

Ending Child Poverty in Rich Countries: What Works?

By Dr. John Sweeney

Children's Rights Alliance

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The Children's Rights Alliance is a coalition of sixty-eight non-governmental organisations concerned with meeting the needs and safeguarding the rights of children in Ireland. The Alliance works to secure the full implementation in Ireland of the principles and provisions of the UN Convention on the Rights of the Child, to which Ireland is a State Party. Among the rights enshrined in the Convention is the right of every child to a standard of living adequate for the child's physical, mental, spiritual, moral and social development. Child poverty is incompatible with the full realisation of that right and with other provisions of the Convention, including the principle of non-discrimination and the right of every child to the highest attainable standard of health.

The *Open Your Eyes to Child Poverty Initiative* comprises eight organisations working together to foster greater public awareness of child poverty and to promote public policies to prevent, reduce and eliminate child poverty in Ireland. The organisations involved in the Initiative are Barnardos, Combat Poverty Agency, Children's Rights Alliance, National Youth Council of Ireland, Focus Ireland, Pavee Point, Society of St. Vincent de Paul and People with Disabilities in Ireland Ltd.

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Executive Summary

Several important studies of income distribution in rich countries, and of child income poverty in particular, were published in 2000 and 2001. Collectively, they provide an authoritative overview of the income position of children in countries that, by world standards, have strong market economies and prosperous societies.

Children in these countries are fortunate in the eyes of the majority of the world's children but they still experience some thing of a lottery: a child's risk of being reared in income poverty in a rich country varied from as low as one -in-fifty to nearly one-in-four in the mid-1990s. What is more, uncertainty rather than stability attends their income position; the risk of in come poverty rose for children in the United Kingdom, the Netherlands and Germany between the mid -1980s and the mid-1990s; it fell notably in Australia and the United States.

Similar forces are at work across the industrialised world putting pressure on the market incomes of households in which a significant number of children are being reared. Different state redistribution policies are determining whether the poverty risks children face because of these forces rise, stay largely constant, or are reduced despite them.

Children in households where no adult has employment, or in a household with a lone parent, run higher risks of income poverty in most rich countries. However, differences in the proportions of a nation's children being reared in these households do not explain why some countries have higher child poverty rates than others. Where countries most differ is in the risks attached to being reared by non -employed parents or by a lone parent and, again, the evidence is that state policies are playing the decisive role.

The central message can be clearly stated:

Child poverty is not an inevitable result of global economic pressures or demographic transitions. Governments can and do take steps that are remarkably successful in counteracting child poverty. [Bradshaw, 2000]

Some of the more innovative state action is taking place in English -speaking countries where levels of child poverty are particularly high. Some of the weakest responses by government to the new pressures on children's incomes have been in Continental European countries where levels of child poverty are relatively low. For example, child poverty in the Netherlands rose markedly over a ten -year period even though there is evidence that the country had policies in place at the beginning which were singularly effective in reducing child poverty. The implication is that it is not enough to have the right policy mix in place, it is also important that the policies are appreciated as being effective and continue to be supported.

The differences in child poverty rates are within the Continental European Union and not just between Continental Europe and the Anglo -Saxon world. In fact, being a child is a considerable handicap to escaping poverty inside the European Union; once children fall into poverty they are likely to remain poor for longer periods than adults. These two observations support the case that child poverty should be adopted by the European Union as the first area within social policy to which it would

apply the practice of 'benchmarking' hitherto confined to monetary and employment policies.

In English-speaking countries, the resources used to provide income support to children are largely targeted on children living in low -income households. The impact of what the state does is efficient in terms of the reduction achieved in the child poverty rate for each one per cent of GDP employed, but the scale of resources devoted to the task is more likely to be modest. By contrast, in northern EU member countries, state support provided for children is typically spread over a larger percentage of all children; its impact in reducing the child poverty rate is, therefore, less efficient but the scale of resources employed tends to be large.

In fact, each country has to tailor its policies for supporting children to the characteristics of its currently poor child population and to its own starting mix of policies. There is no one policy or single golden path which would be equally effective for whatever state adopted it. However, four intermediate policy objectives can be identified which are en route to the elimination of child income poverty in rich countries.

The first of these objectives is to increase parental earnings. Major policy innovations have taken place in some countries with the objectives of moving parents from welfare to work and increasing their net earnings in work. Ireland's rapid employment expansion post-1994 is still being assessed for its contribution to reducing child poverty but it is clear that in Ireland, in the mid-1990s, the percentage of children in poverty because their households had weak links with the labour market was one of the highest in the OECD world. Other English -speaking countries have achieved significant rises in employment rates and drops in welfare dependency and poverty rates because of a strategic emphasis on parental earnings as the primary bulwark against child poverty. The nature of their success with pro -employment policies targeting parents, however, suggests caution.

Firstly, where earnings subsidies are the principal weapon employed, the underlying problem of low skills is not addressed and the survival chances in jobs of many of the parents who leave welfare may be extremely poor in an economic downswing.

Secondly, a surprisingly large percentage of children in poor households may have parents who cannot realistically be expected to find and hold full -time jobs where they earn sufficient amounts of money to raise the household above the poverty line. This is because of disparate and, often, interrelated problems such as poor health, domestic responsibilities, weak local labour markets, and low skill levels.

Thirdly, few evaluations of welfare -to-work programmes have included measures of the effects on children when parents with low skills take low -paying jobs. It is not always clear that very young children in particular benefit more from the higher disposable income of the household and the role model effect of a parent being at work than they suffer from the parent's reduced presence and diminished energy after work.

It is unwise, therefore, to think that increasing employment rates and earnings levels of parents is anything near a complete strategy for eliminating child income poverty. It can make a significant contribution, however. This is more likely to come by making job-holding more attractive in financial and other terms (access to childcare,

feasible transport patterns) than by making welfare -dependency more difficult and unsettling. The introduction of the generous (by the standards hitherto prevailing) earnings disregard in Ireland's One -Parent Family Payment has been a welcome step in this direction and deserves to be closely monitored.

A second intermediate policy objective en route to eliminating child income poverty is the subsidisation of parenting. In most rich countries, society accepts and is willing to pay for a degree of horizontal redistribution from childless households to those in which children are being reared; countries differ enormously, however, in the extent to which this takes place. The principal, but not only, policy instrument giving expression to it is universal child benefit. The main cause of the large difference in child poverty rates between European countries and the USA is that the former countries typically have several types of family allowance (i.e., forms of income support directed at children as such and not means -tested) in addition to social assistance programmes targeted at households in need. In the USA, children must rely on social assistance only.

The elimination of child income poverty requires the successful integration of universal and targeted strategies. Child income poverty is lowest in countries where all children benefit to some extent from resources recognising the social good that is carried out in households where they are being reared, and where children at or near the poverty line benefit from additional income support targeted at them. Successful integration of the two approaches cannot be taken for granted. Children in some countries have suffered from benefit withdrawal rules which saw income support to them progressively withdrawn as their parents began to earn more. Children of parents on welfare and children of parents in low -paying jobs can be accorded quite different levels of public support because different programmes of child income support are activated when a parent leaves welfare for work or *vice versa*. An important policy improvement in some English -speaking countries has been to design child income supports that are unaffected by whether parents move in or out of work. The insight is clear: it is a legitimate part of employment policy to want to make job-holding more attractive to low -skilled adults dependent on welfare, but public support provided to them on behalf of their children should not vary with the employment status of the parent. The move from welfare to work is facilitated, and made easier for policy to target, when children in low income households receive the same public support regardless of whether a parent is earning or not.

A third intermediate policy objective connected to eliminating child income poverty is the provision of support specific to one -parent households. Rich countries differ in the proportions of their children who are being reared in one -parent households, and in the degree of heterogeneity characterising their lone parent populations (particularly in the percentage of lone parents with relatively good education and labour market skills). However, it is also the case that, in or out of work, one -parent households face exceptionally high poverty risks in practically every country. Curtailing or refusing income support to one -parent households because of fears that transfers to them are an incentive to become or remain a lone parent has little or no impact on their numbers. Such policies do have the effect, however, of directly increasing child poverty. Fears that the transfers constitute a particular disincentive to take employment have similarly found little evidence to support them.

In several countries that provide categorical payments to lone parents, their labour force participation and employment rates are high compared to other mothers (in

Ireland, the participation rate of lone mothers with young children is higher than that of any other category of mother). The key question is whether improvements in a range of public supports for all children - for example, an adequately resourced, two-tier system of income support for children in all family types, an extensive network of affordable childcare facilities, the promotion of effective sharing in parenting by the non-residential parent - will make redundant the provision of specific and additional support for children in one-parent households. It is possible, and even desirable, that income support specific to lone parents will no longer be needed when developments of the sort described have taken place. However, experience in several countries, including Sweden, suggests that this is unlikely to be the case for some time: the lone parent population in most countries is characterised by low levels of education and skills making it particularly vulnerable to unemployment. The scarcity of affordable childcare and features of family law continue to make children in one-parent households less likely to have a parent in employment or to experience successful co-parenting than other children.

A fourth policy objective to be pursued in relation to eliminating child poverty is the general anti-poverty target of ensuring that no person is without adequate financial resources. One group of researchers have succinctly commented:

Children are not actors in their socio-economic situation, they benefit or suffer from that of their parents. [Jeandidier et al, 2000]

Where countries, for whatever reason, have set their face against providing adequate income support to able-bodied adults of working age, children have been victims. The emphasis on employment as the primary bulwark against poverty has been accompanied in some countries by rising poverty rates among non-employed adults of working age. The intention may have been that the non-availability of income would shock these adults into strategies alternative to welfare dependence which would bring them into the workforce. In too many instances, however, it has not had that effect, and as a result a growing percentage of children in income poverty in a number of countries is made up of those living in households where no adult is in employment.

Strong and sustained employment expansions in several countries have brought clear benefits to many citizens but have by-passed a significant minority. Many of the jobs created during economic upswings go to households where someone is already in employment. Public expenditure on raising skill levels, particularly of parents dependent on welfare, is valid as 'social investment' but it should not be allowed to obscure the need to provide income support to able-bodied, non-employed adults. The primary purpose of social welfare remains the protection of living standards; promoting employment and increasing the financial returns to work are complementary objectives but should not supplant the *raison d'être* of social assistance.

Finally, it should be noted that one of the most reliable macroeconomic predictors of a low rate of child income poverty is the proportion of GDP a country devotes to public social expenditure.

Introduction

The dramatic growth in the Irish economy since 1994 has ended Ireland's status as a relatively poor member state within the EU. It has sharpened the question as to why any child at all in Ireland today – let alone a substantial minority – should continue to be reared in income poverty.

This study examines why other advanced industrialised countries, for whom that status is not so new as it is for Ireland, have substantial differences in recorded child poverty. Two groups of countries are selected for particular examination. They represent significantly different 'social models', the Anglo-Saxon and the Continental European one respectively. Ireland is frequently considered to be unusual within the EU in the extent to which its social policies borrow elements from each.

Throughout this study, the focus is on international research that can be of particular importance to the policy debate within Ireland. The intention is to learn from what has worked, or not, in other countries so that the objective of eliminating child poverty – a constitutive part of Ireland's National Children's Strategy and National Anti-Poverty Strategy – might be achieved.

