or support orders in the case of one parent families.

The budget standards approach has a number of clear advantages. First of all it is clear and transparent. Most reputable budget standard studies involve a range of validation processes including the input of experts in various fields, such as nutrition and education, the study of expenditure surveys and the involvement of people living on low incomes through focus groups or interviews. The items included in each budget are itemised and priced. This also provides a high degree of flexibility, as items can be added, removed or repriced relatively easily. This allows different levels of living to be priced: if one disagrees with the standard of living included in the budget the removal, addition or substitution of items allows the standard to be changed. In this way the approach can also be readily adapted to allow for regional and cultural diversity or the needs of people with disability. Perhaps one of the main strengths of the approach, however, lies in the fact that it is easily understood by the general population by presenting a picture of life on a low or modest income in terms of what can and cannot be afforded (Department of Social Security, 1995). It allows considerable light to be thrown on the realities of low income and, if well founded, can contribute to the generation of public debate and consensus on what constitutes an adequate or inadequate income.

However, these advantages should not obscure the considerable degree of subjectivity involved not only in the selection of the standard of living to be included, but also in the selection of items to be included in the basket of goods, their quality and cost. Frequently researchers must balance the questions of what people say they want or expect, what they actually have or can afford on a limited income, and what experts deem to be good for them. For example, living on a low income tends to result in depressed expectations. Therefore what people may expect to eat may not be what they actually want to eat nor what dieticians say they should eat. These issues may be difficult to reconcile within any one budget standard. The limits of what this basket of goods can describe should also be noted. No matter how well chosen or validated,

> … *a list of goods and services ... does not encompass the whole range of elements of a standard of living*. (Bradshaw, 1993, p. 237)

Budget standards are also time-consuming to establish and to update due to their detail. However, perhaps their greatest weakness lies not in their design but in their uninformed use that results in their being accorded an unwarranted scientific status that is largely unclaimed by their proponents (Callan *et al.*, 1996). Their principal value lies in showing clearly the level of living that can be achieved at a specific level of income. A specific limitation of the approach with regard to the cost of a child is the difficulty in identifying the proportion of shared household costs – such as heat or rent – that is directly attributable to children.

The Cost of a Child: Budget Standards in Ireland

Carney *et al.* (1994) undertook a study on the financial costs of child-rearing using a budget standard approach. This was the first attempt at using this approach to establish these costs in Ireland. Focusing on the direct cost of a child, the authors compiled a basket of goods and services necessary to meet the needs of children of various ages. In addition to basic subsistence needs, the basket also reflected goods that families actually bought rather than just those regarded as essential by experts, such as the cost of a nutritionally adequate diet. Reflecting the concept of social exclusion as well as poverty, the authors included a number of items needed to secure a minimum level of participation in their community. In addition, the issue of the lifespan or durability of goods was taken into account.

The methodology for this study drew on previous family budget studies and particularly those of the UK's Family Budget Unit. The authors also discussed their choice of items with two panels of mothers, one based in a low-income suburb of Dublin and one in a rural area in the West of Ireland. Two budget standards or estimates of the cost of a child were eventually produced: a Basic Minimum Budget and a Modest-but-Adequate Budget. The areas of expenditure included were: food, clothing, education and extra-curricular activities, personal care, household durables and fuel costs (to the extent that they can be attributed to any one child), pocket money, outings, holidays, presents and toys.

The Basic Minimum Budget was based on a minimum cost but nutritionally adequate diet, a modest clothing allowance, school costs, basic recreation cost and a small amount of pocket money, and very basic spending on holidays (5 days per annum), outings and gifts.

The Modest-but-Adequate Budget was based on a more varied diet, slightly more expensive clothing, attendance at pre-school, a Gaeltacht holiday at age 15, two weeks holidays per year as well as minimal baby-sitting costs and extra spending on gifts and toys.

It is important to note that this study did not address many of the economies of scale that may occur in families with more than one child. The exception to this is in relation to baby equipment. In addition, housing costs are excluded.

The study concludes that the average cost of raising a child on the Basic Minimum Budget standard was approximately €38 per week in 1992 prices, while the average cost of the Modest-but-Adequate standard was €51 per week. Updated in line with inflation these figures are now approximately €50 and €67 respectively. Current levels of child income support attached to the lowest social welfare rates (€47.17 per week) fall marginally below the updated Basic Minimum Budget and significantly below the higher Modest-but-Adequate Budget estimates.

One of the key findings of this study was the manner in which the costs of a child increased substantially with age. Under the Basic Minimum Budget the average cost of children aged six years and under amounted to approximately €26.30 per week, while that of children aged between seven and 12 years was €36.20 and for children aged 13 to 18 years was approximately €47.50. Updated for inflation these stood at €37, €50 and €66 respectively in 2003 (Combat Poverty Agency, 2003).

