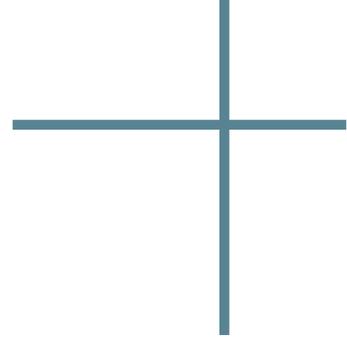


# Working, Parenting and Struggling?

An analysis of the employment  
and living conditions of  
one parent families in Ireland



Society of St Vincent de Paul



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A Report by the Society of St Vincent de Paul

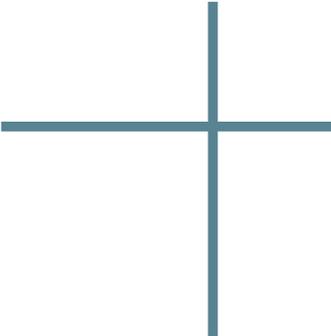
March 2019

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# Executive Summary

## Introduction

As a group most at risk of poverty in Ireland today, lone parents represent the largest group seeking assistance from the Society of St Vincent de Paul (SVP). It is SVP members' experience that one parent families have been hit hardest by the recession and the austerity measures that have followed and have been unable to take advantage of the recent economic improvements.

In 2014, SVP published a research report entitled "It's the hardest job in the world" which sought a better understanding of the needs and circumstances of the one parent families being assisted by the Society. The families who took part in this research were feeling the brunt of previous cutbacks and were fearful about further cuts to income supports and services occurring in the near future. Since this report was published, the reforms of the One Parent Family Payment, which aimed to get more lone parents into employment, were fully implemented. The reforms have been subject to much criticism, specifically that the changes were introduced during a period of recession and high unemployment, in the absence of good quality affordable childcare, and without recognising the additional practical and financial challenges of parenting alone. The decision to abolish the features of the One Parent Family Payment which support lone parents to take up part-time employment was widely criticised. It is SVP's experience that this has made it more difficult for lone parents with low earnings potential and high levels of caring responsibilities to access employment, education or training, and reduced the income of those already in employment. It is therefore likely that the situation of working families who took part in the research in 2013 has worsened since the data was collected.

It is within this context, we present up-to-date information on the income, employment and living conditions of one parent families in Ireland and Europe, critically analyse current policy responses and set out medium-to-longer-term policy objectives for Government aimed at improving the standard of living of one parent families both in and out of work.

## Data

The primary source of data for this analysis is the European Survey of Income and Living Conditions (EU-SILC), which includes information on poverty, income inequality, living conditions and accessibility of services in European countries. We also include data from the Labour Force Survey, the OECD Tax and Benefit model, and the Department of Employment Affairs and Social Protection to track trends in labour market participation and the role of in-work income support in making work pay and reducing poverty.

## Summary of Key Findings

### Poverty and Deprivation in a European Context<sup>1</sup>

- Lone parents in Ireland have the second highest rate of income poverty, persistent poverty, and severe deprivation among all EU-15 countries.
- On average across Europe, one parent families are three times more likely than two parent families to experience deprivation. However, in Ireland, this risk is higher as lone parents are five times more likely to experience deprivation.
- In terms of purchasing power, lone parents in Ireland have the fourth lowest household income among EU-15 countries – only lone parents in Spain, Portugal and Greece had lower levels of income in 2017. Furthermore, while the household income of the general population in Ireland has recovered to pre-crisis levels, the income of one parent households was lower in 2017 than in 2007.
- In 2017, 84% of lone parents in Ireland were unable to meet unexpected expenses – the highest rate among all EU-15 and EU-28 countries. Additionally, 30% of lone parents in Ireland were having great difficulties in making ends meet, and this compares to an EU-15 average of 19%.

### Employment, In-Work Poverty and the Role of Income Supports

- The employment rate of lone parents is the lowest in EU-15 countries at 58%. However, the analysis shows that lone parents with lower childcare needs have much higher rates of employment. For example, those with children over the age of 12 had an employment rate of 66%. Additionally, 62% of those with one child were working in 2017 compared to 47% of those with three or more children.
- Employment rates among lone parents increased from 46% in 2012 to 58% in 2017, but worryingly there has been a simultaneous increase in working poverty. In 2012, 8.9% of working lone parents were living in poverty; by 2017 this had increased to 20.8%. The rate of in-work poverty among lone parents was five times higher than other households with children (20.8% compared to 4.2%). It is also important to note that the measure of in-work poverty does not account for childcare or housing costs. Therefore, working lone parents in countries with lower levels of income but better services than in Ireland can benefit from an improved standard of living if they have access to affordable childcare and housing.

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<sup>1</sup> Please refer to section 3 “data and definitions” in the main report for an overview of the differences in the measures of income and deprivation used by the Central Statistics Office and Eurostat.

- Data from the Department of Employment Affairs and Social Protection suggests that the increase in employment rates among lone parents has been primarily among low-income/ low-hours workers. In recent years, the number of families in receipt of the Working Family Payment (WFP) (formerly known as Family Income Supplement) has doubled, and in 2009 6% of lone parents in receipt of the payment were earning less than €300 per week, but by 2017 this increased to 30%. This pattern may also be explained by the transfer of One Parent Family Payment recipients engaged in low paid and/or low hours work to the WFP once their youngest child reached age seven.
- While there has been a welcome decline in the proportion of workers employed in temporary contracts since 2012, lone parents still have a high propensity to be engaged in more precarious work. In 2017, lone parents are much more likely to be employed on a temporary contract when compared to adults in two parent families (7.6% compared to 4.6%). No data is currently available on the proportion of lone parents engaged in variable hours employment.
- Levels of social welfare support in Ireland are lower than the EU average and do not act as a disincentive to employment, particularly if workers have access to a Differential Rent scheme.<sup>2</sup> However, childcare costs significantly reduce the returns from low paid work for both one and two parent families in Ireland.

### **Access to Services**

- The analysis indicates that the main drivers of high levels of deprivation among these families in Ireland is a combination of low income and a high cost of living.
- Almost 60% of lone parents could not access childcare services for financial reasons – the second highest rate among all EU-15 countries, and three times higher than two parent families.
- 45% of lone parents report a heavy financial burden due to housing costs compared to 30% of two parent families. The proportion of lone parents in arrears on their rent or mortgage repayments was 18% in 2017, compared to 8% of other households with children. The greater burden of housing costs on one parent families is reflected in Department of Housing statistics which show that 62% of homeless families are headed by one parent.
- Lone parents with third level education are three times more likely to be in employment, but 1-in-5 lone parents could not access formal education due to cost. This was the third

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<sup>2</sup> Local authority rents are based on a system called 'differential rents'. This means that the amount of rent you pay depends on the amount of your total household income.

highest rate among all EU-15 countries. A similar proportion of adults in two parent families reported financial barriers to formal education.

## Conclusion

This report clearly shows that Ireland is failing to meet the needs of lone parents and their children and protect them from the adverse effects of poverty. In 2017, the living standards of lone parents in Ireland were among the worst in Europe. They are not only more likely to be living on a very low income but also experience high levels of deprivation, find it difficult to make ends meet and be unable to pay for unexpected expenses. Of particular concern, is the growing issue of in-work poverty among these families. In 2012, 1-in-11 working lone parents were living in poverty; by 2017 this had increased to 1-in-5. High housing and childcare costs combined with low levels of income, mean that it is challenging for many families with children to make ends meet. These factors significantly reduce the standard of living of working lone parents who face additional challenges as both the primary earner and primary caregiver for their families. It also creates additional barriers to employment for those who want to take up work or increase their working hours.

These findings confirm the experience of SVP members who are meeting more and more working families struggling to make ends meet. They are seeing the strain on working lone parents who are trying to combine spending time with their children and fulfilling their caring responsibilities with jobs which can be inflexible and insecure and often do not provide a sufficient income to meet all of the household need.

Previous research from other European countries shows that this pattern is not unique to Ireland and that increases in the labour market attachment of lone parents does not necessarily reduce their poverty risk.<sup>3</sup> This is primarily due to a higher propensity for lone parents to be employed in low paid, variable hours and insecure employment. Furthermore, while low replacement rates and low marginal tax rates are linked to higher employment rates among lone parents (in some countries), they do not enable access to higher paid employment.<sup>4</sup> In countries where there are lower wage differentials, more flexible working arrangements, and subsidised childcare is available, the labour market attachment of lone parents is higher, and rates of poverty are lower.<sup>5</sup>

It is therefore clear that efforts to increase employment rates among households with children cannot occur in a vacuum. Changes in the social welfare system need to be considered alongside other policy changes such as childcare and family-friendly employment practices, and employment legislation such as the minimum wage and precarious work. Policy decisions in these areas should be firmly rooted in a solid understanding of the employment, social welfare and parenting nexus of lone parents.

## Recommendations

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<sup>3</sup> Jaehrling, K., Kalina, T. and Mesaros, L. (2015) 'A paradox of activation strategies: why increasing labour market participation among single mothers failed to bring down poverty rates', *Social Politics*, Vol 22 (1), pp86-110.

<sup>4</sup> Bradshaw, J., N. Finch, E. Mayhew (2003) 'Financial Incentives and Mother's Employment: A Comparative Perspective' paper for the Foundation in International Studies in Social Security. Sigtuna, Sweden June14-17, 2003

<sup>5</sup> OECD (2011) *Doing Better for Families* <https://www.oecd.org/els/family/47719022.pdf>

The Minister for Employment Affairs and Social Protection has indicated that her Department will seek to “unwind” the cuts and changes to the One Parent Family Payment. While this is welcome, SVP is concerned that there is no comprehensive or strategic articulation of the long-term vision for lone parents and their children in current Government policy. We acknowledge that there are important relevant commitments contained in the *National Strategy for Women and Girls*, and the *Action Plan for Jobless Households* but these commitments lack ambition and are not linked to measurable targets. The forthcoming *National Action Plan for Social Inclusion (2019-2025)* must include ambitious targets for reducing poverty among one parent families, including among those who are working. The new plan is an opportunity to address the structural issues that lock families into poverty and will require supporting actions across Government. It will be critical to;

- Pursue a housing-first approach by increasing the output of built and acquired Local Authority and Approved Housing Bodies social housing units.
- Benchmark the National Minimum Wage and social welfare to the cost of a Minimum Essential Standard of Living so that everyone can access an adequate income.
- Significantly invest in the childcare sector so that state subsidises are set at a level that will deliver accessible quality environments for children, reduce the financial burden on parents and improve pay and conditions for staff.

In the short term, there are additional measures that can improve the living standards of lone parents and their families.

- Extend the cut off for the Jobseekers Transition Payment until their youngest child reaches the age of 18, so that lone parents can access work full-time or part-time (depending on their caring responsibilities), better in-work income supports, and training opportunities.
- Link earning disregards and in-work income supports to increases in the National Minimum Wage, maintaining the value of these supports year on year.
- Reduce the hours' requirement for the Working Family Payment for lone parents to 15 hours per week.
- Exclude the Working Family Payment from the income assessment for the Differential Rent Scheme across Local Authorities to maximise the returns from work for low income families. Currently, the income assessment for Housing Assistance Payment (HAP) and social housing varies by Local Authority.
- Extend SUSI to students studying part-time allowing lone parents with high caring and work responsibilities to access education.

- Introduce comprehensive financial support to cover the full costs of attending a training course, including childcare and transport, allowing lone parents to improve their skills and future earning potential.
- Roll out the IT system for the Affordable Childcare Scheme and reduce the traps that arise from the current system. The new IT system will also allow low income families not currently in receipt of payments from the Department of Employment Affairs and Social Protection to access state subsidies for childcare.
- Implement the recommendations of the Report of the Working Group on Childminders to increase the capacity of the sector and allow families who currently use childminders as their primary form of childcare to access state subsidies.

# 1. Introduction

As a group most at risk of poverty in Ireland today, lone parents represent the largest group seeking assistance from the Society of St Vincent de Paul (SVP). It is the experience of SVP members that one parent families have been hit hardest by the recession and the austerity measures that have followed and have been unable to take advantage of the recent economic improvements. This experience has been reflected in recent research from the Economic and Social Research Institute (ESRI) which showed that lone parents and their children experienced persistent levels of poverty during boom, recession and the early stages of economic recovery.<sup>6</sup> Advocating for improvements in supports for one parent families, therefore, remains a priority for SVP.

In 2014, SVP published a research report entitled “It’s the hardest job in the world” which sought a better understanding of the needs and circumstances of the one parent families being assisted by the Society.<sup>7</sup> The study included 61 in-depth interviews with the heads of one parent families. The fieldwork for this research was carried out in 2013 – succeeding four years of austerity measures and cutbacks. This was followed by Budget 2014, which, according to an analysis by the ESRI, had the greatest impact on low income groups.<sup>8</sup> The families who took part in this research were feeling the impact of previous cutbacks and were fearful about further cuts to income supports and services occurring in the near future. The effects of prolonged austerity on family life, relationships mental health and well-being were outlined in the report, as well as the negative impact on hopes, plans and ambitions for the future.