The first chapter reviews the extent of the cross-country differences in rates of child poverty, changes in those rates, vulnerability of children in different types of households, frequency and duration of periods of poverty experienced by children, and the overall balance between targeted and universal policies that characterise different countries' strategies for reducing child income poverty.

The second chapter briefly explores some underlying assumptions that allow conclusions to be drawn about the changing welfare of children from changes in rates of child income poverty. The issues that arise are far from simply technical and invite a major re-articulation of when and why low incomes in households with children should be of deep public concern.

The third chapter, the central body of the study, reviews a selection of recent research evaluating major policy innovations within rich countries that have had decisive impacts on children's incomes. It identifies four intermediate objectives which are complementary and, it is suggested, constitutive of the task of eliminating child income poverty in rich countries today.

The short fourth and final chapter provides perspectives and recommendations on what will be entailed in implementing the objective of eliminating child income poverty in Ireland.

Chapter One: The Track Records of Rich Countries in Tackling Child Poverty

This chapter summarises what is known about the similarities and differences in the rates, trends, incidence, and duration of child poverty across rich countries.

1.1 Wide Differences in Rates and Trends

Children fare remarkably differently in countries that, by world standards, are prosperous and have strong market economies. Table 1 ranks eleven countries by their child poverty rates¹ in the mid-1990s and compares them with the poverty rates for the entire population. The ranking reveals a general contrast between the levels of child poverty in a group of English-speaking countries and in the northern EU member states.² It is also clear that children run a higher poverty risk than adults in the majority of the countries (including all of the English-speaking group), but in Sweden and Finland their risk is much less than that faced by the general population. Child poverty rates, therefore, differ across rich countries by much more than their general poverty rates: a child in the USA was eleven times more likely to be poor than a child in Finland in the mid-1990s.

These child poverty rates are based on disposable household income, i.e., those recorded *after* state action in redistributing income across households ('post-tax and transfer'). Table 2 shows the child poverty rates that would have existed in the mid-1980s and the mid-1990s if the authorities had not acted (i.e., child poverty on the basis of market income alone, 'pre-tax and transfer'). The Table, therefore, enables us to see two things:

- the extent to which households with children were able to generate an adequate income from market participation alone, and whether this became more or less likely over the twelve-year period [columns 1, 2, 3];
- how effectively the state was stepping in to alter the market distribution of income, and whether more or less children were dependent on state action for escaping poverty by the end of the twelve-year period [columns 4, 5, 6].

It is clear that most of the differences in child poverty rates to be found between these countries is due to state action. For example, Sweden would have had a child poverty rate of almost 22% in 1995, if market income alone determined children's income position. Its vigorous redistribution policies in the mid-1990s reduced this to

¹ In all the tables in this chapter, child poverty is measured in the following way. The income of all members of a household is aggregated and then divided by the square-root of the number of individuals in the household (described as using an equivalence scale elasticity of 0.5). This gives *equivalent household income*. Direct taxes are deducted, and cash transfers received from government added, to give equivalent household *disposable* income. The poverty line adopted is 50% of *median* equivalent income where *individuals* are ranked. Finally, children are defined as individuals aged *under 18*.

² Attention will be drawn repeatedly in this chapter to the distinction between a group of English-speaking countries and a group of northern EU member states. This is both because of patterns in the data and because of the particular geographical, cultural and political position of Ireland; it is joined by language and strong historical ties to the English-speaking world, and by membership of the EU and currency (and, some would add, by the social model to which it aspires) to the second group of countries.

under 3%; in other words, 19% of Swedish children were estimated to be lifted out of income poverty by state policy in 1995 (column 7). State policy was similarly important to the income position of children in Australia and France.

Table 1 Poverty Rates for the Entire Population and for Children Separately: Selected Countries, Mid-1990s

| Country (and year) | Child poverty rate (below age 18) | Poverty rate (entire population) | Relative poverty risk |
|------------------------------------|--------------------------------------|-------------------------------------|-----------------------|
| United States (1995) | 23.2 | 17.1 | 1.36 |
| United Kingdom (1995) ¹ | 18.6 | 11.9 | 1.56 |
| Canada (1995) | 14.2 | 10.3 | 1.38 |
| Australia (1994) | 10.9 | 9.3 | 1.17 |
| Germany (1994) | 10.6 | 9.4 | 1.13 |
| Netherlands (1995) | 9.1 | 6.3 | 1.44 |
| France (1994) | 7.1 | 7.5 | 0.95 |
| Belgium (1995) | 4.1 | 7.8 | 0.53 |
| Denmark (1994) | 3.4 | 5.0 | 0.74 |
| Sweden (1995) | 2.7 | 6.4 | 0.42 |
| Finland (1995) | 2.1 | 4.9 | 0.42 |

Source: Förster (2000), Tables 5.1 and 5.4.

Notes:

1. UK figures from Oxley et al (2001).

Table 2 Child Poverty Rates, Pre-and Post-Tax and Transfers, English-Speaking Countries and Northern EU Member States, 1984 and 1995

| Country | Pre-tax and transfer | | | Post-tax and transfer | | | |
|------------------------|----------------------|------|---------------------------|-----------------------|------|---------------------------|------------------------------------|
| | 1984 | 1995 | <i>Change in % points</i> | 1984 | 1995 | <i>Change in % points</i> | Reduction in 1994 (in % points) |
| | (1) | (2) | (3) | (4) | (5) | (6) | (7) |
| United States | 28.9 | 29.2 | 0.3 | 25.9 | 23.2 | -2.7 | 6.0 |
| United Kingdom | 23.9 | 32.8 | 8.9 | 10.4 | 18.6 | 8.2 | 14.2 |
| Canada | 20.6 | 22.7 | 2.1 | 15.8 | 14.2 | -1.6 | 8.5 |
| Australia ¹ | 20.6 | 29.9 | 9.3 | 15.6 | 10.9 | -4.7 | 19.0 |
| Germany ¹ | 10.3 | 12.5 | 2.2 | 6.1 | 10.6 | 4.5 | 1.9 |
| Netherlands | 15.4 | 17.9 | 2.5 | 3.3 | 9.1 | 5.8 | 8.8 |
| France ¹ | 24.9 | 26.0 | 1.1 | 6.6 | 7.1 | 0.5 | 18.9 |
| Belgium | | 14.9 | | | 4.1 | | 10.8 |
| Denmark ¹ | 10.0 | 15.4 | 5.4 | 4.6 | 3.4 | -1.2 | 12.0 |
| Sweden | 13.3 | 21.7 | 8.4 | 3.0 | 2.7 | -0.3 | 19.0 |
| Finland | 9.3 | 17.3 | 8.0 | 2.9 | 2.1 | -0.8 | 15.2 |

Source: Oxley et al (2001), Table 15.9.

Notes:

1. '1995' figure is for 1994.

Table 2 further shows wide differences in *trends* across the industrialised countries between the mid-1980s and mid-1990s. In some countries, child poverty rose

markedly over the decade (UK, Netherlands, Germany); in others, it fell (Australia, US and Denmark). Marked deterioration and improvement in child poverty rates took place in both English-speaking and Continental European countries. Parallel instances of deterioration and improvement cautions against believing in any OECD-wide 'childrenisation' of poverty, and suggests that pivotal significance attaches to the particular policies a country had in place. This latter point is confirmed by the fact that underlying market trends in Table 2 are *not* the principal factor predicting the good or bad performances. For example, Australia's children experienced a deterioration in the distribution of market income even greater than British children (9.3% more Australian children were left in income poverty by the market economy in 1995 as against 1984, and 8.9% more in the UK). In Australia's case, however, it has to be assumed that *policy developments more than compensated for the deterioration*, as the post tax/transfer position of Australian children actually improved. By contrast, policy developments in the UK (to 1995) did not, and the post tax/transfer position of British children substantially deteriorated.

Chart 1 graphically illustrates the scope that policy appears to have in influencing the situation of children. The squares indicate the situation in the mid-1980s with regard to child poverty in each country; the child poverty rate *before* taxes and transfers is read off the horizontal axis while that *after* taxes and transfers is read off the vertical axis. The triangles show the situation in the mid-1990s. Shifts from left to right in a country's arrow indicate the severity of the deterioration in the pre-tax and transfer positions confronting children.³ Note that these are substantial for most countries, with the exception of the US. Where the arrow also points down, policy developments more than compensated for this deterioration (USA, Australia, Canada, Denmark); where it points up, they failed to do so (UK, Netherlands). Where the arrow is straight (Finland and Sweden), policy developments were just sufficient to offset the negative developments.⁴

Chart 1 clearly illustrates how, since the mid-1980s, the underlying income position of children has been *under threat* throughout the OECD world, in the 'good performing' small northern European countries as much as in the English-speaking world. Children reared in high-income societies have been running increasing risks of experiencing serious economic disadvantage and have grown more dependent on state action to avoid it.

