CHAPTER 3: CIS PROGRAMMES – BROAD DESCRIPTION AND SPENDING TRENDS

The purpose of this chapter is to define the outputs associated with relevant programme activity and to identify the level and trend of those outputs and the level and trend of costs.

3.1 Description of CIS programmes

This section addresses the evaluation question: What are the payments associated with child income support programmes?

3.1.1 Scope of CIS policy and programmes

The purpose of the review is to examine public policy around providing income support to households with children. While the intention is to consider some aspects of individual CIS programmes, particularly those that determine their effectiveness in achieving overall policy objectives, the focus is on the bigger picture and how such programmes make a contribution to overall policy objectives and whether they interact comprehensively and coherently. This approach is similar to that adopted in other expenditure reviews such as the review of illness and disability payments.[60]

There are a large number of programmes that provide financial support in respect of children (see Table 3-1) and there is considerable variety in delivery mechanisms (cash payments, tax exemptions, support to service providers), in the degree of targeting and in the extent of conditionality. It would be impractical to cover all of these programmes in this expenditure review. However, defining precisely what constitutes financial support to families with children is not straightforward. For instance, the OECD includes payments to lone parents, the costs of child-related services and tax breaks directed at families with children (see Box 3-1) but does not include increases to primary social welfare payments linked with dependent children (Qualified Child Increases - QCIs).

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[60] *Report of the Working Group on the Review of the Illness and Disability Payment Schemes,* Department of Social and Family Affairs (Dublin, 2003).

Table 3-1: Overview of financial supports for families with children[61]

Type of support	Name of support
Cash payment through the social welfare system	Child Benefit Early Childcare Supplement (replaced in 2010 by ECCE - see below) QCIs (increases to primary social welfare payments linked with dependent children) Back to School Clothing and Footwear Allowance Family Income Supplement Guardians payments (formerly Orphans payments) One Parent Family Payment Maternity/Health and Safety Benefit Domiciliary Care Allowance Widowed Parent Grant
Cash equivalent supports provided through the tax system	Home Carers Tax Credit Exemption of CB from income tax Exemption of foster care payments from income tax One parent family tax credit Widowed parent tax credit
Other supports (including childcare related payments)	Early Childhood Care & Education (ECCE) Community Childcare Subvention Scheme 2008-2010 (CCSS). School meals programme Foster Care Allowance Capital allowances for childcare facilities Income tax exemption for childcare service providers Exemption of employer-provided childcare from benefit-in-kind charge.

The review takes a pragmatic approach to this question by focussing on the main cash payments which provide supports to families with children (Child Benefit, Family Income Supplement and QCIs). The review also considers policy related issues in relation to other child-related cash payments which have had an impact of family incomes over the period (Early Childcare Supplement[62] and Back to School Clothing and Footwear Allowance[63]). The

[61] It should be noted that not all families with children receive all of the supports set out in this table.

[62] Early Childcare Supplement: This tax-free non means tested supplement, introduced in Budget 2006, was a payment from the Office of the Minister for Children to assist with the childcare costs of children less than six years of age in recognition of the higher costs associated with caring for children in their pre-school years. This scheme was abolished at the end of 2009 and replaced in January 2010 with a free pre-school year of Early Childhood Care and Education for all children between 3 years and 6 months and 4 years and 6 months. The scheme was administered on an agency basis on behalf of the Minister for Children by the Department of Social and Family Affairs.

[63] BtSCFA: This scheme is part of the broader Supplementary Welfare Allowance programme, which is administered by the community welfare division of the Health Service Executive. DSP funds the Back to School Clothing and Footwear Allowance. The aim of the scheme is to assist families on social welfare payments towards the cost of uniforms and footwear for school going children. This scheme

review does not consider tax exemptions in respect of children and nor does it consider those payments linked with the cost of care for children (such as maternity benefits or guardian's payments).

Box 3-1: OECD definition of family policies

According to the OECD family policy database, public spending on family benefits includes financial support that is exclusively for families and children. Spending recorded in other social policy areas such as health and housing also assist families, but since it is not exclusively directed to families, it is not included in spending on family. Broadly speaking there are three types of public spending on family benefits. 1. Child-related cash transfers to families with children: this includes child allowances, with payment levels that in some countries vary with the age of the child, and sometimes are income-tested; public income support payments during periods of parental leave; income support for lone parents families (which the OECD says puts spending on family benefits higher in Ireland than in other countries); and public childcare support through earmarked payments to parents. 2. Public spending on services for families with children: this includes direct financing and subsidising of providers of childcare and early education facilities, public spending on assistance for young people and residential facilities, and public spending on family services, including centre-based facilities and home help services for families in need. 3. Financial support for families provided through the tax system. Tax expenditures towards families include tax exemptions (e.g. income from child benefits that is not included in the tax base); child tax allowances (amounts for children that are deducted from gross income and are not included in taxable income), child tax credits, and amounts that are deducted from the tax liability. Source: OECD http://www.oecd.org/dataoecd/45/46/37864391.pdf

While CIS policy has not previously been part of the expenditure review initiative, it has been the subject of a considerable number of reviews and reports in the last thirty years or so.

The broad scope of key relevant reports are summarised in Table 3-2 showing the report subject, year of publication and the programmes included in the definition of child income supports. For most of these studies (NESC (1980), the CSW and the TWIG), the child income support policy areas covered three key programmes: the Child Benefit programme (CB),

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was itself the subject of an earlier expenditure review in 2004. *Review of the Back to School Clothing and Footwear Allowance*, Department of Social and Family Affairs (Dublin, 2004).

Qualified Child Increases[64] (QCI's) to primary income support payments and Family Income Supplement (FIS).

Table 3-2: Scope of child income support programmes covered in earlier studies

Report	Year of publication	Programmes included
NESC No 47 – Alternative strategies for family income support	1980	Child tax allowances, Children's Allowance, Child Dependant Allowances
Commission for Social Welfare (CSW)	1986	Children's Allowance, CDAs, Family Income Supplement
Child Benefit Review Group	1995	Child Benefit
Expert Working Group on Integrating Tax and Social Welfare (TWIG)	1996	CB, CDAs, FIS
NESC No 113 – Developmental Welfare State	2005	CB, CDAs, FIS
NESC research series paper no. 6 – Ireland's Child Income Supports: The case for a new form of targeting	2007	CB, Early Childcare Supplement, CDAs, FIS, BtSCFA

3.1.2 Child Benefit – description and key developments

The Child Benefit[65] payment succeeded the Children's Allowance payment in 1986. Both were/are non means-tested, tax-free monthly payments payable to the parents or guardians of children. The upper age for eligible children has changed over time but currently applies to children under 16 years of age, or under 18 years[66] of age if in full-time education, on certain training schemes or if the child has a disability. In the case of multiple births, the rate of child benefit for twins is payable at one and a half times the normal monthly rate for each child and at double the normal monthly rate for each child in the case of triplets or more

[64] While QCIs are paid as a supplement to most of the main social welfare payments and not a specific programme as such, QCIs were an identifiable and quantifiable source of spending streams which were affected by the broader design of the social welfare system. Therefore QCIs were suitable for inclusion within the review. In terms of the terminology used in the review, it will be more convenient to refer to QCIs as if it were a specific programme.

[65] The main provisions relating to Child Benefit are contained in part 4 of the Social Welfare Consolidation Act, 2005 (sections 219 to 223).

[66] In Budget 2009 the upper age limit that applied from 19 years was lowered to 18 years. The impact of this measure is being phased in, with payment for existing and future qualifying children being halved from January 2009 and payment stopping from the 18th birthday from January 2010. Special temporary alleviating measures were introduced for those in low income and social welfare dependent households.

children. A grant is also payable for multiple births at the birth of the children, at age 4 and at age 12 years.

A summary of key developments in child income support payments is included in Appendix 2 but the following developments are of particular significance.

- The forerunner to the CB scheme (Children's Allowance) was introduced in 1944.[67] In introducing the bill, the Minister commented that *"in an economic system as ours… the amount which the wage earner can obtain is frequently inadequate to provide for the reasonable requirements of a large family".*
- The allowance was extended in 1952 to families with two or more children and from 1963 to families with one or more children with payment rates varying depending on the number of children in the family.
- In 1974, the upper age limit was extended from 16 to 18 and in the same year legislation provided that payment would be made to the mother. It had been made formally to the father prior to that even though, in practice, it was paid to the mother in most cases.
- In 1986, CB was introduced to replace Children's Allowance and Child Tax Allowances. From the mid-1990s, Child Benefit rates rose rapidly particularly in the early part of this century.
- Budget 2009 lowered the upper age limit that applied to CB from 19 years to 18 years. This measure was phased in, with payment halved from January 2009 and payment ceasing for those who are 18 from January 2010. From Budget 2010, the monthly rates for CB were reduced by €16 in response to the very difficult economic and fiscal position.