Since the publication of this research report, the reforms of the One Parent Family Payment (OFP) have been fully rolled out. The reforms included the introduction of conditionality to engage in paid employment or activation programmes based on the age of their youngest child. The changes to the OFP have been the subject to much criticism, specifically that they were introduced during a period of recession and high unemployment, in the absence of good quality affordable childcare, and without recognising the additional practical and financial challenges of parenting alone. In particular, the decision to abolish the features of the OFP which support lone parents to take up part-time employment was widely criticised. It is SVP’s experience that this has made it more difficult for lone parents with low earnings potential and high levels of caring responsibilities to access employment, education or training, and reduced the income of those already in employment. The ‘work first approach’ is also viewed as problematic, as it does not address the low level of educational

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<sup>6</sup> ESRI (2018) Poverty dynamics of social risk groups in the EU: an analysis of the EU Statistics on Income and Living Conditions, 2005 to 2014. <https://www.esri.ie/system/files/media/file-uploads/2018-01/BKMNEXT345.pdf>

<sup>7</sup> SVP (2014) It's the hardest job in the world: An exploratory research study with one parent families being supported by the Society of St Vincent de Paul. <https://www.svp.ie/getattachment/0dfc3b0e-9165-4792-946e-43f84199eb57/It-s-The-Hardest-Job-in-The-World.aspx>

<sup>8</sup> ESRI (2013) Distributional impact of tax, welfare and public service pay policies: Budget 2014 and Budgets 2009-2015. [https://www.esri.ie/system/files?file=media/file-uploads/2015-07/QEC2013Win\\_SA\\_Callan.pdf](https://www.esri.ie/system/files?file=media/file-uploads/2015-07/QEC2013Win_SA_Callan.pdf)

attainment among many lone parents, making access to quality employment more difficult.<sup>9</sup>

The validity of these concerns and criticisms have been reflected in recent research which showed that the reforms increased poverty among lone parents<sup>10</sup> and reduced the incomes of those already in employment.<sup>11</sup> It is therefore likely that the situation of working families who took part in the research in 2013 has worsened since the data was collected.

It is within this context, we present up-to-date information on the income, employment and living conditions of one parent families in Ireland and Europe, critically analyse current policy responses and set out medium- to longer-term policy objectives for Government aimed at improving the standard of living of one parent families both in and out of work.

The next section contains a review of current policy responses to the needs of one parent families experiencing poverty. This is followed by a presentation of the data and analysis. The report concludes with a number of policy recommendations.

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<sup>9</sup> Millar, M. and Crosse, R. (2016) *Lone parents and activation, what works and why: a review of the international evidence in the Irish context*. Galway: Institute for Life Course Studies, NUIG.

<sup>10</sup> Indecon (2017) Independent review of the amendments to the One-parent family payment since January 2012. [https://www.welfare.ie/en/downloads/DEASP\\_OFP\\_Review.pdf](https://www.welfare.ie/en/downloads/DEASP_OFP_Review.pdf)

<sup>11</sup> ESRI (2018) Lone-parent incomes and work incentives. <https://www.esri.ie/publications/lone-parentincomes-and-work-incentives>

# 2. Policy Context

## Lone Parents and Activation Policy

In 2002, an OECD report entitled, “Babies and Bosses: Reconciling Work and Family Life” argued that passive income support policy towards lone parents until their youngest child was aged 18 years, was a significant contributory factor to their low levels of employment, and high levels of poverty.<sup>12</sup> At that time poverty rates among one parent families in Ireland were among the highest in Europe and the labour market attachment of lone parents became a policy focus for Government.

In 2007, the Department of Social and Family Affairs, published “Proposals for Supporting Lone Parents” and set out a number of ways in which poverty among children in one parent families could be reduced by removing obstacles to employment.<sup>13</sup> The proposed reforms aimed to:

- Prevent long term dependence on social welfare income support and facilitate financial independence;
- Facilitate participation in employment /education and training in a positive and systematic way;
- Remove poverty traps from the system of income support;
- Provide income support at a level sufficient to enable full participation in society;
- Recognise parental choice with regard to the care of young children but with the expectation that parents will not remain outside of the labour force indefinitely. Change the expectations surrounding receipt of OFP, introducing an expectation of participation but with supports provided in this regard;
- Be neutral in terms of influencing people’s basic choices regarding choice of living arrangements;
- Ensure consistency of treatment across means-tested social welfare schemes.

When the report was published, there was a widespread acknowledgement that improving pathways to decent employment for lone parents would reduce their poverty risk and facilitate financial independence. Nevertheless, concerns were raised about implementing such radical social welfare reforms when there was limited access to affordable childcare or housing.<sup>14</sup> There was a commitment to address these issues in advance of introducing conditionality, but when the economic crash hit in 2008, Troika required cuts across all expenditure categories, and there was a

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<sup>12</sup> OECD (2002) Babies and Bosses: Reconciling Work and Family Life (Volume 2): Austria, Ireland and Japan. <http://www.oecd.org/austria/babiesandbosses-reconcilingworkandfamilylifevol2austriairelandandjapan.htm>

<sup>13</sup> Department of Social and Family Affairs (2007) Government Discussion Paper: Proposals for Supporting Lone Parents. [http://www.welfare.ie/en/downloads/prop\\_lp.pdf](http://www.welfare.ie/en/downloads/prop_lp.pdf)

<sup>14</sup> Murphy et. al. (2008) Lone Parents and Employment: What are the Real Issues? <https://onefamily.ie/wp-content/uploads/Lone-Parents-Employment-Research-Full-Report2.pdf>

renewed focus on One Parent Family Payment (OFP) expenditure. A decision was made to proceed with changing the eligibility criteria to OFP.

The reforms to the OFP scheme were implemented on a phased basis, beginning from July 2013. The age thresholds at which lone parents become no longer eligible for the payment were reduced every year from 2013 to 2015. By July 2015, the age threshold for the youngest child was seven years of age for OFP recipients. Lone parents whose eligibility for the OFP ends can transition to the Jobseeker's Transitional Payment (JST), Jobseeker's Allowance (JA) and the Family Income Supplement (FIS, renamed Working Family Payment in 2017). The earnings disregard attached to the OFP was reduced over a five-year time period, from €146.50 per week to €90 per week in 2014.<sup>15</sup> Unlike the original proposals in 2007, conditionality and the age-related changes were only applied to lone parents, and qualified adults in two parent households were unaffected.

Following an amendment to the Social Welfare Bill, an independent review of the financial and social effects of the cuts and changes to the OFP was carried out by Indecon Economic Consultants in 2018. The review focused on the impact of the reforms on welfare dependency and the poverty rates of those in receipt of the OFP. The researchers analysed data from the Longitudinal Jobseekers database and conducted a survey of those affected by the changes (n=3684).<sup>16</sup> While the report noted an increase in full-time employment among those affected by the changes (from 15% to 22%), 48% saw a drop in their income and rates of deprivation were above 80%. Only 20% said their financial situation improved, with over half (52%) stating that their financial situation got worse after the changes. Self-reported data showed a mostly negative impact on child and family well-being: 43% indicated that their sense of wellbeing had declined, with 23% stating it had improved. Similarly, while 21% suggested the changes had improved their children's wellbeing, 40% reported this had declined, the remainder said their well-being had remained unchanged.

In 2018, another report on the impact of the changes on the financial incentives to work confirmed that the reforms reduced the income of working lone parents and weakened the financial incentive to take up employment among non-employed lone parents.<sup>17</sup>

Overall, it is apparent that the OFP changes that were designed and implemented in 2012 have failed. It reduced the income of lone parents who were already working, pushed more lone parents into low paid employment, increased their risk of poverty and deprivation, and reduced the well-being of their children. With the economy improving, there is an opportunity to learn from the mistakes of the past and implement a holistic set of measures that facilitate access to sustainable good quality employment which is responsive to the needs of those parenting alone.

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<sup>15</sup> Indecon Consultants (2017) Independent Review of the Amendments to the One-parent Family Payment since January 2012 [https://www.welfare.ie/en/downloads/DEASP\\_OFP\\_Review.pdf](https://www.welfare.ie/en/downloads/DEASP_OFP_Review.pdf)

<sup>16</sup> Indecon Consultants (2017) Independent Review of the Amendments to the One-parent Family Payment since January 2012 [https://www.welfare.ie/en/downloads/DEASP\\_OFP\\_Review.pdf](https://www.welfare.ie/en/downloads/DEASP_OFP_Review.pdf)

<sup>17</sup> ESRI (2018) Lone-parent incomes and work incentives. <https://www.esri.ie/publications/lone-parentincomes-and-work-incentives>

In the next section, we briefly outline current Government commitments regarding lone parents, which are articulated across a number of strategies.

### Current Government Policy Commitments

The current *National Strategy for Women and Girls* has a high-level goal for reducing poverty among female-headed households, including lone parent families.<sup>18</sup> This is an important goal, but the accompanying actions lack ambition and specific targets. For example, it includes a recommendation to examine the existing suite of in-work supports for families and finalise proposals for an approach to the Working Family Payment (WFP). This review was completed in 2017, and it concluded that as current supports do a good job of mitigating the risk of in-work poverty, no amendments were introduced. However, in Budget 2018, the income thresholds for families with up to three children increased.

The Working Family Payment is an important form of support for low income families, but lone parents who are working part-time must navigate a very complex system of supports that changes once their youngest child reaches the age of seven and then again when they are 14. For example, a lone parent working four hours a day, five days a week is entitled to the OFP and WFP until their youngest is seven years old. After this point, they will have to choose to transfer to the Jobseekers Transitional Payment (JST) and lose the WFP or retain to the WFP and not be eligible for the JST. Either option results in approximately an €80 per weekly loss in income if they are employed in a minimum wage job. Once their child reaches the age of 14, they can retain the WFP or switch to the Jobseekers Allowance (JA), take up full-time employment or reduce their hours to 3 days a week to comply with the earning disregard for the Jobseekers Allowance (JA). Research has also found that when childcare costs are included WFP can be insufficient in minimising the poverty risk of lone parents transitioning from social welfare to paid employment.<sup>19</sup>

The *National Strategy for Women and Girls* also recommends that better access to the Department of Social Protection employment services is facilitated. This is an important issue as a 2016 report on international best practice in supporting lone parents into quality employment recommended a caseworker approach which involves assisting lone parents with job searching, training and education opportunities, looking for childcare and calculating the financial impact of being in work.<sup>20</sup>

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<sup>18</sup>Department of Justice and Equality (2017) National Strategy for Women and Girls 2017-2020. [http://www.justice.ie/en/JELR/National Strategy for Women and Girls 2017 - 2020.pdf/Files/National Strategy for Women and Girls 2017 - 2020.pdf](http://www.justice.ie/en/JELR/National%20Strategy%20for%20Women%20and%20Girls%202017%20-%202020.pdf/Files/National%20Strategy%20for%20Women%20and%20Girls%202017%20-%202020.pdf)

<sup>19</sup> Millar et al. (2018) "The (in)adequacy of in-work benefits in Irish lone parent labour market activation policy", *Journal of Poverty and Social Justice*, 26: 379-400. <https://www.ingentaconnect.com/contentone/tpp/jpsj/2018/00000026/00000003/art00005>

<sup>20</sup> Millar and Crosse (2016) Lone parents and activation, what works and why: a review of the international evidence in the Irish context [https://aran.library.nuigalway.ie/bitstream/handle/10379/6044/Millar and Crosse Activation Report.pdf?sequence=1&isAllowed=y](https://aran.library.nuigalway.ie/bitstream/handle/10379/6044/Millar%20and%20Crosse%20Activation%20Report.pdf?sequence=1&isAllowed=y)

Relevant commitments regarding local employment services are also contained in the *Action Plan for Jobless Households* which aims to support those in "jobless" households into employment and reduce child poverty. The headline target is to reduce the number of "jobless" households from 18% to 13% by 2020.<sup>21</sup> It focuses on improving the incentives to employment by:

- 1) Completing the roll-out of the Housing Assistance Payment (HAP), removing disincentives formerly associated with the Rent Supplement scheme
- 2) Introducing a package of reforms to welfare schemes to support working families
- 3) Further expanding access to free and subsidised child-care to reduce the cost to families associated with taking up employment.

It makes specific commitments to pilot a family-focused employment service/case management approach in five geographical areas. Led by the employment service, this intervention allows for the involvement of other public services (or referral to such services) where the engagement process identified broader social issues in the household that affected its members' employment prospects.<sup>22</sup> This initiative allows Qualified Adults for the first time to access employment supports. While this is a welcome initiative, challenges remain for the Department to deliver a family centred approach with meaningful service integration built around their needs. A recent National Economic and Social Council (NESC) report found that within the social welfare and employment support system, (i.e. Intreo, the Local Employment Service and JobPath), there can be a lack of trust between service users and Intreo, and at times, people feel they have no choice about the activation/training options offered.<sup>23</sup> Some also felt there were not enough places on sought-after courses with good labour market potential. Also, service users reported that it could be difficult to get information on the options open to them. The report recommended that a much greater emphasis must be placed on the coordination of services, including stronger links between the employment support services and employers, and between the full range of services to support households including childcare. They also recommend that the intensity of supports increases for those most distant from the labour market, including lone parents.