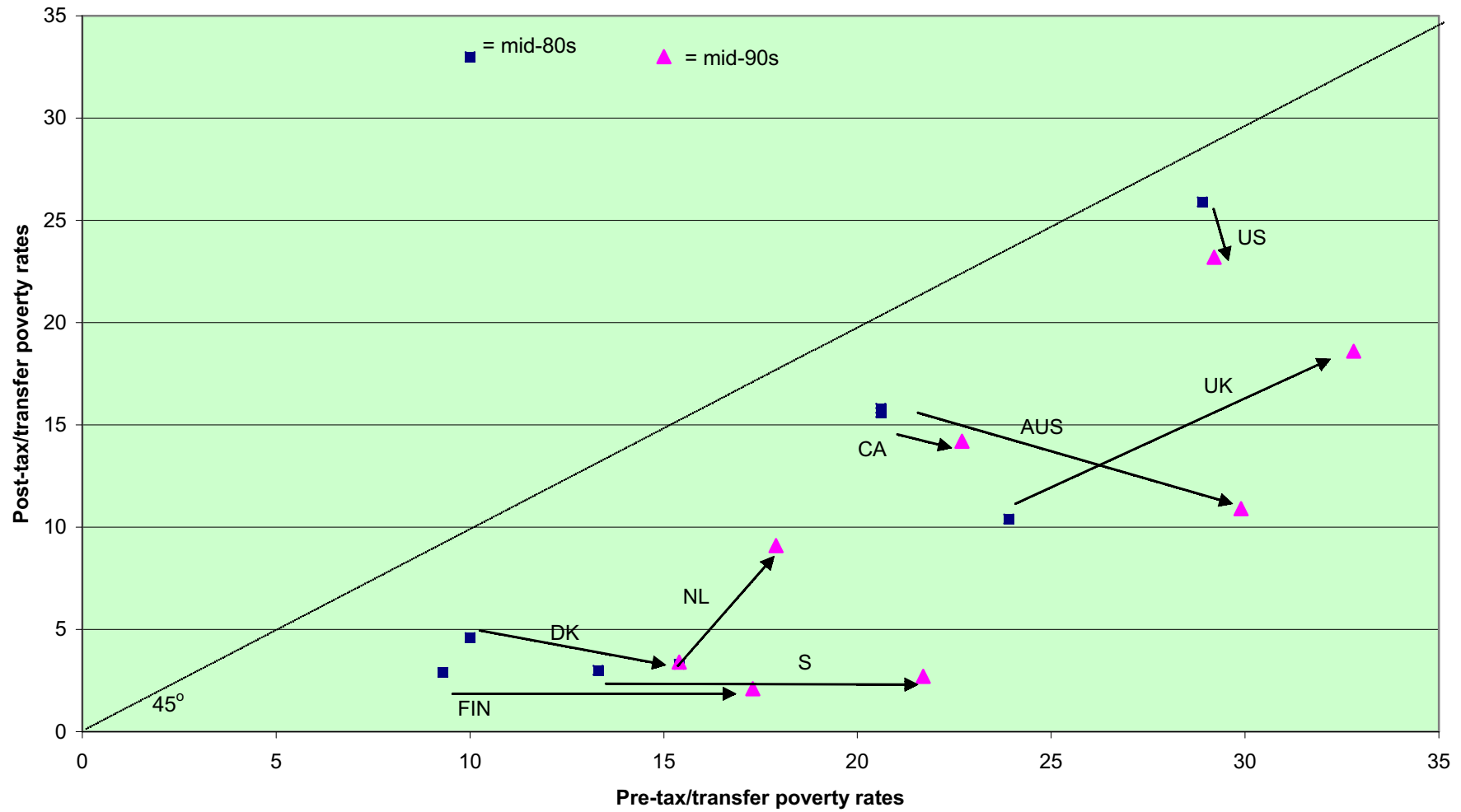
1.2 Key Household Types

The significance of state tax and transfer policies for the incomes of children can be approached in another way. It is reasonable to expect that the financial position of children will be influenced by whether they are living with one or two parents and by whether those parents are earning or are without paid employment. Table 3 shows that this is true to a major extent. Child poverty rates are presented for each of five types of households, i.e., lone parent not working, lone parent working, two parents with neither working, two parents with one working, and two parents with both working.

³ The nomenclatures on Chart One: US and UK are self-evident CA Canada, AUS Australia, FIN Finland, DK Denmark, NL Netherlands, and S Sweden.

⁴ Chart 1 is a reworked and simplified version of Figure 5.4C in Förster (2000) where the quantity of information contained is harder to absorb. However, the latter is highly recommended to the interested reader.

Chart 1. Child Poverty Rates, Pre- and Post-Taxes and Transfers, mid-1980s and mid-1990s Selected Countries



When considering the income position of children, it can be seen that:

- children do best when they have are living with two parents both of whom are working;
- children in 'work poor' households (no parent earning) fare the worst;

Box One: Data Sources

Several broad, cross-country studies of income poverty in rich countries appeared in 2000 and 2001, some dealing exclusively with the situation of children⁵ and others including valuable information on children in the course of general studies of income distribution and poverty.⁶ Their different data sets and procedures can cause estimates of poverty rates to diverge by several percentage points, but the same general picture emerges from all of them.

The two studies⁷ used in Sections 1.1 to 1.4 draw on the one database. This was assembled by the OECD in 1999 through a questionnaire sent to authorities or experts in seventeen countries, inviting them to supply standard information from the national surveys or tax files they considered most useful.⁸ While there is somewhat less cross-country comparability in the resulting database than in two major alternatives - the Luxembourg Income Study [LIS]⁹ and the European Community Household Panel survey [ECHP]¹⁰ - it has particular strengths. It enables the situations in the mid-1980s and the mid-1990s in a wide set of countries to be compared, and the *market* income (before taxes and cash transfers) and *disposable* income (after taxes and transfers) of households with children to be reliably distinguished at each point of time.

All the databases (the OECD, the LIS and the ECHP) have the limitation in common that their data extend only to the mid-1990s. This is a weakness of broad cross-country studies in which data availability and harmonisation are achieved only with a considerable time lag. The mid-1990s cut-off point means that the impact of policy changes initiated in the mid- to late-1990s are not captured in the tables in this chapter.¹¹

⁵ B. Bradbury and M. Jäntti (2001), "Child Poverty Across the Industrialised World", in K. Vleminckx and T. M. Smeeding (eds.), *Child Well-Being, Child Poverty and Child Policy in Modern Nations*, Bristol: The Policy Press; H. Oxley, Thai-Thanh Dang, M. Förster and M. Pellizzari (2001), "Income Inequalities and Poverty Among Children and Households with Children in Selected OECD Countries", in Vleminckx and Smeeding (eds.), *Child Well-Being, Child Poverty and Child Policy in Modern Nations*, Bristol: The Policy Press.

⁶ "When Money is Tight: Poverty Dynamics in OECD Countries" (2001), in *OECD Employment Outlook, June 2001*, Paris: OECD; M. F. Förster, assisted by M. Pellizzari (2000), "Trends and Driving Factors in Income Distribution and Poverty in the OECD Area", *Labour Market and Social Policy - Occasional Papers, No. 42*, Paris: OECD.

⁷ These are Förster (2000) and Oxley et al (2001).

⁸ For the national data sources chosen, see Table A.1 of Förster (2000).

⁹ The LIS database on household income is drawn from national surveys and adjusted for maximum comparability. See <http://lis.ceps.lu/>.

¹⁰ The ECHP was started in 12 EU countries (not Sweden, Austria or Finland) in 1994. Chapter 2, *OECD Employment Outlook, June 2001*, includes a discussion of its strengths and weaknesses.

¹¹ This will be remedied in Chapter Three where recent policy innovations in countries with particular relevance to Ireland are studied with the use of national data from the countries concerned.

- being reared by a lone parent in employment is substantially better than being with two parents neither of whom has employment (Denmark an exception);
- being reared by a lone parent who is without employment is the worst of possible worlds, except in the Netherlands and Canada where such households appear to get more support than two-parent 'work poor' households.

Table 3 Child Poverty Rates by Household Type, English-Speaking Countries and Northern EU Member States, 1995

| Country | All children | <i>Lone parent</i> | | | <i>Two parents</i> | |
|---------------------|--------------|--------------------|---------|-----------|--------------------|-------------|
| | | Not working | Working | No worker | One worker | Two workers |
| United States | 23.2 | 93.4 | 38.6 | 82.2 | 30.5 | 7.3 |
| United Kingdom | 18.6 | 69.4 | 26.3 | 50.1 | 19.3 | 3.3 |
| Canada | 14.2 | 72.5 | 26.5 | 73.5 | 18.1 | 3.7 |
| Australia | 10.9 | 42.1 | 9.3 | 18.3 | 8.9 | 5.0 |
| Germany | 10.6 | 61.8 | 32.5 | 44.8 | 5.6 | 1.3 |
| Netherlands | 9.1 | 41.3 | 17.0 | 51.4 | 4.7 | 1.2 |
| France | 7.1 | 45.1 | 13.3 | 37.5 | 7.3 | 2.1 |
| Belgium | 4.1 | 22.8 | 11.4 | 16.1 | 2.8 | 0.6 |
| Denmark | 3.4 | 34.2 | 10.0 | 6.0 | 3.6 | 0.4 |
| Sweden | 2.7 | 24.2 | 3.8 | 9.5 | 6.0 | 0.8 |
| Finland | 2.1 | 9.9 | 3.0 | 3.6 | 3.5 | 1.5 |
| <i>Average (11)</i> | 9.6 | 47.0 | 17.4 | 35.7 | 10.0 | 2.5 |

Source: adapted from Oxley et al (2001), Table 15.5.

However, the principal interest of Table 3 is that it shows there is substantial variation across countries in poverty rates for the *same* type of household; it is sometimes greater than the variation in national child poverty rates. In other words, what seems to account for the differences in child poverty rates between countries is not that some have, for example, more lone parents or more 'work poor' households than others, but that the poverty risk attached to each type of household varies widely. Oxley et al (2001) confirm this in an exercise (not shown) in which they apply the country-specific poverty risks for each type of household to a uniform composition of households (i.e., they assume each country has the same composition of households by one or two parents, and zero, one or two earners, this uniform composition being the average for all countries). They find this makes little difference to how countries are ranked by national child poverty rates. This confirms that the reasons for differences in child poverty rates between countries are to be sought primarily in the differences characterising their social and family policies rather than in differences in family structure or the functioning of their labour markets.

Table 4 helps identify which type of household a country should prioritise as it seeks to reduce its child poverty rate. It gives the distribution of a nation's poor children across the five key household types. For example, while children in two-parent, dual-earning households have the lowest poverty risk in Finland, almost two-thirds (64.5%) of Finland's poor children are to be found in this type of household. This suggests, for example, that the Finnish authorities would make particularly rapid inroads into their remaining child poverty by – for example – giving increasingly favourable tax treatment to couples with children.

Table 4 **Distribution of Poor Children by Household Type, English-Speaking Countries and Northern EU Member States, 1994**

| | All poor children | <i>Lone parent</i> | | <i>Two parents</i> | | |
|----------------|-------------------|--------------------|-------------|--------------------|-------------|-------------|
| | | Not working | Working | No worker | One worker | Two workers |
| United States | 100 | 15.8 | 17.6 | 9.3 | 33.3 | 24.1 |
| United Kingdom | 100 | 33.4 | 11.2 | 13.1 | 30.1 | 12.3 |
| Canada | 100 | 20.8 | 12.7 | 18.3 | 28.2 | 20.0 |
| Australia | 100 | 24.8 | 4.7 | 14.9 | 27.5 | 28.1 |
| Germany | 100 | 20.5 | 14.4 | 26.7 | 32.2 | 6.2 |
| Netherlands | 100 | 29.4 | 6.3 | 35.1 | 20.8 | 8.4 |
| France | 100 | 11.6 | 8.1 | 26.7 | 36.3 | 17.3 |
| Belgium | 100 | 11.3 | 35.8 | 15.3 | 28.6 | 9.0 |
| Denmark | 100 | 36.8 | 31.2 | 5.3 | 14.6 | 12.2 |
| Sweden | 100 | 22.7 | 23.0 | 10.1 | 20.9 | 23.3 |
| Finland | 100 | 11.5 | 12.9 | 2.2 | 8.9 | 64.5 |
| <i>Average</i> | | <i>21.7</i> | <i>16.2</i> | <i>16.1</i> | <i>25.6</i> | <i>20.5</i> |

Source: adapted from Oxley et al (2001), Table 15.6.

By contrast, over two-thirds of Denmark's poor children are to be found in one-parent households implying that policies which benefit lone parents disproportionately should be accorded priority there. One immediate conclusion is that there is no one set of policies common to advanced industrialised countries which can be adopted to eliminate child poverty but that the policy set has to be tailored to the actual circumstances seen to be characterising a nation's poor children.

1.3 Bringing Ireland into the Picture

Ireland was not included among the seventeen countries in the study by Oxley et al (2001). It does feature in Förster's (2000) study which provides data on the market and disposable incomes of Irish households with children in 1987 and 1994. The picture that emerges is summarised in Table 5.

