

# Lone Parenting and Poverty in Ireland

B. Lynch\*, M. Kenneally\*, B. Jeffers\*\* & M. Ryan\*

[brendalynch@ucc.ie](mailto:brendalynch@ucc.ie) [m.kenneally@ucc.ie](mailto:m.kenneally@ucc.ie) [rebeccaieffers@gmail.com](mailto:rebeccaieffers@gmail.com) [marie.ryan@ucc.ie](mailto:marie.ryan@ucc.ie)

\*Centre for Policy Studies UCC

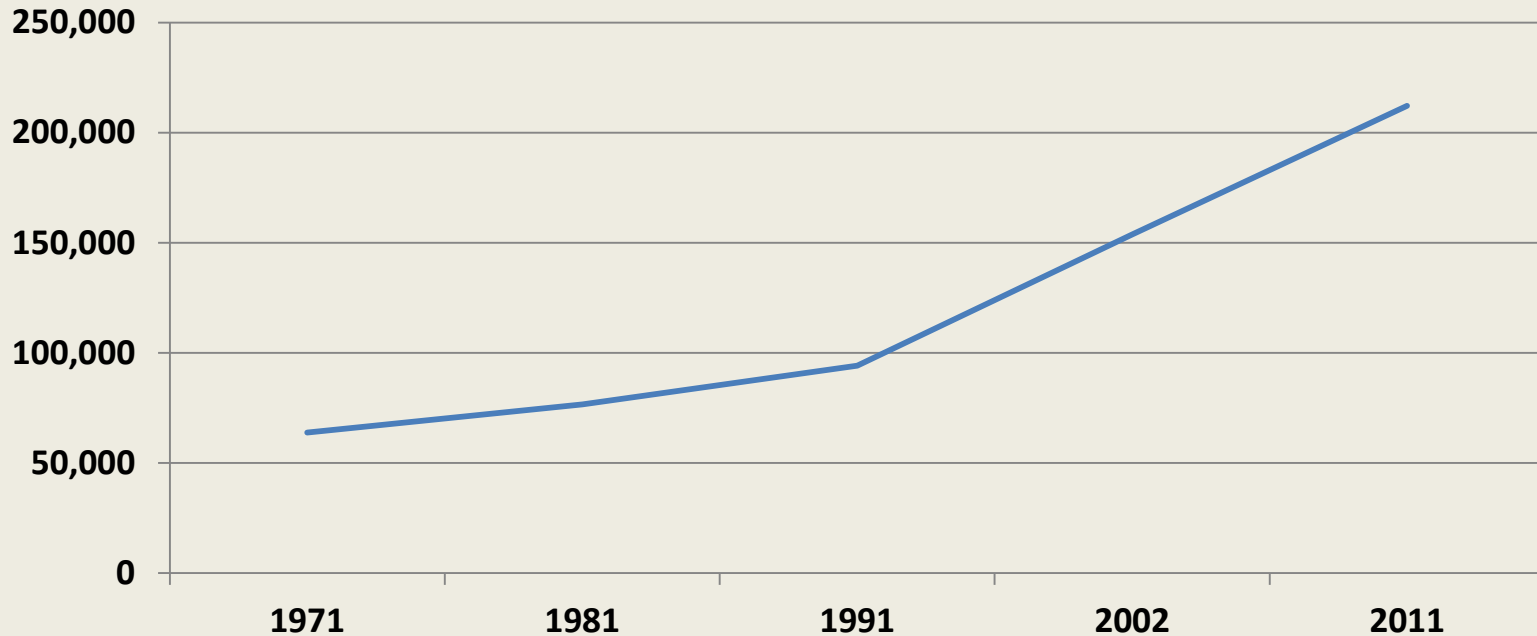
\*\* Ph.D. Scholar, School of Applied Social Studies UCC

# Lone-Parents in Ireland 2011

- 215,000 Lone Parent (LP) Families
- 567,000 people
- 12.4% of total population
- 1 in 8 people (180,000 households)