## Recent Budgetary Measures

There have been some welcome measures for lone parents and their families in recent Budgets. Firstly, there have been incremental improvements in the earnings disregard for the OFP and JST recipients to €150 per week that will help lone parents take up and increase their working hours. Additionally, the increase in social welfare, the full restoration of the Christmas bonus, improvements in the Back to School Clothing and Footwear Allowance and the new higher rate of

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<sup>21</sup> Department of Employment Affairs and Social Protection (2017) Action Plan for Jobless Households [https://www.welfare.ie/en/downloads/Action\\_Plan\\_for\\_Jobless\\_Households.pdf](https://www.welfare.ie/en/downloads/Action_Plan_for_Jobless_Households.pdf)

<sup>22</sup> Department of Employment Affairs and Social Protection (2017) Action Plan for Jobless Households [https://www.welfare.ie/en/downloads/Action\\_Plan\\_for\\_Jobless\\_Households.pdf](https://www.welfare.ie/en/downloads/Action_Plan_for_Jobless_Households.pdf)

<sup>23</sup> National Economic and Social Council (2018) Moving from Welfare to Work: Low Work Intensity Households and the Quality of Supportive Services [http://files.nesc.ie/nesc\\_reports/en/146\\_Low\\_Work\\_Intensity\\_Households.pdf](http://files.nesc.ie/nesc_reports/en/146_Low_Work_Intensity_Households.pdf)

payment for children over 12 will help reduce the poverty risk among one parent families.

However, lone parents working part-time will still see a reduction in their income when their child reaches the age of seven, as they are no longer eligible for the WFP in conjunction with the OFP. There are also still going to be a number of issues when their child reaches the age of 14 as parents' caring obligations effectively become invisible to the system as they are now just viewed as "Jobseekers". This is also at a time when a family's expenditure on food, clothing and education increases as the cost of raising a child over the age of 12 is significantly higher<sup>24</sup> but access to in-work income support becomes more difficult.

Regarding housing, it is well documented that lone parents have been most affected by the housing and homeless crisis as approximately 60% of homeless families are headed by one parent.<sup>25</sup> Given that research shows most families are entering homelessness via the private rented sector,<sup>26</sup> Budget 2019 will do little to stem the tide as 70% of social housing need will be met through subsidies to private landlords. This means many lone parents will continue to pay unsustainable top-ups on their rent, have no security of tenure and continue to live with the constant fear of becoming homeless.

The introduction of the Affordable Childcare Scheme (ACS) in Budget 2017 was a very positive development, and the increased investment in the Early Childhood Care and Education Programme (ECCE) will also benefit lone parents. However, there are questions of capacity within the sector with many families struggling to find a subsidised childcare place, particularly for babies and toddlers.<sup>27</sup> Although the preference for many families, particularly those requiring a greater level of flexibility if working hours are variable, childminders are not currently covered under the ACS.

We know that improving access to education has numerous benefits for parents and their children, and there have been some recent positive initiatives to improve access to education, such as enhanced grants for lone parents and better access to support while at University.<sup>28</sup> In addition, the Cost of Education Allowance was reinstated in Budget 2017. However, juggling parenting, studying full-time and working part-time is challenging, but SUSI is not currently available to part-time students. For those who want to take part in training courses, not all Education and Training courses qualify for a subsidised childcare place. There has also been limited progress in addressing the anomaly created by the OFP reforms which means a lone parent in receipt of the Back to Education

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<sup>24</sup> Vincentian Partnership for Social Justice (2018) Minimum Needs of Older Children.

<https://www.budgeting.ie/publications/minimum-needs-of-older-children/>

<sup>25</sup> Department of Housing, Planning and Local Government (2019) Homeless Report -December 2018.

<https://www.housing.gov.ie/node/9276>

<sup>26</sup> Gambi et. al (2018) Insights in Family Homelessness No 16 – Cause of Family Homelessness in the Dublin Region during 2016 and 2017 <https://www.focusireland.ie/wp-content/uploads/2018/12/Gambi-Sheridan-and-Hoey-2018-Insights-into-Family-Homelessness-No-16-Causes-of-family-homelessness-in-the-Dublin-region-during-2016-and-2017-Final-2.pdf>

<sup>27</sup> <https://www.irishtimes.com/news/education/childcare-facilities-forced-to-reduce-intake-due-to-lack-of-funding-1.3441049>

<sup>28</sup> <https://www.education.ie/en/Press-Events/Press-Releases/2017-Press-Releases/PR2017-08-23.html>

Allowance and Rent Supplement cannot access the SUSI maintenance

# 3. Data and Definitions

The primary source of data for this analysis is the European Survey of Income and Living Conditions (EU-SILC), which includes information on poverty, income inequality, living conditions and accessibility of services across European Countries. We also include data from the Labour Force Survey, the OECD Tax and Benefit model, and the Department of Employment Affairs and Social Protection to track trends in labour participation and government expenditure on income supports.

For much of the analysis, we compare Ireland on relevant indicators with peer European countries, namely the EU-15. Where this data isn't available comparisons are made with the 28 countries of the European Union.

There are important distinctions in the definitions used by Eurostat with national level indicators generated by the Central Statistics Office. These differences are outlined in more detail below. All definitions are taken directly from the Eurostat website.

## **Household composition and family type**

The definition of lone parenthood differs between the EU-SILC and LFS.

The EU-SILC data contained on Eurostat website categorises households by the number of adults (aged 18+) and children (aged 0-17) but does not measure the relationship between adult members of the household or adult members relation to children. Throughout this report, we refer to "single adult with dependent children" as lone parent households and "two adults with dependent children" as two parent households. However, it is important to note that the latter may include a lone parent with a child over the age of 18 (i.e. the second adult) and another child under the age of 18 or a lone parent living with a grandparent. This is likely to be a relatively small number of households, but it is a limitation that should be kept in mind.

The Labour Force Survey has a more complete definition of household composition as it takes into account the relationship between household members. A family unit itself consists of either:

1. a married couple, or
2. a married couple and one or more of their never-married children, or
3. one parent and one or more of his or her never-married children, or
4. a couple living together (with never-married children, if any) who are not married to each other, where it is clear that the couple form a "de facto" family unit.

Households may contain more than one family unit or may contain a family together with other persons not in a family unit as defined above. Never married persons (regardless of age) living with a parent or parents are defined as children provided those persons are themselves not part of a separate family unit.

### **Income poverty**

Income poverty or the “at risk of poverty” rate is defined as having an income less than 60% of median equivalised disposable household income. This definition is consistent across all EU member states. However, the CSO method of calculating equivalised income differs somewhat.

Eurostat used the “OECD-modified equivalence scale”. This scale assigns a value of 1 to the household head, of 0.5 to each additional adult member and of 0.3 to each child (aged 14 or younger). The CSO equivalence scale used in national data on income assigns a value of 1 to the household head, 0.6 to each additional adult member and 0.3 to each child (aged 14 or younger). This means that the headline income poverty or “at risk of poverty” rate included in this report will differ slightly from the national CSO estimate.

### **In-work poverty rate**

This refers to the proportion of employed persons who have an income below 60% of the median or who are “at risk of poverty”. A person is employed if they indicated that their principal economic status was “at work”. The other options include unemployed, student, home duties, retired or not at work due to illness or disability.

### **Severe deprivation**

The EU-SILC and Eurostat definition of material deprivation differs significantly from the CSO national definition. In this report, we refer to “severe material deprivation” which is defined by Eurostat as the enforced inability to pay for at least four of the following deprivation items:

1. to pay their rent, mortgage or utility bills;
2. to keep their home adequately warm;
3. to face unexpected expenses;
4. to eat meat or proteins regularly;
5. to go on holiday;
6. a television set;
7. a washing machine;
8. a car;
9. a telephone.

The CSO define deprivation as the inability to afford two or more of the following items:

1. Two pairs of strong shoes
2. A warm waterproof overcoat
3. Buy new not second-hand clothes
4. Eat meat, chicken, fish or a vegetarian equivalent every second day
5. Have a roast joint or its equivalent once a week
6. Had to go without heating during the last year through lack of money
7. Keep the home adequately warm
8. Buy presents for family or friends at least once a year
9. Replace any worn out furniture

10. Have family or friends for a drink or meal once a month
11. Have a morning, afternoon or evening out in the last fortnight for entertainment.

As the EU-SILC indicators are more restrictive than the CSO definition, the rate of deprivation outlined in this report is much lower than the rate quoted in CSO national statistics.

### **Persistent poverty**

This indicator shows the percentage of the population whose equivalised disposable income was below the 'at risk of poverty threshold' for the current year and at least 2 out of the preceding 3 years.

### **Consistent poverty**

This is a CSO national indicator of consistent poverty refers to the percentage of the population whose income is below the 60% poverty threshold and who cannot afford at least two of the eleven deprivation indicators. This is a national definition of poverty which is not used in other European countries and is therefore not included in this report.

### **Employment rate**

The employment rate in the LFS is the percentage of employed persons in relation to the comparable total active population (i.e. it excludes those not in work due to caring or disability). An employed person is a person aged 15 and over who during the reference week performed work - even if just for one hour a week - for pay, profit or family gain.

### **Purchasing power**

Purchasing power parities, abbreviated as PPPs, are indicators of price level differences across countries. PPPs tell us how many currency units a given quantity of goods and services costs in different countries. Using PPPs to convert expenditure expressed in national currencies into an artificial common currency, the purchasing power standard (PPS), eliminates the effect of price level differences across countries created by fluctuations in currency exchange rates. Purchasing power parities are obtained by comparing price levels for a basket of comparable goods and services that are selected to be representative of consumption patterns in the various countries.

### **Social transfers**

Social transfers cover the social help given by central, state or local institutional units. They include:

- old-age (retirement) and survivors' (widows' and widowers') pensions;
- unemployment benefits;
- family-related benefits;
- sickness and invalidity benefits;
- education-related benefits;
- housing allowances;
- social assistance;
- other benefits.

**Marginal effective tax rates**

The marginal effective tax rate (METR) is the combined effect on a person's earnings of income tax and the withdrawal of means tested of state welfare benefits. The EMTR is the percentage of an extra unit of income (i.e. extra euro) that the recipient loses due to income taxes, payroll taxes, and any decline in tax credits and welfare entitlements.

**Replacement rates**

Replacement rates show the proportion of net income in work that is replaced by unemployment benefits. In other words, it indicates how much of family earned income is replaced by unemployment benefits.

# 4. Findings

## Profile of One Parent Families in Ireland

According to the 2016 Census, there were 218,817 one parent families in Ireland, representing approximately 1-in-4 families. Over 86% were headed by a female, and 58% had just one child.<sup>29</sup> One parent fathers were on average considerably older than their female counterparts with 68% aged 50 years or over compared with just 38.3% of women. Single women made up 44.5 per cent of one parent mothers, and almost 40% of the one parent fathers were widowers. Most one parent families were living in one-family households – only 9% lived in multi-family homes.

Census data relates to the entire population but lone parents most at risk of poverty are those reliant solely on social welfare, and those in low paid employment supplemented by DEASP in-work income supports. As a result of changes to supports for lone parents, since 2012 there has been a significant decline in the numbers in receipt of the One Parent Family Payment (OFP) but a corresponding increase in the number in receipt of Working Family Payment (WFP) and Jobseekers Transitional Payment (JST).<sup>30</sup> Data from the Statistical unit in the Department of Social Protection show that the vast majority of lone parents in receipt of social welfare are female – just 1% of OFP recipients are male, and 3% of recipients of the JST are male. The majority of recipients of the OFP are aged between 25 and 35 (50%).<sup>31</sup> The recipients of the JST have an older age profile, on account of the fact that their youngest child is at least seven years old. Male lone parents in receipt of OFP or JST are also more likely to be older than female recipients, and this is primarily due to the higher proportion of men who enter lone parenthood as a result of widowhood or divorce.

## Poverty and Deprivation in the European Context

### Income

It is well documented that the Irish welfare system plays an important role in minimising the levels of income inequality and poverty within the Irish population.<sup>32</sup> In 2017, the rate of income poverty stood at 15.7%, just below the EU-15 average of 16.9%. Before social transfers (excluding pensions) the rate was 33% in Ireland – the highest rate among all EU-15 (and EU-28) countries. Therefore, the Irish system of benefits and taxation reduces the incidence of poverty by over half.

Nevertheless, it still leaves a large proportion of one parent families in poverty even after taking into account the impact of important income supports such as the OFP, Child Benefit or the WFP.

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<sup>29</sup> CSO (2017) Census of Population 2016- Profile 4 Households and Families

<https://www.cso.ie/en/releasesandpublications/ep/p-cp4hf/cp4hf/>

<sup>30</sup> Department of Employment Affairs and Social Protection (2018)

<sup>31</sup> Correspondence with the DEASP Statistical Unit.