3.1.3 Qualified Child Increases – description and key developments

QCIs[68] (formerly known as Child Dependent Additions – CDAs) are paid as supplements to weekly social welfare benefits and allowances in recognition of the need for greater incomes among benefit-dependent households with dependent children. They have long been an integral part of Ireland's contingency-based social welfare system but as noted in Chapter 2, a consistent approach to these payments has emerged relatively recently. A gradual reduction in the 36 different rates of QCIs took place in line with the recommendation from the Report of The Commission on Social Welfare. Ultimately, the remaining three separate payments rates which existed in 2006 were further consolidated into a single rate in January 2007. They are currently paid at a rate of €29.80 per week per dependent child having increased in recent years after a considerable period of being frozen in value. A summary of

[67] The Department of Social Welfare was not established until 1947.
[68] The main legislative provisions for the payment of Increase for a Qualified Child are: Part I of the Social Welfare Consolidation Act, 2005, as amended, see especially Section 2(3). Part I of the Social Welfare (Consolidated Claims, Payments and Control) Regulations, 2007 (S.I. 142/2007).

key developments in child income support payments is included in Appendix 2. The following developments are of particular significance:

- 1985 saw the introduction of payment of the QCI in respect of a qualified child at half the normal rate in any case where the spouse/partner is not an adult dependent.[69]
- Introduction of Continuous Child Payment in 1996 (continuation of the payment of QCIs for a period of 13 weeks after the cessation of a primary payment) as a means of reducing disincentives to employment.[70]
- In 2000, the full rate of QCIs continued to be paid once the weekly earnings of the spouse did not exceed € 171.40. Prior to that change, QCIs were only paid at half rate once earnings of the spouse exceeded €76.00 per week.
- In 2001 payment of QCIs was broadened to include children in full time education up to the age of twenty two and the upper ceiling of weekly earnings for retention of the full rate of QCIs was increased from €171.00 to €184.00.

3.1.4 Family Income Supplement – description and key developments

The Family Income Supplement[71] (FIS) scheme is a means tested payment introduced in 1984 and provides income support for employees on low earnings with families. Qualification for payment under this scheme requires that a person must be engaged in insurable employment for a minimum of 38 hours per fortnight or 19 hours per week. The payment is available to single parents. A couple may combine their hours of employment to meet the qualification criteria. FIS is calculated on the basis of 60% of the difference between the income limit for the family size and the assessable income of the person(s) raising the children. The combined income of the couple is taken into account. The income limits are designed to ensure that the benefits are restricted to employees with low pay relative to their family size. Income is assessed net of tax and social insurance contributions. A minimum weekly FIS payment of €20 is payable to those who would otherwise qualify for a lower rate.

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[69] Section 4 of the Social Welfare (No. 2) Act, 1985.

[70] In order to support this transition from welfare to work, the TWIG group made a pre-budget submission recommending for the 1996 Budget that the individual would retain the QCIs (formerly Child Dependent Allowances) part of the unemployment payment for a period of up to 13 weeks subsequent to signing off. The purpose of this was to ensure that there was an increased income certainty for the individual moving from unemployment to employment.

[71] The main legislative provisions relating to Family Income Supplement (FIS) are contained in Part 6 of the Social Welfare (Consolidation) Act, 2005 (Sections 227 to 233).

An integral part of the scheme is that once the level of FIS payments is determined, it continues to be payable at that level for a period of 52 weeks regardless of any change in family circumstances (e.g. an increase or decrease in earnings) provided that the person continues to satisfy the employment condition. This aspect of the scheme ensures income stability for recipients as well as minimising administrative effort.

Key developments in relation to the FIS scheme include:

- An increase in the multiplier from 50% to 60% of the gap between actual income and the ceiling (1989).
- FIS Regulations 1991 extended the scope of the scheme to include cohabiting couples with children, with effect from 24 October, 1991.
- A reduction in the minimum expected duration of employment from six months to three months.
- A reduction in the minimum hours of work required to qualify from 20 a week to 38 a fortnight (1996).
- The Social Welfare Act 1998 provided the legislative basis for the deduction of tax from the gross earnings in calculating the assessable income figure for FIS purposes. This is in line with a commitment given in Partnership 2000 Social Partnership Agreement (1997) which stated that: *"In the context of the priority of reducing disincentives to work, priority will be given to FIS as a means of increasing the net return from work to families with children".* [72]
- Increases in successive budgets in the weekly income thresholds for qualification for FIS and an increase to €20 per week in the minimum payment.
- Refocusing of income thresholds to include additional gains for larger families. Prior to 2006, weekly income thresholds were increased by a fixed amount regardless of family size. This led to a bias in favour of smaller families. Budget 2006 and subsequent budgets concentrated additional resources on larger families.

3.1.5 Other relevant child related programmes – description and key developments

Back to School Clothing and Footwear Allowance (BTSCFA)[73]

[72] *Partnership 2000,* Department of the Taoiseach (Dublin, 1998), p. 15.
[73] The BtSCFA is an administrative scheme and there is no provision for it in SW legislation. A circular setting out the rules governing the scheme is issued annually to the community welfare division of the HSE together with guidelines for the assessment of means.

This scheme, introduced in 1990 and funded by DSP, falls under the remit of the Supplementary Welfare Allowance Scheme and is administered by the community welfare division of the Health Service Executive (HSE). The intention of the scheme is to assist families on social welfare payments towards the cost of uniforms and footwear for school-going children and operates from the beginning of June to the end of September each year. The allowance is not intended to meet the full cost of school clothing and footwear but to provide assistance towards these costs. A person may qualify for payment of an allowance if they are in receipt of a Social Welfare payment (including Family Income Supplement), or Health Service Executive payment, or are participating in an approved employment scheme or attending a recognised education and training course and have household income at or below certain set levels.

Key milestones underlying the scheme are as follows:

- In 1995 the scheme was extended to include students up to the age of 22 years who were in full time education.
- Payment rates have increased significantly in recent years. Since 2005, the allowance has increased from €80 to €200 in respect of qualified children aged from 2 to 11 years and from €150 to €305 for those aged 12 to 22. These are increases of 150% and 103% respectively.
- A special measure which was introduced in Budget 2009 was an additional allowance of €215 payable to 18 year olds in full time education for whom the half rate Child Benefit is now applied. Total back to school payment in respect of children aged 18 is €520.
- An easing of the income thresholds for entitlement to the allowance by €50 in Budget 2009. This enables an estimated 18,000 additional families to benefit from the scheme.

Early Childcare Supplement (ECS)

This tax free non means tested supplement, introduced in Budget 2006, was a payment from the Office of the Minister for Children to assist with the childcare costs of children under six years of age. It was paid in recognition of the higher costs associated with caring for children in their pre-school years. From 1 March 2009, the ECS was paid only in respect of children under 5 years of age. In the Supplementary Budget April 2009, it was announced that this scheme would be abolished at the end of 2009.

The scheme was administered on an agency basis on behalf of the Minister for Children by the Department of Social and Family Affairs. Payment was automatic to those with children less than six years of age for whom they were in receipt of child benefit. When it was introduced, the ECS was paid in arrears on a quarterly basis and amounted to €1,000 per annum (payable in quarterly instalments of €250). A number of changes to the payment were introduced before its abolition as follows:

- Following on its introduction in April 2006, the amount of ECS payable increased with effect from March 08 from €1,000 to €1,100 per annum paid in quarterly instalments of €275;
- From January 2009 the age of receipt of ECS was changed from 6 years to 5 years and 6 months. The amount payable also changed to €1,104 per annum payable in monthly instalments of €92;
- A further age change for receipt of ECS was made with entitlement from 5 years and 6 months to 5 years introduced with effect from 1 March 2009. The amount was also changed from €1,104 to €996 per annum to be paid in monthly instalments of €83;
- The amount of ECS payable was further reduced with effect from 1 May 2009 from €996 to €498 per annum to be paid in monthly instalments of €41.50.
- ECS abolished at the end of 2009 and replaced in January 2010 with a free pre-school year of Early Childhood Care and Education for all children between 3 years and 6 months and 4 years and 6 months.

Finding 3-1: CB, QCIs and FIS are identified as key programmes associated with CIS policy

There are a wide range of payments and supports to households associated with the presence of dependent children. Despite the abolition of child tax allowances in the 1980s, there are provisions within the tax system which provide support to families with children. Therefore, the identification of specific payments as child income support payments is somewhat arbitrary and can lead to difference in scope as between what is included and what is not. The review takes a pragmatic approach and covers the main child income support payments within the social welfare system, namely Child Benefit, qualified child increases to the main adult social welfare payments and Family Income Supplement. The review also considers some aspects of the back to school clothing and footwear allowance and the early childcare supplement (now abolished) as relevant for the interpretation of spending and poverty trends. The review notes that this is broadly consistent with earlier approaches to reviewing child income support payments and policy.