# Growth of Lone-Parenting in Ireland

## The Number of One-Parent Families in Ireland



- Between 1971 and 1991: increased 1,500 per annum
- Between 1991 and 2011: increased 6,000 per annum

# Number and Marital Status of Lone Parent Families (215,315) in 2011

Marital Status	Lone Parent Families	Percentage
<i>Single</i>	86,866	40%
<i>Married</i>	9,026	4%
<i>Separated</i>	42,863	20%
<i>Divorced</i>	23,339	11%
<i>Widowed</i>	52,221	24%
<b>Total Lone Parent Families</b>	<b>215,315</b>	<b>100%</b>
<b>Children in Lone Parent Families</b>	<b>351,996</b> =	<b>1.6 children per family</b>
<b>Persons in Lone Parent Families</b>	<b>567,311</b> =	<b>12.4% of 2011 population*</b>

- 87% headed by women
- 58% have 1 child; 27% have 2 children and 15% have 3 or more children
- 1 in 8 of 2011 people live in LP families

- 180,000 LP households
- **Employment (15+yrs):**
  - **43%** in LP households **employed**
  - **59%** of Husband/Wife households **employed**
- **Unemployment:**
  - **24.8%** Lone mothers
  - **12%** for coupled women with children
- **Higher** Unemployment rates for **Single** than Separated/Divorced **LP**

# Lone Parent Incomes during Recession

Household Composition	Ave Disposable Income				Ave Equivalised Disposable Income			
	2008	2009	2010	2011	2008	2009	2010	2011
<b>1 Adult + Children &lt;18</b>	<b>29,403</b>	<b>24,898</b>	<b>27,934</b>	<b>24,934</b>	<b>17,908</b>	<b>15,162</b>	<b>15,686</b>	<b>15,995</b>
2-Adults: 1-3 children < 18	58,523	54,138	52,047	51,448	25,438	23,956	22,170	22,516
% of 2-Adults: 1-3 children <18	<b>50%</b>	<b>46%</b>	<b>54%</b>	<b>48%</b>	<b>70%</b>	<b>63%</b>	<b>71%</b>	<b>71%</b>

- exclude benefits in kind in health (e.g. medical cards) ,housing & education

# State Support: One-Parent Family Payments (OFP)

One-Parent Family Payment	2003	2008	2009	2010	2011	2012
Number of Recipients	79,296	87,840	90,484	92,326	90,307	87,918
Total Value of OPF	€661m	€1,067m	€1,121m	€1,110m	€1,089m	€1,057m
OFP per Recipient	<b>€8,331</b>	<b>€12,149</b>	<b>€12,393</b>	<b>€12,026</b>	<b>€12,057</b>	<b>€12,031</b>

- OFP are “Core” LP payment: families may also receive Child Benefit, FIS, SWA, Rent Supplements & Medical Cards
- Means tested with qualifying conditions related to ages of OFP children
- 42% received OFP payments in 2011
- Between 2009 and 2012 OFP spending fell by €64m (fell by €362 per recipient)

# Who Received OFP Payments in 2012?

Number of One Parent Family Payments in 2012	Under 25	25-44	45+	Total
Unmarried, Separated Parents	10,676	62,700	13,696	87,072
Widow	8	394	444	846
<b>Total</b>	<b>10,684</b>	<b>63,094</b>	<b>14,140</b>	<b>87,918</b>

- 72% of OFP recipients were aged 25-44
- 24% of LP families were **Widows** but received 1% of OFP payments
- **Unmarried or separated parents** received 99% of OFP payments
- **Unmarried LP** differ from **Separated or Divorced OFP**:  
have younger children & less income: More likely to qualify for OFP