Table 5 **Child Poverty Rates Pre- and Post-Tax and Transfers, Ireland, 1987 and 1994**

| Country | Pre-tax and transfer | | | Post-tax and transfer | | | Reduction in 1994 (in % points) |
|---------|----------------------|-------------|---------------------------|-----------------------|-------------|---------------------------|---------------------------------|
| | 1987 | 1994 | <i>Change in % points</i> | 1987 | 1994 | <i>Change in % points</i> | |
| | (1) | (2) | (3) | (4) | (5) | (6) | (7) |
| Ireland | 31.0 | 35.0 | <i>4.0</i> | 13.3 | 13.4 | <i>0.1</i> | 21.6 |

Source: Förster (2000).

An estimated child poverty rate of 13.4% in 1994 means that Ireland was doing well within the English-speaking group, but extremely poorly in comparison with other

small, northern EU member states (see Tables 1 and 2). This poor ranking, however, conceals a relatively hard-working tax and transfer system. *Over one-fifth* of Irish children (21.6%) were being kept from income poverty in 1994 by the taxes and transfers then in place, the largest reduction in the countries studied. This strong showing by Ireland's taxation and social welfare policies did not give Ireland a relatively low final rate of child poverty because of the exceptionally large number of Irish households with children generating little market income: 35% of all children in Ireland would have been poor in 1994, in the absence of taxes and transfers. In no other country did the households in which children were present have such weak links with the market economy in the mid-1990s.¹² Förster examines this more closely and finds that, at 5.7%, the proportion of total market income generated in Ireland going to the bottom 30% of households was the lowest of all the countries studied (the corresponding figure for the UK was 7.8% and for the US 8.9%).¹³ A corollary of this is that social transfers in Ireland were particularly unlikely to be supplementing market earnings, and more likely to constitute a major share of the total disposable income of low income households with working-age heads (54% on average, as against 42% in the UK and under 20% in the US).¹⁴

1.4 The Dynamics of Child Income Poverty

The child poverty rates so far tell us nothing about the length of time children may be in poverty during their childhood (the *duration* of their poverty spells), nor anything about how often the same child may be poor (the *frequency* of poverty spells). Until recently, this type of information – on the dynamics of child poverty – was not easy to come by for many countries, let alone available in an internationally comparable form. It requires panel studies in which the same children are tracked in subsequent repeats of an initial survey. The important contribution of panel studies to the understanding of child poverty, and the design of policies for eliminating it, is well summarised by Bradbury, Jenkins and Micklewright (2000) in one of the few studies comparing child income *dynamics* across countries.

- For the individual child, the adverse impact on the standard of living of being poor this year depends on past poverty. Poor children who have been poor a long time are likely to be worse off than children who are newly poor, because the capacities to 'get by' of the families of the former are eroded over time.
- The same child poverty rate may mean poverty is concentrated in a small group of children, or spread across a large number. For example, a 10% poverty rate could mean one-in-ten children are poor all the time, or that all children are poor for one tenth of their childhood. Because of this, a poverty rate that is relatively constant between two periods could still conceal a quite serious deterioration in child well-being. This would happen if equal proportionate drops had taken place in the numbers of children entering and exiting poverty resulting in a growing concentration of child poverty.

¹² In 1994, Ireland's unemployment rate was the second highest of the countries in Table 1, at 14.3% – after Finland's 17.9% – and this is an important part of the context. But not all of it. Pre-tax and transfer child poverty rates and unemployment rates correlate poorly.

¹³ See Förster (2000), Table 3.1. He concentrates on households headed by people of working age and excludes pensioner households.

¹⁴ Förster (2000), Table 4.2.

- The effects of childhood poverty on a variety of outcomes in future adult life are known to depend on the length of time a person was poor during childhood.
- A focus on inflows and outflows, and the events that trigger them, deepens our understanding of the causes of childhood poverty.
- Whether a high or low turnover characterises children in poverty will influence the design of anti-poverty strategies. For example, in trying to eliminate a 10% child poverty rate, it makes the world of difference to know whether we are confronting the enduring experience of a small minority of children or the common experience of every child.

In the following section, some of the more striking empirical findings in three studies are presented. The data do not allow a comprehensive picture to be reliably painted but what is known has significance for the design and evaluation of policies to eradicate child poverty.

1.4.1 The duration of child poverty: short to medium term

The OECD has examined closely those characteristics of individuals and their households which appear to influence the likelihood that people will escape income poverty once they have fallen into it.¹⁵ In a study of transitions into and out of poverty, they examined data for twelve EU countries covering the three-year period, 1993-1995.¹⁶ The three characteristics which emerged as most prominently associated with lowering the probability of individuals escaping poverty were: being in a household with no-one in employment, being in a household with a low-educated head, and being a child (aged under 18). The number of percentage points by which each of these three characteristics independently lowered the probability of escaping poverty, and increased its duration and intensity, can be read from Table 6.

It can be seen that children inside the European Union in the mid-1990s had a probability of escaping poverty, once in it, that was 5 percentage points lower than for working-age adults and, once poor, they were 3.2 percentage points more likely to have been 'always poor' and 5.8 percentage points more likely to have been 'permanently poor' over the three years than adults. The quantitative impacts of the other two variables are, most of the time, greater but what is deeply significant for the purposes of this study is that simply being a child features - along with being in a 'work poor' household and the low-education of a household head - as a characteristic strongly and reliably associated with the duration and intensity of poverty.

When the independent contributions of such factors as living in a one-parent household, in a household with no adult in employment, and in a household headed by a person with low education, were controlled for, children were still less likely to escape poverty than adults. Children appear to be at a significant disadvantage *simply because they are children*.

¹⁵ "When Money is Tight: Poverty Dynamics in OECD Countries" (2001), chapter 2 in *OECD Employment Outlook, June 2001*, Paris: OECD.

¹⁶ The data come from the European Community Household Panel surveys (ECHP) of 1994, 1995 and 1996. All EU countries are included except Austria (which joined the ECHP in its second wave), Finland (joined in the third wave), and Sweden (does not participate). The analyses carried out included multivariate logistic regressions from which material for this section is drawn.

This can be legitimately interpreted as *prima facie* evidence that, as a rule, society in the European Union is not socialising sufficiently the costs of parenting. This issue will be taken up in Chapter Three.

Table 6 Probabilities (Percentage Rates) of Escaping Poverty or Remaining in Poverty, 1993-1995: Influence of Different Factors

| | Exit rate ¹ | Probability of being 'always poor' ² | Probability of being 'permanently poor' ³ |
|--|------------------------|---|--|
| Reference person | 50.3 | 14.4 | 37.1 |
| If child (aged under 18) [reference person = aged 18-64] | 45.0 | 17.6 | 42.9 |
| If household head is low educated [reference person = household head medium educated] ⁴ | 43.7 | 20.8 | 46.8 |
| If no adult in household is employed [reference = one adult employed] | 48.3 | 21.8 | 48.4 |

Source: Table 2.8, *OECD Employment Outlook, June 2001*. Results are from multivariate logistic regression; all coefficients are statistically significant to 1% level.

Notes:

1. The 'exit rate' is the probability of not being poor in year 't+1' given that one was poor in year 't'.
2. 'Always poor' means the probability of being poor in each of the three years, 1993, 1994 and 1995.
3. 'Permanently poor' means the probability that one's *cumulative* income over the three years is below the aggregate of the poverty lines in each of the three years. It implies that, when income rose above the poverty line, it did not do so by as much as it fell below it at another time.
4. 'Low education' means the household head left education before completing the senior cycle of secondary school; 'medium education' means s/he left on completing it.

1.4.2 The duration of child poverty: long term

A second study selected for examination is of a smaller group of countries; it specifically focuses on child poverty and makes use of panel data covering ten-year periods in some instances.¹⁷

A first general finding was that countries differ less in the dynamics of child poverty than in its statics.¹⁸ In other words, the study found considerably less variation in the degree of mobility into and out of poverty across industrialised countries than in the level of child poverty itself. A second general finding was that a higher child poverty rate reflects a lower *exit rate* from poverty (average probability that a poor child will leave poverty) and, to a lesser extent, a higher *entry rate* into poverty (average probability that a non-poor child will enter poverty). These first two findings are illustrated for four countries in Table 7.

¹⁷ B. Bradbury, S.P. Jenkins and J. Micklewright (2000), "Child Poverty Dynamics in Seven Nations" Innocenti Working Paper, No. 78.

¹⁸ Their study amply illustrates the complexity of its genre. Seven very different countries are selected (Ireland, Britain and the US; Spain and Germany; Russia and Hungary); there are quite different income data available for each (for example, annual gross income only for US, current net income for Britain); the panel data cover ten years for some countries (US and West Germany only) and only two years for others (including Ireland). Finally, the data are generally only until the mid-1990s.

Table 7 Levels of Child Poverty, Entry and Exit Rates

| Country | Child poverty rate, mid-1990s (50% of median) | Exit rate (%) | Entry rate (%) |
|----------------|---|---------------|----------------|
| US | 24.7 | 23.1 | 7.2 |
| Britain | 24.5 | 28.8 | 9.4 |
| Ireland | 15.6 | 42.9 | 7.6 |
| Germany | 9.3 | 46.0 | 5.1 |

Source: Bradbury et al (2000).

The Table further suggests that, despite a widespread impression that large swings in individual economic fortunes are a characteristic of the USA economy, children in that country tend to experience slightly *less* mobility into and out of poverty than do British or German children. Bradbury et al (2000) went further in investigating this and were able to compare the degrees of income mobility to which children are subject in West Germany and the US over a ten-year period, and in Britain over a five-year period.¹⁹ Table 8 presents their findings in two ways:

- The percentage of children in each country *always* in the bottom fifth of the income distribution as progressively longer time periods are taken into consideration: this is an indicator of the persistence of income disadvantage, and of the diminishing likelihood that children escape from poverty the longer they remain in it.
- The cumulative percentage of children who have *ever* been in the bottom fifth of the income distribution as progressively longer time periods are considered: this is an indicator of how widespread the experience of income disadvantage is among households with children. It is argued that it is also an indirect indicator of the measure of political support for measures that combat poverty.

The Table confirms that there does *not* appear to be evidence for the greater swings in individuals' economic fortunes supposed to occur in the USA. The USA, on the contrary, had both a higher retention rate of children in the bottom fifth of the income distribution, and a *lower* cumulative exposure of children in general to being in the bottom fifth. However, in partial explanation of this finding, Bradbury et al make an important methodological point. It can be important to appreciate how, other things being equal, a country, *because* it has a very unequal distribution of income, may, for that reason, record less mobility into and out of poverty. This is because larger income changes are needed to move a household up or down the ladder *within* its income decile let alone into a new decile (which is when the changes in income get recorded as an entry or exit). In other words, the likelihood of an entry to, or exit from, poverty being recorded by the same absolute change in income is directly related to the degree of income inequality at the start. The surprisingly low levels of mobility recorded in the US, therefore, are quite compatible with still large swings in income being experienced by American children. It is just that big absolute changes in income may still not have been sufficient to change US children into another decile.

¹⁹ Note, it is easier to make cross-country comparisons on the basis of 'low income' rather than 'poverty'. One country's poverty line may be quite different to that of another, but every country has a 'bottom fifth' to its income distribution.