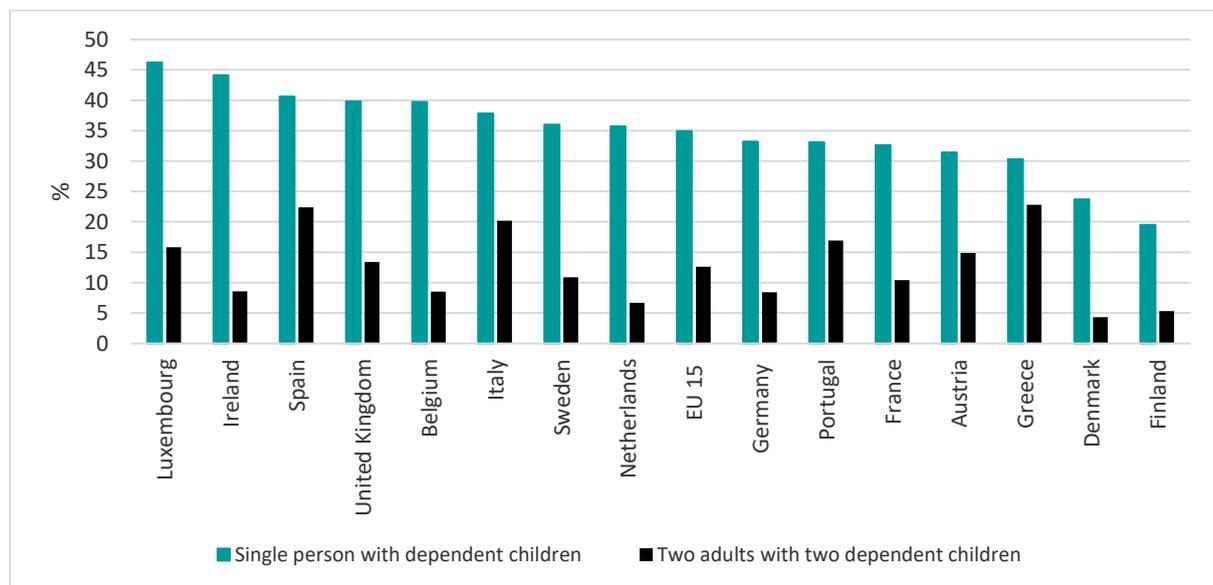
<sup>32</sup> Sweeney and Wilson (2019) Cherishing All Equally 2019: Inequality in Europe and Ireland:

<https://www.tasc.ie/publications/cherishing-all-equally-2019-inequality-in-europe-a/>

Figure 1 illustrates that the levels of income poverty after social transfers in one parent households is the second highest in EU-15 countries at 44% - only Luxembourg has a higher rate. The corresponding rate of income poverty among Irish two parent households with two children was 8.9%. This means that one parent families in Ireland are almost 5 times more likely to experience income poverty than two parent families.

Further data on average incomes shows that one parent households in Ireland not only experience high levels of poverty, but their incomes on average are much lower than their counterparts in other European Countries. Lone parent households had an annual median equivalized income of €14,548 per year in 2017, compared to a national average of €22,879. When expressed in terms of purchasing power, this is the fourth lowest household income among EU-15 countries – only lone parents in Spain, Portugal and Greece had lower levels of income in 2017. Additionally, while the household income of the general population in Ireland has recovered to pre-crisis levels, the income of one parent households was lower in 2017 than in 2007.

Figure 1: Income poverty households with children (EU-15 2017)



Source: Eurostat EU-SILC survey [ilc\_li03]

Ireland also stands out from other European countries in terms of the levels of persistent poverty. Persistent poverty refers to the proportion living below the poverty line for at least 2 out of the preceding 3 years. The data shows that 34% of lone parent households were persistently poor in 2015 (latest data available), compared to an EU-15 average of 23%. Again, this is the second highest rate among all EU-15 countries and means that Irish lone parents are not only more likely to fall into poverty, but when they do, they are more likely to stay there longer. The corresponding rate for two parent households with dependent children was 6% in 2015. Given evidence which shows the long-

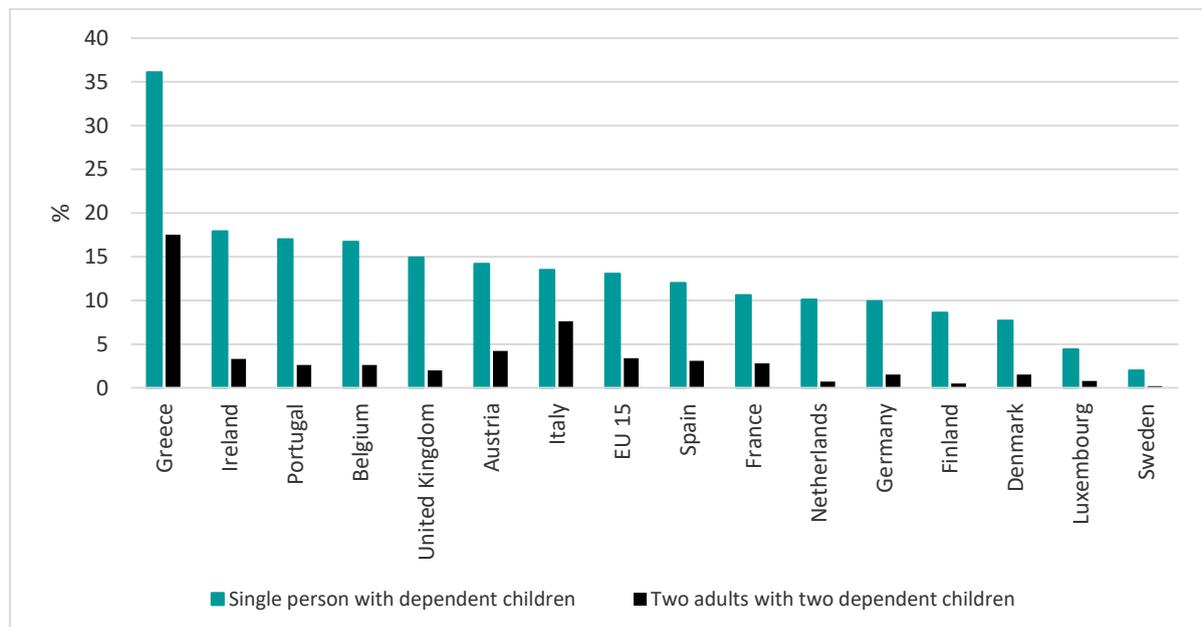
term effects of continually living in poverty on child outcomes, this pattern is particularly worrying.<sup>33</sup>

### Deprivation

So far, the analysis has focused on income. While useful, this doesn't give us the full picture, as it just shows the distribution of income in each country but doesn't tell us anything about living standards. The poverty threshold takes account of the net disposable income after accounting for tax and social transfers but doesn't include a households' expenditure on housing or childcare. This means that someone in country A may have a higher income than someone in country B. But people in country B pay less in rent and receive free healthcare or childcare, therefore, benefiting from a lower cost of living.

An example of this is Luxembourg and Sweden, where levels of income poverty and inequality are comparatively high, but the level of severe deprivation is very low. That's why subjective indicators such as "severe deprivation" are important complementary measures as they show the proportion of households struggling to afford basics like heating and nutritious food. Irish lone parents not only experience low levels of income, but they also have very high levels of deprivation. In 2017, the rate of severe deprivation among one parent families was the second highest among all EU-15 countries in 2017 at 17.9%; this is compared to an EU average of 13%.

Figure 2: Rates of severe deprivation among households with children (EU-15 2017)



Source: Eurostat EU-SILC survey [ilc\_mddd13]

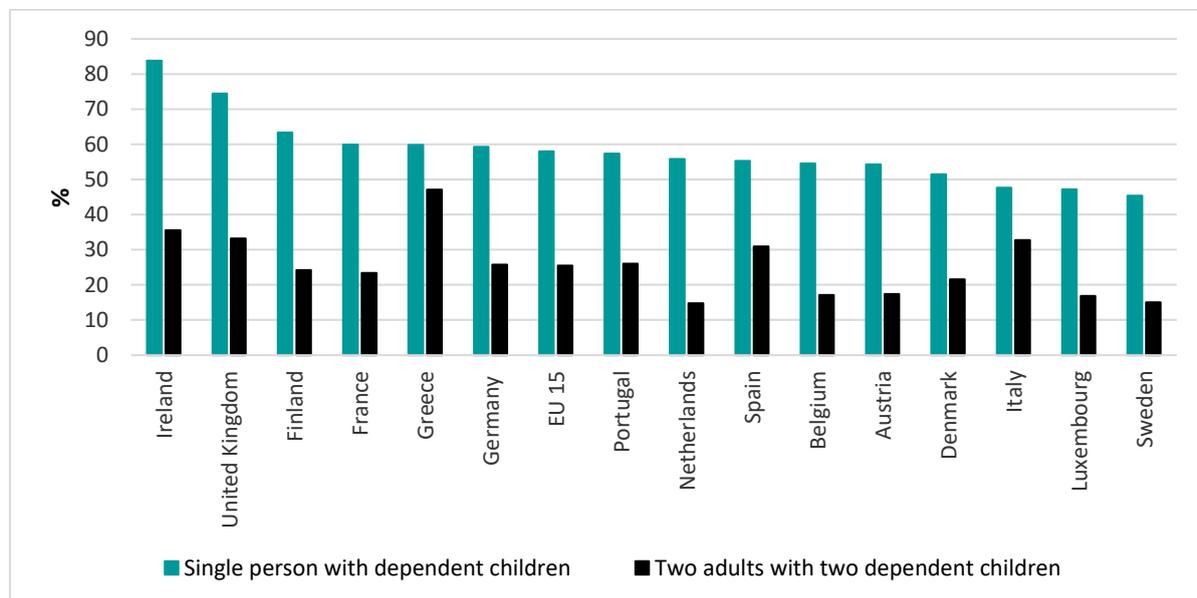
In 2010, the rate of deprivation among one parent families in Ireland stood at 12.8%, rising to a peak

<sup>33</sup> Dickerson and Gurlee (2011) Persistent poverty and children's cognitive development: Evidence from the UK Millennium Cohort Study. Working Paper. Department of Economics, University of Sheffield ISSN 1749-8368 <http://eprints.whiterose.ac.uk/43513/1/SERPS2011023.pdf>

of 32.3% in 2013. Year on year from 2013 onwards there has been a welcome decline in deprivation among these households, but the rate remains above pre-crisis levels, and in 2017 the rate was over 5 times higher than two parent households. In 2010, the risk of deprivation was 3 times higher for lone parents, indicating that family structure is a growing axis of inequality in Ireland.

The EU-SILC survey also asks households about their ability to meet unexpected expenses. This may refer to the ability to deal with the unexpected cost of replacing a broken fridge, cooker or car. Figure 3 shows that Irish lone parents are the least likely to be able to afford unexpected expenses among all EU-15 countries. This is the highest rate among all EU-15 and EU-28 countries. Further data not displayed here shows that 30% of lone parents in Ireland have great difficulty making ends meet. This is the second highest rate among all EU-15 countries, just after Greece and well above the EU average of 19%.

Figure 3: Households with children who are unable to meet unexpected expenses (EU-15 2017)



Source: Eurostat EU-SILC survey [ilc\_mdcs04]

### Summary of Key Findings – Poverty and Deprivation

- Lone parents in Ireland have the second highest rate of income poverty, persistent poverty, and severe deprivation among all EU-15 countries.
- On average across Europe, one parent families are three times more likely than two parent families to experience deprivation. However, in Ireland, this risk is higher as lone parents are five times more likely to experience deprivation.
- In terms of purchasing power, lone parents in Ireland have the fourth lowest household income among EU-15 countries – only lone parents in Spain, Portugal and Greece had lower levels of income in 2017. Furthermore, while the household income of the general population in Ireland has recovered to pre-crisis levels, the income of one parent households was lower in 2017 than in 2007.
- In 2017, 84% of lone parents in Ireland were unable to meet unexpected expenses – the highest rate among all EU-15 and EU-28 countries. Additionally, 30% of lone parents in Ireland were having great difficulties in making ends meet, and this compares to an EU-15 average of 19%.