3.2 Spending trends and drivers

This section addresses the evaluation question: *To what extent has the mix of programme spending changed over time?* Having considered the overall trend in CIS spending (3.2.1), the review then looks at what can be expected to be one of the principal drivers of spending (the number of children eligible for support) by reviewing demographic trends over the period (3.2.2) before turning to trends in spending on specific programmes over the period so as to consider the impact of changes in rates and other factors over the period (3.2.3).

3.2.1 Trend in overall CIS spending 1997-2010

In 1997, combined annual spending on CB, QCIs, FIS and BtSCFA amounted to just under €900 million. By 2008, this spending (which by now had included ECS) amounted to €3.6 billion – a fourfold increase in a decade or so. Figure 3-1 shows that much of this increase occurred in the period after 2000 when large increases in CB spending drove up the total. There were particularly significant increases between 2006 and 2008 largely driven by ECS. FIS has also showed strong increases since 2006 although from a lower base.

Figure 3-1: Total spending on CIS programmes and associated programmes

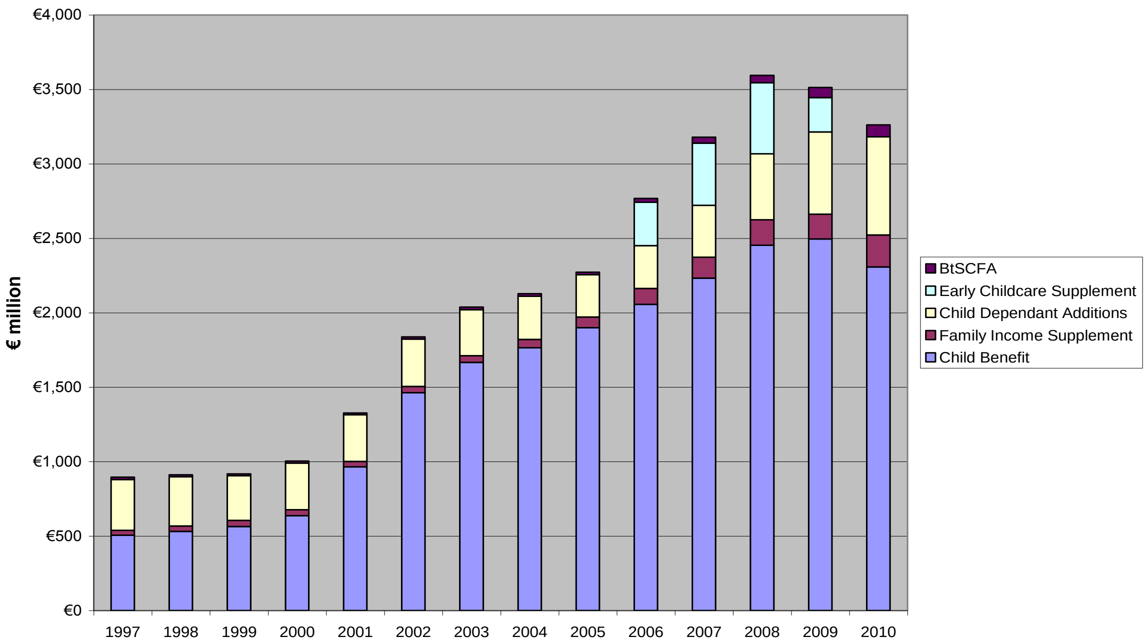

Figure 3-2 shows total CIS spending as a percentage of GDP and GNP and also the percentage of total spending represented by universal payments (CB, ECS). At the beginning of the review period, spending fell to its lowest point in 2000 (1.0% of GDP, and 1.1% of GNP) to a high point of 2.1% in 2009 (GDP) and 2.6% of GNP. As a result of reductions in CB rates and the abolition of ECS, spending in 2010 is expected to fall to 2.0% (GDP) and 2.5% (GNP) or close to its level in 2008. The percentage of total spending on universal payments has changed significantly over time. Spending on universal payments averaged close to 60% of total CIS payments in the first few years of the period under review but rapidly rose to its high point of 85% in 2006 spurred on by rising CB payment rates and the introduction of the ECS payment. As a result of increases in selective payments rates (notably QCIs and FIS) coupled with the gradual abolition of ECS and the reduction in CB rates in 2010, the percentage of total spending on universal payments is expected to fall to 71% in 2010, roughly equivalent to the level in 2001.

Figure 3-2: Trends in total value of and composition of child income support spending 1997-2010

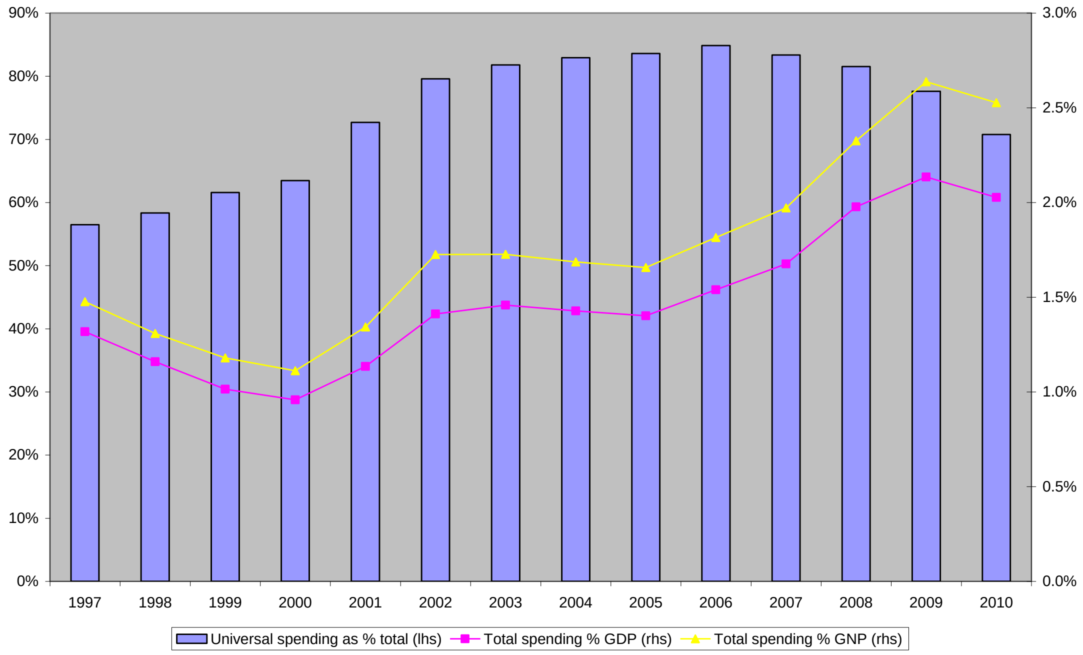

Table 3-3 shows the main changes in spending components on the three main CIS payments and related programmes over the period. The table reflects the increase in total spending and the fact that much of this came from universal programmes (with Child Benefit accounting for 76% of the increase). Selective instruments therefore accounted for just less than one quarter of the total.

Table 3-3: Components of CIS spending increases (1997-2010)

Programme	1997	2010 (estimate)	Change 1997 – 2010			Contribution to total change
	€million	€million	€million	% increase	Annual % increase	
CB	506	2,308	1,802	356%	12.4%	76%
FIS	33	215	182.1	554%	15.5%	8%
QCIs/CDAs	342	659	317.1	93%	5.2%	13%
ECS	-	-	-		-	-
BtSCFA	14.9	80	65.1	437%	17.3%	3%
Total CIS	**895**	**3,262**	**2,367**	**264%**	**10.5%**	**100%**

Finding 3-2: Spending on CIS payments has risen considerably in absolute terms and as percentage of GDP

Overall spending on CIS payments has risen considerably over the period of the review both in absolute terms and as a percentage of national income/output. Despite a reduction in spending in 2010, total spending is estimated to represent 2 per cent of GDP which compares with around 1 per cent at the beginning of the decade. Most of the increase, especially in the early part of period of the review, was driven by universal payments (child benefit and latterly early childcare supplement) which meant that the proportion of the total amount spent on universal payments rose to 85% in 2006 before falling back to around 70% of total spending. This is still significantly higher than the percentage (just over 55%) at the beginning of the review in 1997).

3.2.2 Demographic and social drivers

Although policy factors are at play (see section 3.2.3), a range of demographic and social factors have combined to drive up the overall level of spending over the review period. Demographic factors such as births and migration were important in increasing child numbers and hence spending. The section also compares numbers of child beneficiaries with population numbers in order to get a sense of coverage.