In considering this age-related distribution of the cost of a child it is important to note that this study did not take account of childcare costs. Taking place before the growth of the Celtic Tiger economy, at a time of high unemployment and low rates of female, particularly married female labour force participation, the significance of this expense was dramatically less than it is currently. As the majority of direct childcare costs are borne in the pre-school years of children's lives the distribution of the costs of a child by age may not be quite so dramatic. A recent survey by the National Children's Nurseries Association of their members found weekly charges for full-time childcare places of approximately €107 and €145 per week for babies (usually defined as under one year of age) and between €94 and €137 for older pre-school children depending on location (NCNA, 2002). Costs in subsidised community-based crèches can be expected to be considerably lower but to contribute substantially to the weekly costs of a child. In their review of child benefit packages in 22 OECD countries Bradshaw and Finch (2003) reported that Ireland is one of only three countries that provide no subsidy of any kind towards childcare costs, with the other two being Israel and Spain.

Whether childcare costs should be included in estimates of the cost of a child from an anti-poverty and children's right perspective raises a number of key issues that are beyond the scope of this report. However, it is worth highlighting that judgements as to whether or not to include this in a basket of goods specifically related to low-income households will predominantly depend on whether pre-school education and care is viewed from a labour market or equity perspective. If the former is adopted then this item would be removed for all welfare dependent households other than those availing of education or training opportunities. However, if one takes a horizontal equity perspective, then early years' education and care become focused on the benefit that these services provide for all children. Consequently, at least minimum early years' childcare and education costs must be included in any budget standard.

Research carried out by the Vincentian Partnership for Social Justice on the living expenses incurred by low-income families in a number of areas of Dublin used a combination of the budget standard approach and in-depth interviews with respondents to determine the income available to the various households, the principal areas of expenditure and the shortfall between available income and actual expenditure. (Vincentian Partnership for Social Justice, 1998). Although this study does not aim to provide an estimate of the cost of a child it provides some useful insights into the expenditure patterns of low-income households with children and from this extrapolates a basic adequate income for such households. The study concludes that in order to provide for a Low Cost but Acceptable standard of living a single adult required a weekly income of €184 while a lone parent with one child required a weekly income of €254 in 1999 prices.

These figures are based on the actual expenditure incurred by such households on rent, food, clothing, housekeeping, travel, leisure and miscellaneous expenditure (e.g. postage and donations). This suggests that approximately €70 is required for each child in a family, giving an equivalence scale of 38 per cent in 1999 prices. It should be noted, however, that lone parent families are at particular risk of poverty and consequently the estimate provided here may be somewhat higher than is required in two parent households. On the other hand it should also be borne in mind that these estimates are based on a different basket of goods and with a different overall purpose than that of Carney *et al.* (1994). Consequently, different, although not entirely divergent, estimates of the cost of a child are arrived at.

With regard to children, the main areas of direct expenditure were food and clothing. Despite this, the study found that almost without exception children (and in most cases adults as well) had nutritionally inadequate diets, consuming a high level of sugars and fats and low levels of meat, fruit and vegetables. Clothing costs were typically kept as low as possible and averaged €18.70 per week, including all clothing, footwear and accessories. Few high quality or designer brands were evident and where these were purchased for older children they were either subsidised by the children themselves through part-time earnings or bought as birthdays or Christmas presents. The particular significance of having the 'right' clothes is addressed in section 5.4 below.

5.3 Equivalence Scales

Equivalence scales are widely used in economic and social research to take account of the different composition of households and the different levels of income and expenditure required for such households to attain a similar standard of living. In most studies the primary or reference unit is either an individual adult or an adult couple with no children. Taking the amount of income required by this reference unit to be a measure of 1, equivalence scales are then expressed either as the proportion of additional income needed per capita for a household of different composition to attain the same standard of living or as a total for the household.

For example, the UK's Households Below-Average Income survey uses the McClements equivalence scale which varies according to whether household income is measured before or after housing costs in addition to household size, composition and age structure (Department of Work and Pensions, 2003). The after housing costs equivalence value for a household containing a couple with a four-year-old child, for example, is 1.18, comprised of 0.55 for the head of household plus 0.45 for the spouse plus 0.18 for the dependent child. Therefore a couple with a four-year-old child requires 1.18 times the income of a childless couple if the two family types are to have an equivalent standard of living after housing costs. Put another way, this family would need an income of €11,800 to secure the same standard of living as a childless couple with an income of €10,000.

Equivalence scales can be derived in a number of ways. Most commonly, however, they are based on surveys of consumption and/or expenditure. Among the most common scales here are the Engel method of estimating equivalence scales, which is based on expenditure on food and the Rothbarth method which focuses on expenditure on adult well-being only. This latter method is used to estimate the extra costs of children by examining the impact they have on household expenditure on items for adult consumption only.