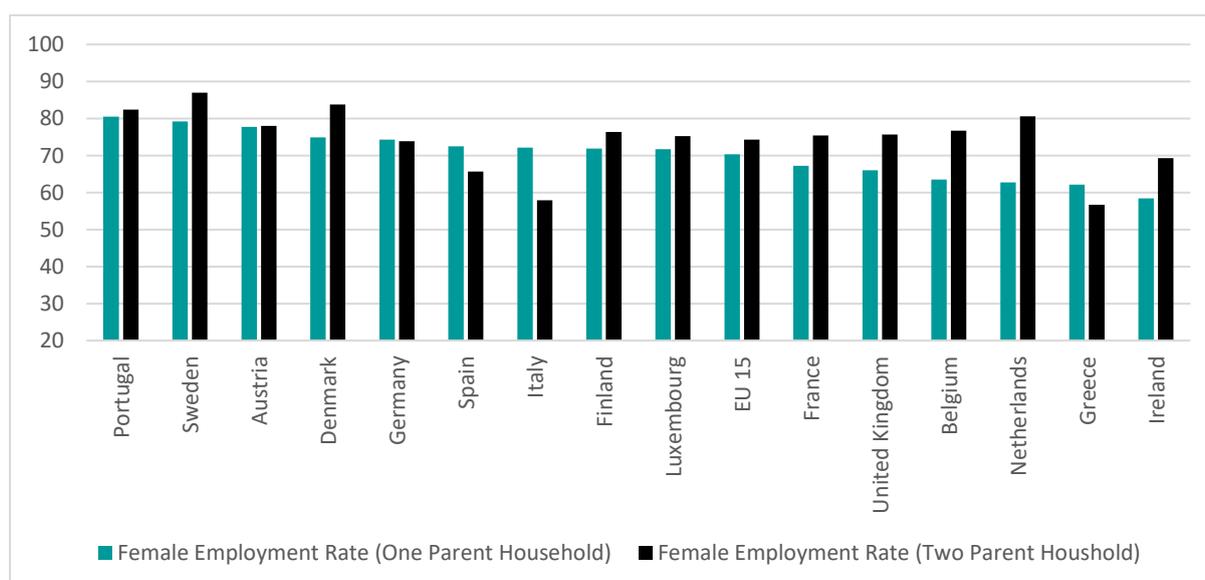
## Employment, In-Work Poverty and the Role of Income Supports

### Labour Market Participation

The proportion of lone parents in employment increased significantly in the past number of years, from 46% in 2012 to 58% in 2017. Comparing Ireland to other European countries, Figure 4 shows that the proportion of lone parents in employment is the lowest among the EU-15. This pattern is reflective of the employment impact of motherhood in Ireland more generally, as the employment rate among women in couples with children is the fifth lowest rate among the EU-15 at 69%. However, the gap in employment rates between one and two parent families in Ireland is above the European average at 11 percentage points (EU-15 employment gap =4 percentage points), meaning lone parents in Ireland face particular difficulties in accessing employment relative to their female counterparts in two parent households.

When we examine rates of part-time employment, Irish lone parents have the fourth highest rate among all EU-15 countries at 46%, just after the Netherlands, the UK and Germany. However, since 2012 the numbers in part-time employment have fallen significantly from 55% to 42% in 2017. Therefore, the recent growth in lone parents' labour market participation has primarily been in full-time work.

Figure 4: Employment rate among females in one and two parent households (EU-15 2017)



Source: Eurostat EU-SILC survey [lfst\_hheredty]

In 2017, the employment rate of lone parents (aged 15-64) whose youngest child was aged 0 to 5 years was 47% in 2017 compared to 60% where the youngest child was aged 6 to 11 and 66% where the youngest child was aged 12 to 17. However, the employment rates of mothers in two parent families vary very little depending on the age of their youngest child. Further data shows that lone parents with more than one child are also less likely to work. There is a difference of 15 percentage points in the employment rates of lone parents with one child compared to a lone parent with three or more children (47% compared to 62%). For females in couples, this differential is 5 percentage

points.

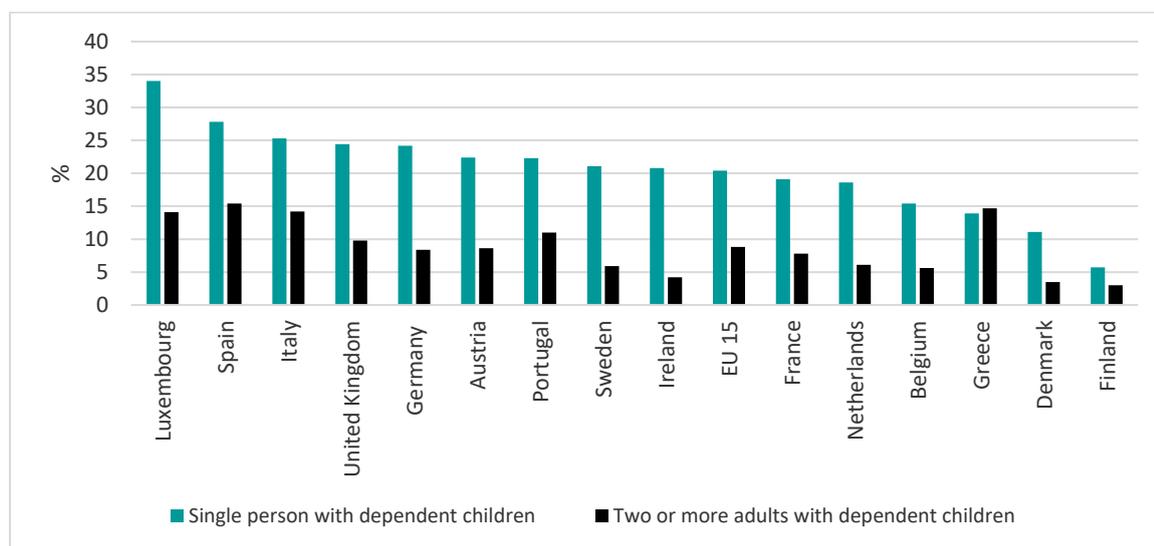
The differences between lone parents and mothers in two parent households are intuitive. Having more children and having younger children can reduce the attractiveness of having a second adult in paid work due to higher childcare costs. However, as lone parents are the primary earner, their labour market participation is more likely to increase as their childcare needs decrease.

### In-Work Poverty

Ireland's rate of in-work poverty was 5.2% in 2017 and below the EU-15 average of 8.4%. The rate increased from 4.8% in 2016 but is still the third lowest rate among all EU-15 countries. It is important to note, that Ireland's comparatively good performance on this indicator is due to the role of social transfers such as the Working Family Payment in reducing the risk of poverty among workers. In 2017, Ireland had the fifth highest incidence of low pay in the OECD, which refers to the share of workers earning less than two-thirds of median earnings.<sup>34</sup>

Nevertheless, the rate of in-work poverty is generally higher for one parent families across all EU countries, and Ireland's rate of 20.8% is just above the EU average of 20.4%. As already outlined, there are limitations to this measure as it doesn't take account of the cost of housing or childcare. For example, Sweden's rate of in-work poverty is higher than in Ireland, but childcare is highly subsidised, so the living standards of working lone parents are likely to be better than those in Ireland. It is therefore very reasonable to infer that the rate of in-work poverty in Ireland among households with children would be significantly higher if the measure took account of childcare costs. We return to these issues in more detail in the final section of the report on access to services.

Figure 5: Rates of in-work poverty among households with children (EU-15 2017)



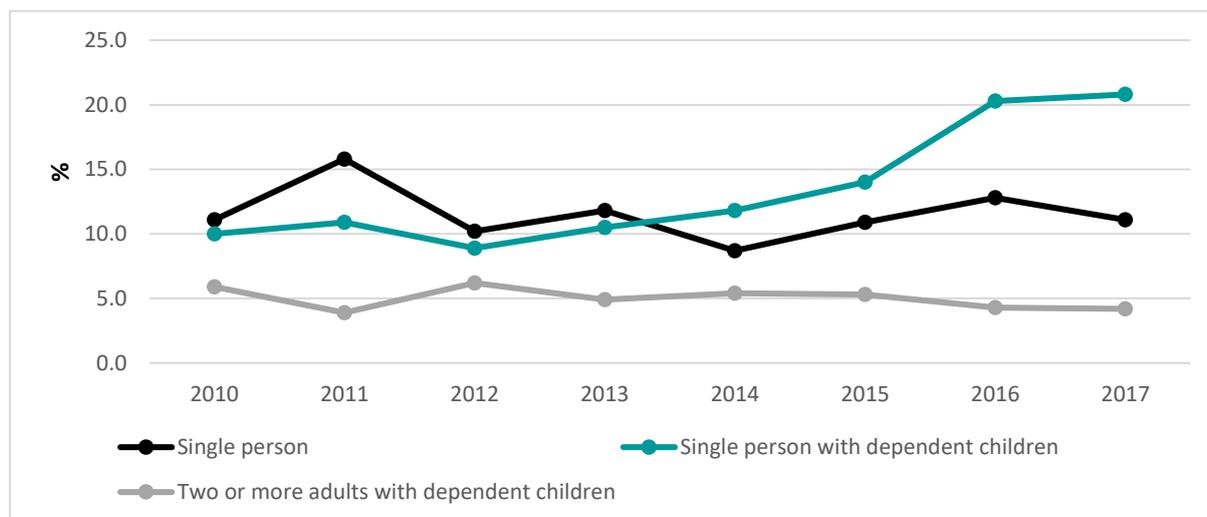
Source: Eurostat EU-SILC survey [ilc\_iw02]

<sup>34</sup> OECD (2018) Wage Levels. <https://data.oecd.org/earnwage/wage-levels.htm>

As already outlined, data from the Labour Force Survey shows an increase in the employment rate of lone parents from 46% in 2012 to 58% between 2016 and 2017. However, over the same period, there has been a significant increase in the proportion of lone parents who are working and living below the poverty line. Figure 6 shows that the rate of in-work poverty among lone parents increased from 8.9% in 2012 to 20.8% in 2017. This is compared to a decline in the rate of in-work poverty among two parent households with children from 6.2% in 2012 to 4.2% in 2017. Therefore the rate of in-work poverty is almost 5 times higher among one parent households compared to other households with children.

The greater risk of in-work poverty among lone parents is reflective of a higher risk of poverty and deprivation more generally, and the additional challenges faced by lone parents as both the primary earner and primary caregiver for their families. Furthermore, lone parents are more likely to be employed in temporary contracts. In 2017, 7.6% of lone parents were employed on temporary contracts compared to 4.6% among adults in two parent households and 6.2% among other working-age adults. However, compared to the EU-15 the proportion of lone parents employed in temporary contracts is relatively low, and the rate has declined from 12% in 2012. Nevertheless, the upward trend in working poverty among lone parents should be of significant concern for policymakers.

Figure 6: Rates of in-work poverty (Ireland 2010-2017)



Source: Eurostat EU-SILC survey [ilc\_iw02]

### Pay and In-Work Income Supports

The Labour Force Survey has several indicators which show the relationship between employment and household composition but does not link this information to pay. We, therefore, do not have information on the proportion of lone parents who are engaged in minimum wage employment. Nevertheless, there is interesting data contained in the annual statistical report from the Department of Employment Affairs and Social Protection on the Working Family Payment (formally

known as Family Income Supplement) which gives some indication of the earned income of households with children.

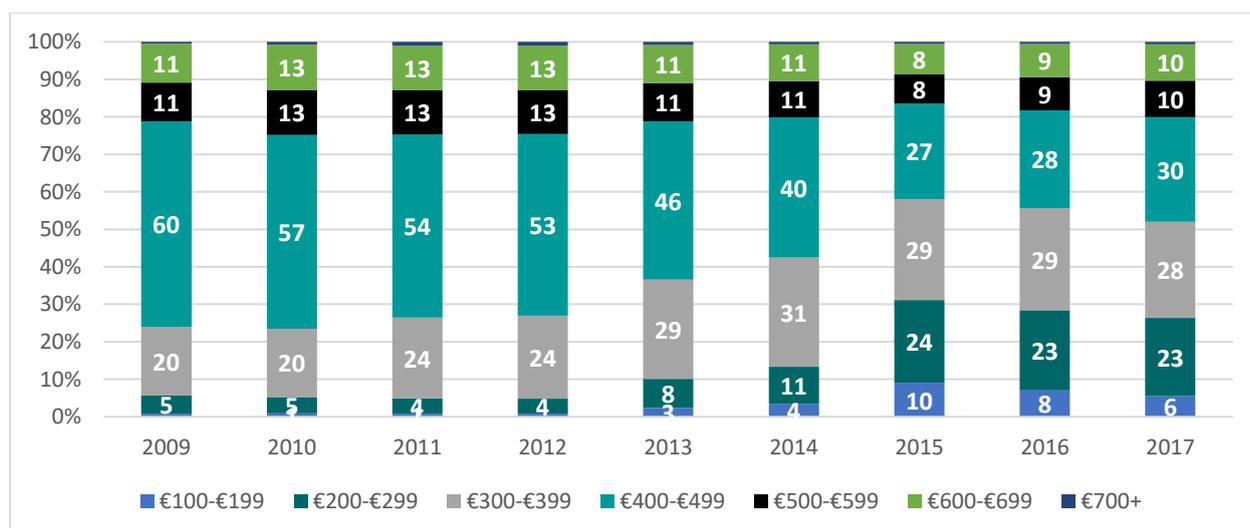
Since 2009 the number of families in receipt of the WFP has increased significantly from 25,963 families in 2009 to 57,745 in 2017. One parent families accounted for 48% of all WFP recipients in 2017. The growth in recipients of the WFP is linked to the increase in employment rates of one and two parent families since 2012 and may also be driven by a greater awareness of the scheme by families and employers, therefore increasing take up.