Demographic factors

Ireland's population grew from 3.66 million in 1997 to 4.46 million in 2009 (Table 3-4). The average growth rate of 1.6% per annum was one of the highest in the developed world. The number of younger children (0-14 years) also increased rapidly but at a lower rate (average 0.9% per annum) and mainly in the latter part of the period. As a result, the proportion of the population at 14 years or less fell slightly from 23.1% in 1997 to 21.0% in 2009. The older child age group (15-19 years) (which is significant for all the main CIS payments where the child is a dependant or in full-time education), actually fell over the period (by an average of 1.7% per annum) which meant that the overall percentage of those 19 years or less in the population fell from 32.5% in 1997 to 27.3% in 2009. The resultant decline in child dependency led to a "demographic dividend" and made a considerable contribution to increased living standards over the period.[74] Overall, there was a 0.2%

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[74] Morgenroth, Edgar L., John Fitzgerald, *Ex-ante Evaluation of the Investment Priorities for the National Development Plan 2007-2013,* Economic and Social Research Institute (Dublin, 2006), p. 22 – 23.

increase per annum in the numbers of children aged 0-19 years over the period, which would be expected to affect child benefit numbers.

Table 3-4: Trends in adult and child population 1997-2009

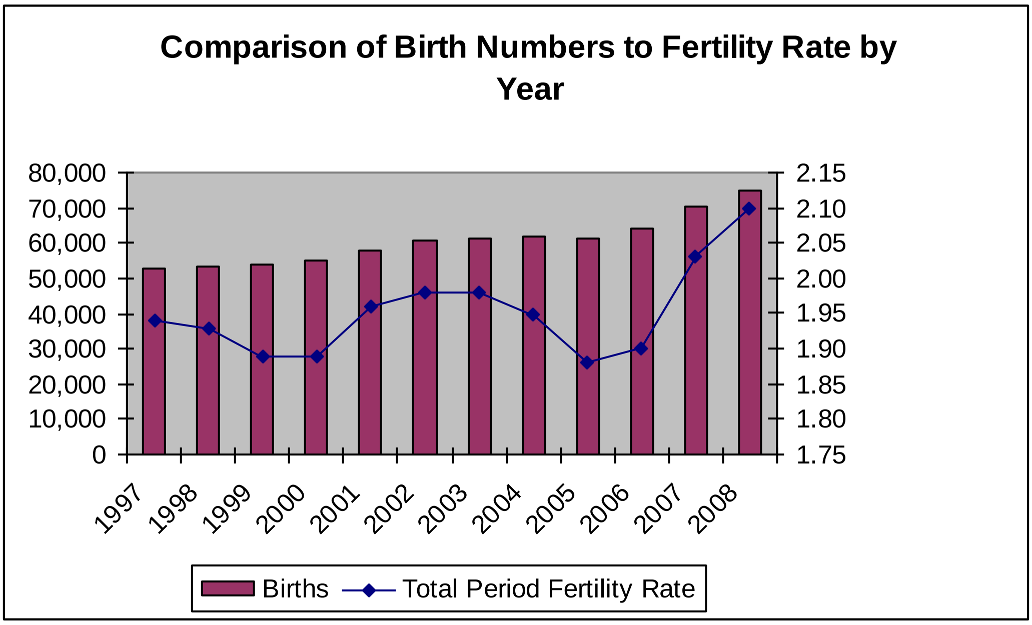
	1997	*2000*	*2003*	*2006*	*2009*
	Population estimates for age groups (000s)				
All ages	3,664.3	3,789.5	3,979.9	4,232.9	4,459.3
Under 1 year	50.5	53.6	60.4	61.1	73.5
0 - 4 years	250	266.2	284.3	302.3	341.6
1 - 4 years	199.5	212.5	223.9	241.3	268.1
5 - 9 years	277.9	266.7	268.7	288.5	308
10 - 14 years	318	295.1	281.7	274.2	288.1
15 - 19 years	343.7	329.4	304.7	290.9	278.6
0 - 14 years	846	828	834.7	865.1	937.8
0 - 19 years	1,189.7	1,157.4	1,139.4	1,156.0	1,216.4
	Percentage of total population				
0 - 14 years	23.1%	21.8%	21.0%	20.4%	21.0%
15 - 19 years	9.4%	8.7%	7.7%	6.9%	6.2%
0-19 years	32.5%	30.5%	28.6%	27.3%	27.3%
	Average annual change				
	1997-2000	**2000-3**	**2003-6**	**2006-9**	**1997-2009**
All ages	1.1%	1.6%	2.1%	1.8%	1.6%
0 - 14 years	-0.7%	0.3%	1.2%	2.7%	0.9%
15 - 19 years	-1.4%	-2.6%	-1.5%	-1.4%	-1.7%
0-19 years	-0.9%	-0.5%	0.5%	1.7%	0.2%

Source: CSO
Note: Data for 2007 to 2009 are preliminary.

Trends in the number of children reflect both rising birth rates and migration trends:

Birth rates: The number of births in any given year has a direct impact on CIS expenditure. The average number of births between 1997 and 2007 was 64,000 per annum. This increased steadily over the period (52,331 in 1997 compared with 74,278 births in 2009). This increase is mainly due to higher numbers of women of child bearing age (average 1.2 million over the period), though an improvement in fertility (from 2000 to 2004 and from 2005 to 2008) would have added momentum to this trend (see Figure 3-3).

Figure 3-3: Birth numbers and fertility rate 1999-2008

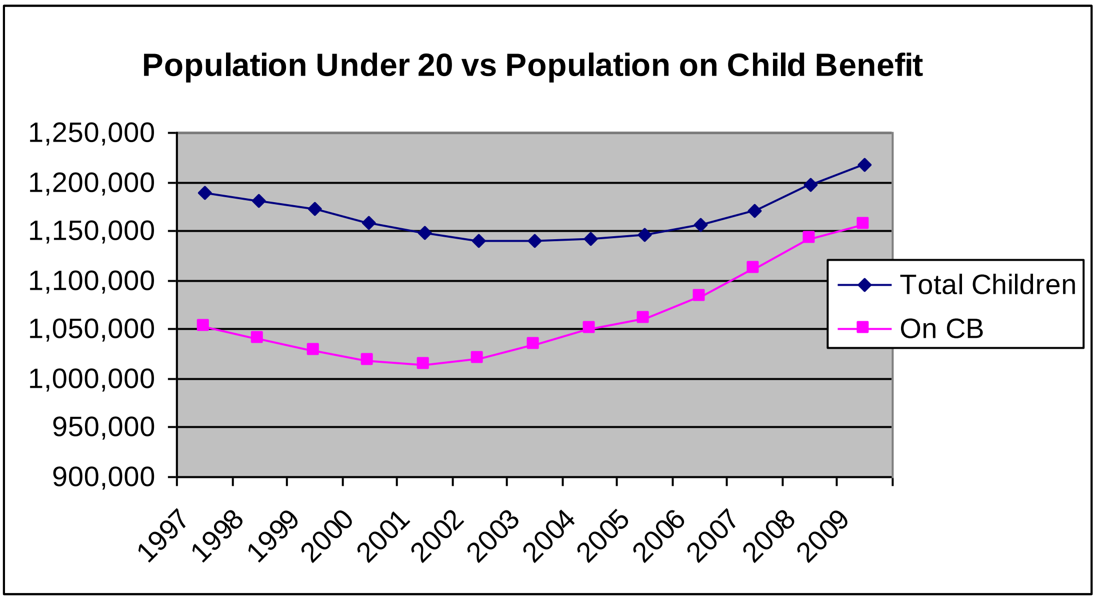


Migration: Over the period 2003-2008, the CSO estimated that net migration added on average 49,200 persons to the population of whom 8,200 were children aged 0-14 years. Although this shows that the direct impact of immigration on the total numbers of children was relatively limited, the indirect impact of migration on numbers of children (through births to women who have migrated to Ireland) needs also to be taken into account. The overall impact on the number of children (and the number on CB in particular) can be observed in Figure 3-4. While the population of children (0-19 years) rose slightly over the period 1997 to 2009, the initial period saw a significant decline in the number of children. Led by a recovery first of all in the number of younger children (0-14 years) and a later increase in older children (15-19), the numbers stabilised in the mid part of the decade and then increased rapidly. For the first part of the period, the number of beneficiaries of Child Benefit mirrored broader population trends but this started to change from the early part of the decade when CB numbers stabilised and then accelerated much faster than the child population. There are a number of likely explanations for this, the first two of which are elaborated on further below:

- Increased significance in the number of younger children (less than 15) for whom there is automatic entitlement to CB and the retention of older children (15-19) in full-time education;
- Impact of migrant workers with dependant families in their home country ;
- Improvements in the management of the CB payment system which linked payments automatically with birth registration and thus eliminated delays in

payment. This new system commenced in September 2003 and an average of 30,000 additional children claims are dealt with directly under this system.