# How Well do State Transfers Reduce LP Poverty?

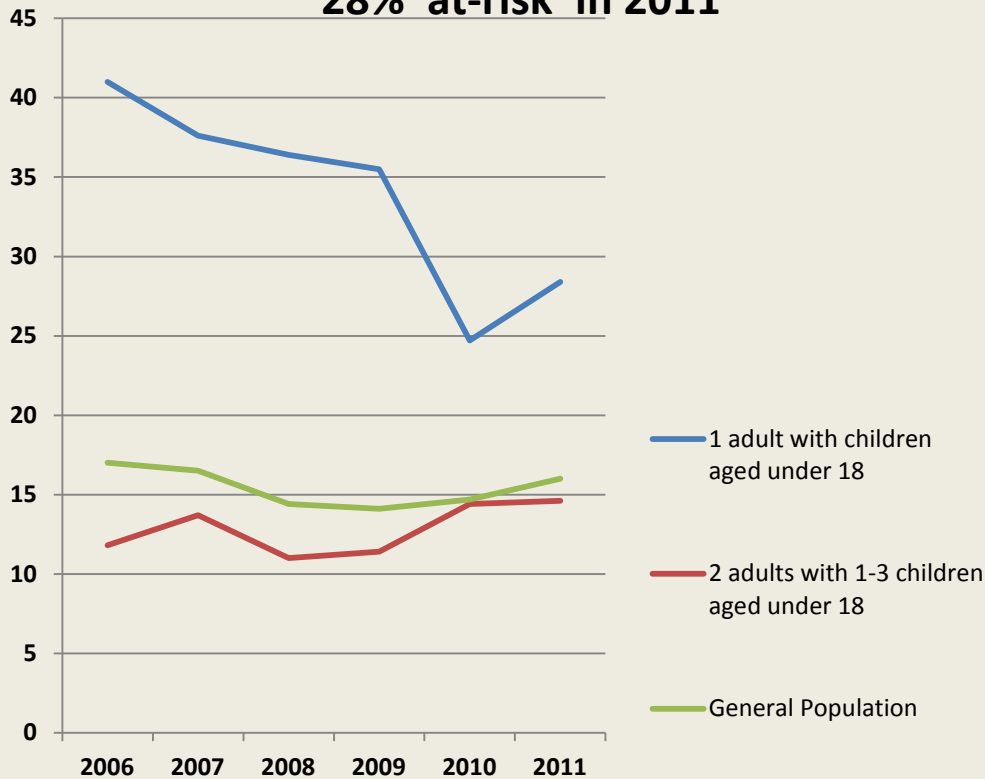
Ireland : All Households (%)	2008	2009	2010	2011	2012
Actual 'At Risk of Poverty' Rate	14.4	14.1	14.7	16	16.5
<i>Excluding</i> all Social Transfers	43.0	46.2	50.2	50.7	50.3
<b>Poverty Reduction Effectiveness</b>	<b>66.5%</b>	<b>69.5%</b>	<b>70.7%</b>	<b>68.4%</b>	<b>67%</b>
Ireland: 1 Adult + Children Households*					
Actual 'At Risk of Poverty' Rate	36.4	35.5	24.7	28.4	29.1
<i>Excluding</i> all Social Transfers	82.5	85.1	82.2	83.4	80
<b>Poverty Reduction Effectiveness</b>	<b>55.9%</b>	<b>58.3%</b>	<b>70.0%</b>	<b>65.9%</b>	<b>63.6%</b>

- 2008 to 2012, transfers reduced 'At Risk of poverty' all households **on average 68%**
- LP households **on average 63%**
- Social Transfers are less effective for Lone Parents
- but are more effective since 2010
- (These calculations exclude the contribution of 'Benefits in Kind' to poverty reduction)
- \* **We are grateful to Patrick Foley CSO for this special SILC tabulation**