Equivalence scales can also be derived from subjective data. In subjective methods a sample of the general population is asked what level of income is required to achieve a particular standard of living. This information is then used to derive equivalences from the relationship between income, a subjective evaluation of their standard of living and their family composition. Although statistical refinements have been made in order to improve their reliability, subjective methods have not achieved widespread popularity, primarily due to doubts about the usefulness and reliability of subjective data (Zaidi and Burchardt, 2003).

Equivalence scales can be derived from budget standard studies and the advantages and weaknesses of this approach are outlined above. Equivalence scales can also be determined from the social protection systems using the adult and child payments to assess the different equivalence scales for households of different composition. One of the main drawbacks of this approach is that social protection payments are frequently set without reference to any concept of adequate income. In addition they relate only to income distribution among the lowest income groups and tell us little about how these compare to higher income groups or to the overall distribution of income and living standards of the general population (Zaidi and Burchardt, 2003).

Equivalence scales allow comparison of households of different compositions and qualitative characteristics. They are particularly useful in international comparisons. However, caution must be exercised in their use as the choice of scale can present very different income and poverty distributions. The equivalence rate attached to children requires particular caution, as these have been shown to be sensitive to age, birth order and household income, as well as to the basis on which the scale is designed. Some of the difficulties associated with budget standards also apply here. For example, if surveys of expenditure and consumption are used, how does one determine what a child's needs are in relation to specific commodities, particularly those that are shared by the household but which may not be shared equally? In addition, in considering children in low-income households, patterns of expenditure on children or subjective evaluations of what level of expenditure is desirable may be determined by financial constraints rather than considerations of adequacy.

Irish Equivalence Scales for Children

At least partly in response to the Commission on Social Welfare's call for further research in the area of equivalence scales Conniffe and Keogh (1988) carried out research on appropriate equivalence scales for children. The cost of a child to the family is defined as

> *… the extra income a couple with children would require in order to attain the same standard of living as a couple without children*. (p. ix)

In this study therefore the reference household is one comprised of two adults. The equivalent income is that required by a household with children in order to secure the same standard of living as the reference household. This equivalent income divided by the income of the reference household gives the equivalence scale.

Conniffe and Keogh state from the outset that 'standard of living' is not precisely defined and is open to interpretation. In their study, household expenditure is used as a proxy for actual household income and The Household Budget Survey, 1980 is used as the source of information on expenditure by various households. The authors acknowledge that the study has limitations, most centrally that it assumes that households differ only in the presence or absence of children and in the age and number of children. Account is not taken of factors such as the location of the household, employment status of the household head or the presence of other adult dependants. Six household types are considered. These are:

- Two adults, no children (reference household)
- Two adults, one young child (aged birth to 4 years inclusive), no older children
- Two adults, no young children, one older child (aged 5 to 14 years inclusive)
- Two adults, two young children, no older children
- Two adults, no young children, two older children
- Two adults, one young child, one older child

Expenditure across ten groups of commodities was included in estimating household income: food, alcohol, tobacco, clothing and footwear, fuel and light, housing, durable goods, other goods, transport, and services. Given the time lapsed since this study the absolute costs have little meaning today. However, they clearly illustrate a number of points of relevance. First, older children cost significantly more than younger children. In comparing households with one younger child only and households with one older child only, the cost of the older child was 43 per cent higher than the cost of the younger child. Second, there are economies of scale when moving from one to two children, but these are much more pronounced for younger children than older ones. Third, as the costs of the child remained constant across income levels in the model used, the equivalence scale diminished the higher the income. Therefore, while a household with one young child and a weekly income of €127 in 1980 prices required an equivalence scale of 1.11, a household with the same composition but with an income of €254 per week had an equivalence scale of 1.05. From a policy perspective, this is as it should be, as it supports the position of providing greater support to those with lower incomes. However, taking an average income, the equivalence scales for the various household are shown in Table 5.1.

Table 5.1
Equivalence Scales at Average Household Income, 1980

Household Composition	Equivalence Scale at 'average' income
Two adults one young child no older children	1.12
Two adults no young children one older child	1.16
Two adults two young children no older children	1.15
Two adults no young children two older children	1.27
Two adults one young child one older child	1.20

Note: Young Child: aged birth to 4 years, Older Child: aged 5 to 14 years
Source: Conniffe, D. and Keogh, G. (1988) *Equivalence Scales and Costs of Children*, Dublin: ESRI.

Conniffe and Keogh go on to consider the uprating of these equivalence scales. They suggest that this can be achieved by multiplying the necessary additional expenditure on each commodity group by each type of household in the survey year, in this case 1980, by the rate of inflation (based on the Consumer Price Index) in these commodities over the intervening years. Using this method they uprate the 1980 equivalence scales to 1987. Treating the necessary additional expenditure as a weight in this way results in only the scales being uprated between surveys, while the weights themselves (based on actual expenditure on individual commodity groups) will only be uprated for the survey year.