Figure 3-4: Total child population; child benefit beneficiaries 1997-2009



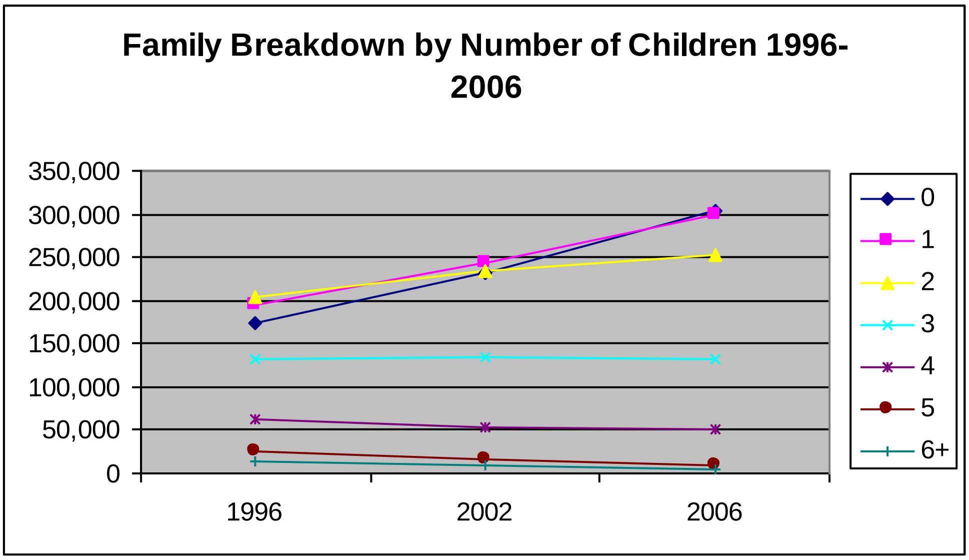
Increased retention in the education sector: Automatic entitlement to CB ends when a child reaches 16 years. Payments can continue if a child is in full-time education or has a disability. CB numbers would be expected to rise if more children stay in the education sector. In April 1997, 76.5% of persons aged 15-19 were in full-time education. In 2008, this had risen by 6 percentage points to 82.5% of persons aged 15-19.

Increased prevalence of migrant workers: Under certain circumstances an EU migrant worker in Ireland may be entitled to claim child related payments for his dependent family even if they are not in the jurisdiction. Such payments will count in the payment statistics but will not be included in the child-demographic statistics. By February 2009, it was estimated that this accounted for around 10,000 CB payments compared with rather negligible levels at the beginning of the period. This would have the effect of increasing the number of CB claims (and potentially FIS) vis-à-vis population numbers.

Number of children per household

The trend to smaller family sizes has meant that the rise in the number of claims by family has risen even faster than the number of children. In 1997, there were 502,318 CB claims (families) in respect of 1,053,401 children – an average of 2.1 children per claim. The number of claims rose to 602,932 in respect of 1,156,917 children by 2009, an average of 1.9 children per claim. This trend is also observed in Figure 3-5 which shows the number of children per household in 1996, 2002 and 2006. The number of children in 1 or two child families rose strongly while little change is observed in 3-child families and there are falls in the number of larger families. This trend would have a dampening effect on spending given the higher rates of CB payment paid in respect of larger families.

Figure 3-5: Family composition by number of children 1996-2006



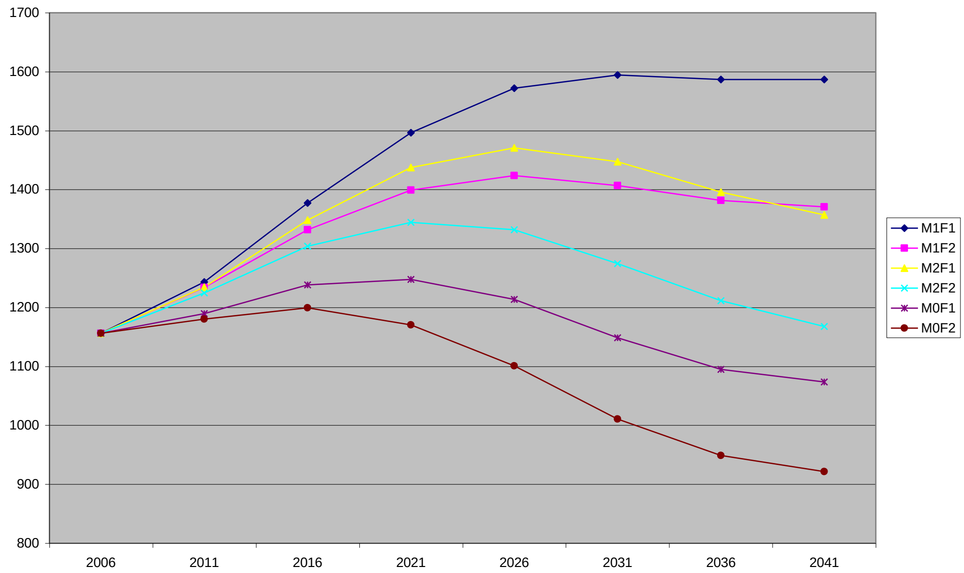
Coverage of payments

The estimated population in April 2009 for the 0-19 age group was 1.216 million. This compares with 1.157 million CB beneficiaries (adjusted downward by the number of non-resident children – estimated at 10,000 in April 2009) suggesting a take-up rate in the region of 97%. Of course, children over the age of 16 years are not eligible automatically for the payment and this coverage estimate should be considered separately for those under 16 years and those above. When this adjustment is made, there is effectively full coverage. QCIs paid in respect of children under 16 years are estimated to cover some 34% of the population. For FIS, the equivalent number was 7%. Since some households will receive a QCI payment and a FIS payment in respect of the same child, this must be taken into account to avoid double counting. Allowing for about 20% of FIS payments being paid in this way, it can reasonably be estimated that the total coverage for targeted payments for the under 16 group is in the region of 40%.

Projected demographic changes

The latest population projections would appear to show that the trend of increased child numbers observed in the last part of the period 1997-2009 is likely to continue into the medium-term (Figure 3-6). Under all scenarios the number of young persons (0-19 years) is expected to rise in the period 2006 – 2016, including under the (zero net) M0 migration assumptions. Under the high fertility and high inward migration assumption (M1F1), the numbers are expected to increase to almost 1.6 million by 2026 but stabilise thereafter. Under the lower inward migration assumption (M2), numbers are projected to stabilise below 1.5 million[75]. Current conditions appear to be closest to the M0F1 scenario which projects an annual increase of some 3,000 in the number of children between 2006 and 2026. This growth would represent an increase of 2.5% in the number of children by 2016 and 5.2% by 2026 with a consequent rise in CB spending if everything else is held constant.

Figure 3-6: Projected population 0-19 years under various scenarios



[75] The high fertility assumption (F1) envisages the total fertility (TFR), i.e. the average number of children per woman, remaining at its 2006 level of 1.9 for the lifetime of the projections. The low assumption (F2) would see a decline in the TFR from its current level of 1.9 to 1.65 by 2016, remaining constant thereafter. Life expectancy is assumed to increase from its current level of 76.7 years for males to 86.5 years by 2041. The corresponding figures for females are 81.5 and 88.2 years. The high migration scenario (M1) assumes annual net immigration of 39,000 over the projection period while migration scenario M2 assumes a more modest net inflow of 21,400 per annum in the period to 2041. Minor increases in the labour force participation rates of older males and further gains for young married females are assumed.

Finding 3-3: Recent demographic projections would tend to suggest a rise in spending on child income supports

Demographic and other social factors played a significant role in the evolution of child income support payments. The number of children rose by 0.2% per annum over the period of the review with the rate of change accelerating toward the latter part of the period. This reflected both a rising birth rate and migration trends. Other factors played a role, most notably retention rates in education. A trend to smaller families would, all other things being equal, lead to less spending because of higher rates for the third and later child. Demographic projections would, however, tend to imply a rise in spending in the future, assuming payment rates were to remain constant.

3.2.3 Trend in specific CIS spending programmes

Child Benefit

As is evident in Table 3-3, spending on CB grew by 356% in the period 1997-2010, accounting for almost three-quarters of the growth in total CIS spending and is therefore central to understanding the evolution of spending on child income support over the period. As with most transfer payments, the trend in total spending on CB is largely driven by a combination of payment rates and numbers in receipt of payment. The trend in CB payment rates since 1997 (Figure 3-7) shows that their value rose over most of the period with a particularly large increase in the period 2000-2002, before a fall in 2010. In effect, between 1997 and 2009, rates for the lower and higher rate rose by 336% and 310% respectively. Although rates increases accounted for much of the increase in total CB spending, other factors are also at play.