# Poverty in Lone Parent(LP)Households

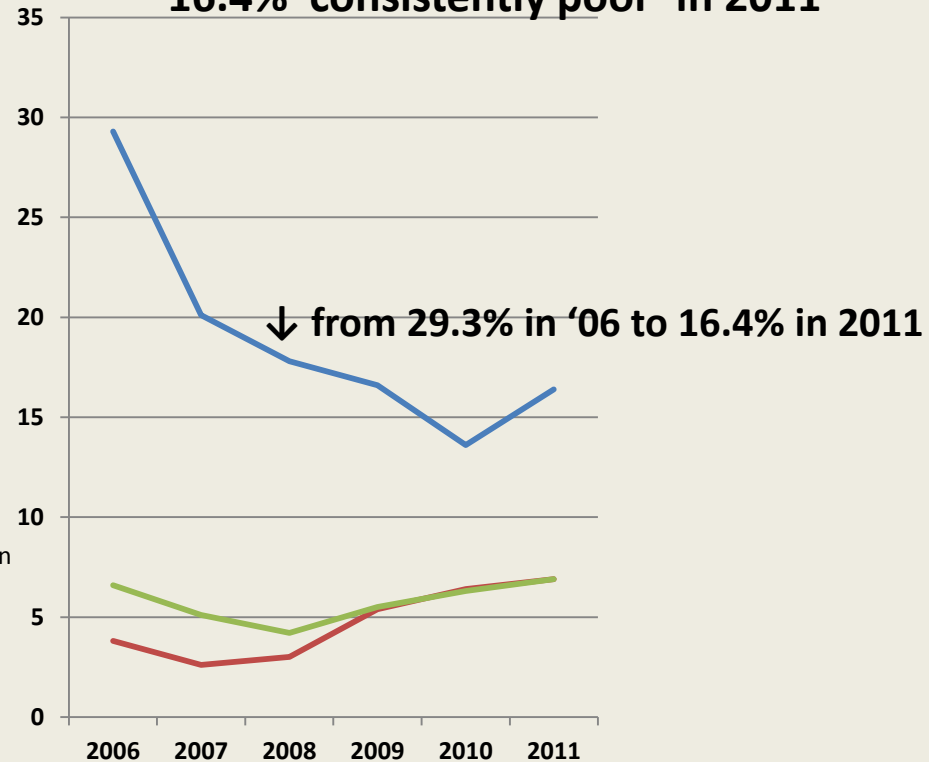
**At Risk of Poverty Rates by Household Type**

**28% 'at-risk' in 2011**



**Consistent Poverty Rates by Household Type**

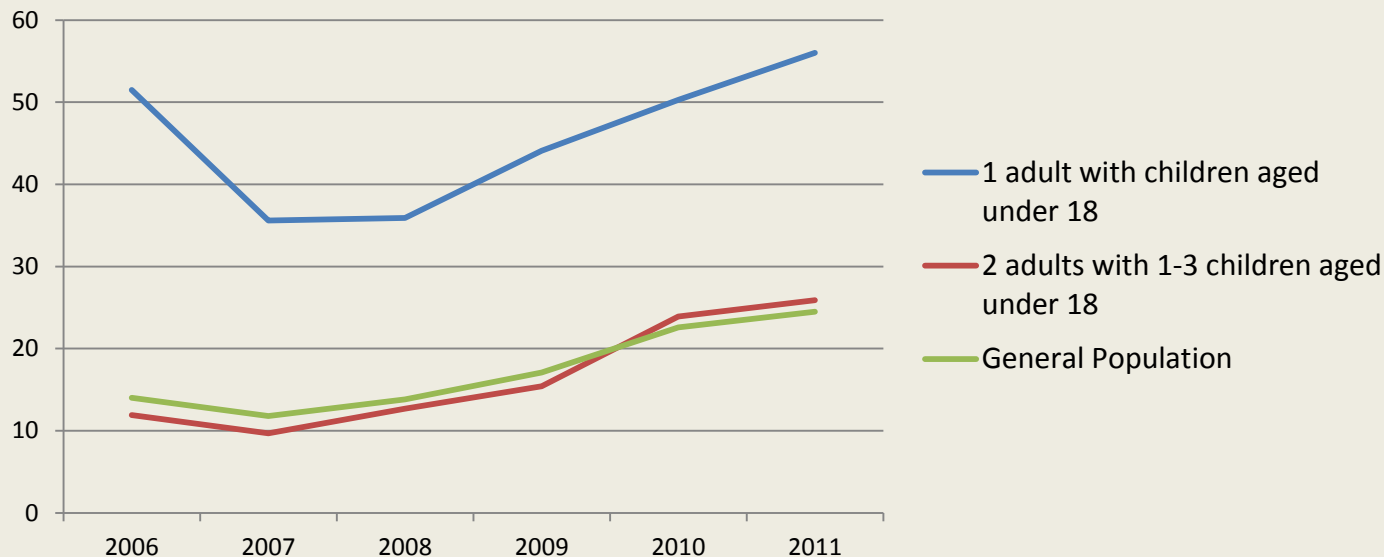
**16.4% 'consistently poor' in 2011**



- Consistent Poverty over 7 times higher in LP than 2-parent households in 2006 narrowed to 2.4 times higher in 2011

