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A means-tested 2nd tier of child benefit

All-Island Social Security Network Webinar on Cash Transfers to Children

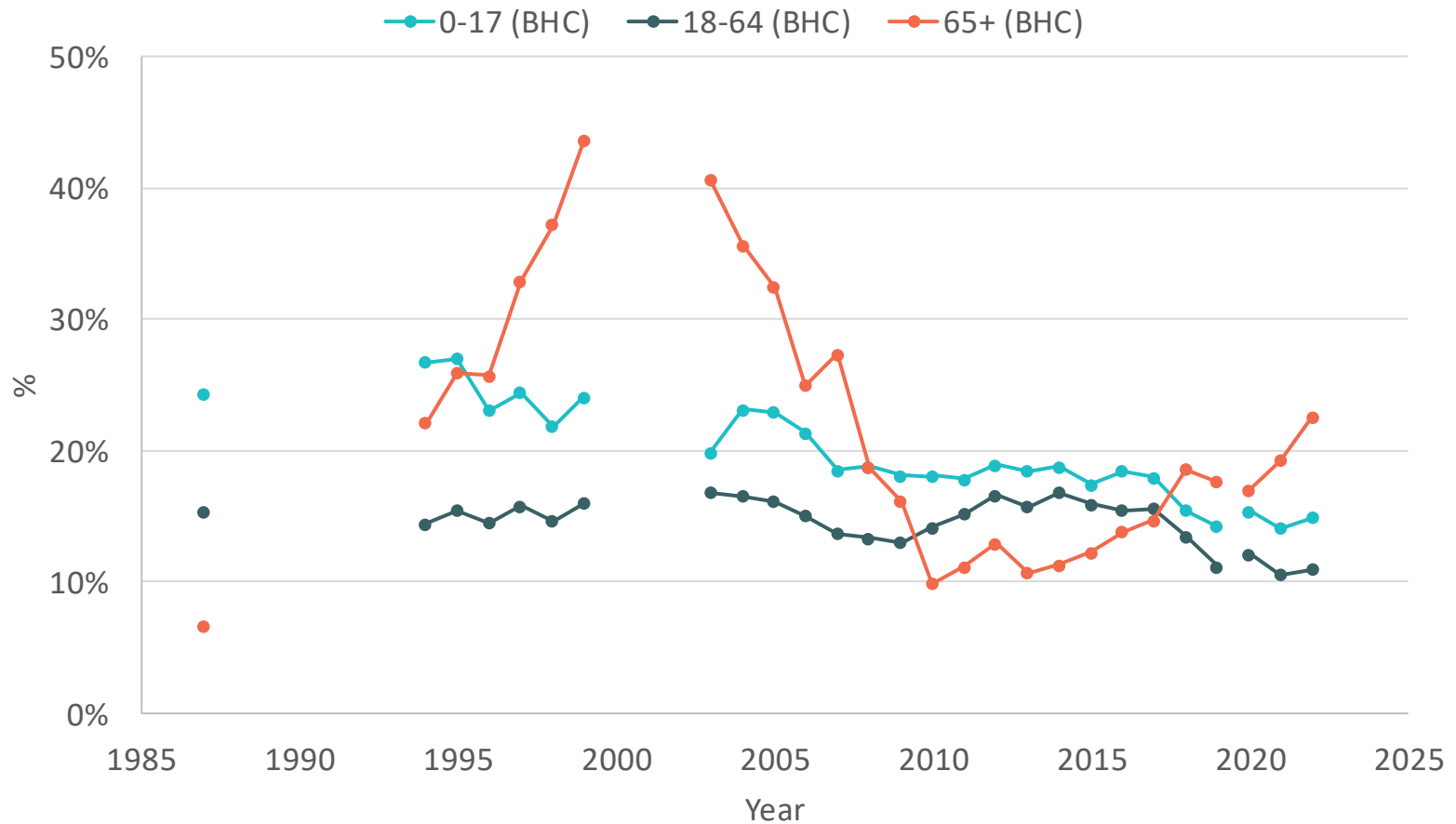
Monday 11th May 2026

