



## COST OF A CHILD BRIEFING PAPER

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### Introduction

The modest but real reduction in child poverty in Ireland over recent years is threatened by the proposals made in the McCarthy report and subsequently echoed at government level that the level of Child Benefit should be reduced.

Responding to the extraordinarily high rates of child poverty in Ireland compared to our European neighbours, successive Irish governments began in the 1990s to lift the level of Child Benefit. This has resulted in a modest, but discernible and real decline in child poverty in Ireland as Table 1 shows:

**Table 1: Decline in Child Poverty Level in Ireland (selected years)**

Year	1996	1997	1998	2004	2005	2007
Level <sup>1</sup>	27%	25%	23%	22%	22%	19.9%

Source: Callan *et al*, 2008.

Note: 1: The 'level of poverty' defined here uses the standard European measurement system, the poverty line being determined as 60% of median equivalized incomes, also called the relative poverty level.

Irish child poverty rates are still high by European standards, the sixth highest in fact (European Council & Commission, 2008), but they have fallen from the top of the Table. In their study of social transfers, Callan *et al* in the Economic and Social Research Institute (ESRI) (2008) expressed the view that the increase in Child Benefit, especially in 2001-2, contributed to a fall in child poverty of up to a fifth of the total number of children living in poverty. We know from other European countries that reductions in poverty are achieved by the sustained effect of substantial social transfers over time. We can say with some certainty that the converse is also true, which is that a possible reduction in Child Benefit will bring these rates back up again.

This sets the broad context of issues of child poverty and Child Benefit. But what does it mean at an individual level? This paper makes a contemporary assessment of the cost of a child.

### Cost of a Child

There is no recent detailed study of the cost of rearing a child in a low income family. Determining the cost of rearing a child in 2009 is based on the approach taken in the Combat Poverty Agency study *The Cost of a Child* (1992), which provided a thorough, exhaustive, robust and unchallenged methodology as to how such a cost could be cal-

culated. This paper uses the same methodology, revised in the light of inflation (and deflation) since, to determine a comparable figure for 2009. *The Cost of a Child* uses two reference points: a 'basic minimum standard', which is deemed to be the absolute minimum necessary; and a higher level, called 'modest but adequate'. The basic minimum standard includes food, by far the largest element, followed by clothes, personal care, education, household items, outings/holidays, pocket money/presents/toys. The basic minimum standard by definition limits food, clothes and recreation to a minimum, foregoes items that parents would like to spend on and does not include transport or medicine, for example. The modest but adequate budget provides for a more varied diet, babysitting and pre-school costs (0-6 years), one holiday in Ireland and more spending on toys and presents (for more details, see Table 3). These items were carefully priced and balanced in the course of extensive fieldwork. The cost of a child in 2009 is presented in Table 2, set against the costs established in 1992, under the same prototypical age groups.

**Table 2: Cost of a Child, Weekly, 1992 Compared to 2009, by Three Age Groups**

**Basic minimum standard**

	<b>1992</b>	<b>2009</b>
Child aged 0-6	€26.28	€39.70
Child aged 7-12	€36.18	€54.65
Child aged 13-18	€47.48	€71.72
<i>Average, all ages</i>	€28.60	€43.20

**Modest but adequate standard**

Child aged 0-6	€34.79	€52.55
Child aged 7-12	€46.60	€70.40
Child aged 13-18	€61.32	€92.63
<i>Average, all ages</i>	€39.90	€60.29

*Notes: Euros are used throughout this paper and pre-1999 figures have been converted to euros.*

This Table does not take into account changes in patterns of household spending since 1992. Here, it was decided to leave the 1992 framework stand, for the most recent Household Budget Survey (HBS), which might enable us to re-weight the sample, dates to 2004, which is too far back to be useful now. A new HBS is currently in preparation and should be available by 2011.