It is noteworthy that using the uprated costs for 1987 the authors conclude that in almost all cases the child income support component of basic social welfare payments – Short-Term Urban Unemployment Assistance, Unemployment Benefit, Retirement/Old Age Contributory Pension, Old Age Non-Contributory Pension – falls below the estimates of the cost of a child. This is due to the fact that child income payments do not take account of economies of scale or the age of the child.

An alternative approach to equivalence scales was used by the ESRI in its background paper to the Working Group Examining the Treatment of Married, Cohabiting and One-Parent Families under the Tax and Social Welfare Codes (Conniffe, *et al.*, 1999). This paper presented a new way of looking at the 'extra' income required by households comprised of more than one adult and those with children. This methodology was based on a combination of income and deprivation across a number of basic items. Traditionally, equivalence scales are developed using details of expenditure. However, the detailed household data available through a number of national surveys did not include details of expenditure, but did contain information on the level of deprivation across basic non-monetary indicators of standard of living. Using these data this paper concluded that each additional adult cost 70 per cent of the cost of the household head, giving an equivalence scale of 0.7. This has gained wide acceptance among policy makers and was adopted by the Social Welfare Benchmarking and Indexation Working Group. The 'cost of a child' was estimated to be 13 per cent of household income for a child aged under five years in a two adult household, but this rose to 23 per cent for a child aged five to 15 years. Although economies of scale were considerable between first and second children, these were considerably less for additional older children.

This approach to establishing equivalence scales for children has not been further developed and the very low equivalence rates estimated for children have not gained currency in policy debates. However, the use of non-monetary indicators in examining children's experience of poverty has been further developed by the ESRI. This is returned to in section 5.4 below.

5.4 Incorporating Children's Specific Needs in Research: Evidence from Ireland and the UK

Large scale, statistically robust surveys provide essential information of the incidence and distribution of poverty. However, smaller scale qualitative research can give a clear image of the daily impact of poverty on people's lives. In particular, studies on children's needs and particularly those that incorporate children themselves in research can provide particularly salient and sometimes surprising insights into their experience of poverty and the cost of combating this on a daily basis. Such studies illustrate the complexities of the questions of *adequate for what?* and *adequate for whom?*

A study of 118 people experiencing poverty in Dublin, each of whom represented a household, showed that children rarely had an adequate or healthy diet. Food comprised the main category of expenditure in family households, but good quality fresh food – such as yogurt, fruit and meat – was usually beyond their budget.

Children's diets were characterised by high levels of carbohydrates (bread, cereals) and low quality, high fat meat or meat products (sausages, fish fingers, beef burgers, chicken nuggets). This study emphasises that this is due to inadequate income rather than financial mismanagement (Vincentian Partnership for Social Justice, 2002).

It was also clear from this study that children living in poor households did not have access to the branded clothes considered essential among their peers. Although traditionally interpreted as a superficial issue, the impact of this can be severe. Daly and Leonard (2002) identify three risks that face children living in poverty: the risk of exclusion from the social world of their peers; the risk of early school leaving, and the risk of experiencing and falling into anti-social behaviour such as drug use and joy riding, by virtue of growing up in a harsh environment. In this last category they also include the risk of young lone motherhood for girls. Of the 28 children in their study of low-income families, 21 were believed to be facing at least one of these risks. The first of these risks is directly related to not having 'acceptable' clothing, which invariably meant branded designer clothes. Not having these clothes makes children 'stand out' and had resulted in instances of bullying. Of those at risk of dropping out of school, half were also among the children who were at risk of social exclusion through not having the 'right' clothes. Of the smaller number of children at risk of falling in with 'the wrong crowd', all were subject to at least one of the two former risks.

Recent research in Ireland has examined the intra-household allocation of non-monitory resources (Cantillon *et al.*, 2004). The indicators included in this study are intended to capture items that are considered as normal expectations of children under the age of 14 years. They include a birthday party with friends, participating in school trips, having friends home to play, doing extra-curricular lessons in activities such as dancing or sport, three meals a day, pocket money, toys and a bicycle or sports equipment. Based on the 1999 Living in Ireland Survey, 800 mothers were asked about their children's deprivation on these items. Although notable qualifications are made by the researchers – such as parents not wanting to be seen to be depriving their children, and parents perhaps not fully representing their children's views – this work throws light on the nature and extent of material deprivation due to lack of income in Irish households.