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Child poverty in Ireland

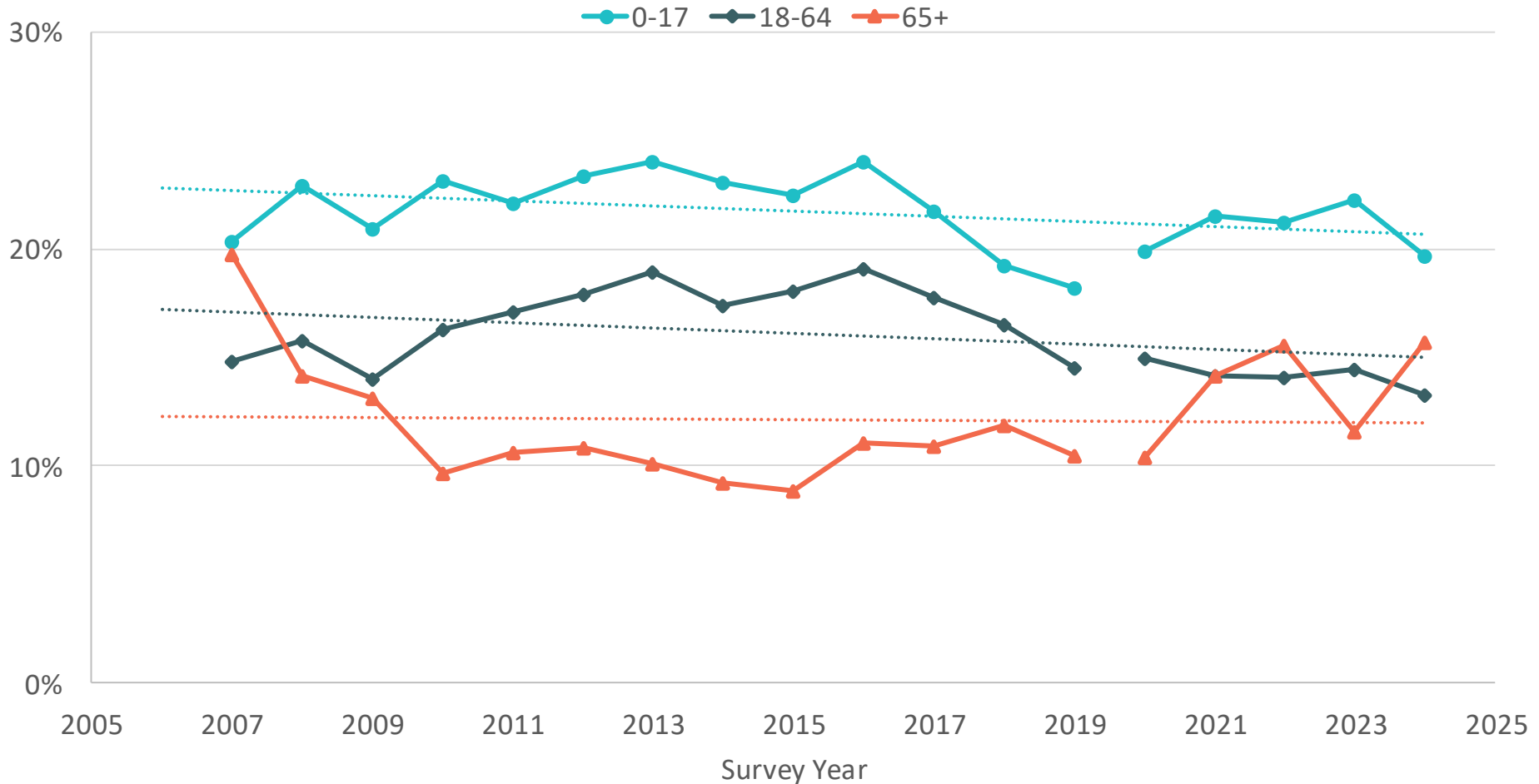
Rates of child poverty – the share of children in a household with less than 60% of median equivalised disposable household income – have declined over the past three decades in Ireland



