Lone Parenting and Poverty in Ireland

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

brendalynch@ucc.ie m.kenneally@ucc.ie rebecca.jeffers@gmail.com marie.ryan@ucc.ie

*Centre for Policy Studies UCC

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

- 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

<table>
<thead>
<tr>
<th>Marital Status</th>
<th>Lone Parent Families</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Single</td>
<td>86,866</td>
<td>40%</td>
</tr>
<tr>
<td>Married</td>
<td>9,026</td>
<td>4%</td>
</tr>
<tr>
<td>Separated</td>
<td>42,863</td>
<td>20%</td>
</tr>
<tr>
<td>Divorced</td>
<td>23,339</td>
<td>11%</td>
</tr>
<tr>
<td>Widowed</td>
<td>52,221</td>
<td>24%</td>
</tr>
<tr>
<td><strong>Total Lone Parent Families</strong></td>
<td><strong>215,315</strong></td>
<td><strong>100%</strong></td>
</tr>
</tbody>
</table>

- **Children in Lone Parent Families**: 351,996 = 1.6 children per family
- **Persons in Lone Parent Families**: 567,311 = 12.4% of 2011 population*

- 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
Lone Parenting (LP) & Employment in 2011

- 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

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<td>% of 2-Adults: 1-3 children &lt;18</td>
<td>50%</td>
<td>46%</td>
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</tbody>
</table>

- exclude benefits in kind in health (e.g. medical cards), housing & education
## State Support: One-Parent Family Payments (OFP)

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

- 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?

- 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

### Number of One Parent Family Payments in 2012

<table>
<thead>
<tr>
<th></th>
<th>Under 25</th>
<th>25-44</th>
<th>45+</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Unmarried, Separated</td>
<td>10,676</td>
<td>62,700</td>
<td>13,696</td>
<td>87,072</td>
</tr>
<tr>
<td>Widow</td>
<td>8</td>
<td>394</td>
<td>444</td>
<td>846</td>
</tr>
<tr>
<td>Total</td>
<td>10,684</td>
<td>63,094</td>
<td>14,140</td>
<td>87,918</td>
</tr>
</tbody>
</table>
How Well do State Transfers Reduce LP Poverty?

- 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

<table>
<thead>
<tr>
<th>Ireland : All Households (%)</th>
<th>2008</th>
<th>2009</th>
<th>2010</th>
<th>2011</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>Actual ‘At Risk of Poverty’ Rate</td>
<td>14.4</td>
<td>14.1</td>
<td>14.7</td>
<td>16</td>
<td>16.5</td>
</tr>
<tr>
<td>Excluding all Social Transfers</td>
<td>43.0</td>
<td>46.2</td>
<td>50.2</td>
<td>50.7</td>
<td>50.3</td>
</tr>
<tr>
<td>Poverty Reduction Effectiveness</td>
<td>66.5%</td>
<td>69.5%</td>
<td>70.7%</td>
<td>68.4%</td>
<td>67%</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Ireland: 1 Adult + Children Households*</th>
<th>2008</th>
<th>2009</th>
<th>2010</th>
<th>2011</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>Actual ‘At Risk of Poverty’ Rate</td>
<td>36.4</td>
<td>35.5</td>
<td>24.7</td>
<td>28.4</td>
<td>29.1</td>
</tr>
<tr>
<td>Excluding all Social Transfers</td>
<td>82.5</td>
<td>85.1</td>
<td>82.2</td>
<td>83.4</td>
<td>80</td>
</tr>
<tr>
<td>Poverty Reduction Effectiveness</td>
<td>55.9%</td>
<td>58.3%</td>
<td>70.0%</td>
<td>65.9%</td>
<td>63.6%</td>
</tr>
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Poverty in Lone Parent (LP) Households

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

At Risk of Poverty Rates by Household Type

28% ‘at-risk’ in 2011

16.4% ‘consistently poor’ in 2011

Consistent Poverty Rates by Household Type

↓ from 29.3% in ‘06 to 16.4% in 2011

- 1 adult with children aged under 18
- 2 adults with 1-3 children aged under 18
- General Population
In 2011, 1/6th (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.
• 2011 OFP rates increased in Dublin, Border & Mid-East
• decreased in West & South West
Regional OFP Rates and Rankings

- 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

- 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

<table>
<thead>
<tr>
<th>Description</th>
<th>Coefficient</th>
<th>t-stat</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Intercept</td>
<td>-3.4</td>
<td>-4.96</td>
</tr>
<tr>
<td>2. The change (2011 – 2006) in Number of CBA Women with GMS cover</td>
<td>-0.0141</td>
<td>-5.3</td>
</tr>
<tr>
<td>3. The Number of CBA Women with GMS cover in 2006</td>
<td>+0.00446</td>
<td>+4.49</td>
</tr>
<tr>
<td>4. The change (2010 – 2006) in Disposable Income (€’000)</td>
<td>+0.217</td>
<td>+3.00</td>
</tr>
<tr>
<td>5. Disposable Income in 2006 (€’000)</td>
<td>+0.194</td>
<td>+5.21</td>
</tr>
<tr>
<td>6. The change in OFP Replacement Rate (2010 – 2006)</td>
<td>+1.7</td>
<td>+1.79</td>
</tr>
<tr>
<td>7. City Dummy (Dublin, Cork, Limerick, Galway, Kilkenny = 1; Otherwise 0)</td>
<td>-0.336</td>
<td>-3.90</td>
</tr>
<tr>
<td>8. Mayo Dummy (Mayo = 1; Otherwise 0)</td>
<td>-0.655</td>
<td>-4.42</td>
</tr>
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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
Possible Outcomes and Policy Uses

**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
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
Appendix: Cohabitation

“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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<td>Total State</td>
<td>49,043</td>
<td>45,959</td>
</tr>
<tr>
<td>% of Total State</td>
<td>60%</td>
<td>54%</td>
</tr>
<tr>
<td>Single under 65</td>
<td>26,533</td>
<td>25,364</td>
</tr>
<tr>
<td>% of Single under 65</td>
<td>111%</td>
<td>98%</td>
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