Between 8 per cent and 17 per cent of children in all households (combining poor and non-poor) did without one of these items due to a lack of money. In considering some of the issues raised by children in the UK in relation to the importance of friends and social networks (see below), it is notable that 11 per cent went without school trips, 10 per cent did not have friends home to play, 13 per cent did not have extra-curricular lessons and 13 per cent did not have a birthday party with their friends. Children living in lone parent households experience higher levels of deprivation than those living with two adults.[8] In these two adult households deprivation among children was highest where the head was unemployed, ill or disabled. However, although small sample size requires caution to be exercised, in lone parent households the highest levels of deprivation occurred where the mother was economically inactive or retired, and was relatively high in comparison to households where both mother and her spouse or partner were present. Even where the lone parent was at work, deprivation among children was higher than that found in two adult households.

[8] The terms two adults or two adult households are used here by the present author to denote households in which the mother and her spouse or partner were present.

Overall 78 per cent of children were reported not to suffer deprivation on any of the eight items included in this scale. However, 6 per cent were deprived on three to five items and 8.4 per cent were deprived on six items or more. The comparison between two adult and lone parent households is notable: only 3.5 per cent of children in two adult households experienced deprivation on three to five items and 7.3 per cent experienced deprivation on six or more items. The corresponding figures for lone parent households were 20.5 per cent and 14.8 per cent.

Beyond the fact that households above the 60 per cent income line have substantially lower levels of child deprivation, the relationship between poverty and deprivation, among children appears to be far from linear. For example, children in households experiencing the highest levels of relative income poverty did not have the highest levels of deprivation on the eight items and increased incomes alone did not necessarily improve the deprivation position of children. However, children in households experiencing consistent poverty (defined here as 60 per cent of the mean household income and experiencing deprivation on a range of indicators relating to adults) had particularly high levels of deprivation. Far from undermining the relationship between income poverty and childhood deprivation, this finding highlights the impact of the depletion of household resources and low income over time. Duration of poverty therefore arises as an issue of concern.

In a study in the UK involving children and young people, a number of aspects of the experience of poverty for children were identified and insights provided into the complexities of child poverty (Ridge, 2002). Children clearly identified the restrictions that low income placed on their lives. Lack of access to pocket money meant no economic independence and work was sought as a means of attaining a degree of financial autonomy and control. Lack of access to private or affordable public transport meant that social networks with friends and family were weakened, as is the child's potential to develop human and social capital at times in their lives when this is vital for successful transitions from one stage of development to the next. School was seen as a valuable social resource by most of the children, a place where friendships could be made and sustained in the absence of resources to engage in social activities outside of school. However, for many children this was overshadowed by experiences of bullying often arising out of their inability to afford the 'right' clothes or to participate in social activities. In addition, inability to afford acceptable school accessories – bags, stationery. etc. – and to participate in school outings and activities were of concern, as was the inability to afford suitable materials for school projects and the outcome of this for their grades. Not having the 'right' clothes was singled out by children as being of particular significance. This is linked to their acceptance by their peers, their self-esteem and confidence. Older children were more concerned with this than younger children. Although school uniforms might be expected to provide some mediation of this clothing issue, it is apparent that subtle nuances of clothing expectations existed and were problematic for many children from low-income families.

One of the most worrying findings of Ridge's study is the extent to which children living in poor households are aware of their circumstances and seek to protect their parents from

> *the realities of the social and emotional costs of childhood poverty on their lives* (p. 140)

This was achieved in a number of ways, including restricting their demands and self-exclusion from school trips and activities. The question Ridge poses here is significant: *are these children learning to be poor?* As this behaviour is also clearly gendered, the question *are girls learning to be poor?* is particularly salient.

In their publication *Small Fortunes: Spending on children, childhood poverty and parental sacrifice*, Middleton *et al.* (2001) throw considerable light on both children's and parent's experience of poverty in the UK. This study involved a range of methods including a detailed recoding of spending on children, interviews with parents and short interviews with children over the age of five. Defining poverty as lacking three or more items on a list of 21 necessities, this study found that 11 per cent of children were poor, while 3 per cent were severely poor as they lack five or more of the items. Many of these items can only be considered to be basic necessities in a developed country. For example, 13 per cent of poor children and 34 per cent of severely poor children go without three meals a day, 30 per cent and 45 per cent respectively do not have new, properly fitted shoes. High percentages lack adequate clothing – 66 per cent of severely poor children do not have four jumpers or their equivalent while 77 per cent do not have four pairs of trousers, jeans, etc.

Particularly striking in this study is the degree of parental sacrifice and parental deprivation was generally much higher than that of children. Over half of parents who were classified as poor had a child who was not poor, although this was closely related to family type and labour market status. In general, two parent families in which at least one parent is in work have a better chance of protecting their children from poverty. This is largely achieved through parental, mainly maternal, sacrifice in relation to clothes, entertainment, holidays and food. However, the importance of family type and labour market status emerges again here, with lone parents, whether or not they are employed, showing much higher degrees of parental sacrifice.