Figure 7 shows that this growth in one parent family recipients has been primarily among those earning less than €300 per week (before accounting for the WFP payment) – in 2009 6% were earning less than €300 per week compared to 30% in 2017. Data not displayed here shows that the income composition of two parent family recipients has not changed over the same period, so the pattern is unique to one parent households.

While it is not entirely clear why this pattern has emerged there may be several contributing factors. Firstly, the data from the Labour Force Survey shows that there has been a substantial increase in the proportion of lone parents engaged in full-time employment. Therefore, the DEASP data may suggest that this employment growth has been primarily among the lower end of the income distribution. This would also tally with the increase in working poverty. Secondly as the shift in the income composition of lone parents primarily occurs after 2012, it may also be reflective of OFP recipients with lower earnings transferring from this scheme to the WFP.

Unfortunately, we cannot calculate the hourly wage rate from this data as we don't have information on the number of hours worked. It would be very useful if the DEASP published a more detailed analysis of this data, including hours worked, so we have a better understanding of the earned income of households with children and the main drivers of in-work poverty among these families.

Figure 7: Earned income of lone parents in receipt of the Working Family Payment (2009-2017)

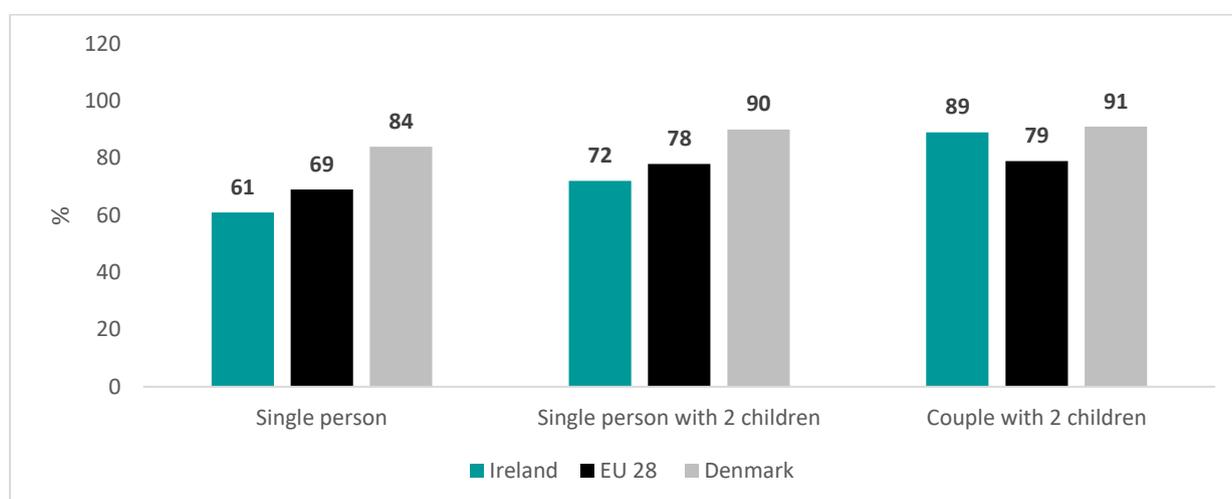


Source: Department of Employment Affairs and Social Protection Annual Statistical Report 2017

## Replacement Rates and Returns from Employment

It is often incorrectly assumed that Ireland has relatively high levels of social welfare support and this has created a disincentive to employment, particularly for those with children. Research from the ESRI showed that 80% of those in receipt of unemployment benefits would see their incomes increase by 40% when taking up employment, just 3% would be financially worse off.<sup>35</sup> This incentive to take up employment is also demonstrated in Figure 8 which shows Ireland's replacement rate for lone parents is below EU-28 average, but slightly higher for couples with two children. We also compare Ireland to Denmark as it is a country with high rates of employment and low rates of child and family poverty. In all household types, replacement rates in Denmark are the highest in the EU. This challenges the myth that an adequate social protection floor disincentivises employment; instead it shows the important role income supports play in mitigating the risk of poverty.

Figure 8: Net replacement rates in unemployment including housing benefits



Source: OECD Tax and Benefits Model 2018

Examining data from the OECD further, we see that the withdrawal of housing benefits is a significant barrier to employment in Ireland. Figure 9 shows the Marginal Effective Tax Rate (METR) of entering low paid employment<sup>36</sup> for Ireland and the EU-28. This refers to how much of every euro earned is taken away in the withdrawal of benefits and supports. In the Irish case, housing benefits (Rent Supplement) have a dramatic impact on METR, for example increasing from 58% to over 90% for lone parent with 2 children; in the EU-28, the effect is minimal. Rent supplement has been identified as a significant barrier to those considering taking up employment or increasing their hours at work. The loss of rent supplement on taking up a full-time job (over 30 hours) means that someone in work on a low income will be unable to meet their housing costs.

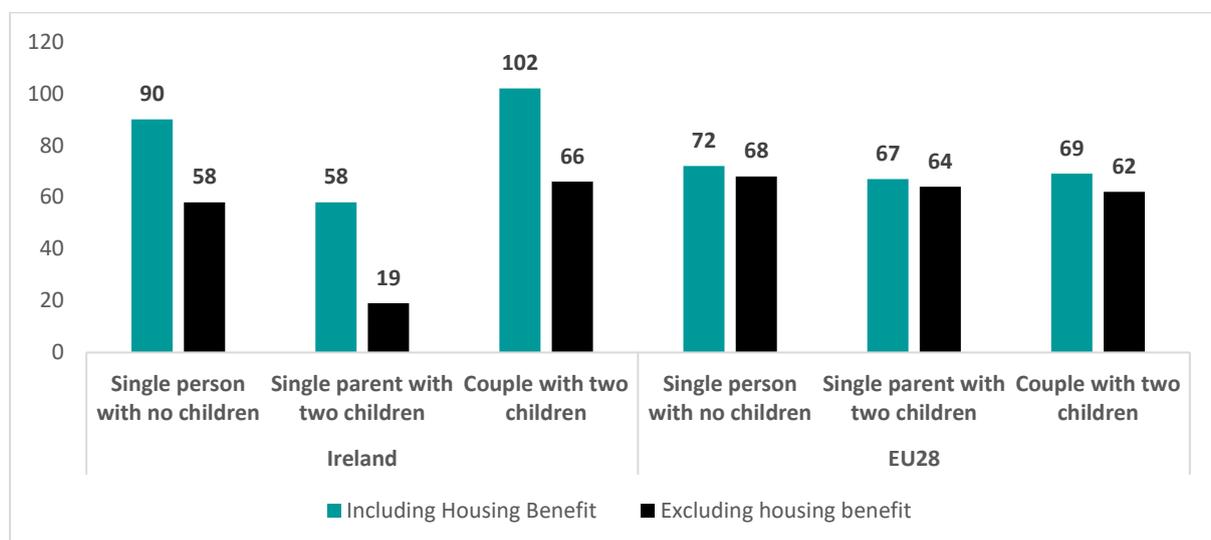
The role of the Housing Assistance Payment (HAP) sets out to address this issue as it is only based on

<sup>35</sup> Savage et al (2015) A profile of financial incentives to work in Ireland. <https://www.esri.ie/publications/a-profile-of-financial-incentives-to-work-in-ireland>

<sup>36</sup> This refers to income below 67% of average wage

income and not on hours worked. A recent analysis from the ESRI shows that the Housing Assistance Payment (HAP) can significantly improve the transition from welfare to work for those in long-term receipt of Rent Supplement.<sup>37</sup> Importantly, however, this analysis also brought to light an issue SVP members have raised – the variance in the application of Differential Rents for HAP and social housing tenants across local authorities. This relates to differences in minimum and maximum contributions, definitions of means-testable income (for example some local authorities include WFP in the calculation of assessable income, and others do not), and the rate at which contributions increase with income. This means that the financial incentives for work will vary significantly between different local authorities. Furthermore, as HAP doesn't offer security of tenure and many tenants pay a top-up directly to their landlords, there are serious concerns about the suitability of private rented housing subsidies in addressing housing costs among low income workers.<sup>38</sup>

Figure 9: Effective tax rate of entering NMW employment including and excluding housing benefits



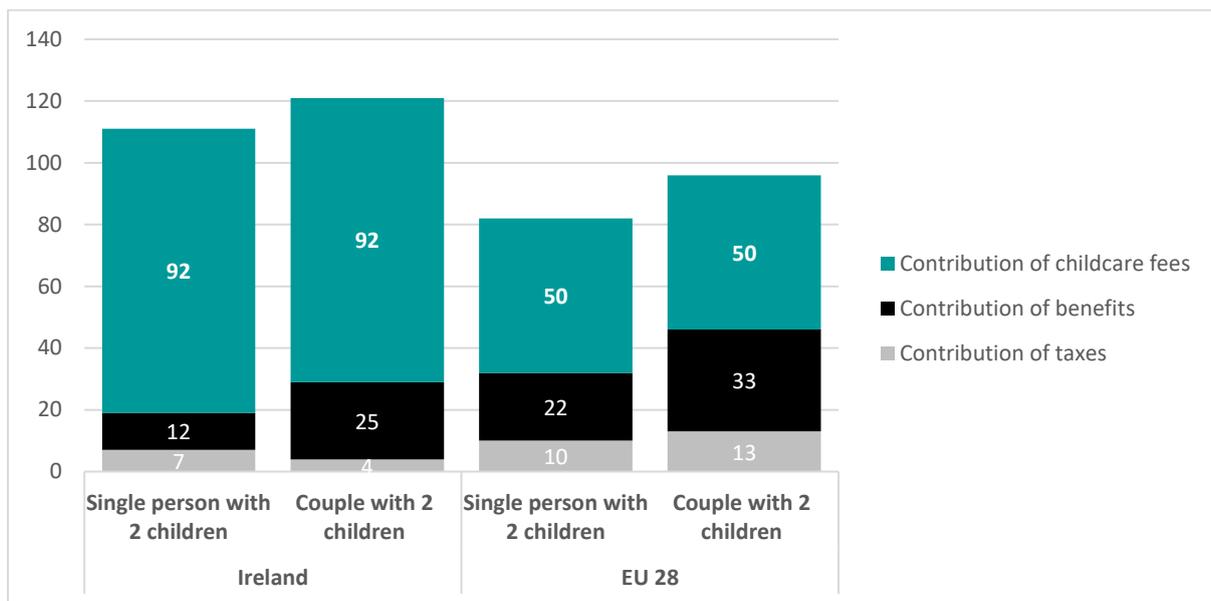
Source: OECD Tax and Benefits Model 2018

Figure 10 shows that childcare costs are a significant contributor to the Marginal Effective Tax Rate (METR) for households with children compared to the European average. Again, we see that Ireland stands apart from our European neighbours, as for both one and two parent families the returns for low paid employment are over 100%, meaning that they would see a loss of income when taking up work. Childcare costs contribute 90% to the METR for households with children in Ireland, compared to 50% in EU countries. The contribution of tax and benefits is also significantly less when compared to the European average. The issue of childcare costs is examined in further detail in the next section.