Table 8 **Low Income Persistence of Children, and Middle Class Entry to Low Income: Britain, West Germany and US**

| (a) Percentage of children <i>always</i> in the bottom fifth of the income distribution. | | | | |
|--|-------------------------|------------------|------------------|--------------------|
| | In 1 st wave | 2 out of 2 waves | 5 out of 5 waves | 10 out of 10 waves |
| Britain | 19.8 | 13.9 | 6.4 | |
| W. Germany | 20.0 | 13.5 | 6.4 | 4.8 |
| USA | 20.0 | 14.2 | 9.3 | 6.2 |
| (b) Percentage of children <i>ever</i> in the bottom fifth of the income distribution | | | | |
| | In 1 st wave | 2 out of 2 waves | 5 out of 5 waves | 10 out of 10 waves |
| Britain | 19.8 | 27.1 | 39.0 | |
| W. Germany | 20.0 | 26.4 | 37.5 | 43.7 |
| USA | 20.0 | 25.6 | 32.9 | 41.3 |

Source: Bradbury et al (2000), Tables 4 and 5. WestGerman data are on the basis of annual net income, British and US data on the basis of annual gross income.

Are income dynamics related to the level of political support for programmes to reduce poverty? The hypothesis is that, the greater a population's experience and perception of being exposed to poverty (especially on the part of its middle class), the wider will be the political support for measures that alleviate it. In their study, Bradbury et al proxy this experience and perception of risk on the part of the middle classes by identifying the percentage of children in the middle fifth of the income distribution in a given year who are found in the lowest fifth of the income distribution five years later. They find that such downward income mobility is considerably more likely in Britain than in the USA; 16.5% of children in the middle fifth of the income distribution were found to be in the bottom fifth five years later as against only 9.2% of US 'middle-class' children.²⁰ While the finding is interesting, it is hard to draw the firm conclusion that – for example – New Labour in Britain has consequently found it easier to win public support for official measures to reduce child poverty than did the former Clinton administration in the USA.

A firmer conclusion is that there seem to be grounds for prioritising measures which seek to increase the exit rate from poverty rather than to diminish the entry rate into it. The main reason is that the gap separating the best and the worst exit rates in national performances is wider than that separating entry rates (as Table 8 illustrates), suggesting that there is more scope for learning from best practice in this area. The EU evidence, already reviewed, that children have particularly long poverty durations reinforces this case.

The third and final study providing direct light on the dynamics of child poverty which is drawn on for this chapter is a particularly comprehensive and ambitious use of panel data from a restricted group of three countries.²¹ The researchers set out to exploit the opportunity provided by the availability of ten-year panel data sets in the US, West Germany and the Netherlands. These three countries are a particularly interesting subset because they can be considered representatives of three different

²⁰ See their Table 5.

²¹ R. E. Goodin, B. Headey, R. Muffels and Henk-Jan Dirven (1999), *The Real Worlds of Welfare Capitalism*, Cambridge: Cambridge University Press.

types of welfare state - the liberal, the corporatist, and the social democratic respectively.²² The study is not centrally concerned with child poverty but contains highly suggestive findings about the type of welfare state within which children fare best. Table 9 presents some of their most striking findings concerning the dynamics of child poverty. Child poverty rates have been measured on the basis of household income aggregated over different lengths of time - over a twelve-month period (i.e., annual income, the conventional method), over a continuous five-year period, and over a continuous ten-year period. *Market* income (i.e., pre-taxes and transfers) and *disposable* income (post-taxes and transfers) were also distinguished and, thus, the sources of income changes over time were also identified.

This study confirms that, in the USA, market success rather than government support is largely the only cure for childhood poverty. Over the ten-year period, some 28% of the children who started poor in 1985 escaped from poverty thanks to the evolution in

Table 9 The Proportion of Children aged 16 and Under Living in Households with a Total Equivalent Income of Less than 50 Per Cent of Median Equivalent Income

| Country | Income aggregated over... | Per cent children poor <i>before</i> taxes and transfers | Per cent children poor <i>after</i> taxes and transfers |
|-------------|---|--|---|
| USA | Continuous 12 months (i.e., annual income) (1985) | 20.4 | 19.9 |
| | Continuous 5-year period (1983-87) | 17.8 | 17.3 |
| | Continuous 10-year period (1983-92) | 14.6 | 13.8 |
| Germany | Continuous 12 months (i.e., annual income) (1987) | 11.7 | 9.3 |
| | Continuous 5-year period (1985-89) | 9.2 | 7.0 |
| | Continuous 10-year period (1985-94) | 9.2 | 5.6 |
| Netherlands | Continuous 12 months (i.e., annual income) (1987) | 12.3 | 3.4 |
| | Continuous 5-year period (1985-89) | 7.0 | 0.6 |
| | Continuous 10-year period (1985-94) | 4.9 | 0.8 |

Source: Goodin et al, 1999 (Appendix A2, Table Pov 1E).

Note: the single years in each case - 1985 for the USA, and 1987 for the Netherlands - are chosen because they are mid years in the first five-year period over which data were aggregated. They also correspond to an economic upswing in each country.

²² What characterises these different welfare state models can be expressed as follows. The social democratic welfare regime emphasises an equality based on citizenship, an equality to be fostered in pre-government as much as in post-government incomes; the corporatist welfare regime emphasises social cohesion, and seeks to build on the mutual association of people within groups and across groups; the neo-liberal welfare regime emphasises respect for market forces and the alleviation of poverty through targeting and the minimalisation of welfare dependency.

their household's market income (the fall from 20.4% to 14.6% when market income is aggregated over the ten years rather than just in the starting year). Presumably, correcting mechanisms came into play, which positioned their households to cope better with the market - such as a parent finding a job, a parent getting a better job, a household reconstituting around two parents, etc. The result was that more than one in four of America's poor children were rescued from poverty by these means.

By contrast, government intervention through taxes and transfers made only a marginal contribution. When taxes and transfer income are included, only 5% of the children left poor by market forces over the ten-year period were raised out of poverty by government action (the 0.8 of a percentage point reduction from 14.6 per cent of children in constant poverty on a pre-tax/transfer basis and the 13.8% poor after taxes/transfers).

The experience of German children was very different. Over the ten-year period, just 21% of children escaped poverty thanks to improvements in the market income being generated by the adult members of their households (the drop from 11.7% to 9.2%). However, the tax/transfer activities of the public authorities served to reduce by some 39% (the drop from 9.2% to 5.6%) the number of children left in poverty by the operation of market forces.

It is for the light this study throws on the Netherlands, however, that it is most remarkable. Here was a state that intervened promptly and vigorously to alter the distribution of market income. In 1987, for example, 72% of the children left in poverty on the basis of their household's market income were lifted out of it by government taxes and transfers (child poverty dropped from 12.3% to 3.4%). State policy, therefore, far from waiting for 'market discipline' to cure childhood poverty (or any poverty in fact), acted vigorously to compensate for households' poor achievements in the market economy. However, the study is evidence that this energetic response by the Dutch authorities to poverty in the short term *did not weaken other correcting mechanisms that strengthen the market position of poor households in the long term*. On the contrary, poor households with children improved their position over time in the market economy considerably more in the Netherlands than in the US. Some 60% of the children judged to be poor on the basis of the market income of their households in 1987 were found to be not poor when the market income of their households was aggregated and reviewed over a ten-year period.

There are two major implications of this study for the design of strategies and policies to eradicate child poverty. In the first place, its findings constitute a strong rejection of the view that poverty, if allowed to persist, spurs 'market discipline' and greater self-reliance such that, over time, more poor households exit poverty through their own means. The corollary of this is that it provides no evidence that 'welfare dependency' weakens the ability of households to improve their market earnings in the long run. On the contrary, the country that most 'looked after' poor people turns out to be the one where poor people were most able to 'look after' themselves in the long run.

Secondly, the study provides exceptional evidence that government action makes a difference and is a strong endorsement of the social democratic welfare regime over its corporatist and liberal rivals. Dutch policies up to the mid-1990s are seen to have left fewer people in poverty each year, and to have made continuing in poverty less likely for those who did experience it, than German or US policies.

1.5 Reasons for Children's Incomes Coming under Threat

When Ireland figured in the cross-country studies reviewed in this chapter, it emerged that its relatively high level of child poverty was the net outcome of two opposing factors:

- an underlying distribution of market income that was particularly unkind to children;
- a tax and transfer system that was particularly active in redistributing income (Table 5).

The exceptionally weak attachment to the market economy of many households with children in Ireland was, perhaps, not so surprising in 1987, given the major unemployment crisis of the time. However, the situation had further deteriorated by 1994, an experience common to all the countries studied (Table 2). It is useful, therefore, to identify and name the principal factors which are considered to be active across the advanced industrialised world in causing a growing threat to children's incomes [See Kamerman and Kahn, 2001; Atkinson, 2000; Bradshaw, 2000].²³

- **The greater employment difficulties of specific groups of workers:** Unemployment, withdrawal from the labour market by men, low pay, and the lack of affordable child-care are issues from which not-negligible numbers of children are suffering in some countries.
- **The shrinking size of the public sector in the economy:** While it is the generosity of a country's support package to households with children (tax reductions, transfers, benefits-in-kind, etc.) which most explains differences in child poverty rates across rich countries, it is the overall weight of public social expenditure in GNP which explains the level of that generosity [Atkinson, 2000].
- **The growing incidence of childless households in societies:** In some countries a "structural inconsiderateness" has been diagnosed, meaning that the interests of households with children were not sufficiently defended (compared, for example, to the interests of the elderly or of the health sector) when it came to implementing fiscal cutbacks.
- **The instability of family relationships:** Even if it is accepted that public policy is powerless or unwarranted (or both) in seeking to influence the partnership arrangements between adults, it is clear that lone parenting and the more frequent break-up of parents' relationships with each other bring major threats to the level of household income.

While these four factors lie behind much of the deterioration in the income position of children in rich countries, this section has also made clear that public policy in some countries was more than countering their influence up to the mid-1990s, and singularly failing to do so in others.

²³ Each of these factors is explored further in Chapter Three.

1.6 Different Returns to Different Levels of Income Support for Children

A final step in this overview of the levels and trends in child poverty rates within rich countries is to form some idea of the different scales of resources which countries are devoting to tackling it, and the different strategies they are employing to use them. Table 10 does this by selecting three pairs of countries, with a representative from the English-speaking group and the northern EU group in each group.

Table 10 **The Use of Taxes and Transfers to Reduce Child Poverty**

| Country | 'Effectiveness' ¹ | 'Effort' ² | Poverty Emphasis ³ | Child emphasis ⁴ | 'Efficiency' ⁵ |
|-------------------|------------------------------|-----------------------|-------------------------------|-----------------------------|---------------------------|
| | (1) | (2) | (3) | (4) | (5) |
| (a) high | | | | | |
| Australia | 19.0 | 17.5 | 23.4 | 32.6 | 1.1 |
| Sweden | 19.0 | 34.0 | 4.1 | 44.8 | 0.6 |
| (b) medium | | | | | |
| United Kingdom | 14.1 | 30.4 | 17.3 | 34.5 | 0.5 |
| Finland | 15.3 | 26.8 | 3.1 | 52.6 | 0.6 |
| (c) low | | | | | |
| United States | 6.0 | 8.0 | 57.3 | 25.0 | 0.8 |
| Netherlands | 8.8 | 18.0 | 12.2 | 31.6 | 0.5 |

Source: adapted from Oxley et al (2001), Table 15.10.