But what do these figures mean in day-to-day terms? Table 3 gives a breakdown of the precise costs for a child in our six prototypical households:

**Table 3: Costs of a Child by Item****Table 3a: Basic Minimum Standard**

<b>Item</b>	<b>0-6</b>	<b>7-12</b>	<b>13-18</b>
Food	17.72	26.89	30.50
Clothes	9.19	9.73	13.45
Education	0.93	6.90	9.31
Personal care	5.87	2.37	4.92
Household items	2.53	1.79	1.79
Fuel	1.07	1.07	1.52
Outings/holidays	0.45	2.86	4.30
Pocket money/presents/toys	1.79	2.92	5.82

**Table 3b: Modest but Adequate**

<b>Item</b>	<b>0-6</b>	<b>7-12</b>	<b>13-18</b>
Food	23.63	35.86	40.77
<i>Clothes</i>	<i>9.19</i>	<i>9.73</i>	<i>13.45</i>
<i>Education</i>	<i>0.93</i>	<i>6.90</i>	<i>9.31</i>
<i>Personal care</i>	<i>5.87</i>	<i>2.37</i>	<i>4.92</i>
<i>Household items</i>	<i>2.53</i>	<i>1.79</i>	<i>1.79</i>
<i>Fuel</i>	<i>1.07</i>	<i>1.07</i>	<i>1.52</i>
Outings/holidays	1.28	5.72	9.15
Pocket money/presents/toys	2.73	5.85	11.61
Baby-sitting	2.38	4.78	-
Pre-school	1.99	-	-

As may be seen, the modest-but-adequate budget has the same spending levels for clothes, education, personal care, household items and fuel (*italicized* in Table 3b) as the basic minimum standard. The diet is significantly improved, with additional spending in the areas of outings, holidays, pocket money, presents and toys, with small additional items for baby-sitting and pre-school.

In one important respect though, the 2009 calculation is a conservative one. This is because of childcare costs. It is interesting that childcare costs were included in the 1992 study only in one column of the 'modest but adequate' category and were calculated then as pre-school costs at €1.32 (€1.99 now). Presumably, the underlying assumption was that in all other cases childcare was provided either by the parent or an unpaid relative. This is an important issue, for Irish childcare costs are now known to be among the highest in Europe, 45% of the average wage (the highest) and 29% of family net income (the second highest) (OECD). The first systematic childcare cost assessments were not made until ten years after the 1992 study and they are presented in Table 4.

**Table 4: Assessments of Childcare Costs**

<u>Date</u>	<u>Weekly</u>	<u>Monthly</u>	<u>Sources</u>
2002	€107-€145 (babies)		
	€94-€137 (pre-school)		NCNA
2002	€97.56		IPA
2005	€120		IPA
2006	€90		Loftus
2007	€144		QNHS
2008	€174		NCNA
2009		€800	BoI Life
		€800 to €1,000	NWCI

*Notes: NCNA = National Children's Nurseries Association; IPA = Institute of Public Administration; QNHS = Quarterly National Household Survey; BoI Life = Bank of Ireland Life; NWCI = National Women's Council of Ireland; Loftus: Loftus, 2007. Here, she describes this as a nominal minimum.*

These high costs are not factored into the figures presented in Tables 2-3. Whereas it is possible that some of the costs calculated in the 1992 Tables may have declined, any such declines are more than likely to be outweighed by the steady rise in childcare costs. Interestingly, the latest CSO figures to end September 2009 show a national deflation rate of -6.5% but a continued inflation in childcare of +6.4%.

### **Child Income Supports**

At this stage, it is useful to compare the cost of a child against the State system of

income supports. The principal means devised by Government to enable parents to meet the cost of rearing children is Child Benefit. Historically, this was supplemented by the Child Dependent Allowance (CDA), now the Qualified Child Allowance (QCA). Because of the poverty traps associated with the CDA, governments decided in the 1990s to use Child Benefit as the principal means of supporting children and families and in confronting child poverty. As a result, Child Benefit levels were moved substantially ahead, while the CDA, pegged at €15.87 weekly in our baseline year of 1992, was frozen from 1996 to 2006 (at €16.80 weekly).