<sup>37</sup> Roantree et al. (2019) Housing Assistance Payment: Potential impacts on financial incentives to work. <https://www.esri.ie/system/files/publications/WP610.pdf>

<sup>38</sup> Hearne and Murphy (2018) Investing in the Right to a Home: Housing, HAPs and Hubs. [https://www.maynoothuniversity.ie/sites/default/files/assets/document/Investing%20in%20the%20Right%20to%20a%20Home%20Full\\_1.pdf](https://www.maynoothuniversity.ie/sites/default/files/assets/document/Investing%20in%20the%20Right%20to%20a%20Home%20Full_1.pdf)

Figure 10: Effective tax rate on entering low paid employment including childcare fees



Source: OECD Tax and Benefits Model 2018

## Summary of Key Findings – Employment and Social Protection

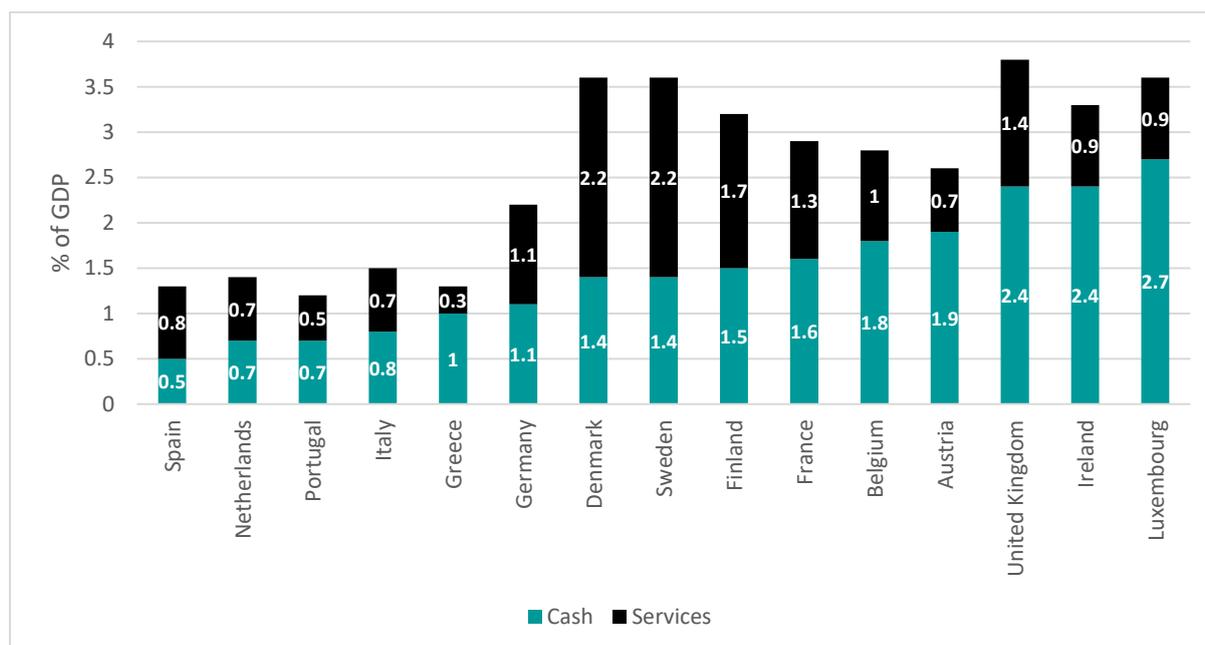
- The employment rate of lone parents is the lowest in EU-15 countries at 58%. However, the analysis shows that lone parents with lower childcare needs have much higher rates of employment. For example, those with children over the age of 12 had an employment rate of 66%. Additionally, 62% of those with one child were working in 2017 compared to 47% of those with three or more children.
- Employment rates among lone parents increased from 46% in 2012 to 58% in 2017, but worryingly there has been a simultaneous increase in working poverty. In 2012, 8.9% of working lone parents were living in poverty; by 2017 this had increased to 20.8%. The rate of in-work poverty among lone parents was five times higher than other households with children (20.8% compared to 4.2%). It is also important to note that the measure of in-work poverty does not account for childcare or housing costs. Therefore, working lone parents in countries with lower levels of income but better services than in Ireland can benefit from an improved standard of living if they have access to affordable childcare and housing.
- Data from the Department of Employment Affairs and Social Protection suggests that the increase in employment rates among lone parents has been primarily among low-income/ low-hours workers. In recent years, the number of families in receipt of the Working Family Payment (WFP) (formerly known as Family Income Supplement) has doubled, and in 2009 6% of lone parents in receipt of the payment were earning less than €300 per week, but by 2017 this increased to 30%. This pattern may also be explained by the transfer of One Parent Family Payment recipients engaged in low paid and/or low hours work to the WFP once their youngest child reached age seven.
- While there has been a welcome decline in the proportion of workers employed in temporary contracts since 2012, lone parents still have a high propensity to be engaged in more precarious work. In 2017, lone parents are much more likely to be employed on a temporary contract when compared to adults in two parent families (7.6% compared to 4.6%). No data is currently available on the proportion of lone parents engaged in variable hours employment.
- Levels of social welfare support in Ireland are lower than the EU average and do not act as a disincentive to employment, particularly if workers have access to a Differential Rent scheme. However, childcare costs significantly reduce the returns from low paid work for both one and two parent families in Ireland.

## Access to Services

It is well established that Ireland's expenditure on services for children and families is low compared to other European countries. Figure 11 shows that although expenditure on children and families is relatively high compared to other countries at 3.3% of GDP, just 0.9% of GDP is spent on services. After Luxembourg, Ireland has the highest spending on children in terms of cash benefits, mainly in the form of Child Benefit. As already outlined, these vital cash transfers have to work much harder than in other European countries to reduce very high levels of poverty. In countries, such as Denmark, Finland and Sweden, that combine adequate income supports with good quality services, rates of deprivation are lowest.

In this section, we examine in further detail how the accessibility and affordability of public services, including access to childcare, formal education and affordable housing may explain some of the patterns outlined in the previous sections. The data contained in this section of the report relates to a special module of EU-SILC on access to services. The questions contained here are a one-off survey and data was collected in 2016. Data on housing costs is extracted from the annual EU-SILC survey is also presented, and this data relates to 2017.

Figure 11: Expenditure on cash vs services for children and families (EU-15, 2015)



Source: OECD Family Database

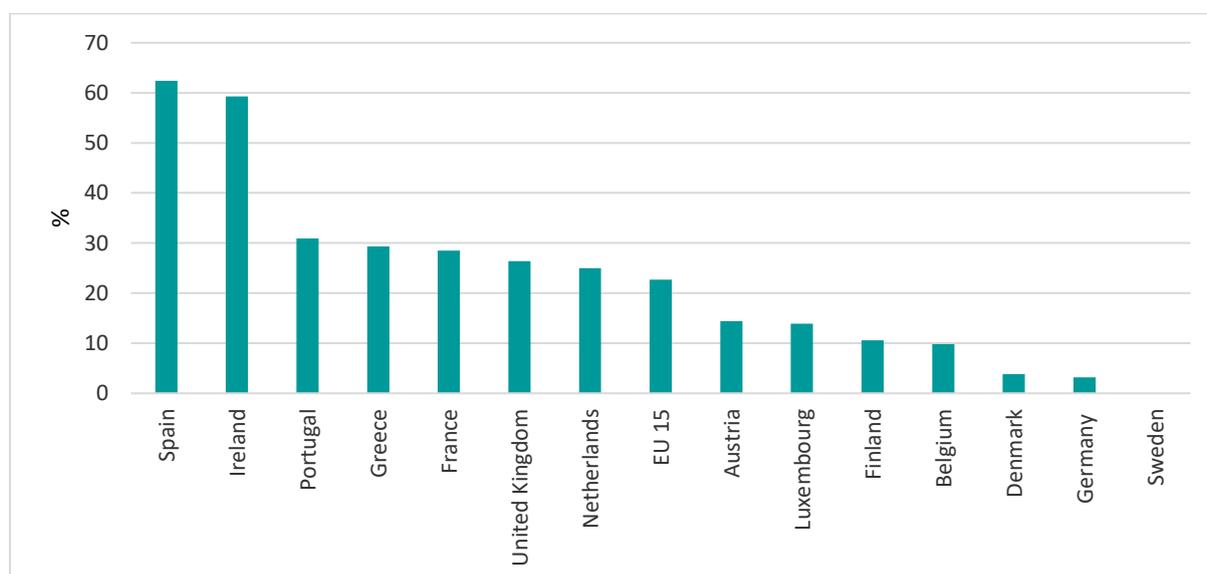
### Childcare

The analysis presented in the first two sections clearly shows that the living standards of lone parents in Ireland is poor when compared to other European countries. They are more likely to experience high levels of deprivation, find it difficult to make ends meet and be unable to afford unexpected expenses. The employment rate among lone parents in Ireland is the lowest among all

EU-15 countries. Moreover, although the numbers in employment are increasing, poverty among working lone parents has doubled since 2012. Childcare is continually cited as the main barrier to employment for lone parents who want to take up or increase their working hours.

Figure 12 shows that almost 60% of one parent households were unable to access childcare services due to financial reasons. Recent research published by the ESRI, which looked at this data in more detail, found that where lone parents without a need for childcare are excluded, the proportion citing financial barriers to childcare rises to 91%<sup>39</sup>. This is the second highest rate among all EU-15 countries just after Spain and is not surprising as childcare costs in Ireland are some of the highest among all OECD countries.<sup>40</sup> In Sweden and Denmark, where childcare is universally available and highly subsidised, cost was not a barrier to childcare for one parent families.

Figure 12: One parent households who cannot access childcare due to financial reasons (EU-15 2016)



Source: Eurostat EU-SILC survey [ilc\_at04] Data from Italy unavailable

In Figure 13, the main reasons parents are not accessing childcare by family type is displayed. For one parent families, the main reason their children are not in childcare is due to affordability issues. Just 19% of two parent households with one child and 37% among two parent, two child households report financial barriers to childcare. Two parent families are much more likely to say that they have "no need for childcare" than one parent families. Reporting no need for formal childcare may arise because those who are not employed, but caring for their children themselves, are less likely to need formal childcare. It may also relate to the age of their youngest child as the ESRI found that children under the age of 12 are overrepresented among one parent households.<sup>41</sup> The greater need for

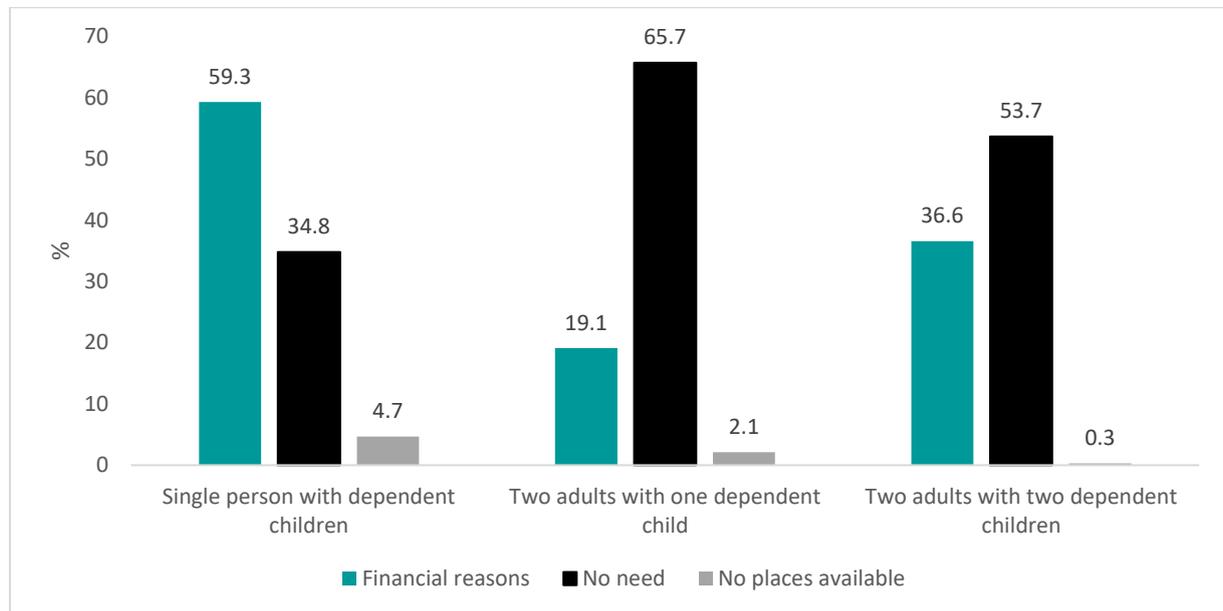
<sup>39</sup> Grotti et. al. (2019) Technical Paper on Access to Care Services in Ireland, Social Inclusion Technical Paper No. 9. <https://www.esri.ie/system/files/publications/BKMNEXT371.pdf>

<sup>40</sup> OECD (2017) The Pursuit of Gender Equality: An Uphill Battle. <https://doi.org/10.1787/9789264281318-graph67-en>

<sup>41</sup> Grotti et al. (2019) Technical Paper on Access to Care Services in Ireland, Social Inclusion Technical Paper No. 9. <https://www.esri.ie/system/files/publications/BKMNEXT371.pdf>

childcare among lone parents also may reflect the stronger desire and need to be in employment as they are the primary earner.