5.5 The Opportunity Cost of Children

Most studies on the cost of children consider their direct costs, that is, expenditure on children. Few have considered the opportunity costs associated with children. The most significant of these costs is loss of earnings, particularly of mothers. Davies and Joshi (2001) used data from the British Household Panel Survey to estimate the earnings foregone by women with children in various illustrative or 'typical' households. While this work is based on a wide array of assumptions in relation to intra-household distribution of income between adult partners, the labour force experience and educational profile of adult partners, duration of marriage or partnership, time away from the labour market after child birth, involvement in part-time work, etc., it provides a useful insight into this largely unexplored area.

Most significant for the current paper is the effect of children on mother's earnings by social class. Simply stated, women with low levels of educational attainment and labour market skills forego a substantially higher amount of earned income once they have children than their better educated and more highly skilled counterparts. Low skilled mothers with two children forego 58 per cent of potential lifetime earnings and mid-skilled mothers of two forego 47 per cent. Highly educated and skilled mothers, however, forego only 4 per cent of earnings. For the former two mothers, these losses are due to time spent out of the labour market and also time spent in part-time employment when their children are very young.

Davies and Joshi also examine the extent to which the cost of a mother's time spent out of the labour force is borne by the State. While the State bears approximately one-third of the cost of foregone earnings for low and middle skilled mothers, this rises to 79 per cent in the case of highly skilled mothers. This is due to the fact that the tax paid by and therefore lost to the exchequer is higher when highly skilled and highly paid mothers withdraw from the labour force, even on a temporary basis.

There is no contemporary work available in Ireland on the opportunity costs of children to women in terms of earning foregone, nor on the costs of the withdrawal of female labour to the State. However, given the very rapid rise in women's labour force participation in recent years, and more particularly the rise in the labour force participation of mothers, this is an area that now warrants attention.

6 Concluding Remarks: Issues for Policy and Research

6.1 Identifying Key Issues

This paper set out to review some of the general debates on adequacy as many of the issues arising are important considerations in exploring the concept of an income adequacy standard for children. It has reviewed Irish policy materials and comparisons between Ireland and other OECD Member States. In current debates, adequacy is most clearly linked to the social and economic objective of alleviating poverty. In light of this Ireland's current child poverty rates and its international ranking were presented. Given the clear relationship between child poverty and welfare status, Ireland's child income policy as articulated in a number of significant policy documents was reviewed and the consideration of adequacy in these documents was highlighted. In addition, the relative generosity of Ireland's child benefit package was considered. The issue of the cost of a child was highlighted as this is clearly linked with the need for an adequacy standard for children, but the relationship between the two is not necessarily straight-forward. This material is now drawn on to identify some key issues facing policy and research in the pursuit of an income adequacy standard for children.

6.2 Issues for Policy

This paper starts from the position that children have a right to an adequate income in order to live in an acceptable manner in their own society and community. This is enshrined in the United Nations Convention on the Rights of the Child, the UN Convention on Economic and Cultural Rights and the EU Recommendation on Minimum Income. Commitments to achieving a sufficient adequacy standard that eliminates or reduces child poverty are commitments in Ireland's National Children's Strategy and NAPS. The right of children to live free of poverty and exclusion should be reflected in our policies. As Plumb and Walsh (2000) put it:

> *Policy should set out what it considers to be a minimum income standard for children, in fulfilment of the rights of children to an adequate standard of living. Government should then work towards ensuring that this amount is provided for children in low-income families. Similarly, the State should set out what proportion it will meet for all children and again work towards this goal.* (p. 72)

The difficulties in attempting to establish an income adequacy standard for children are clearly illustrated in the policy documents reviewed in this paper. Among these are the different views on the objectives of both individual payments and child income *per se*. Also, as it is not usually possible, or even desirable, to separate children from the family circumstances in which they live, child income cannot be viewed or assessed at least in part within the context of overall household income.

Considerable time, expertise and resources have been given over the past decade to how child income could be reformed and, to a lesser extent, the relationship between current provision and reform options and an adequate income for children or families with children. In most cases no agreement was reached either on the best child income support package or on what this would be adequate for or for how long.

Irrespective of the particular option pursued by policy makers, a measure of its adequacy needs to be established. In addition, adequacy must be seen as a process rather than a figure, amount or proportion of some other income. In Ireland, such figures, proportions, etc., including those recommended by the Commission on Social Welfare (Government of Ireland, 1986) and the Report of the Social Welfare Indexation and Benchmarking Working Group (Benchmarking and Indexation Group, 2001) (see Chapter 3 above), have been accepted by the State as targets to work towards. However, an adequacy process would require such targets to be updated and uprated in a regular and meaningful way. This process does not currently form part of our policy making.