Source: Roantree, B. and K. Doorley (2023). Poverty, income inequality and living standards in Ireland: Third annual report, Jointly-published Reports 4, Dublin: ESRI and Community Foundation Ireland, <https://doi.org/10.26504/jr4>

Child poverty in Ireland

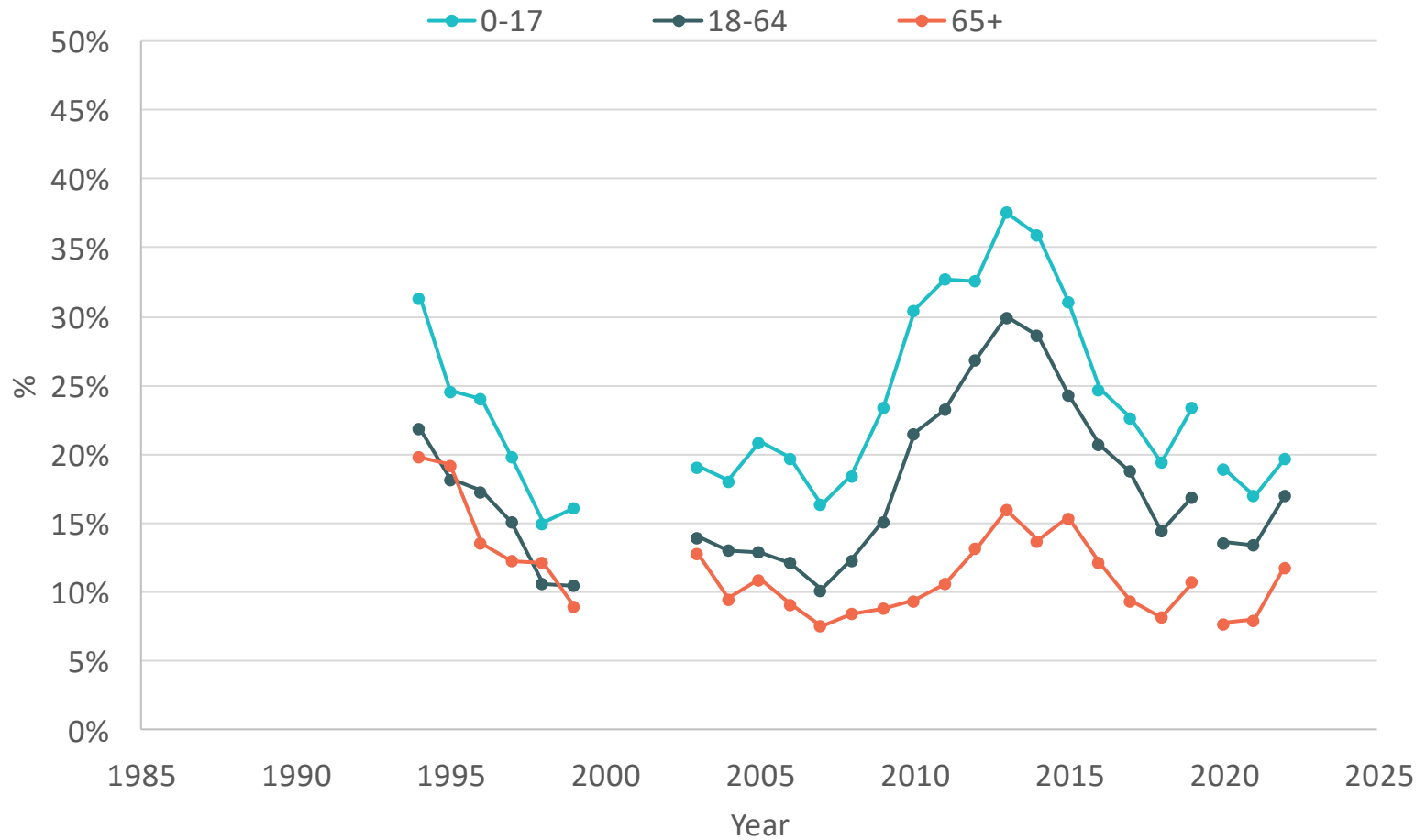
However, little change when look at incomes after housing costs, with AHC poverty rates consistently higher for children than other age-groups since the Great Recession



