

All our Children

National Women's Council of Ireland

Briefing Paper on Child Benefit

August 2009



National Women's
Council of Ireland

Comhairle Náisiúnta
na mBan in Éirinn

Introduction

This paper is presented to inform the decision making process with regard to Child Benefit in the Budget 2010 and to inform the debate surrounding the proposals that have been made by and to Government. In the preparation of this Paper the NWCI have consulted with the 160 member organizations of the NWCI, representing 396,000 women across Ireland. The future of Child Benefit is clearly critical to the members of the NWCI and to mothers in Ireland.

Child Benefit

Child Benefit as defined and legislated for by the Department of Social and Family Affairs (DSFA) '*Child Benefit is a monthly payment for each qualified child normally living with you and being supported by you. A qualified child is:*

- *a child under age 16, or*
- *a child aged 16, 17 or 18 who:*
 - *is in full-time education, or*
 - *attends a FÁS Youthreach course, or*
 - *is physically or mentally disabled, and*
 - *depends on you*

(DSFA 2009)¹

Purpose of Child Benefit

Child Benefit was established to support parents to pay for the rearing of children. The Benefit was originally targeted to support larger families. Crucially, it is paid to the mother of the child\children.

Over the last two decades Child Benefit has been used to address a range of policy issues – supporting families, compensating women who stayed out of paid employment to care for their children, combating child poverty, and supporting parents to pay for childcare. In Budget 2001, Minister for Finance, Charlie McCreevy, announced a three year programme to increase the rates of Child Benefit in order to address child poverty and to support parents for childcare. '*The House will be well aware of the great diversity of views that are held in relation to addressing the childcare issue. The Government's core objective is to provide support which will offer real choice to parents and will benefit all our children. This we can do through Child Benefit.*' (December 2000).

Current Government Proposals

The Government has already cut Child Benefit, from January 2009 Child Benefit is payable for a child aged 18, at half the normal rate. From January 2010 Child

¹ www.welfare.ie

Benefit will not be paid beyond the month of the 18th birthday. In addition the Government announced, in the April 2009 Supplementary Budget, its intention to tax or means test Child Benefit. *'The Government does not think that it is fair to pay the same level of benefit irrespective of the level of the income recipient. For that reason the Government has decided that child Benefit will be means tested or taxed in the Budget for next year'* (Minister for Finance Brian Lenihan, T.D. April 2009). The Government has asked the Commission on Taxation to consider the issue of taxing Child Benefit and its Report is expected to be publicly available in early September 2009.

The McCarthy Group Report (An Bord Snip Nua) has recommended a €30 cut to Child Benefit per month for the 1st and 2nd Child and €67 per month for subsequent children.

NWCI perspective

The NWCI has consistently supported a universal Child Benefit as it is the only payment that automatically goes directly to the mother in the family. This payment has a significant positive impact on mothers, and, in particular for mothers on low income. It makes a critical contribution to the cost of rearing children. Furthermore, the NWCI believes there are clear fundamental arguments as to why Child Benefit should remain a universal payment and at current levels in recessionary times;

- Child Benefit is universal and paid directly to the mother and is therefore not subject to the discriminatory nature of the Irish social welfare system which continues to be characterised by the male breadwinner model. Over 125,000 women remain on qualified adult payments in the social welfare system, which means they do not their payment in their own right, their husbands/partners receive the payments for them and their children.
- It cannot be assumed that income is shared equally within households, nor that there are equal spending patterns in families therefore the current payment structure is fundamental to ensuring the payment is spent on the well being and care of the child.
- In the absence of government subsidies to pay for childcare and given the abolition of the Early Years Payment in the April Supplementary Budget, Child Benefit is the **only** payment to parents to assist with childcare costs. Support for childcare costs is critical for women to make independent choices with regard to participation in community and social activity of all kinds.
- Child Benefit was specifically increased to compensate mothers who stayed out of paid employment to care for their children. In the absence of

any recognition for mothers who decide to care for their children at home Child Benefit remains the only recognition of care for children in the home.

- The taxation or means-testing of Child Benefit would act as a disincentive for women to continue in paid employment as there would be less money to pay for childcare costs, this would particularly disadvantage women in low paid employment.

The Importance of Child Benefit to NWCI members

In February 2009, the NWCI surveyed its members on 'The importance of Child Benefit for Parents' and the potential impact of further cuts or reductions. The survey highlighted the critical importance that parents are currently placing on child benefit and other direct payments. 45% of respondents said that it would be a 'financial disaster' for their families if Child Benefit was to be cut in the Budget. 66.6% of respondents said that Child Benefit is currently a 'critical part' of family income. Some of the comments included:

'The effects of child benefit being cut for me would mean I could no longer work as I could not afford childcare; this would be a disaster for my physical and mental well-being.'

'I think child benefit is very important. I rely on it every month to get nappies, clothes, shoes and essentials my son needs. Often, I have relied on it to get extra food and freeze it. Without it my budget would be stretched even tighter and I don't think I would be able to manage.'

'Child Benefit keeps us off the breadline for one week in every month'.

'Child Benefit is not a luxury and should not be treated as one. Women in this country receive no recognition for the crucial unpaid role that they play in managing households, providing childcare, elder care and care of people with disabilities. Cutting Child Benefit sends out yet another message from Government that the work that women do is useless and undeserving of State support'.