# Deprivation in Lone Parent (LP) Households

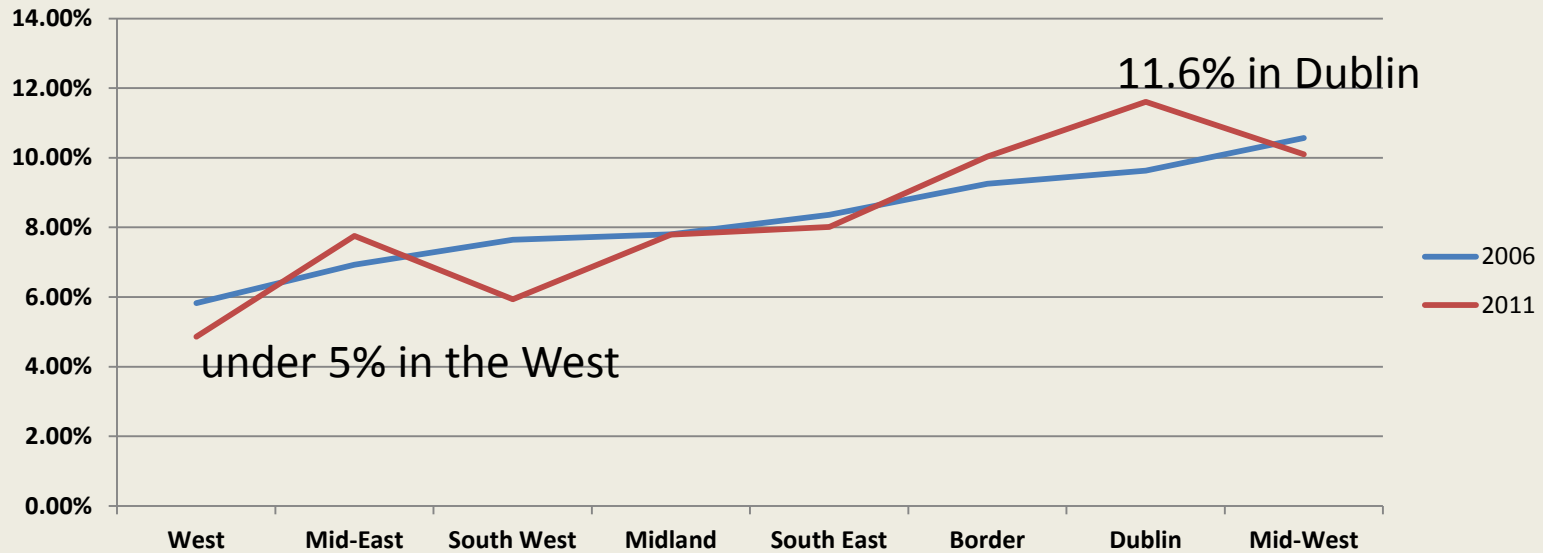
Deprivation Rates by Household Type



- In 2011 **1/6<sup>th</sup>** (16.4%) of LP households were classed “**consistently poor**”
- However, over **50%** were **Deprived**
- Deprivation Rate fell in 2007/8 (**36%**)  
But increased to over **50%** in 2010/2011
- 2011: LP Deprivation Rate is **over twice** that of general population