Source: Roantree et al. (2025). Poverty, income inequality and living standards in Ireland: Fifth annual report, Jointly-published Reports 14, Dublin: ESRI and Community Foundation Ireland, <https://doi.org/10.26504/jr14>

Child poverty in Ireland

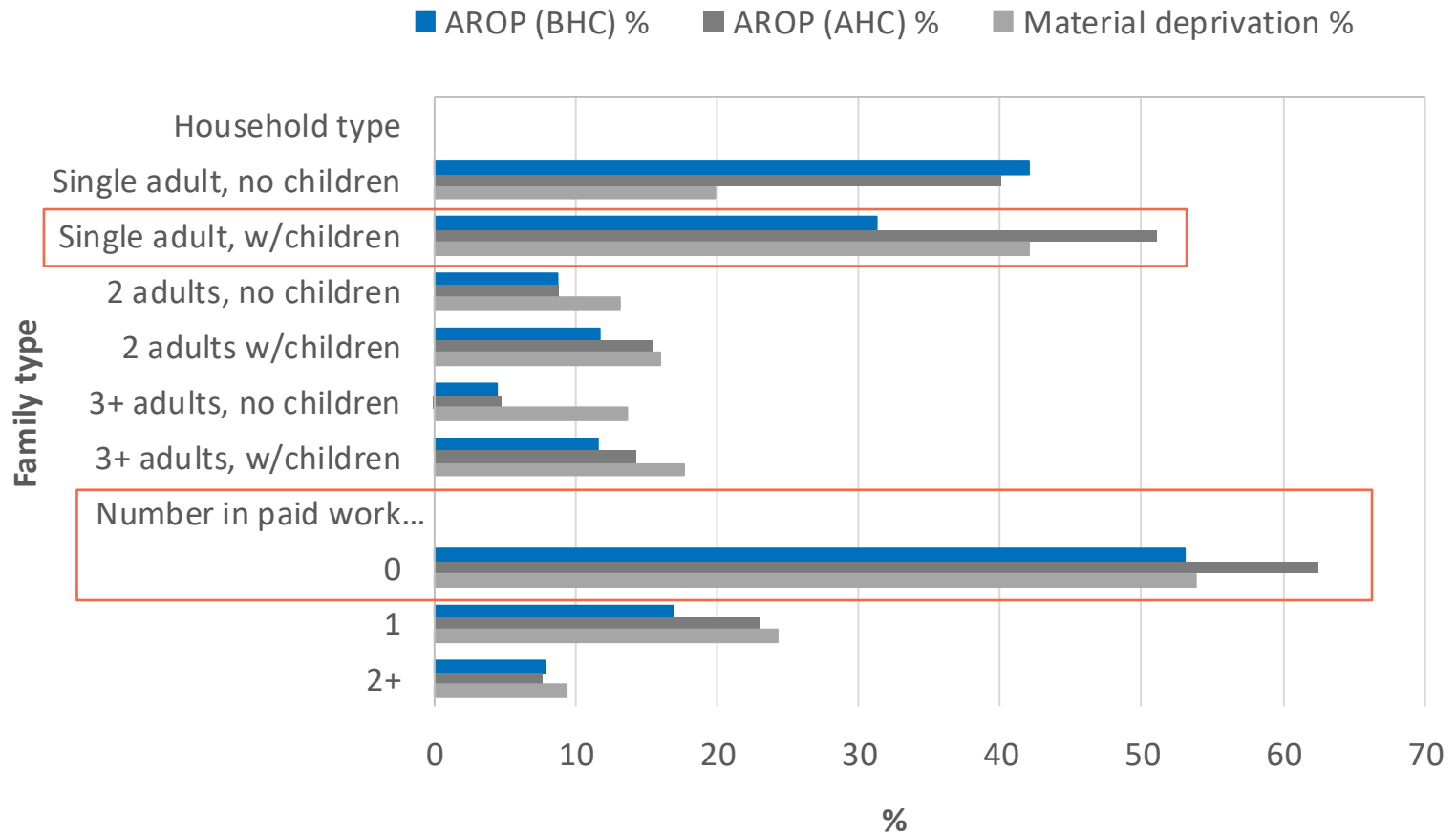
Rates of material deprivation have also been consistently higher for children than older age groups