Figure 3-7: Trend in Child Benefit payment rates, 1997-2010

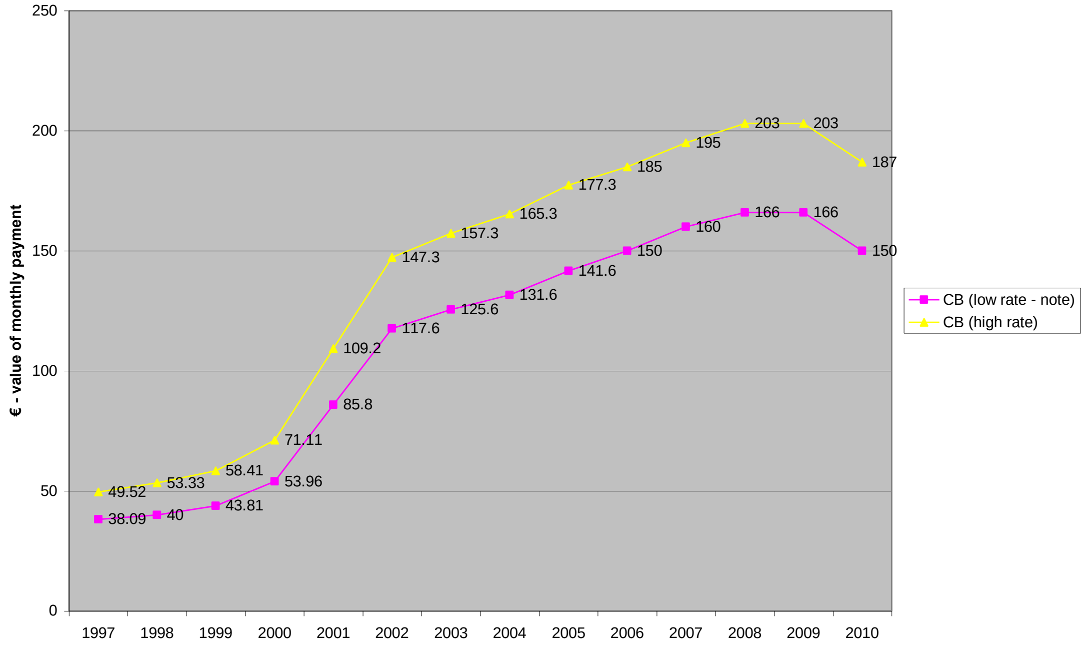


Table 3-5 shows that the number of claims (households) increased by 20% in the period between 1997 and 2009, while the number of children increased by only 10%, implying a reduction in the average number of qualifying children per family of almost 9% in the same period. By way of illustration, the number of families with only two eligible children represented 71% of the total in 1998 but had risen to 76% by 2009.[76] The reduction in the number of children per family would be expected to lead to a reduction in the average spending per family, all other things being equal.

[76] *Statistical Information on Social Welfare Services,* Department of Social Protection (Dublin, 1997 – 2010).

Table 3-5: Child Benefit spending trends, 1997 to 2009

Year	*Households*	*2000=100*	*Children*	*2000=100*	*Children per family*	*2000=100*
1997	502,318	100.0	1,053,401	100.0	2.10	100.0
1998	504,811	100.5	1,039,746	98.7	2.06	98.2
1999	508,504	101.2	1,028,877	97.7	2.02	96.5
2000	510,840	101.7	1,018,175	96.7	1.99	95.0
2001	514,919	102.5	1,014,340	96.3	1.97	93.9
2002	522,441	104.0	1,019,551	96.8	1.95	93.1
2003	534,009	106.3	1,034,851	98.2	1.94	92.4
2004	540,911	107.7	1,051,005	99.8	1.94	92.7
2005	547,540	109.0	1,060,740	100.7	1.94	92.4
2006	562,860	112.1	1,083,980	102.9	1.93	91.8
2007	579,612	115.4	1,110,715	105.4	1.92	91.4
2008	596,108	118.7	1,141,938	108.4	1.92	91.3
2009	602,932	120.0	1,156,917	109.8	1.92	91.5

Source: DSP Statistical Report

It seems clear from this analysis that the very large increase in spending on CB over the review period was the direct result of rates increases and numbers of children; the latter driven by a rise in the number of births and migration. However, there were some other smaller factors to be taken into account. A spending decomposition analysis shows that 93% of the increase in CB spending between 1997 and 2008 can be accounted for by rates increases, 4% by higher numbers of claims and the remaining 3% by other factors. The increase accounted by higher claim numbers is a composite effect of an increase in spending on smaller families (2 children or less) of 8% being offset by fewer larger families. Table 3-6 shows the breakdown by the number of children on higher and lower CB rates.

Table 3-6: Child Benefit - number of children at lower and higher rates (1997 and 2009)

	1997 No. children	% of total	2009 No. Children	% of total
Lower Rate	821,365	78%	957,323	83%
Higher Rate	232,036	22%	199,594	17%
Total	1,053,401	100%	1,156,917	100%

Source: DSP Statistical Report

Other factors which increased annually spending include:

- The once-off impact of a change in the date of implementation of budget increases. Up until 2000, increases in CB rates, which had been announced in the previous budget, were implemented in September of each year. This was brought back to

June in 2001. Since 2003, increases were introduced in April, which implies an additional five months spending.

- The introduction of higher levels of once off payments for multiple births in 1998. Twins are paid at one and a half times the standard monthly rate while triplets or more are paid at double the monthly CB rate. A number of once-off grants at various ages are also paid. In September 2009, there were 32,125 children who fall into the multiple birth category (or almost 3% of the total) and annual expenditure in respect of multiple births is estimated at €34m or just less than 2% of the total annual CB expenditure. A breakdown of this category is contained in Table 3-7 below.

Table 3-7: CB payments - breakdown by single and multiple births (2009)

	No of Children	*% of total*
Single	1,096,980	97.2%
Twins	30,963	2.7%
Triplets	1,086	0.1%
Quads or more	76	0.0%
All families	1,129,105	100.0%

Note: **September 2009**

Finding 3-4: Increase in CB payments rates was most important factor in the increase in CIS spending

While CB spending increased as a result of demographic and social factors, the main factor behind the average annual increase of over 12% was the increase in payment rates particularly in the period 2000 to 2002. Estimates show that 93% of the increase in CB spending between 1997 and 2008 can be accounted for by rates increases, 4% by higher numbers of claims and the remaining 3% by other factors. Higher payments in respect of multiple births were one of the other factors which increased spending. The trend to smaller families has served to moderate the increase.

Qualified Child Increases

The trend in spending on QCIs is radically different from that of CB over much of the period of the review. As is evident in Table 3-8, spending rose by an average of 5.2% annually over the period. Annual spending fell in the first half of the decade in line with the reduction in the number of qualified children and the fall in unemployment over the period. However, spending rose sharply in the period 2007 to 2009 partly reflecting an increase in the number of dependants which in turn was linked with the number of primary payments. The trend in total spending is largely explained by the trend in weekly payment rates in QCIs which can be seen in Table 3-8 (extended back to 1984 in order to show the historical context). It should be borne in mind that while the figure shows a higher and lower rate, there were 36 different rates in the early part of the period and following a significant degree of rationalisation over the period, by 2006, the number of different rates had fallen to 3 and finally to a single rate in 2007.

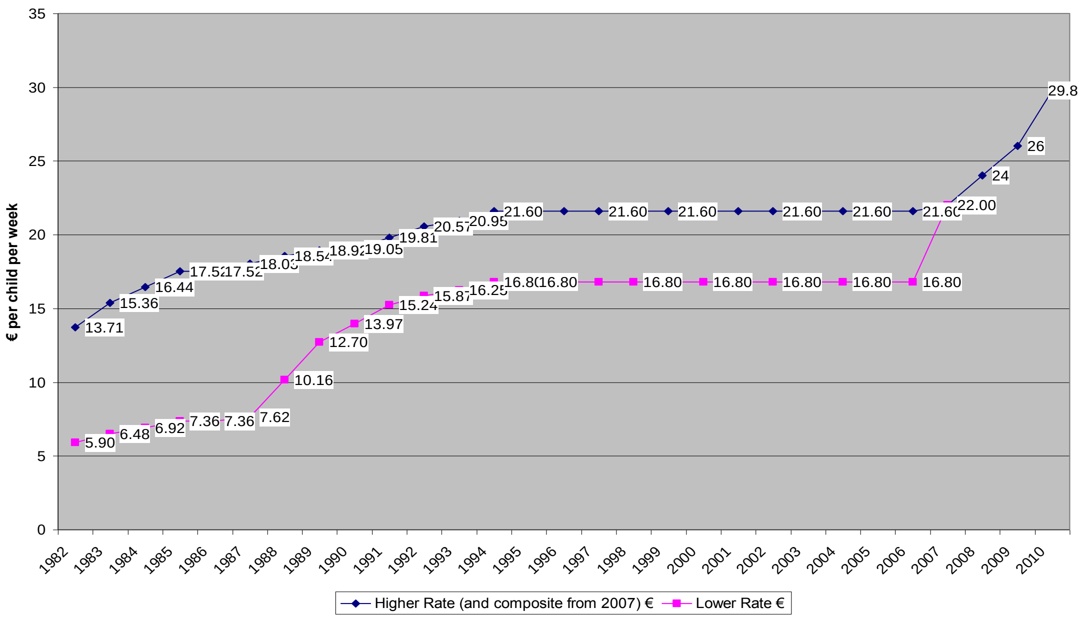
Table 3-8: Trends in spending on QCIs (1997-2010)