Notes:

1. Actual reduction in child poverty rate (percentage points) achieved by 1994. From column 7, Table 2.
2. Percent of average disposable income (of households with children) accounted for by transfers.
3. Percent of 'direct' child-related transfers going to the poorest households (bottom decile, quintile in US); text footnote 24.
4. Percent of total transfers (to households with children) accounted for by 'direct' child-related transfers.
5. 'Effectiveness' divided by 'effort' - thus, the fraction of a percentage point reduction in child poverty achieved for each percentage point of children's household incomes accounted for by transfers. When the measure of 'effectiveness' is divided by the measure of 'effort', and multiplied by 100, the outcome represents the drop in percentage points in the child poverty rate associated with each one percentage point of the disposable income of households with children that is accounted for by transfers. This can be taken as a measure of the 'efficiency' of a country's tax/transfer system in tackling child poverty. It tells us the return a country is getting, in terms of child poverty reduction, for the contribution it is making to the disposable incomes of households with children. This is termed the 'efficiency' of the country's tax and transfer system in reducing child poverty.

Australia and Sweden had a high effectiveness between the mid-1980s and mid-1990s in that the tax/transfer system of each country lifted 19% of all children out of poverty (column 1). However, Sweden made twice the 'effort' in that 34% of the average disposable income of households with children was accounted for by 'direct' child-related transfers as against just over 17% in Australia (column 2).²⁴ The reason why Australia did as well with less resources is that it targeted its resources more on households with the lowest incomes - the bottom decile of households in Australia received over 23% of directly child-related transfers as against 4% in Sweden.

The United Kingdom and Finland are alike in having medium effectiveness in lifting children out of poverty. This time, the UK both targets low-income households more

²⁴ 'Direct' refers to child and family benefits plus other income transfers directed to lone parents which are only received by households with children. Transfers received on the basis of the employment or health status of the parents (e.g. child-related supplements to unemployment and disability benefits) are 'indirect', as are housing benefits and social assistance.

and makes the bigger 'effort' but Finland's particularly strong child emphasis (percent of total transfers going to households with children that are directly related to the presence of those children – column 3) compensates for its lower level of 'effort' and much lower degree of targeting.

The United States and the Netherlands are alike in having had a low effectiveness over the decade in question. The USA's relatively good showing for a particularly low level of 'effort' is because it concentrates resources strongly on the lowest income households (in this case the bottom quintile).

The three pairs of countries are chosen to illustrate the principal distinction in the approaches to tackling child poverty within rich countries. English-speaking countries target resources on children in *low-income* households; continental European countries tend to give transfers to *all* households with children and not just those in low-income households. The first set of countries tend to be the more 'efficient' in using resources to raise children out of poverty. They are also characterised, as a group, by high child poverty rates and a failure to devote sufficient resources to tackling them, even though it can be argued that an increase in resources would bring them a particularly good 'return' in reducing child poverty. The second set of countries are not particularly efficient in their use of resources in the light of the objective of combating child poverty (rather than of assisting parenting). However, though more resources go to non-poor children for each resource unit going to poor children (the definition of 'inefficiency'), larger volumes of resources tend to be forthcoming in these countries (some would argue as a consequence of the extent to which the non-poor also benefit) and these countries have by far the lower child poverty rates.

1.7 Summary of Key Points

- Children face remarkably different poverty risks in countries that, by world standards, are alike in having prosperous societies and strong market economies.
- There is evidence that the distribution of market income is putting children under increasing threat throughout the OECD world, and making them increasingly dependent on state policy to avoid poverty.
- In some countries, public policies have more than compensated for negative market trends affecting children's incomes; in other countries they have failed to do so.
- It is not differences in the overall proportions of children being reared in one-parent households or in households where no adult is in employment ('work poor' households), which explain the differences in child poverty rates across rich countries, but differences in the poverty rates that apply to these categories of household.
- A particularly large proportion of Irish children in the mid-1990s lived in households that had weak links with the market economy.

- Ireland's relatively high child poverty rate in the mid-1990s was despite a tax and transfer system that was keeping a substantial percentage of the nation's children from income poverty.
- In the relatively prosperous societies of the EU, there is striking evidence that children are languishing longer in poverty for no discernible reason other than that they are children. It is not because they are more likely to be in one-parent, 'work poor', or other types of disadvantaged households than adults.
- High child poverty rates imply low exit rates out of poverty.
- Greater mobility into and out of poverty is likely to be recorded in countries that have the more equal distributions of income to start with, and *vice versa*.
- There is considerable scope for learning from 'best practice' where the emphasis is on increasing the exit rates out of child poverty.
- It is likely that higher entry rates into poverty positively influence the level of support among the general public for anti-poverty measures.
- There is striking evidence that allowing poverty to persist does not stimulate greater success at using the market to escape it.
- There is striking evidence that societies which do most to 'look after' people have people who, over time, improve most their capacity to 'look after' themselves.
- Where state policy towards children is targeted (policies for children are largely for children below or near the poverty line), child poverty rates (post-taxes and transfers) remain high by international standards. The resources used are efficient in reducing child poverty, but the level of resources employed is modest.
- Where state policy towards children regards all children as entitled to some public support (child-bearing and parenting are 'public goods'), child poverty rates (post-taxes and transfers) are low by international standards. High levels of resources are employed, but their efficiency in reducing child poverty is modest.

Chapter Two: The Identification of Real Success: Some Measurement Issues

The incidence, intensity and duration of child income poverty in rich countries were examined in Chapter One. In fact, they were examined and discussed under the rubric of certain assumptions, viz., that 'fair' intra-household sharing of disposable income takes place, that the nation is a valid 'community' of reference, that low money incomes deny access to essential services, and that low money income impacts negatively and significantly on child 'well-being'. This chapter reviews these assumptions for their validity.

2.1 Children's 'Incomes'

As Ireland's National Children's Strategy notes, children do not have direct incomes [*The National Children's Strategy: Our Children – Their Lives*, 2000, 63]. A child is considered poor when living in a poor household, and the household is classified as poor or non-poor on the basis of its 'equivalent' income. The 'equivalising' refers to the *manner* in which aggregate household income is divided by the number and composition of people in the household to reflect the income that is potentially available for the support of each member. Different equivalence scales reflect different methods for taking account of the economies of scale in running a household, and of the differing needs of children and adults. When the literature speaks of 'children's incomes', the equivalent income of the households in which children are living is being regarded as 'theirs'. That is to say, equitable intra-household sharing (*à la* equivalence scale) is being assumed such that children are benefiting from the expenditure on their behalf of, at least, their household's equivalent income.

Children are not actors in their socio-economic situation, they benefit or suffer from that of their parents [Jeandidier et al, 2000]

In short, children's fates are intimately linked to the poverty status of their household and to intra-household sharing. This raises several issues, some of which are explored relatively little in the literature. The most frequently expressed concern is that children may miss out in the allocation of household income. Whether this is more likely in one type of household than another, and why, has not been extensively researched. For example, if poor parenting – due to stress, conflict, adult substance abuse or whatever – means that children are not having their equivalent income spent on them, child poverty is being understated. On the one hand, there is some evidence that intra-household inequality is more likely where resources are in the hands of fathers only, so that - for example - paying child benefit to mothers is regarded as in the best interests of children [Goode et al, 1998; Lundberg et al, 1997]. This gender concern, however, is simultaneously an implicit recognition of what committed parenting (in this case, assumed on the part of the mother) can achieve. For there is also evidence that mothers in particular, but conceivably fathers also, in households below the poverty line miss *themselves* out so that their children benefit from a larger share of the household income than the equivalence scale suggests [Middleton, Ashworth and Braithwaite, 1997; O'Neill, 1992]. To the extent that this is true, child poverty is being overstated. Of course, in so far as money worries contribute to stress and ill health in parents, the children may suffer in

other indirect ways. Elucidating the mechanism, however, could show that parental poverty, in some instances at least, is the target to be addressed. Economists point to substantial evidence that committed and competent parents are highly efficient transformers of inputs (money income and other resources) into outputs in the generation of child well-being [Heckman, 1999].

This brief discussion underlines the importance of research into intra-household distribution to the design of income supports for poor children. Any assumption that poor households treat their children less equitably than non-poor households should be scrutinised critically. It may be that parental conflict, adult substance abuse, a low level of educational attainment in the primary care-giver, step-parenting, etc., is the key factor accounting for child poverty, rather than the level of household income *per se*. If evidence is forthcoming that children in these types of poor households are disproportionately likely to suffer from lower incomes than their equivalent income suggests, then, of course, the case for increasing cash transfers to such households is weakened (however unintentionally), while that for providing services-in-kind that are accessible to children in those households (e.g., school breakfasts, childcare facilities) is strengthened. However, in so far as the evidence reveals that parents in low-income households typically produce levels of child well-being higher than their household income alone would predict, the case for - and the political acceptability of - increasing cash transfers is strengthened.

2.2 Children in 'Relative' Income Poverty

The child poverty rates used in cross-country comparisons are estimates of the proportion of children in relative income poverty where the *national* community is the reference point. Even within Ireland, this may overstate and understate the seriousness of some children's plight. For example, children with equivalent incomes below 50% of the national mean may be less 'excluded' from meaningful participation in their community if they are living in a rural area where regional mean income is considerably below the national mean, than similar children in Dublin where the regional mean is above the national one. For large nations, the applicability of a national norm to identify relative income poverty is quite problematic. Rainwater et al (2001), for example, show that Arkansas in the US had a child poverty rate of 25.7% in the mid-1990s when median income is taken at the national level, but of 14% when state median income is used. One implication of this is that, despite its poor *national* showing, there may be interesting places to look *within* the US for instances of 'best practice'. "In several cases, neighbouring states [within the US] saw their child poverty rates surge in opposite directions (between 1979 and 1998). ... Child poverty (in the US) is not an intractable problem" [National Centre for Children in Poverty, 2000].

A fortiori within the European Union, the value of measuring poverty with reference to the mean of EU household income may be quite limited. For example, Immervoll et al (2000), using the 1994 European Community Household Panel Surveys (ECHP), established that Portugal had 63.7% of its children (under 16) falling under 60% of EU15 mean income. The principal reason, of course, is that mean household income for the whole Portuguese population was 63% of the EU15 mean. Ireland's child poverty rate was calculated as 45.6% in 1994 on the same basis.

Calculating mean/median income for a very large federal state or region, therefore, presents child poverty in states/countries where mean/median regional incomes are lower in a particularly unfavourable light; it could even be said to exaggerate the

plight of children. An instance where it may be a helpful exercise rather than an unhelpful one, however, is in interpreting the particularly low rates of child poverty in some countries of Central and Eastern Europe. In some of them, exceptionally low child poverty rates (e.g., 1.8% in the Czech Republic in 1992) may be concealing more serious hardship for children than higher rates in other countries simply because, though such societies are strongly egalitarian in how income is distributed, the regional standard by which nearly all children are judged to be non-poor is very low [Bradbury and Jäntti, 2001].