# Regional Variations in One Parent Family Payments in Ireland

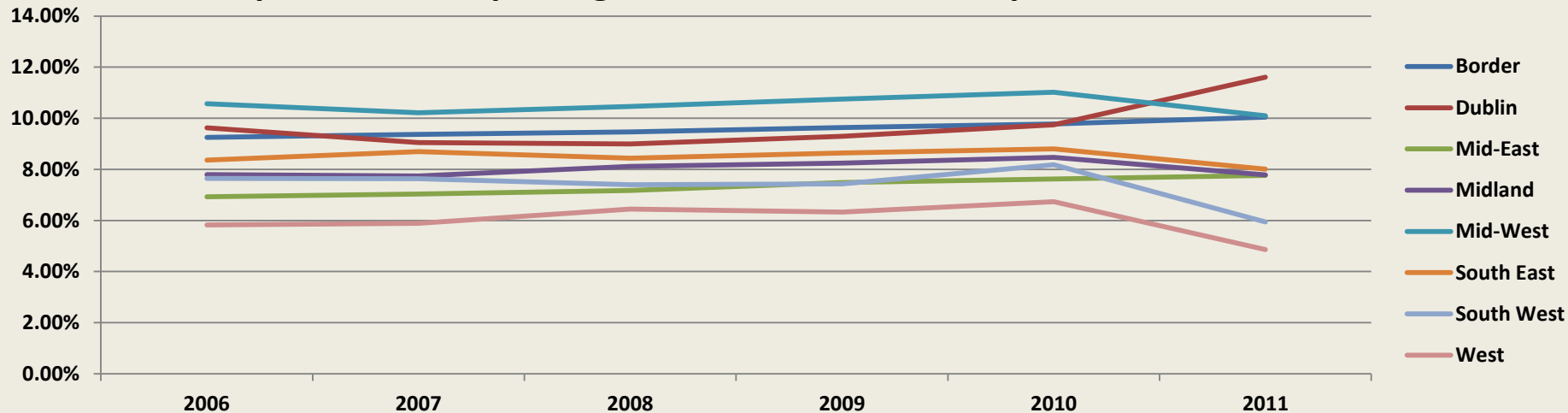
Recipients of OFP per Region as % of Female Population 15 - 44



- 2011 OFP rates increased in Dublin, Border & Mid-East
- decreased in West & South West

# Regional OFP Rates and Rankings

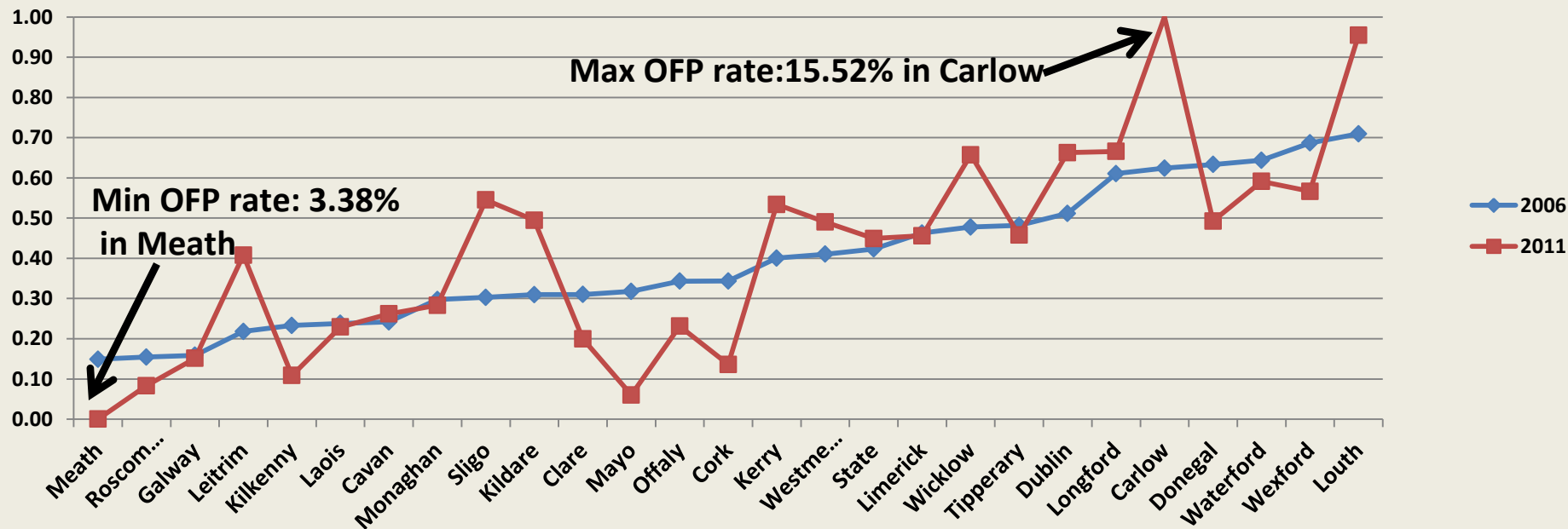
## Recipients of OFP per region as a % of Female Population 15 - 44