	Number of qualified Children (Full Rate)	Number of qualified Children (Half Rate)	Estimated Annual Expenditure € million
1997	296,564	124,378	341.8
1998	282,572	124,237	330.1
1999	298,455	130,715	299.8
2000	288,993	114,610	313.7
2001	274,680	129,338	312.7
2002	278,077	127,081	317.7
2003	272,419	129,877	308.2
2004	263,895	93,144	290.5
2005	255,966	83,348	284.0
2006	258,790	82,546	287.2
2007	266,449	77,236	349.0
2008	300,726	87,011	443.6
2009	345,117	195,309	552.2
2010*	363,343	128,645	659.0
1997 -2010**	**1.6%**	**0.3%**	**5.2%**

* Estimate
** Annual average change

The relative stability in QCI spending over the period can be largely understood as the result of (i) stability or reductions in the number of child dependents (linked with primary payments) and (ii) the value of QCI payment rates remaining constant for much of the period. The approach to QCI payment rates can be seen as the counterpart of the rapid rise in CB rates over the period as the Government deliberately targeted the payment of child income support through the latter in order to address child poverty and childcare issues while avoiding the unemployment and poverty traps associated with QCIs. There were other factors at play including bringing forward the payment date for primary social welfare payments and the introduction of half-rate payments for some children where the spouse of the social welfare recipient was in employment.

Figure 3-8: Weekly payment rates for QCIs since 1984



Finding 3-5: Spending trends for QCIs linked with changing policy on rates increases and with benefit dependency

While spending on QCIs during the first part of the review period was relatively stable or even in decline, the level of spending on QCIs in 2010 is more than double the level in 2005. The earlier relative stability in QCI spending can be largely understood as the result of stability or reduction in the number of child dependents (linked with primary payments) and the policy of holding the value of QCI payment rates constant for much of the period. The unwinding of these demographic and other factors since then has led to the rise in QCI spending.

Family Income Supplement

Spending on FIS has risen from €33 million in 1997 to an estimated €215 million in 2010 – an increase of 15.5% per annum on average over the period of the review. The factors driving the increase in FIS spending are more complex than those for QCIs and CB reflecting changes in policy variables (changes in tax system, minimum hours worked, definition of assessment income, value of FIS thresholds, minimum payments etc), demographic factors (number of children, migration etc), social factors (since family size determines payment level), take-up rates and labour market factors (minimum wage, other wage levels, participation rates, unemployment rates). A summary overview only of the impact of these main factors is attempted in this review.

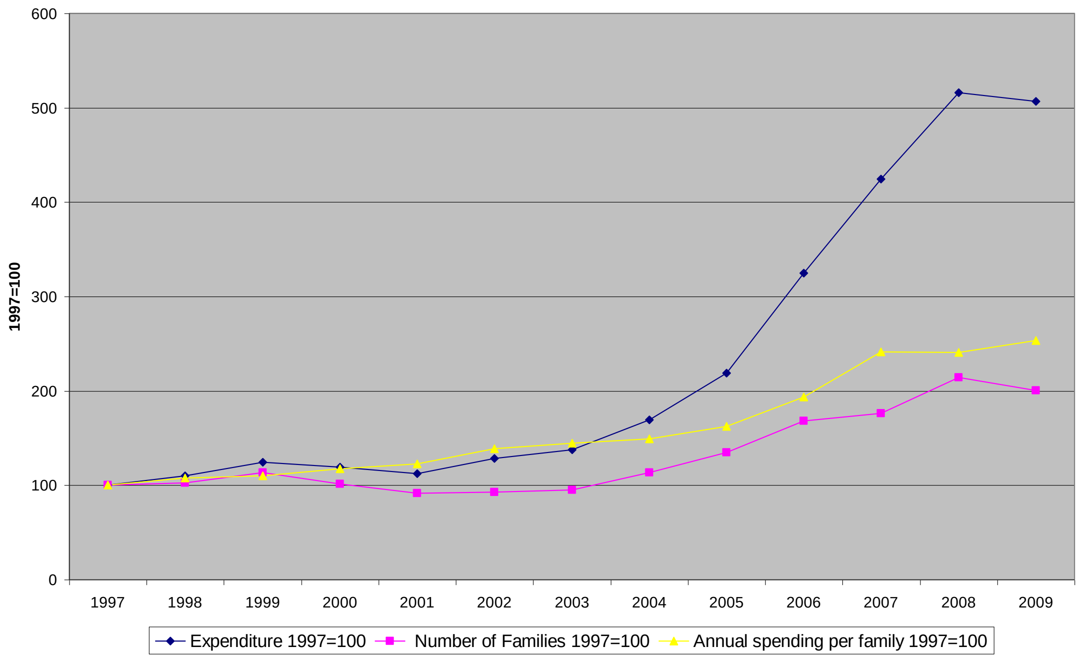
Summary details of annual spending are shown in Table 3-9 and these show that the significant increase in FIS spending took place in the latter part of the period (especially since 2003). The increase in total spending is explained both by increasing numbers of qualifying households (an average of 6.5% per year) and an increase in the average payment per family (an average 8.8% per year). The evolution of the two key spending drivers can be more clearly seen in Figure 3-9. Average payments per family rose throughout the period (albeit with an acceleration after 2005) whereas the number of families only rose after 2002. The likely factors underlying these trends are discussed further below.

Table 3-9: FIS - spending, claims and average payment per household (1997-2009)

Year	Expenditure		Number of Families		Annual spending per family	
	€million	1997=100	000s	1997=100	€000	1997=100
1997	33.0	100.0	13.0	100.0	2.5	100.0
1998	36.3	110.3	13.3	102.2	2.7	107.9
1999	41.1	124.7	14.7	113.2	2.8	110.1
2000	39.4	119.4	13.2	101.6	3.0	117.5
2001	37.1	112.4	11.9	91.6	3.1	122.8
2002	42.4	128.6	12.0	92.8	3.5	138.5
2003	45.4	137.5	12.3	94.9	3.7	144.8
2004	55.8	169.1	14.7	113.5	3.8	149.0
2005	72.2	218.6	17.5	134.5	4.1	162.6
2006	107.1	324.7	21.8	168.0	4.9	193.2
2007	140.0	424.3	22.8	175.9	6.1	241.2
2008	170.3	516.0	27.8	214.3	6.1	240.8
2009	167.1	506.5	26.0	200.1	6.4	253.1
Average 1997-2009	15.9%		6.5%		8.8%	

Source: DSP Statistical Report

Figure 3-9: FIS - trend in spending, number of families and average annual spending per family 1997-2009



Number of households

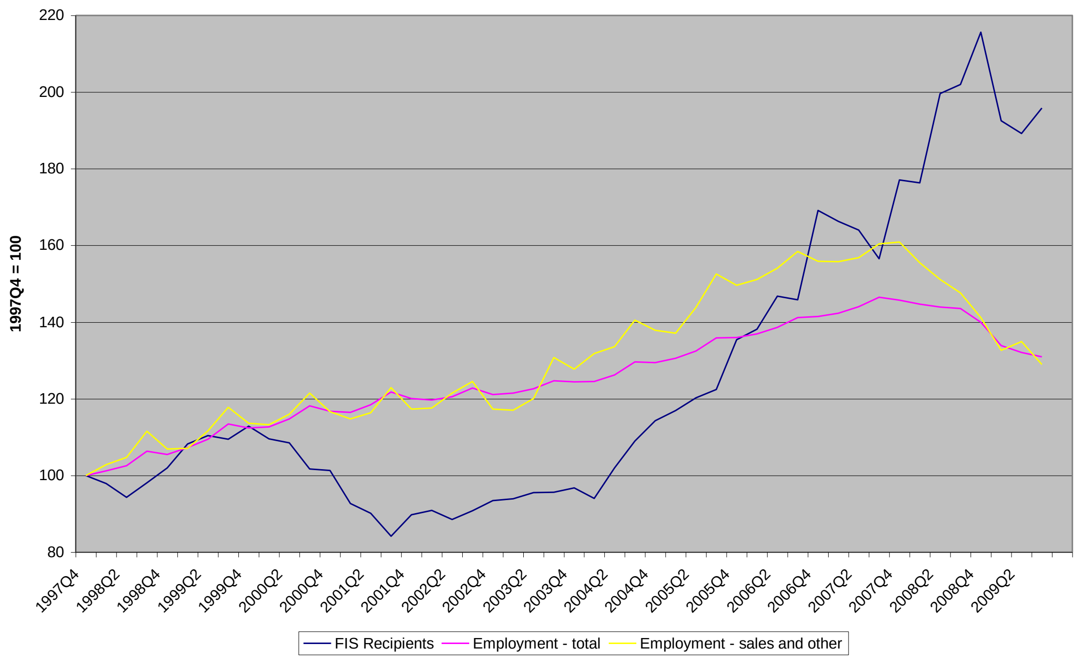
What factors were likely to lead to an increase in the number of families in receipt of the FIS payment? There are a number of possible reasons:

