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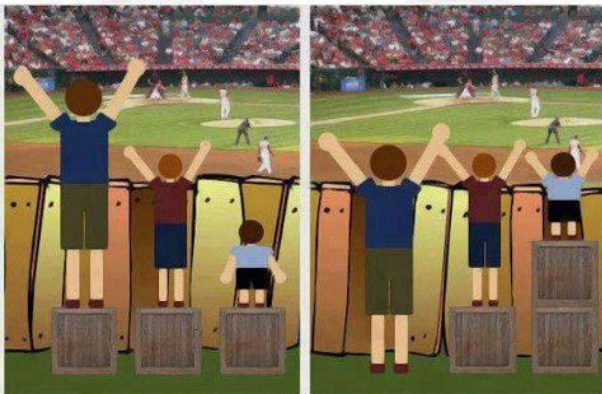
**Minimum Income;  
Childcare;  
and  
One Parent Families in  
Ireland**

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**EQUALITY DOESN'T MEAN JUSTICE**

**EQUALITY**

**JUSTICE**



**An analysis and a way  
forward**

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Over the last three decades, the need for child care has grown steadily, with the rise in employment rates among women and the recent significant reforms of the one-parent family payment. This has accompanied changes in the composition of Irish families, notably increases in one-parent families and step-families, impacting both the need and type of child care required.

Beyond need, the demand for quality child care has also increased, due to the potential benefits on peer socialisation, school readiness, and numeracy and language skills (OECD 2006, Nores and Barnett 2010). In Ireland, options for child care are varied, ranging from nannies, home childcare, childcare centres, preschool programmes, and before and after school services. Finding the most appropriate child care arrangement can, at times, be challenging. Parents must often balance the need between the overall quality, convenience, availability and cost of child care.

Child care has been firmly on the national agenda. In spite of all the discussion and consultations of the past ten years, child care needs and services continue to be addressed in a piecemeal fashion, regulations, and funding approaches. The result is a patch-work of services with inequities in availability and affordability from one part of the country to another. Child care services are an essential support for children and their families. High quality child care provides a positive experience for all children and encourages the development of their social, language, and cognitive skills. It can also provide effective early intervention for children with developmental delays or disabilities or whose development is at risk because of extreme poverty, neglect, parental illness, or other stress factors. Families headed by one parent and who participate in the paid workforce, or are engaged in educational or job training programmes, require care of their children when they are not available. Child care is also a crucial component in addressing broad national policy objectives. These include promoting the optimal development of all children, reducing child poverty by assisting parents to enter the paid workforce, supporting the effectiveness of the current workforce, and promoting one-parent families economic and social equality.

Irish families who are headed one parent and who are working parents continually express how child care fees can play a major role in decision-making and labour force participation.

Income transfers to families with children have been a basic social policy tool in Ireland. Though prompted by a range of goals, a central expectation motivating these kinds of transfers is that higher family income will lead to better child outcomes, especially in low-income families. However, we need to provide a comprehensive but critical overview and draw on implications for policy: What can we really expect from public policies, such as child benefits, that increase household income? In essence, what does research tell us? All other things being equal, for most measures, it suggests that higher income improves a range of child outcomes (cognitive,

behavioural, social and emotional) but that the improvement is small in magnitude. Much of the correlation between lower income and worse child outcomes is explained by other factors that often go along with low income; income itself has a relatively small influence on child outcomes when researchers account for other factors. The evidence thus suggests that the causal effect of income on child outcomes is, in and of itself, quite small. From a policy perspective, this finding suggests that we cannot expect income transfers to low income families to vastly improve child outcomes, and that focusing exclusively on income to close the gap between children from low- and higher-income families, via transfers or otherwise, is unlikely to be effective. While the focus is on attempting to identify the role of income in causing child outcomes, we need to include non-causal research: this approach offers a more nuanced portrait and provides insight into the nature of the relationship between income and child outcomes, aside from statistical significance and magnitude of impact. In terms of public policy, this suggests that income transfers could be more effective if they were tailored:

1. Income's effect on child outcomes is non-linear — an additional euro of income has a larger effect on lower-income children — If the goal is to improve child outcomes, families with lower income should be given significantly more benefits than those with more income.
  2. Income's effect on child outcomes displays diminishing marginal returns — each additional euro of income has a smaller impact on child outcomes than the previous euro. Evidence suggests that income transfers will have no significant effect on child outcomes beyond a certain threshold. Therefore, we need to design child benefits to progressively decrease as income increase.
  3. Income matters more in the early years of life. Since early outcomes persist through childhood, child benefit policies should be differentiated based on age, with higher transfers for younger children.
  4. Income also affects the movement between positive and negative trajectories: poor outcomes are more persistent and have more deleterious long-term effects for lower-income children. Middle- and high-income children are not immune from poor outcomes, but they are much more likely to be on a trajectory toward positive outcomes than lower-income children.
- Research on the effect of income on child outcomes has come a long way in the past 20 years. Better data, better data availability, and advancing techniques have allowed for more sophisticated research. However, untangling the complex relationship between income and child outcomes remains a challenge and requires better data and more analysis. Notably, we need to do more to address the following knowledge gaps:

- a. Living in low income for a longer period of time is more strongly associated with worse child outcomes. We need to further explore how longer periods of low- income and how income dynamics throughout childhood affect children.
- b. Research so far has mostly focused on early childhood; we need to also examine older children outcomes in secondary school as this relates to out of school care and recreation.
- c. Research so far has mostly focused on cognitive outcomes; we need to also collect data and analyse a wider range of non-cognitive outcomes, such as mental health and self-control.
- d. Some studies suggest that income has a different effect on some subsets of the population: for instance, income's effect is not gender-neutral; there are likely other caveats to income's effect when looking at other subsets of the population, ie those parenting alone.

There is room for debate not only about the level of support for children. Across Europe the most important trend [in financial support] has been the increasing importance of income-related child-contingent support programmes. Childcare support policies need to provide a well-functioning mechanism that does not suffer from administrative or technical difficulties; it has a vital role in tackling child poverty. In general, the element of support for children that is child benefit ought to be maximised to provide a key way to build a national consensus towards increasing the value of benefits to children. Universal child income support can ensure that money reaches the poorest families and should be complemented by a responsive tax system that raises no conflicts for education and work incentives. Both elements need to work more effectively alongside each other.

The other rebalancing which needs to be undertaken is between the level of support provided for different children, or different kinds of families..

**Two issues are clearly apparent:**

1. The real issue is how much society is prepared to give to parents on low incomes to support their children in total. Child benefit – though more expensive – benefits children in low-income families directly; and
2. Central to the reduction in child poverty is the support delivered directly to families through the tax system– and the expanded opportunities and support for parents to participate in education and/or work.

Currently, the tax and benefit system is unfair and traps people in poverty and unemployment. It is not possible to reform the system as it currently stands. It may be possible to reduce some of the worst aspects by tinkering with starting rates of tax and benefit tapers, but the inherent inequality in the way that tax-payers and benefits recipients are treated will remain. Policy-makers and politicians must take this opportunity to consider a total reconfiguring of the tax and benefits system. Without this, it is impossible to imagine that any changes will do more than transform an awful system into a bad one.