Issues of Concern: Reducing Child Benefit

A straight cut to Child Benefit would disadvantage all families and particularly effect those children and families at most risk of poverty. 19%, (200,000) of children are at risk of poverty. Lone parents would also be severely effected as

they also face one of the highest risk of poverty in Ireland and are dependant on state support for the quality of life of their children. Reducing child benefit will affect families and particularly mothers as it will be more difficult to pay for the basic items that children need. Being able afford food, clothing school items, and toys, out of school activities will become for some very difficult and for others impossible. An analysis of the Money Advice and Budgeting Service (MABS) clients in 2005 showed that 73% of their clients were women, and this was consistent with earlier studies. When the data was analysed by household type, the majority were lone parents with children under 18yrs (Conroy 2008)². There have already been in the number of young families using MABS services in recent times.

Impact on paying for Childcare

For families which have managed to continue working in these unpredictable economic times, Child Benefit has become one of the few reliable sources of income for children. From listening to our members, the payment of Child Benefit makes an important contribution to totaling up the monthly Childcare Bill of €800-€1000 per month, per child depending on where you live in the country. The OECD however, has calculated net childcare costs (i.e. including the benefit of state supports) as a percentage of the average wage, and of family income; Ireland tops the table as the most expensive of OECD countries. Net childcare costs are 45% of the average wage in Ireland, compared to 16-17% in EU and OECD countries. Calculated as a proportion of family income, the cost is just under 30% in Ireland (only the UK is higher at 33%), compared to an average of around 12.5% in the EU and OECD.³

Despite a current deflationary economic environment, childcare costs have risen by 6.7%. Any reduction to Child Benefit will mean even less choice for mothers with regard to staying in employment, particularly for women who have already had their working hours reduced.

Issues of Concern: Taxation of Child Benefit

Whose income would be chargeable for tax?

² Conroy, P. (2008) A Matter of Life and Debt in Where are we Now? New feminist perspectives on women in contemporary Ireland ed Ursula Barry, TASC, Dublin

³ www.oecd.org/els/social/family/database

Current arrangements for units of assessment in the taxation system are as follows: Single people's incomes are assessed on an individual basis. Married couples can aggregate their incomes for taxation purposes, however they can also choose to have their incomes singly assessed. Co-habiting couples are treated as single people. The issues for the taxation of Child Benefit are whose income would be chargeable for tax and how would all families be treated equally?

Unequal Treatment of different families

The taxation of child benefit could lead to unequal treatment of different families. For example a married couple may be taxed on Child Benefit at the higher rate of the CB and a co-habiting couple with more income could be taxed at the lower rate, due to the non recognition of co-habiting couples in the taxation system. Similarly a married couple who have opted for single assessment would also be treated differently to a couple who are taxed jointly, even though they may have the same levels of income.

Distribution of income within households

The taxation of Child Benefit in families assumes an equal sharing of income in married families. There is evidence to show an unequal distribution of income within families and different spending patterns of income between men and women. Research on women in poverty has shown that the women spend a greater proportion of their income on family and household expenditure in comparison to men. Clearly further research is required on income distribution and expenditure patterns within families. However it is not correct to assume that income is currently shared equally. Evidence on domestic violence highlights that money is used to control and abuse the women and children in the family. Many women in such families, lack access to money other than their child benefit.

Some Administrative Issues

- Will the taxation be reformed to recognise all families equally

- How will a self employed person be assessed for the taxation of child benefit and how will a couple with one spouse self employed be assessed?
- How would the taxation of Child Benefit be considered in the assessment of other payments e.g Family Income Supplement and Rent Allowances/ Mortgage Supplement

Means Testing

In addition to the arguments against taxation, the option to means test Child benefit could specifically disadvantage women on low incomes and in low paid employment. It would also create new poverty traps for low income families and establish new disincentives to take up employment as they attempt to move from welfare to employment.

Currently under the Department of Social Affairs, Guardians Non Contributory Payment, the means test for the payment does not include the means of the guardians as the payment is given on behalf of the child. The Means test is based solely on the means of the child. This raises similar questions with regard to own's Child Benefit payment – the child or the mother and whose means would be assessed.

Means testing of Child Benefit raises a series of administrative questions and issues

- What would be considered as means; would it be an incomes test or would it include all assets?
- Whose income would be considered as means – the child's, both parents or mother?
- How would the means test adopt for changes in family structure?
- How would self employed people be means tested?
- Would compensatory measures be developed for those on low incomes
- Currently there is not sufficient reconciliation of data between the Department of Social and Family Affairs and the Revenue Commissioners to enable an assessment of means of families

- Does the DSFA have the resources and capacity to means test every family in the country?
- Would it there be cost effective and represent value for money after the costs of implementation are included?

Conclusion

The fact issue that Child Benefit has become a 'one size fits all payment' has created an even greater policy problem in relation to changing the payment both in terms of eligibility and in payment levels. The NWCi has been consistent in advocating strongly that the social welfare system should be significantly reformed to become more women friendly. Among other measures; this would require the system to be individualised to recognise both men and women in their own right. It would also require the recognition of care work through the social insurance system. We have also called for a publicly subsidised quality childcare system for all children.

In the time of economic growth and boom, if the government had used our resources to create modern social welfare system and a national childcare infrastructure, the debate regarding the choices that could be made to child benefit would be taking place in a different context. Unfortunately this is not the case. The government must not now in this time of recession, cut back on a payment which families; particularly mothers have been able to rely on since 1944. Child Benefit should remain a benefit for 'all our children'.

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