Source: Roantree, B. and K. Doorley (2023). Poverty, income inequality and living standards in Ireland: Third annual report, Jointly-published Reports 4, Dublin: ESRI and Community Foundation Ireland, <https://doi.org/10.26504/jr4>

Child poverty in Ireland

... especially for kids of lone parents & those in households where no one (of working-age) in paid work



Source: Roantree, B. and K. Doorley (2023). Poverty, income inequality and living standards in Ireland: Third annual report, Jointly-published Reports 4, Dublin: ESRI and Community Foundation Ireland, <https://doi.org/10.26504/jr4>

Ways to reduce child poverty

Strong body of evidence that poverty has negative effects on child and later life outcomes, but also that giving cash to low-income families with children improves these outcomes

Nicely summarised in report by U.S. National Academies of Sciences:

- ‘wealth of evidence suggests that a lack of adequate family economic resources compromises children’s ability to grow and achieve success in adulthood’ (National Academies, 2019)

While not only thing that matters, also strong (causal) evidence that giving cash to low-income families improves outcomes of children

- Roantree & Doorley (2023) examined various ways of doing this

Ways to reduce child poverty

Roantree & Doorley (2023) examined various ways of reducing child poverty through cash transfers

Child Benefit very expensive

... as it's a universal payment

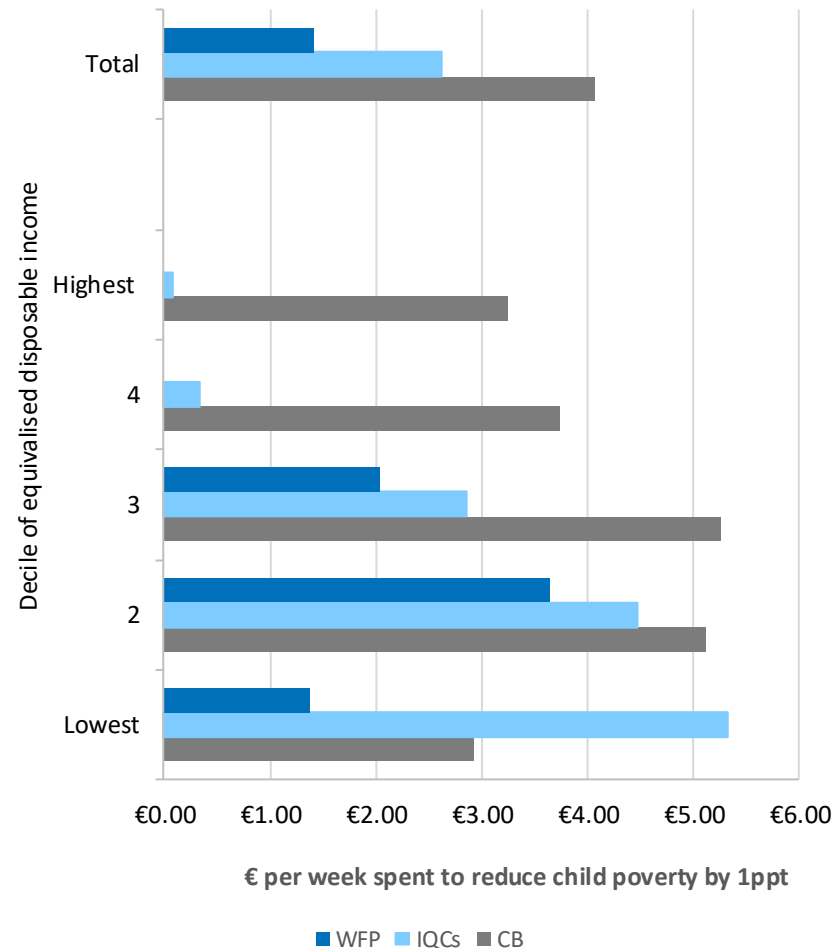
IQCs more targeted

... but (aggressively) means-tested with potential - impacts on work incentives

WFP does little for very poorest

... as requires claimant (or partner) to work at least 38hrs/fortnight

... and (still) has low-take up rate

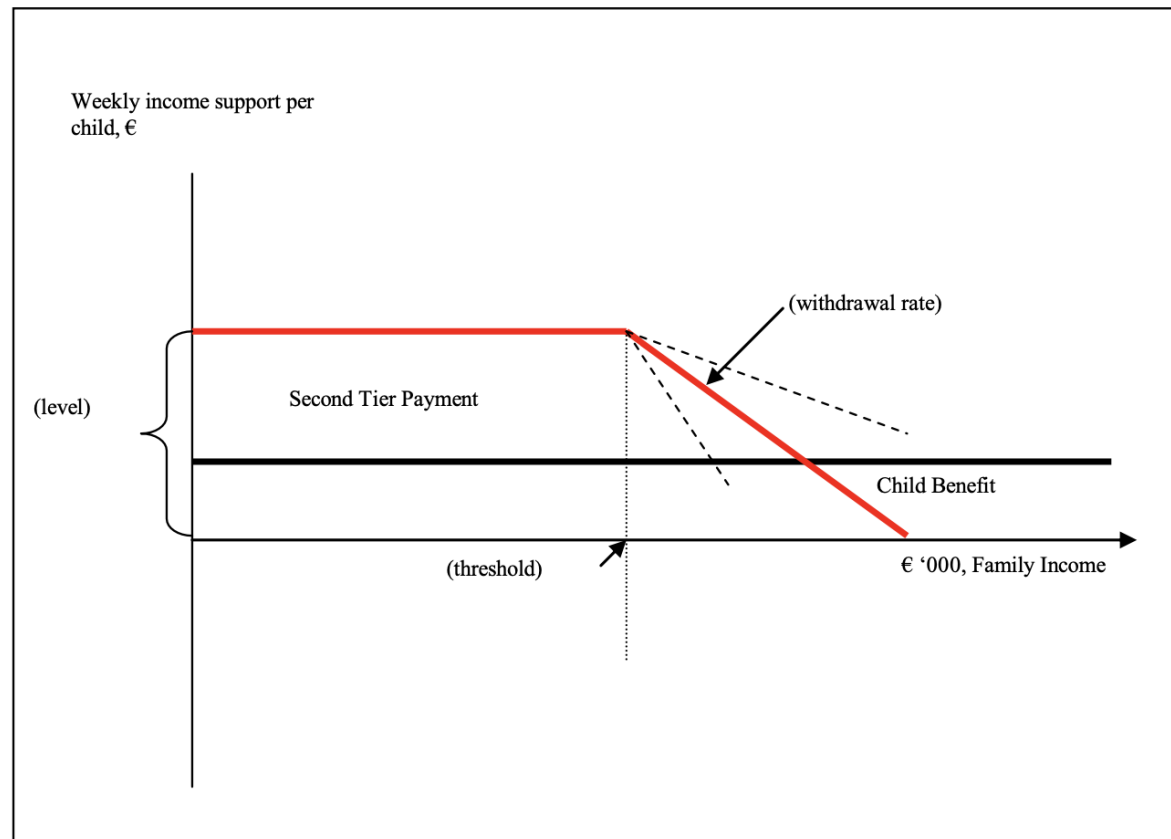