As well as being aware of the implications of the 'community of reference' in the calculation of poverty lines, attention may also need to be given to the implications for trends in child poverty rates of the growing incidence of childless households within a society. For example, between the 1986 and 1996 censuses, the fastest growing category of household in Ireland was that composed of childless couples. Taken together with the growth of one-person households, this meant that households without children grew from 39% to 44% of all private households in Ireland over the period.²⁵ The relevance of this to monitoring trends in child poverty is that it is possible that, where a rise in the median income of a country is being 'driven' by households without children (for example, dual-income-no-children households), households with children could become particularly prey to the statistical process which records rising rates of relative income poverty among a group even as its real income is also increasing.

2.3 Child Income Poverty and Basic Deprivation

It is important to know the extent to which, particularly for children in low income households, 'money speaks' when it comes to attaining basic standards of health, housing and education, and enjoying neighbourhood amenities. Countries differ in the extent to which public investment in services for children has taken place precisely to ensure that the financial circumstances of a child's household would *not* limit the quality of the child's health-care, housing, day-care facilities, education, and so on. Where these benefits-in-kind tailored to children are extensive, it seems important that analyses of child income poverty should acknowledge them. In Canada, for example, income-in-kind benefits to children in low-income households include health services (additional to what is already available under Canada's universal public health insurance system), dental care, medications, accessories judged essential such as snowsuits and cribs, and assistance for employment-related expenses such as clothing, transportation and childcare [Battle and Torjman, 2000].

Many of the existing child and family services in Ireland have been motivated primarily by the concern that limited parental income should not deny children access to services which can powerfully aid their growth and development [McKeown and Sweeney, 2001].

People who are particularly concerned that cash transfers to households on behalf of children may create work disincentives for parents, and/or be 'siphoned off' by adult members for their own use, can be expected to favour benefits-in-kind for children over transfers. Their concerns, however, are not substantiated by widespread evidence and, in some cases, they should be assuaged by what evidence is available (e.g., that on long-term poverty dynamics in the Netherlands reviewed in the text). Rather than choosing between cash transfers or benefits-in-kind, countries

²⁵ See section 2.1, 'The Presence of Children in Irish Families', in McKeown and Sweeney (2001).

may make effective use of their complementarity, i.e., some of those which provide the more generous income transfers *also* provide the more comprehensive benefits-in-kind. In other words, benefits-in-kind may best be viewed, not as an alternative strategy for societies with entrenched views on the ineffectiveness of money transfers, but as a complementary strategy to ensure that parents can extract maximum benefit from increased cash transfers being provided to them on behalf of their children. Ireland, in fact, can be regarded as having successfully pursued this strategy on behalf of its senior citizens for a while. Innovative and significant benefits-in-kind (such as free travel) were not allowed to diminish a concern that the relative incomes of those living on the lowest pensions should also improve.

The Irish National Anti-Poverty Strategy adopted the practice of combining material indicators of 'basic deprivation' with relative income poverty to identify *consistent* poverty. However, it is clear that the living standards of adults largely guided the selection of the material indicators. The case for indicators of basic deprivation that are particularly meaningful to children's living standards has been made by Nolan (2000) and it seems an important and promising step to take. These non-monetary indicators of children's material well-being would, ideally, include measures of their access to certain quality services and features of their physical environment.

2.4 The Concept of Child Well-Being

There is a strong contemporary emphasis on the concept of child 'well-being'. Two dimensions can be regarded as constitutive of the concept:

- *The understanding of the person as, at once, an individual and social being:* thus, children cannot flourish on their own; their families, neighbourhoods and society must also possess certain features for that flourishing to take place;
- *The understanding of the person as influenced by subjective as well as objective factors:* thus, children's well-being depends on how children think and feel about their lives as well as on the objective conditions surrounding them.

The significance of 'well-being' to child poverty is that it contextualises and relativises money income as a meaningful criterion of the quality of children's lives. However, there can be few serious grounds for believing it risks lessening the commitment or urgency to deal with child income poverty in rich countries. While it is true children can be happy in societies with low income per capita, there is a flood of research which documents that living on low relative incomes in rich countries has damaging psychosocial consequences [Wilkinson, 1996]. However, once children's incomes rise above a certain threshold, the concept of well-being may strengthen the case that further improvements in children's lives should concentrate less on the level of disposable income in their households and more – for example – on social investment in amenities from which children benefit, and/or the fostering of more frequent and successful co-parenting. In this context, it is useful to recall that one of the factors driving the interest in monitoring child well-being in rich countries has been a deterioration in some aspects of children's environments despite strong national economic performances and higher average disposable incomes. For example:

New types of outcomes (in industrialised countries)... require monitoring, including drug use, traffic accidents, mental health problems, self-harm,

eating disorders, 'anomie', and restrictions on children's freedom. [Bradshaw and Barnes, 1999]

Under the National Children's Strategy, an expert committee is to develop a set of indicators of 'child well-being' in Ireland [*The National Children's Strategy*, 2000, 40]. The commitment is one of eight measures announced in the National Children's Strategy (39-41) which are evidence that Ireland is already learning from best practice in other countries.²⁶ For example:

There is widespread agreement that regular reports on the state of children are an essential tool in raising public awareness and achieving political support for improving their living conditions. [Bradshaw and Barnes, 1999]

Tables 11 and 12, which conclude this chapter, summarise some of the progress made internationally in measuring child 'well-being'. Table 11 provides an overview of the indicators currently in use or being actively considered as indicators of child well-being in rich countries. Table 12 lists what are termed 'mediating factors' which have emerged as key conditioning factors explaining *why* the presence of the same indicators can result in very different outcomes for children. The case for making the elimination of child income poverty the priority objective in raising child well-being is strengthened by the type of evidence which establishes strong and robust associations between income poverty and undesirable outcomes on these other indicators. A potent example comes from current labour market economics. Concerns with the workforce's ability to cope with on-going technological changes has led to a renewed appreciation of the pivotal role that the level of parental income during a child's early years is seen to play. For example:

Policies directed towards families may be a more effective means for improving the performance of schools than direct expenditure on teacher salaries or computer equipment. [Heckman, 1999]²⁷

On the other hand, the case for concentrating on services-in-kind to children rather than income transfers will be strengthened by any studies which establish the greater efficiency of the former in improving the indicators that are in Table 11.

The adoption of a set of indicators of child well-being for Ireland presents conceptual challenges as well as technical ones relating to data availability and collection. Some of these challenges are relevant to the struggle to raise the level of political commitment to eliminating child income poverty. These conceptual issues include:

- appreciating the distinction between inputs, outcomes, and mediating factors, in the generation of child well-being. An *input* is desired because it makes possible

²⁶ The other measures are the initiation of a national longitudinal study of children (this will be Ireland's first; researchers in the UK have long had the benefit of panel studies following three national birth cohorts, 1948, 1958 and 1970, and a new one for 2000 is already underway); the launch of a Children's Research Programme; the integration of all public records and data sets into an integrated set of core data available to guide policy formulation; the publication of a bi-annual State of the Nation's Children Report; the establishment of a National Children's Research Dissemination Unit; the preparation of child impact statements by government bodies (akin to 'child proofing' intended policy changes); and the development of agreed quality standards for supports and services directed at children.

²⁷ James Heckman, joint winner of the Nobel Prize in Economics in 1999, is a labour market economist with particular expertise in policies and programmes that enhance human capital. See J. Heckman, (1999), "Policies to Foster Human Capital", Aaron Wildavasky Forum.

higher well-being; an *outcome* is regarded as partially constitutive of the well-being that is sought; a *mediating factor* affects the ease with which inputs can be turned into outputs that are constitutive of greater well-being. Which is which can often be difficult to distinguish in the real world, and it is desirable to be as clear as possible just which one a given indicator is regarded as reflecting.²⁸ A higher level of equivalent disposable income in a child's household is not an end in itself, and its contribution to child well-being is not linear. Its input value, however, in households below the poverty line is elaborated more forcefully when its contributions to other outcomes (e.g., educational attainment) and mediating factors (e.g., parental morale) are made explicit.

- acknowledging that many of the most negative outcomes for children are not mono-causal but can only be reliably linked to the operation of several factors or 'inputs'. A clear association between household poverty and a low level of child well-being does not mean that, in every case, more income raises child well-being; substance abuse, neighbourhood insecurity, chronic indebtedness, etc., may severely limit the ability to transform any feasible increase in household income into greater child well-being.
- being explicit about the place accorded family structure. The family has, to a considerable extent, re-emerged as a relatively neglected context to understanding the efficiency with which any given level of public or monetary input translates into improvements in children's lives. Negatively, lack of attention to the family means that much investment in children can be wasted if their family situations are not also addressed. Positively, attention to the family means that small investments can bring big returns where they are empowering competent, committed and concerned parents.
- being aware of the desirability of including the subjective experiences of children. Appreciating the factors that contribute to happy children is every bit as complex as understanding what makes for happy adults, yet the challenge is there. It is not at all fanciful to suggest, for example, that "a child's experience of a loving relationship between its parents - and not just with its parents - may contribute more to its well-being than additional income or a bedroom of its own" [McKeown and Sweeney, 2001: 55].

(When) widely used outcome measures (are listed), it will be noted that at present few of them reflect children's own subjective experience of childhood.... Perhaps the greatest challenge of all is to develop an agreed set of subjective indicators which capture the child's experience and their own beliefs and feelings. [Bradshaw and Barnes, 1999]

²⁸ For example, is having a parent in employment a positive indicator of child well-being because it (a) improves the household's economic position (an input), (b) provides the child with a role model (an outcome), (c) raises the parent's morale and improves their parenting (a mediating factor)? A second example: Is being reared by two parents a positive indicator of child well-being because it (a) increases the possibility of the child being economically secure (an input), (b) provides the child with role models of different genders and increased emotional satisfaction (an outcome), (c) increases the likelihood of good level of parental supervision (a mediating factor)?

Table 11 **Current International Practice in Monitoring Child Well-Being: Common and Uncommon Indicators**

| Poverty | Health (physical) | Health (mental) | Substance misuse | Crime | Teenage fertility | Educational outcomes |
|--|--|---|---|--|--|---|
| Common indicators | | | | | | |
| * % children in households below 50% mean (median) household income | * low or very low birth-weight * infant mortality * age-specific mortality * cause-specific mortality (accidents, traffic deaths, homicides, suicides) | * suicide rate (by age, gender, race) * referrals to mental health services | * alcohol use in last week * 5 or more drinks in one session ('binge' drinking) * smoking cigarettes * use of marijuana * crime figures related to misuse of drugs | * crimes committed by children according to official statistics * contact with police not resulting in prosecution * children and young people as victims of crime (including rape, child abuse and child murders) * repeated/escalating criminal behaviour * violent/nonviolent crimes * numbers of children and young people in custody | * percentage of those aged 14-18 who are sexually experienced * percentage sexually active in last 3 months * use of contraception at last intercourse * number of sexual partners by age 20 * STD rate for those aged 15-19 | * reading scores at various ages * maths scores at various ages * written language scores at various ages * % needing to repeat a year * % leaving with no qualifications * % achieving standard high-school (age 16) qualification * % post-compulsory enrolment |
| Uncommon indicators | | | | | | |
| * % children in households without access to private car * % children in overcrowded households | * chronic health condition (eg eczema, asthma) * disability (limitation of activity) * overweight (BMI) * dental caries * regular exercise * hospitalisation for injury | * hospitalisation rates for self-harm * self-reported suicidal feelings amongst young people * child/young person assessment of quality of parent/child relationship * psychological well-being scores at different ages * self-esteem measures | * alcohol use subdivided by whether spirits/other * exposure to drunk-driving by self or others * use of inhalants/hallucinogens/cocaine * price of common illegal drugs/whether initially supplied free * attitudes towards smoking, alcohol and illegal substances * hospitalisations related to misuse of drugs | * involvement in behaviour likely to lead to crime (eg truancy, association with those who have already committed crimes, staying out all night without permission) * behaviour by children too young to be classified as criminal * attitudes towards crime * carrying of weapons * levels of criminal behaviour in immediate neighbourhood | | * 'school-readiness' at age 4 or 5 * degree of school/home contact * school exclusions * % requiring special assistance at school * truancy rates * science scores at various ages |

Source: adapted from Bradshaw and Barnes (1999) and US Child Indicators (www.childstats.gov/ac2000/poptxt.asp).