Growth in employment: Total employment grew strongly in the periods 1997-2001 and 2003-2007, before falling dramatically from 2008 (see Figure 3-3). At its peak in 2007, total employment was over 40% higher than its level ten years earlier. There was a rise in FIS numbers at the beginning of the first period but this was not sustained and FIS recipients fell in the early years of the decade. The slowdown in employment growth in 2002-3 did coincide with a stabilisation and subsequent rise in FIS numbers. However, when employment recovered rapidly from 2003, FIS growth accelerated strongly in contrast to the earlier pattern. What is the reason for this? One potential explanation is the greater importance of lower-wage employment[77] in the later period when economic growth was more dependent on the services sector, which was driven by domestic demand. It seems reasonable to surmise that the growth in lower paid jobs was higher than average (in 2007, it was 60% above its level ten years earlier) was a contributory factor in the sustained

[77] Lower-wage here is defined from the CSO's occupational classification as including sales and other occupations, both of which had the two lowest median wage of all classifications in 2007 (CSO, National Employment Survey).

increase in FIS numbers. Furthermore, an analysis of FIS numbers from July 2005-March 2007 showed that 46% of new FIS recipients were non-Irish nationals, confirming a strong link between labour market and migration developments and FIS trends.

Figure 3-10: Index of quarterly employment and FIS recipients, 1997 to 2009



Impact of FIS thresholds on eligibility: It is also likely that the numbers of those eligible increased as increases in the FIS threshold rates tended to exceed increases in wage rates, particularly as it affected larger families, in the latter part of period (discussed in Chapter 5);

Greater take-up of FIS within eligible population: It is also possible that take-up rates for FIS rose over the period reflecting the cumulative effect of improvements in the scheme together with the increase in marketing and awareness campaigns. The issue of FIS take-up is discussed elsewhere in the review.

Average FIS payment per claim

The increase in total FIS spending is explained in part by the increase in the average payment per family (8.8% per annum) and average payment per child (11.7% per annum) (see Table 3-10). The reasons for this increase are complex involving the interaction of a number of factors including policy factors (such as FIS threshold rates) but also broader trends in wages and direct taxes. A more detailed analysis is contained in section 5.4 which addresses specific FIS issues. It is sufficient to note at this stage that FIS thresholds (and therefore average FIS payments) had been increased annually in line with unemployment payments rates which meant that they rose considerably faster than both inflation and earnings in the period from 2002-2008. Added to this, since 2006, FIS thresholds for larger families were increased significantly in an effort to increase the effectiveness of the payment as a support to larger families.

Table 3-10: FIS - average payment per family and child (1997-2009)

	Annual spending per family (€)	1997=100	Annual Spending per child (€)	1997=100
1997	2,544	100.0	886.5	100.0
1998	2,744	107.9	1091.6	123.1
1999	2,801	110.1	1151.4	129.9
2000	2,988	117.5	1259.4	142.1
2001	3,123	122.8	1403.9	158.4
2002	3,523	138.5	1599.0	180.4
2003	3,683	144.8	1717.6	193.7
2004	3,790	149.0	1861.0	209.9
2005	4,135	162.6	2124.9	239.7
2006	4,915	193.2	2442.6	275.5
2007	6,135	241.2	2946.0	332.3
2008	6,126	240.8	2935.1	331.1
2009	6,437	253.1	2999.7	338.4
Average 1997-2009	8.8%		11.7%	

Source: DSP Statistical Report

Finding 3-6: Significant rise in spending on FIS linked with both policy and non-policy drivers

Spending on FIS has risen by 15.5% per annum over the review period. The factors driving the increase in FIS spending are more complex than those for QCIs and CB reflecting changes in policy variables (changes in tax system, minimum hours worked, definition of assessment income, value of FIS thresholds, minimum payments etc), demographic factors (number of children, migration etc), social factors (family size), take-up rates and labour market factors (minimum wage, other wage levels, participation rates, unemployment rates). While demographic and economic factors (such as growth in the number of children and in employment) is likely to have contributed to this increase, policy related increases in FIS thresholds are likely to have had the biggest impact on average payments and therefore on total spending.

BtSCFA: Spending on the BTSCFA increased significantly during the period from 1997 to 2009 rising from €14.9m in 1998 to €49.6m in 2008 reflecting the rise in the number of beneficiaries (from 2003 onwards) and the increase in the average payment (see Table 3-11). From 1997 to 2001 the number of qualifying children declined reflecting the fall in unemployment levels. Both 2002 and 2003 saw rises in the number of children to 155,811 and 172,123 respectively. It is likely that this increase could be attributed to (i) the relaxation of the means test in 2002 leading to increased eligibility and (ii) an increase in the number of one parent family payment recipients. The rise in spending per child is as a result of increases in the nominal value of the payment in 2007 when the rate for each child aged 2-11 increased from €120 to €180 and for each child aged 12-17 from €190 to €285.

Table 3-11: BtSCFA - expenditure, children and spending per child (1997-2009)

	Expenditure € million	Children benefiting (000s)	Spending per child €
1997	14.9	231.0	64.6
1998	13.1	209.3	62.8
1999	11.6	183.7	63.0
2000	13.8	158.8	86.9
2001	12.8	143.0	89.6
2002	15.2	155.8	97.7
2003	17.7	172.1	102.9
2004	17.0	153.4	111.0
2005	16.7	157.3	106.3
2006	24.9	161.5	154.2
2007	40.2	180.3	222.9
2008	49.6	200.2	247.9
2009	67.2	277.7	241.9
1997 – 2009	350%	20%	275%

Source: DSP Statistical Report

ECS: Since its introduction in April 2006, expenditure on this scheme rose from €292 million in 2006 to €477 million in 2008 before falling back to an estimated €231 million in 2009. Table 3-12 shows that the average payment per child and average number of children peaked in 2008. The reduction in spending in 2009 reflects reductions in numbers and payment rates as the scheme was being wound down.

Table 3-12: Early Childcare Supplement - recipients and spending (2006-2009)

Year	*Average number of children*		*Average annual ECS payment per child*		*Total spending*	
	000s	*2006=100*	*€*	*2006=100*	*€m*	*2006=100*
2006	367.3	100.0	795	100.0	292	100.0
2007	382.3	104.1	1,091	137.2	417	142.8
2008	398.7	108.5	1,196	150.5	477	163.4
2009	340	92.6	679	85.5	231	79.1
Note: estimate for 2009						

Finding 3-7: Increase in other payment spending linked with policy decisions

Spending on BtSCFA has risen significantly over the review period albeit from a small base. Initially the increase came primarily from increases in payment rates as the number of children fell in the period up to 2006. Since then the number of children benefiting from the allowance has increased significantly reflecting the greater number of families eligible to apply for the allowance due to economic factors. The introduction of the ECS in 2006 led to a large rise in spending over the later part of the review period, but this had totally unwound by 2010 as the payment was abolished.

3.3 Summary

This chapter provides a broad description of the main child income support payments: Child Benefit, Qualified Child Increases and Family Income Supplement and other child related programmes such as the Back to School Clothing and Footwear Allowance and the Early Childcare Supplement. The review also identified a number of key developments in the lifetime of the schemes. The chapter also considered the trends in spending in each of the programmes and highlighted that total expenditure on CIS payments since 1997 to 2008 had risen fourfold (from just under €900 million to €3.6 billion when ECS and BtSCFA are included) reflecting the increase in the level of payments in recent years, most notably in CB, and the increase in the number of beneficiaries driven by demographic and other factors. The policy direction over the past decade of focusing largely on increasing Child Benefit payments relative to targeted child additions to social welfare payments was followed with the objectives of tackling child poverty, improving work incentives and addressing increases in the cost of childcare. As a result of increases in the current decade, spending on the three main CIS programmes and related programmes has risen from its low point of 1.0%/1.1% of GDP/GNI in 2000 to 2.1%/2.6% in 2009 with the bulk of spending increasingly provided through the main universal payments (Child Benefit and ECS programmes) which accounted for 77% of the total CIS spending in 2009 while targeted payments accounted for the balance. The impact of budgetary measures in 2010 has been to reduce total spending as a percentage of GDP/GNI to 2.0%/2.5% with 71% of this spending coming through universal Child Benefit.