- From 2006 to 2010 OFP Rates & Rankings remained **broadly stable** across regions
- In 2011 the OFP rate in Dublin turned sharply upwards
- OFP rates in the West, South-West & Mid-West turned sharply downwards
- **Regional** OFP rates conceal wide scale **inter-county** variations in OFP rates

# An Index of County Variations in OFP Family Payment Rates in 2006 and 2011

## County Index of OFP Payments Rates in 2006 and 2011



- The **Max – Min OFP Index range was 12%**, ranging from 0 in Meath to 100 in Carlow
- OFP rates volatile but with an 82% correlation coefficient between 2006 & 2011
- No clear ‘urban’ or ‘regional’ OFP pattern

# Our Model of Inter-county OFP rates

- We modelled each county's 2011 OFP rate as a function of:
  1. Disposable Income,
  2. OFP Replacement Rate [i.e. (OFP + Child Benefit)/County Income]
  3. Number of CBA women with GMS cover (i.e. medical cards)

We included a city dummy variable for Dublin, Cork, Limerick, Galway and Kilkenny and a separate dummy for Mayo

We estimated the model in Error Correction Form and 'tested down' to obtain the following 'preferred' model and results;

# What Explains Inter-Country Differences in OFP Payment Rates?

Dependent Variable is the (log) growth in the 2011/2006 OFP Rate	coefficient	t-stat
1. Intercept	-3.4	-4.96
2. The change (2011 – 2006) in Number of CBA Women with GMS cover	-0.0141	-5.3
3. The Number of CBA Women with GMS cover in 2006	+0.00446	+4.49
4. The change (2010 – 2006) in Disposable Income (€'000)	+0.217	+3.00
5. Disposable Income in 2006 (€'000)	+0.194	+5.21
6. The change in OFP Replacement Rate (2010 – 2006)	+1.7	+1.79
7. City Dummy (Dublin, Cork, Limerick, Galway, Kilkenny = 1; Otherwise 0)	-0.336	-3.90
8. Mayo Dummy (Mayo = 1; Otherwise 0)	-0.655	-4.42
Fit Stats: Adjusted R Square = 68% : F = 8.69		

## *Key Findings:*

1. County OFP rates fell (by 0.24% on average) between 2006 and 2011
2. Falling incomes between 2006 and 2011 reduced OFP rates, however mitigated by
  - (a) Increasing OFP Replacement Rates in Irish counties and
  - (b) Increasing CBA medical card holders
3. Also city OFP rates are lower – allowing for higher city incomes
4. OFP rate is lower in Mayo – other things constant



## Projection

- Project the OFP rate in each county, the number of OFP recipients & cost of OFP payments

## Simulation

- Changes in demographics, incomes, replacement rates & GMS cover identify policy trade-offs
- *Example –*
  - **Higher Replacement Rates & Higher GMS cover** reduced the % of LP Households “*At Risk of Poverty*” & “*Consistent Poverty*” between 2006 & 2012 BUT also increased the Rate of OFP-eligible Lone Parents – the main source of those poverty risks
- We can model how well safety nets:
  - (i) Ease Poverty Risks in LP Households
  - (ii) avoid creating ‘moral hazard’ incentives to LP

# The Wider Policy Debate

Daly and Clavero, (2009) identify two recent policy debates;

- a) **How long** can State provide supports without encouraging long-term dependency?
  