In pursuing an income adequacy standard for children these difficulties must be overcome. In part they stem from different perspectives on the objectives of child income support and therefore different answers to the question of *adequate for what?* One of the main issues arising here is the subjective nature of adequacy. The difficulty that faces many policy makers is that of falling between the two stools of failing to recognise this subjectivity and looking for an objective or scientifically based answer or overstating this subjectivity to the extent of establishing policies and payment level that do not consider adequacy in the belief that this cannot be defined. However, the middle ground that lies between these two possibilities should be carefully considered.

In this middle ground an adequacy standard could be constructed not as one figure, proportion or amount, but as a set of criteria against which the impact of a particular level of income support across a range of objectives can be assessed. Given that it is not possible to separate the issues of income adequacy and poverty, criteria might in the first instance be related to measures of child poverty. Such an approach has been adopted in the UK in relation to the measurement of child poverty and its reduction. Three tiers or inter-related levels of poverty are identified – absolute low income, relative low income and material deprivation and low income combined. Success in reducing or eliminating poverty is assessed against all three levels (Department of Work and Pensions, 2003).

In relation to child income adequacy a similar set of criteria or tiers could be developed and income adequacy measured against these. These criteria would allow for the different needs of various groups of children, most specifically those in low-income households. Such an approach is in line with recent policy recommendations such as the option of a tiered system of child income support that was signalled in the Report of the Working Group on the Integration of the Tax and Social Welfare Systems (Government of Ireland, 1996) and that has been recommended by the NESC (2003) (see Chapter 3 above). It is important to bear in mind that no one adequacy benchmark will serve the needs of all children in all circumstances. If the principle of income adequacy for children is established, the development of such a tiered system allows for variation in need.

These criteria and the measures of adequacy they produce should be informed by research and be adjusted over time in accordance with changes in living standards. The development of these criteria will not be a simple task as they involve revisiting many of the problems already faced by policy makers, experts and academics in addressing the issue of an adequate income. However, the involvement of children in the development of such criteria should be viewed as essential and will provide a valuable perspective on the issue.

6.3 Issues for Research

As Callan *et al.* (1996) state:

> *Neither the methods employed by the CSW and updated here, nor the alternative approaches discussed in this study, allow one to derive in an unproblematic, objective and scientific way estimates of income adequacy which would be universally acceptable and convincing. Statements about adequacy reflect judgements, values and attitudes: research cannot substitute, but can inform, such judgements.* (p. xi)

The role of research in setting an adequacy standard for children is to inform the decisions that must eventually be made by politicians and policy makers. The literature identifies a number of gaps in our knowledge. Perhaps primary among these is our lack of knowledge of the experience of poverty from a child's perspective. This is a central consideration in attempting to set the parameters of an income adequacy standard. Hearing what children have to say about life on a low income poses a number of methodological issues but these can be overcome through carefully designed and sensitively implemented research methods. For example, Ridge (2002) combines quantitative research on actual income in low-income families with in-depth qualitative analysis of the *child's* experience of poverty as articulated by children themselves. This provides a realistic assessment of children's needs and can contribute significantly to identifying the level of income required to meet these. Likewise, work carried out by Middleton (2001) also provides insights into children's experience of poverty.

The principle of involving children in research and policy decisions that affect their lives is not new in Ireland. Our National Children's Strategy (Government of Ireland, 2000) clearly acknowledges the right of children to have their voices heard and the National Children's Office has devised a number of ways of consulting with children. These could be tapped into in seeking to involve children in research on poverty. In addition, current research being undertaken by the Children's Rights Alliance will throw some light on this issue and provide clear pointers for further research and policy.

Veit-Wilson (1998) talks about the method of triangulation. Essentially this relates to the use of a number of different sources of information created through the application of different methods in order to make more informed and politically acceptable judgements on what is an adequate income. Different roles for different actors are identified with social scientists or academics taking up the mantle of primary qualitative research in particular, and government departments or agencies undertaking the less subjective analysis of statistical databases. In Ireland, this approach may be not only desirable but also necessary given some of gaps in our data and our knowledge of child income adequacy standards.

One of the most obvious gaps in our knowledge is what it costs to raise a child in contemporary Ireland. While previous estimates provided by Carney *et al.* (1994) have been valuable, updating these by means of a new budget standards study specifically for children should now be considered. The majority of people have seen very real increase in the standard of living in Ireland over the past decade and the basket of goods that would now be used in calculating the cost of a child should reflect this. In particular the cost of paid childcare should be included in this basket as this is a reality of the lives of more and more children. It is important, however, to consider the inclusion of childcare costs from an equity perspective rather than that of female labour force participation. This equity perspective recognises that quality early years can be significant in improving the contemporary quality of life as well as future educational outcomes.

