



Findings from the End Child Poverty Coalition *Scoping Document on a Second-tier Child Income Support*

In June 2010 the End Child Poverty Coalition commissioned research to investigate the potential of a 'Second Tier Child Income Support' payment to act as a targeted means of supporting low income families, whether that income comes from employment or social welfare, and to lift them out of poverty.¹

Focus of the Study: The End Child Poverty Coalition strongly believes that in order to eliminate child poverty, a combination of child and adult income supports and access to quality public services is necessary.

The Coalition is concerned about the poverty traps which are built into the Rent Supplement and the Medical Card; as well as the cost of childcare, and believes that there is a need to radically reform secondary benefits and address the cost of childcare.

However, this research focuses on child income supports and specifically on the development of a second tier child income support payment.

Measurement of Poverty: Eliminating consistent poverty among children is of greatest concern to Coalition members. However, although deprivation falls as income rises, there is no identifiable income level at which deprivation does not occur. The only way in which to guarantee a reduction in consistent poverty is to ensure that all children have an income above the at-risk of poverty threshold. The income level of the at-risk of poverty line for different households was therefore the focus for this study.

Research parameters: The research investigated the level that a second tier payment would need to be set at to replace the Qualified Child Increase and the Family Income Supplement for different household types. Ideally the second tier payment would increase the total amount going into a low income household and lift the family above the at-risk of poverty line.

A number of scenarios were tested for different household types to examine the pattern of gains and losses. The different household types used were a one parent family with one child; a couple with one child; a couple with three children and a couple with five children. Two payment levels, of twice the weekly rate of Child Benefit and three times the weekly rate of Child Benefit, were examined. Two withdrawal rates, of 50% and 30% were used.

The NESc principles were followed in the design, including the position that "to avoid stigma, the payment should be structured so as to ensure that both low and middle income families receive it."

¹ The research was undertaken by Camille Loftus, Socio-Economic consultant.

Main Research findings:

The findings below explore who would gain or lose from the introduction of a second tier payment:

- **Social welfare recipients:** Families reliant on social welfare gain, as the second tier payment would always be higher than the current value of the Qualified Child Increase.
- **Lower Earners:** Families with very low earnings lose. The size of the loss would be substantial and would result in pushing the incomes of these households further below the poverty line. A second tier payment set at twice the rate of Child Benefit resulted in losses of €114 per week for a one child family; €77 per week for a three child family; and €53 per week for a five child family at earnings of €200. This is because a second tier payment set at this level is not high enough to replace Family Income Supplement for these families. The level of a weekly second tier payment would need to be set at five times the weekly amount of Child Benefit in order to protect the one child family from losses, however this would be an extremely expensive solution. Alternatively, a residual FIS scheme would be needed for these households, however this would fail to simplify the social welfare system.
- **FIS claimants:** The second tier payment would deliver little in the way of gains or losses for a significant proportion of FIS claimants.
- **Couple with one child:** Even if the second tier payment was paid at three times the level of Child Benefit, the couple with one child would still experience losses at lower earnings, albeit of a smaller scale.
- **Higher Earners:** Families with higher earnings gain. In this research no cut off point was employed at which a household would not be entitled to the payment, rather the payment was simply tapered out until income was high enough that there was no longer an entitlement. This is not a necessary design feature of the payment but allowed us to fully examine the distributional pattern of the payment. The most substantial gains are to families earning above the Family Income Supplement thresholds, as the only child income support they are currently in receipt of is Child Benefit, hence the second tier payment would represent a new additional source of income in the household. The beneficiaries of a lower withdrawal rate are families at the upper end of the income distribution.
- **Work neutral:** The Family Income Supplement (FIS) plays an important role in supporting those in low paid employment, and incentivising people to engage in the labour market. A key determinant of child poverty is whether the child's parent/s is working (in quality jobs with suitable childcare).

On the basis of the findings of this study, the introduction of a second tier payment to replace the Family Income Supplement and Qualified Child Increase does not meet the objectives of ensuring all children in low income households are protected from poverty because:

- It would not improve work incentives; a residual FIS scheme would be required to protect those on low earnings.
- A positive impact on social welfare households could be achieved more cost effectively via targeted payments.
- More substantive benefits for families on low pay could be achieved by enhancing the FIS scheme.

End Child Poverty Coalition Recommendations

Based on the findings of this study, the End Child Poverty Coalition proposes the following series of amendments to the current child and adult social welfare payments. The Coalition believes these measures are feasible, cost-effective and would make a significant impact on child poverty:

Protecting Children in families dependent on Social Welfare

- Maintain the real value of the Qualified Child Increase, by adjusting the payment to compensate for any changes to the rate of, or eligibility criteria for, the Child Benefit payment or social welfare payments. This is the key targeted payment for families with children who are dependent on social welfare.
- Maintain adult social welfare payments at their current rate as they are a key component of household income, and, therefore, a key component in reducing child poverty.
- Adjust the eligibility test for Jobseeker's Allowance to take into account irregular patterns of employment. The social welfare system must be able to respond to trends in patterns of employment, such as the growth in atypical employment.

Protecting Children in families with low incomes

- The thresholds for Family Income Supplement (FIS) must be adjusted to compensate for any changes in the rate of, or eligibility criteria for, the income tax system or Child Benefit payment. FIS plays a key role in rewarding work and protecting those trying to remain in work but on very low incomes.
- Provide more generous increases for small families on FIS, and reduce the withdrawal threshold. The increases in FIS thresholds for larger families have been effective in delivering a return from work. However, 87% of families claiming FIS have 1 to 3 children² and the increases in FIS thresholds for such smaller families have been minimal in recent years.
- Reduce the minimum weekly hour requirement for eligibility for FIS for a set period of time in light of the reduction in working hours that many low paid workers now experience. This would enable such individuals to remain in work, albeit working fewer hours, rather than having to leave work altogether and become wholly reliant on a social welfare payment.
- It is imperative that the take up of FIS is increased to ensure eligible families, including the self employed, are adequately supported and protected:
 - Introduce self assessment for claiming Family Income Supplement.
 - Use the 'sign off' from the Live Register as a trigger for FIS (as recommended by the Expert Group on Integrating Tax and Welfare 1996). For example, the Department of Social Protection could issue an information note to the person explaining how to claim FIS and detailing eligibility criteria etc on signing off from the Live Register.

² Statistical Information on Social Welfare Services 2009, page 75