Roantree, B., and Doorley, K. (2023). Poverty, income inequality and living standards in Ireland: Third annual report, Jointly-published Reports 4, Dublin: ESRI and Community Foundation Ireland,

Ways to reduce child poverty

These limitations have led to proposals for a means-tested 2nd tier of child benefit going back to at least Sweeney (2007), most recently by NESC (2021) & the Commission on Tax and Welfare (2022)

Chart 4: The Basic Parameters of an Income-Related Second-Tier Child Payment



Source: Sweeney, J. (2007). 'Second tier child income support: the case for innovation'. - Dublin: Journal of the Statistical and Social Inquiry Society of Ireland, Vol.37, 2007/8 , pp.45-94

Ways to reduce child poverty

Such a means-tested 2nd tier of child benefit would enable policymakers to effectively target resources towards reductions in child poverty with far fewer consequences for financial work incentives

Simulations from ESRI SWITCH model suggest such a reform:

- Could reduce child poverty by a quarter (\cong 40,000 children) at a cost of €700m, while halving the poverty gap
- ... at a lower €/ppt reduction in child poverty than other approaches
- ... while directing resources towards lowest-income children

	2 nd -tier CB	Child Benefit	IQCs	WFP
Number of beneficiaries (households)	104,860	665,456	189,877	164,915
Change in:				
At-risk-of-poverty rate for children (ppt)	-3.8	-1.2	-1.9	-3.2
Poverty gap for children (ppt)	-2.0	-0.4	-0.9	-0.2
Net spending (€ million per year)	+691	+689	+693	+690

Sources: Authors' calculations using SWITCH v5.3 run on the 2019 Survey of Income and Living Conditions Research Microdata Files, updated to 2023 terms and reweighted.

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

Ways to reduce child poverty

However, such a reform requires confronting some of the implicit choices made in structure of the current system of income supports for low-income households (with and without children)