As stated above, research has already illustrated that what a child needs for social inclusion among his/her peers is not always what either parents or experts would claim. One clear example of the relevance of this is in relation to having the 'right' clothes. None of the Low Cost but Acceptable or Modest-but-Adequate includes such costs for children, yet they appear as essential to social acceptance and integration and all of the positive outcomes that stem from this. Any basket of goods should therefore take particular cognisance of the views of children.

In considering an adequacy standard for child income most budget standards work has focused on either a Low Cost but Acceptable or Modest-but-Adequate budget for low-income households. This raises the issue of whether we are teaching the children in these households to be poor. In effect, if we expect children in low-income households to exist on Low Cost but Acceptable or Modest-but-Adequate budgets are we implying that this standard should shape their expectations? It is perhaps preferable that a budget standards study for children should consider what the 'average' child as opposed to, or at least as well as, the low-income child costs.

This recommendation is not made lightly. The weaknesses of this approach are identified in Chapter 5 above and should not be overlooked. In particular, the essentially subjective judgement of the exact goods and their quality must be acknowledged, the costs of such a study are not small and considerable time would need to be invested. However, the value of this work in informing criteria of adequacy would be considerable. Reliable estimates of the cost of a child are needed as one of the key pieces of information in determining either an adequacy standard or criteria for adequacy.

The development of such a budget standards study does not in any way negate the need for large scale surveys that provide us with valuable data on poverty and child poverty. If a child income adequacy standard is to be updated and uprated in an informed way then such studies are essential. In particular, research on the changes in those at risk of poverty and poverty dynamics is of particular importance. In addition, such studies provide a basis for the establishment of equivalence scales that have carried significant weight in establishing levels of child income support and welfare payments more broadly. Specific consideration of the equivalence scales for children should be considered and provide a more exact assessment than simply extrapolating from the accepted adequacy level from adults. Such an exercise provides a more objective analysis than budget standard studies and a useful means of comparison or validation.

Assessing the affect of any child income adequacy measure on child poverty rates, the distributional affect of this across income deciles and the cost/benefit of this to the exchequer is an important part of an analysis of policy changes regarding income adequacy. In making policy recommendations and informing political decisions, such factors can prove critical. In this area the work carried out by the ESRI and other agencies using the SWITCH tax/benefit model is of central importance. This model has been meticulously developed and is updated on an annual basis to take account of budgetary changes in the tax and welfare regime. This work needs to be continued as it provides a quick, accurate and cost-effective means of assessing changes in child income payments or proposed income adequacy standards for children.

One of the most notable gaps in our knowledge relates to how child income packages are formulated in different countries and, more specifically, the degree to which implicit notions of adequacy are embedded in or inform these packages. Studies such as that carried out Veit-Wilson (1998) and by the Caledonian Policy Institute (Battle and Mendelson (eds) 2001) into the reform of child benefits in four countries provide a model for opening up the 'black box' of policy design and implementation and an investigation not of the adequacy of child benefits but of the manner in which adequacy as a fundamental principle of child support policy is treated. Such a research project requires a detailed analysis of the political and policy environment in various countries. Ideally, it should be carried out in conjunction with policy experts and policy makers in the relevant countries.

Large scale international studies tend to be very costly and the resulting material often difficult to manage and derive trends from. It is recommended here that a small number of countries should be included in such a comparative study. Clear criteria for their inclusion should be established and primary among these should be their child poverty rate. International studies of poverty such as that of the Innocenti Research Centre (2000) and the EU *Joint Report on Social Inclusion* (Commission of the European Communities, 2003) provide useful starting points in this regard. In addition, the work carried out by Bradshaw and Finch (2002) and work by Nicaise *et al.* (2004) on welfare and minimum income systems may also provide some useful signposts to countries that may provide useful comparisons and contrasts to the current Irish child benefit policies.

6.4 Final Remarks

The right to an adequate income or financial resources to lift and keep children out of poverty is an important aspect of an adequacy standard for children. However, this can only have a bearing on children and child poverty if translated through political decisions and policy into the realities of direct or indirect, universal or targeted income support measures. This is not a straight-forward issue. Political decisions are based on many criteria, only one of which is the fact of low incomes and poverty. Governments make decisions based on a variety of complex beliefs and priorities and the most obvious of income adequacy measures may not be politically realistic due to competing priorities. One of the clearest examples of this is the welfare-to-work debate in which welfare incomes, including their child components, are often seen to be inadequate, but are kept at low rates in order to maintain a work incentive. The complexities of the relationship between income, in-kind benefits, services and work is frequently of little practical consequence to policy and decision makers who simply want a bottom line figure or figures they can use to determine or assess various income maintenance and poverty measures (Veit-Wilson, 1998 p. x). Researchers, academics, experts, lobby organisations and all who have an interest in the well being and future of children have a role in informing the process by which these bottom lines are reached and the level of adequacy they represent.

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