There is now a complicated system of up to five schemes of income support, depending on the situation of the family of Child Benefit, Qualified Child Allowance, Early Childcare Supplement (which is currently being phased out and will end in January 2010), the Clothing and Footwear Allowance (CFA) and the Family Income Supplement (FIS). These schemes apply to different families in different situations, ages and incomes. Compared to Child Benefit the levels of support are lower, which is why this paper has focussed on the single universal scheme, Child Benefit, which is also financially the most important, €166 monthly or €38.30 weekly (present values for Qualified Child Allowance are €26 weekly).

Table 5 compares the level of Child Benefit in 1992 against 2009, in the context of Table 2, the cost of a child details of which are re-iterated. Also included is the McCarthy report proposal to reduce the level of Child Benefit from the current monthly level (€166) to €136 (€38.31 and €31.38 weekly respectively).

**Table 5: Weekly costs of a child, 1992-2009, compared to current Child Benefit and proposal in McCarthy report.**

	<b>1992 Cost</b>	<b>1992 Child Benefit</b>	<b>2009 Cost</b>	<b>2009 Child Benefit</b>	<b>McCarthy Proposal</b>
Child aged 0-6	€26.28	€4.63	€39.70	€38.31	€31.38
Child aged 7-12	€36.18	€4.63	€54.65	€38.31	€31.38
Child aged 13-18	€47.48	€4.63	€71.72	€38.31	€31.38
<b>Average, all ages</b>	<b>€28.60</b>	<b>€4.63</b>	<b>€43.20</b>	<b>€38.31</b>	<b>€31.38</b>
<b>Modest but Adequate</b>					
Child aged 0-6	€34.79	€4.63	€52.55	€38.31	€31.38
Child aged 7-12	€46.60	€4.63	€70.40	€38.31	€31.38
Child aged 13-18	€61.32	€4.63	€92.63	€38.31	€31.38
<b>Average, all ages</b>	<b>€39.90</b>	<b>€4.63</b>	<b>€60.29</b>	<b>€38.31</b>	<b>€31.38</b>

As may be seen, the value of Child Benefit has grown considerably since 1992. At no stage has Child Benefit ever met the full cost of rearing a child, but whereas in 1992 the value of Child Benefit was never more than a sixth of the cost, by 2009 the level of Child Benefit was within sight (€1.39) of the cost for a child under 6 under the basic minimum standard. The McCarthy proposal would widen that gap from €1.39 in that situation to €8.32, proportionately more in all the other categories.

Extending this to a broader perspective, it may be useful to set the improvement in Child Benefit from 1992 to 2009 in a comparative context and this is done in Table 6. The National Action Plan for Social Inclusion, 2007-2017, set the target that the overall child support package should be in the range of 33% to 35% of the social assistance rate.

**Table 6: Weekly Social Assistance Rates and Poverty Line**

	<u>1992</u>	<u>2009</u>
Social assistance rate (weekly) <sup>1</sup>	€67.30	€204.30
[Poverty line, weekly	€76.86 <sup>2</sup>	€228.65 <sup>3</sup> ]
Child Benefit (weekly)	€4.63	€38.31

Notes: 1= This is the minimum social assistance rate, sometimes also called the personal rate. At the early stage of this timeframe, it was unemployment assistance or supplementary welfare allowance and is now called the jobseeker's allowance; 2 = 1994 figure; 3 = 2007 figure

Child Benefit, as a proportion of the social assistance rate, rose from 6.88% in 1992 to 18.75% presently. For those who receive the rest of the full package of child income support measures, the social assistance rate is achieved in the case of 6-18s and, with the Early Childcare Supplement, exceeded for the under 6s. It remains to be seen how this will be affected by the loss of this payment at the end of 2009. Child Benefit has been the key lever in the process of reducing child poverty.

## Conclusion

A reduction in Child Benefit would:

- Reverse the achievement of reaching, in the case of families in a number of specific circumstances, the National Action Plan for Social Inclusion targets (Table 6);
- Reverse the 17-year achievement of reducing child poverty from 27% to below 20% (Table 1). A fifth of children in poverty were taken out of poverty;
- Cast aside one of the key instruments in social policy in addressing poverty;
- At a practical level, bring hardship to families trying to manage on what, as Table 3 shows, are austere budgets.

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