Should the welfare system encourage low-income parents to engage in part-time work, as through current design of WFP?

- Approach questioned by research which finds little wage progression (& so “self-sufficiency”) from part-time work
- Could still be seen as desirable if objective to enable/encourage lower-income parents to combine paid work with caring

Should eligibility for in-work welfare supports be restricted to parents?

- Not the case in most European countries, and could help deliver a more integrated system of working-age welfare payments
- Need to be careful in design to reduce risk that employers with market power were able to capture large share of the gains

Ways to reduce child poverty

However, such a reform requires confronting some of the implicit choices made in structure of the current system of income supports for low-income households (with and without children)

Should the welfare system give higher payments for children age 12+?

- Rationale is that families of older children have higher spending
- ... but parents have greater capacity to work when kids school age
- ... & good evidence that €€€ more effective when kids younger

DSP currently consulting on reform

Closing date 12 June 2026 for public consultation on “options for a new Targeted Child Payment and a new Working Age Payment in Ireland”

Very few details & broad Qs e.g:

- Do you think we should change our current system of Child Support Payment and Working Family Payment and introduce a targeted child payment? Why / Why not?
- Do you have an alternative proposal for a new child payment you would like to suggest?



Riailtas na hÉireann
Government of Ireland

A Public Discussion Paper exploring options for a new Targeted Child Payment and a new Working Age Payment in Ireland

Closing Date: 12 June 2026

Department of Social Protection