- a) **How should** public policy encourage Lone Parent employment?

- OECD (2003) : labour market activation as effective at relieving LP poverty.
- Inactive Lone Parents (One Family, 2008) while others found they favour training & employment.
- The Official aim of OFP is to *“encourage lone parents to consider employment ...while .... supporting them to remain in the home ..”* (DSFA cited in One Family, 2008: 8).

## Income and Labour Market Activation

- Since 1998 all unemployed persons <25 on Live Register over six months are referred to Solas.
- **Previously** (OFP) cuts-off when child reaches 20yrs
- **Now:**
  1. When youngest child reaches 7yrs OFP will cease (by July 2015)
  2. Post July 2015 unemployed Lone Parents must apply for alternative supports, (e.g. 'Back to Work' or Job-seeker Allowance).

- The Advisory Group on Child & Family Income Support (2012) wants to ensure “...*the income support and tax systems provide good incentives to take up work and contribute to the reduction of poverty and child poverty...*”
- Millar & Evans, (2003) & Carey et al. (2007) highlight the need to get the ***policy mix*** in favour of ‘Activation’ & away from dependency & poverty
- To succeed Solas Activation policies must overcome the work disincentives facing Lone Parents:

## a) *Childcare costs*

- Bradshaw et al. (1996) & Carey et al. (2007): suggest policies will be ‘fruitless’ without affordable childcare, which is expensive & may require a changes to expenditure.

### *Interim Policies to date:*

1. The *Free Pre-School year in Early Childhood Care and Education (ECCE)* (DCYA, 2009) provides a free childcare service for 3 hours a day, 5 days a week for 38 weeks.
2. Breakfast, Homework and After School Clubs offer cheaper alternatives to private childcare for school-aged kids.

## ***b) Training and Education***

- Lone Parents with low educational attainment – refuted by Miller (2007)

## ***c) Flexibility***

- Flexible parental leave & family-friendly work hours
- Usually results in insecure work conditions
- Low-pay traps

## ***d) Housing***

- Income disregard with respect to rent supplement

# Conclusions

- 1 in 8 Irish persons live in an LP household
- Heterogeneous marital status
- Higher 'official' risks of poverty
- Welfare relieves these poverty risks but may encourage LP household formation
- OFP rates vary widely and quite unexpectedly across Irish counties



# Conclusions

- Future work will project and simulate the OFP outcomes (county rates & recipients) & the OFP costs of different policy platforms
- ‘Activation’ policies terminate state supports (OFPs) earlier to reduce dependency
- But there must be an integrated approach to related policies that promotes affordable childcare, education, training & flexible employment

*“One-Parent Family Payment is not payable to a person who is in a relationship and living with another person of the opposite or same sex.”*

- This **‘co-habitation rule’** is a disincentive to joint parenting and family formation
- If two persons on means tested benefit cohabit one becomes an **‘adult dependent’** & receives a **‘qualified adult’** payment i.e. less than full rate OFP
- The ex Lone Parent loses the direct payment & the earnings disregard which allows them earn up to €146.50 per week while retaining full rate OFP
- Proposals\* to end the ‘cohabitation’ rule do not address the ‘moral hazard’ of costless parenting by the second absent single parent

*\*Review of the One-Parent Family Payment DSCFA*

# Appendix: Lone Parent Incomes during Recession

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Total State	49,043	45,959	43,151	41,819	24,380	23,326	22,138	21,440
<b>% of Total State</b>	<b>60%</b>	<b>54%</b>	<b>65%</b>	<b>60%</b>	<b>73%</b>	<b>65%</b>	<b>71%</b>	<b>75%</b>
Single under 65	26,533	25,364	22,273	23,310	26,533	25364	22,273	23,310
<b>% of Single under 65</b>	<b>111%</b>	<b>98%</b>	<b>125%</b>	<b>107%</b>	<b>67%</b>	<b>60%</b>	<b>70%</b>	<b>69%</b>
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