Figure 13: Children not in childcare by reason & family type (Ireland 2016)



Source: Eurostat EU-SILC survey [ilc\_ats04]

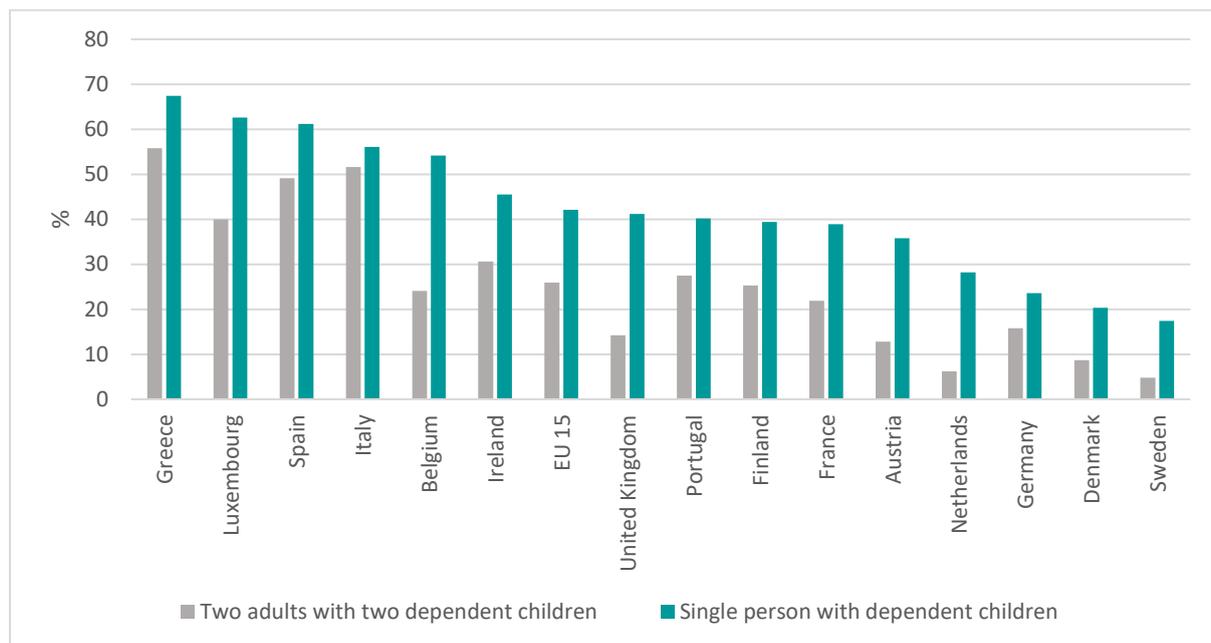
### Housing

Lone parents and their families have been disproportionately affected by the housing and homeless crisis. The latest Department of Housing, Planning and Local Government homeless statistics show that 62% of homeless families are headed by one parent and that there has been a 300% increase in the number of homeless families in the past four years.<sup>42</sup>

Rising rents and a lack of social and affordable housing are cited as the main reasons for this dramatic increase in homelessness and, in 2017, 93% of lone parents report a financial burden due to housing costs. Figure 15 shows that 45% said that housing costs were a “heavy burden”; just above the EU average of 42% and 30% of two parents families reported a “heavy financial burden” due to housing costs. In 2017, a lone parent living below the poverty line was spending 33% of their income on housing costs. However, the data doesn’t distinguish by tenure type, so this includes owner occupiers, private renters, and those living in local authority housing. Additional data shows that almost 18% of lone parents reported being in arrears on their rent or mortgage repayments compared to 7% of the general population and 8% of two parent families. Overall, it is apparent that housing costs have a much greater impact on one parent families than other households in Ireland.

<sup>42</sup> Focus Ireland (2019) Latest Figures on Homelessness in Ireland <https://www.focusireland.ie/resource-hub/latest-figures-homelessness-ireland/>

Figure 14: Households with a heavy financial burden due to the housing costs (EU-15 2017)



Source: Eurostat EU-SILC survey [ilc\_mdcd04]

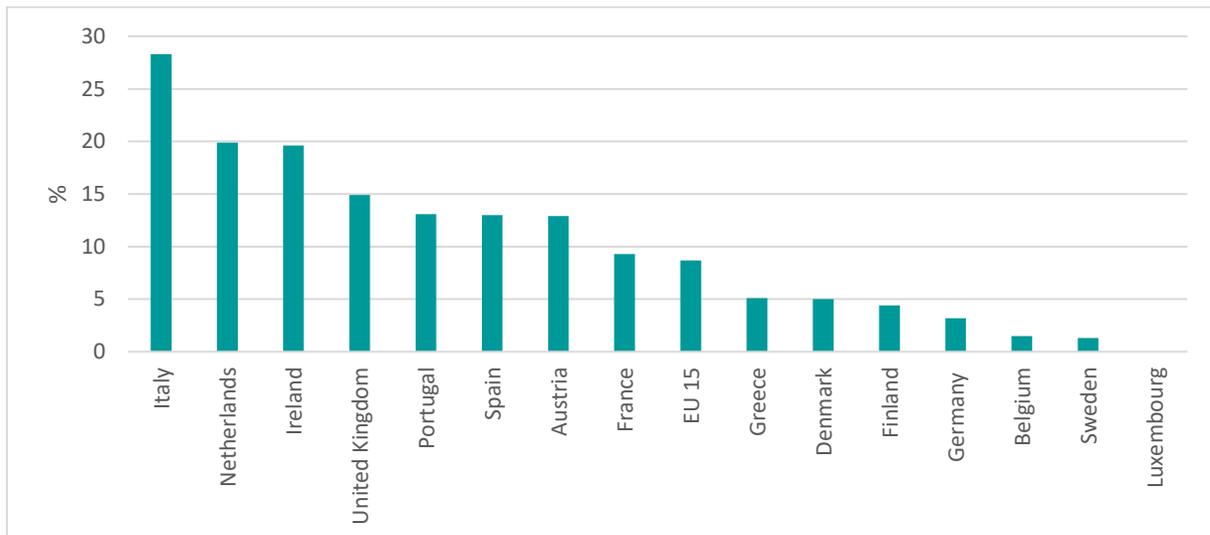
## Education

It is widely acknowledged that access to education and training is a key route into decent and sustainable employment. Data from the Labour Force Survey shows that in 2017, just 29% of lone parents with less than secondary school education were in work, compared to 75% of those with third level education. While both these rates are very low by European standards – it still shows that lone parents with higher levels of education are much more likely to be in employment. However, Irish lone parents still face significant financial barriers to education. Figure 15 shows that almost 1 in 5 lone parents were unable to access formal education for financial reasons.<sup>43</sup>

Barriers to formal education do not differ significantly between one and two parent households. Over 40% report that they do not require formal education. A slightly smaller proportion of two parent households cite financial barriers to formal education, and roughly the same percentage of one and two parent families cited “time” as the main factor for not engaging in further education.

<sup>43</sup> Formal education is defined as education provided in the system of schools, colleges, universities and other formal educational institutions

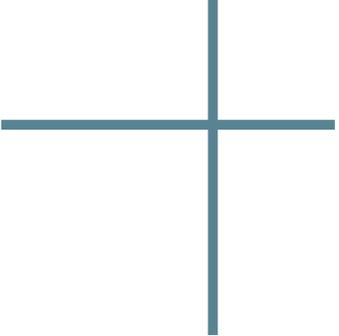
Figure 15: Lone parents unable to take up formal education due to financial reasons (EU-15 2016)



Source: Eurostat EU-SILC survey [ilc\_ats08]

#### Summary of Key Findings – Access to Services

- The analysis indicates that the main drivers of high levels of deprivation among these families in Ireland is a combination of low income and a high cost of living.
- Almost 60% of lone parents could not access childcare services for financial reasons – the second highest rate among all EU-15 countries, and three times higher than two parent families.
- 45% of lone parents report a heavy financial burden due to housing costs compared to 30% of two parent families. The proportion of lone parents in arrears on their rent or mortgage repayments was 18% in 2017, compared to 8% of other households with children. The greater burden of housing costs on one parent families is reflected in Department of Housing statistics which show that 62% of homeless families are headed by one parent.
- Lone parents with third level education are three times more likely to be in employment, but 1-in-5 lone parents could not access formal education due to cost. This was the third highest rate among all EU-15 countries. A similar proportion of adults in two parent families reported financial barriers to formal education.



# 5. Conclusions and Recommendations

## Conclusions

This report clearly shows that Ireland is failing to meet the needs of lone parents and their children and protect them from the adverse effects of poverty. In 2017, the living standards of lone parents in Ireland were among the worst in Europe. They are not only more likely to be living on a very low income but also experience high levels of deprivation, find it difficult to make ends meet and be unable to pay for unexpected expenses. Of particular concern, is the growing issue of in-work poverty among these families. In 2012, 1-in-11 working lone parents were living in poverty; by 2017 this had increased to 1-in-5. High housing and childcare costs combined with low levels of income, mean that it is challenging for many families with children to make ends meet. These factors significantly reduce the standard of living of working lone parents who face additional challenges as both the primary earner and primary caregiver for their families. It also creates additional barriers to employment for those who want to take up work or increase their working hours.

These findings confirm the experience of SVP members who are meeting more and more working families struggling to make ends meet. They are seeing the strain on working lone parents who are trying to combine spending time with their children and fulfilling their caring responsibilities with jobs which can be inflexible and insecure and often do not provide a sufficient income to meet all of the household need.

Previous research from other European countries shows that this pattern is not unique to Ireland and that increases in the labour market attachment of lone parents does not necessarily reduce their poverty risk.<sup>44</sup> This is primarily due to a higher propensity for lone parents to be employed in low paid, variable hours and insecure employment. Furthermore, while low replacement rates and low marginal tax rates are linked to higher employment rates among lone parents (in some countries), they do not enable access to higher paid employment.<sup>45</sup> In countries where there are lower wage differentials, more flexible working arrangements, and subsidised childcare is available, the labour market attachment of lone parents is higher, and rates of poverty are lower.<sup>46</sup>

It is therefore clear that efforts to increase employment rates among households with children cannot occur in a vacuum. Changes in the social welfare system need to be considered alongside other policy changes such as childcare and family-friendly employment practices, and employment

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<sup>44</sup> Jaehrling, K., Kalina, T. and Mesaros, L. (2015) 'A paradox of activation strategies: why increasing labour market participation among single mothers failed to bring down poverty rates', *Social Politics*, Vol 22 (1), pp86-110.

<sup>45</sup> Bradshaw, J., N. Finch, E. Mayhew (2003) 'Financial Incentives and Mother's Employment: A Comparative Perspective' paper for the Foundation in International Studies in Social Security. Sigtuna, Sweden June14-17, 2003

<sup>46</sup> OECD (2011) *Doing Better for Families* <https://www.oecd.org/els/family/47719022.pdf>

legislation such as the minimum wage and precarious work. Policy decisions in these areas should be firmly rooted in a solid understanding of the employment, social welfare and parenting nexus of lone parents.

## Recommendations

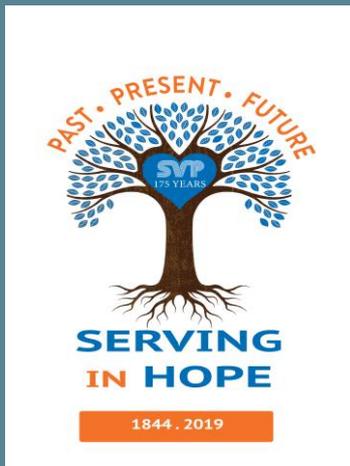
The Minister for Employment Affairs and Social Protection has indicated that her Department will seek to “unwind” the cuts and changes to the One Parent Family Payment. While this is welcome, SVP is concerned that there is no comprehensive or strategic articulation of the long-term vision for lone parents and their children in current Government policy. We acknowledge that there are important relevant commitments contained in the *National Strategy for Women and Girls*, and the *Action Plan for Jobless Households* but these commitments lack ambition and are not linked to measurable targets. The forthcoming *National Action Plan for Social Inclusion (2019-2025)* must include ambitious targets for reducing poverty among one parent families, including among those who are working. The new plan is an opportunity to address the structural issues that lock families into poverty and will require supporting actions across Government. It will be critical to;

- Pursue a housing-first approach by increasing the output of built and acquired Local Authority and Approved Housing Bodies social housing units.
- Benchmark the National Minimum Wage and social welfare to the cost of a Minimum Essential Standard of Living so that everyone can access an adequate income.
- Significantly invest in the childcare sector so that state subsidises are set at a level that will deliver accessible quality environments for children, reduce the financial burden on parents and improve pay and conditions for staff.

In the short term, there are additional measures that can improve the living standards of lone parents and their families.

- Extend the cut off for the Jobseekers Transition Payment until their youngest child reaches the age of 18, so that lone parents can access work full-time or part-time (depending on their caring responsibilities), better in-work income supports, and training opportunities.
- Link earning disregards and in-work income supports to increases in the National Minimum Wage, maintaining the value of these supports year on year.
- Reduce the hours' requirement for the Working Family Payment for lone parents to 15 hours per week.
- Exclude the Working Family Payment from the income assessment for the Differential Rent Scheme across Local Authorities to maximise the returns from work for low income families. Currently, the income assessment for Housing Assistance Payment (HAP) and social housing varies by Local Authority.
- Extend SUSI to students studying part-time allowing lone parents with high caring and work responsibilities to access education.

- Introduce comprehensive financial support to cover the full costs of attending a training course, including childcare and transport, allowing lone parents to improve their skills and future earning potential.
- Roll out the IT system for the Affordable Childcare Scheme and reduce the traps that arise from the current system. The new IT system will also allow low income families not currently in receipt of payments from the Department of Employment Affairs and Social Protection to access state subsidies for childcare.
- Implement the recommendations of the Report of the Working Group on Childminders to increase the capacity of the sector and allow families who currently use childminders as their primary form of childcare to access state subsidies.



Society of St Vincent de Paul  
National Office  
SVP House  
91-92 Sean McDermott Street  
Dublin 1

Telephone: 353 1 838 6990  
Email: [info@svp.ie](mailto:info@svp.ie)  
[www.svp.ie](http://www.svp.ie)  
@SVP\_Ireland

The publication has been produced by the Social Justice team in SVP National Office.