Table 12 Some Established Mediating Factors Affecting a Child's Vulnerability to Adverse Socio-Economic Conditions

| Conjuncture | Neighbourhood concentration | Household concentration | Networks ('Connectedness') | Parenting/cultural resources | Unique person factors |
|---|---|--|---|---|---|
| <ul style="list-style-type: none"> * risk of moving house/school in any given year * risk of experiencing poverty/family break-up in any given year * duration or repeated experience of poverty/unemployment /family type | <ul style="list-style-type: none"> * % on school dinners * local unemployment/ poverty rates * tenure patterns * local crime rate * 'neighbourhood stress' | <ul style="list-style-type: none"> * multiple risk factors/behaviours * no working adults in household | <ul style="list-style-type: none"> * closeness (geographical/ emotional) to other relatives * level of social contact and support from neighbours * satisfaction with area of residence * membership of eg church, PTA, trade union, social clubs * parent in work | <ul style="list-style-type: none"> * parent's own family background as a child (family type, unemployment, social class) * parental level of education * age of parent when child born * family type * depression/work orientation of mother * level of involvement by resident father (reading) * level of contact with non-resident father * parenting style (ignoring/open/ authoritarian) * levels of family conflict * self-assessed coping level of main care-giving parent | <ul style="list-style-type: none"> * child's own locus of control - 'can do' factor - itself highly dependent on parenting style, etc. * intelligence |

Source: adapted from Bradshaw and Barnes (1999).

2.5 Summary of Key Points

- Evidence that children in poor households are disproportionately likely to suffer from an unjust intra-household distribution of income strengthens the case for investing in services-in-kind.
- Evidence that parents in low-income households miss *themselves* out in the intra-household distribution strengthens the case for increasing income transfers.
- Calculating mean/median income for large federal states or regions exaggerates child poverty in states and countries where mean/median incomes are lower.
- A steady or even rising child poverty rate may conceal a substantial improvement in reducing the intensity of poverty, and *vice versa*.
- Countries differ in the extent to which public and targeted investment in services for children in low-income households has taken place precisely to ensure that their financial situation does not limit their access to vital supports (in health, schooling, etc.).
- The concept of well-being contextualises and relativises money income as a meaningful criterion of the quality of children's lives.
- The concept of well-being complements the urgency of dealing with child income poverty in so far as the contribution which additional income in low income households makes to a broad range of children's outcomes (health, educational attainment, etc.) is made explicit.
- Once children's incomes rise above a certain threshold, the concept of well-being strengthens the case that attention should focus less on disposable income and more on public investment in amenities from which children benefit.

Chapter Three: **The Contributions of Specific Policies to Reducing Child Income Poverty in Rich Countries**

Child poverty is not an inevitable result of global economic pressures or demographic transitions. Governments can and do take steps that are remarkably successful in counteracting child poverty. [Bradshaw, 2000]

The different achievements and track records of rich countries in reducing child poverty are a consequence of different policy mixes, different programme designs, and differences in the levels of resources devoted to implementing them. There is no single path nor one 'golden policy' which is seen to be responsible for the best country performances. Rather, the countries that are most successful in attaining low levels of child poverty and meeting the threats that contemporary social and economic developments pose to children's incomes typically have *several* policies in place that are collectively covering the diversity of situations in which children are being reared. Furthermore, the resources being committed to these several complementary policies must, in aggregate, reach an adequate level. The countries would not be successful in having low child poverty rates unless these two conditions were met.

This chapter, then, is organised around the suggestion that four intermediate policy objectives constitute, as it were, the basic architecture of a comprehensive strategy for eliminating child income poverty. In identifying and discussing each of these objectives, the more important policies from which children's incomes have benefited in rich countries, and the policy omissions for which children have paid the price of a high, or rising, poverty risk are presented below. The four intermediate policy objectives are :

1. Maximising parental employment and earnings.
2. Subsidising parenting.
3. Adequately protecting one-parent households.
4. Adequately protecting the living standards of 'work poor' households.

3.1 Maximising Parental Employment and Earnings

It stands to reason that the more successful parents are in earning, the fewer public resources will be needed to eliminate child poverty. A study of the sources of the income coming into the households of the poorest 20 per cent of children in different countries [Bradbury and Jäntti, 2001: 27] reveals that the degree of reliance on market income varies enormously. For example, Ireland and the Netherlands were found to be providing public transfers per child of approximately the same amount; in the Dutch case, however, public transfers were supplementing a market income per child nearly three and a half times greater. This, clearly, goes a long way to explaining why the child poverty rate in the Netherlands was lower than in Ireland (8.4% as against 14.8% in the years to which the data apply).

In fact, Ireland and the Netherlands are, in this regard, good examples of the English-speaking and the continental European worlds respectively.

The English-speaking countries other than the US, all of which have fairly high poverty rates ...actually have a *high level of social transfers* going to their most disadvantaged children. ...(For example) Transfers per child in the lowest quintile group are about as large in Australia and the UK (child poverty rates of 17% and 21%) as they are in Sweden and Denmark (child poverty rates of 3.7% and 5.9%) ... In the English-speaking countries, with the prominent exception of the US, social transfers to the families of the poorest one-fifth of children are *quite substantial*. Instead, the reason for their high level of child poverty lies in the low levels of *market* incomes received by the most disadvantaged families. [Bradbury and Jäntti, 2001: 28. Italics added]

The hypothesis has to be that, the more effectively a country's poorest parents are attached to the labour market, the less need there is for state intervention, and the volume of state resources needed to raise children out of poverty can be smaller. In other words, the more parents are in paid employment, the lower will be the rate and intensity of child poverty for any given level of public resources. In turn, there are two interrelated aspects to increasing parental earnings in poor households where there are children:

- encouraging parents on welfare to take employment;
- increasing the financial returns to parents in low-paid employment.

This is the theory. Not surprisingly it is English-speaking countries which provide the best examples of what happens in practice, and of the benefits and pitfalls when this approach is resolutely taken. American and British programmes will be reviewed in turn.

3.1.1 Evaluation of American policies in the 1990s

There has been a major reduction in child poverty in the US during the 1990s and substantial credit for this is given to the Earned Income Tax Credit (EITC), a programme which supplements the earnings of low-paid workers. First we document the scale of the increase in labour market participation which has been recorded for low-skilled parents; then we examine what is involved in clarifying the particular contribution of the EITC to these improvements and look in some depth at a selected study; finally, we inquire into the significance and solidity of what the EITC - and the overall emphasis on parents as workers - has achieved.

American successes²⁹

Between 1993 and 1999, the child poverty rate in the US fell by 5.8 percentage points to just under 17%, its lowest level since 1979. While the 1999 end point is still high by northern European standards, the speed and scale of the reduction is noteworthy. It is unambiguously associated with an increase in parental earnings, on the part of lone parents in particular. For example, in a country where some 23% of all children are being reared by their mother only, the percentage of female single parents in employment rose from 56.8% in 1993 to 65.2% in 1999, while the percentage on welfare fell from 48% to under 30%.

²⁹ These are presented at length in *The Annual Report of the Council of Economic Advisers*, accompanying the Economic Report of the President transmitted to Congress, January 2001, particularly its chapter 5: "Living in the New Economy".

Two experienced poverty researchers in the US draw attention to the new employment orientation from which children have benefited. Rebecca Blank (2000) speaks of “a remarkable change in the behaviour of America’s low income families” and points out that, by 1999, never married or divorced/separated young mothers were much more likely to be either in work or at school than their married counterparts. David Ellwood (2000) reinforces this observation by noting that, in the case of single mothers in the US, it is among those with the lowest predicted wage rates where the swing from non-employment to job-holding has been the greatest. The employment rate of single mothers with the lowest predicted wages (bottom quartile) jumped from around 30% in the 1990s to some 50% by 1997, a much more substantial hike than occurred for more skilled and better-paid women.

There are three powerful and mutually reinforcing sets of influences to be taken into account in explaining these positive developments in the US during the 1990s.

1. The longest economic expansion in US history began in March 1991 and continued without interruption into the year 2000. Strong employment creation was associated throughout with this expansion.

2. Welfare-to-work reforms were consolidated in 1996, when bi-partisan legislation replaced America’s oldest and largest social assistance programme (Aid to Families with Dependent Children, AFDC) with a new one called Temporary Assistance for Needy Families (TANF).³⁰ Throughout the 1990s, income support for healthy non-employed parents became more difficult to access and less generous and it was clearly signalled that work was expected of them. An unintended casualty of this growing parsimony towards the able-bodied poor has been a precipitous decline in the take-up of food stamps. It is estimated that only 58% of the children in extreme poverty, i.e. in families with less than 50% of the *poverty* line, were receiving food stamps in 1999, down from 76% in 1993.

3. A variety of measures were enacted to raise the living standards of workers, particularly parents, with low earnings. Pride of place goes to the EITC. Though first introduced in the mid-1970s, this programme was substantially expanded during the 1990s and made particularly attractive to low-paid workers with two or more children from 1994 on. By 1999, the programme was costing the Federal Government \$31 billion, nearly as much as Federal outlays on the TANF and food stamp programmes combined. It was estimated to be responsible for lifting 4.1 million individuals out of poverty in 1999, of whom 2.3 million were children.³¹ That means some 3.3% of *all* America’s children were being kept from poverty in 1999 thanks to the EITC. This makes it, by far, the single most important government programme for America’s poor children, particularly in the South where wages are low and among Hispanic and Black families. The parameters and design of this programme, and its evolution during the 1990s, are given in an Appendix to this section. Of particular note is the

³⁰ The bipartisan Personal Responsibility and Work Opportunity Reconciliation Act signed by the President in 1996 replaced AFDC with TANF. TANF was designed to provide needy families with temporary assistance, established time limits for receiving welfare benefits, and shifted the emphasis from simply providing assistance to helping families leave welfare and enter the labour market. TANF differs from the AFDC program in three fundamental ways: (i) it gave States much more discretion in using Federal funds; (ii) the new system imposed time limits and work requirements on welfare recipients; (iii) States were given the freedom to tailor the parameters of their programme to suit the needs of their populations.

³¹ *The Annual Report of the Council of Economic Advisers*, United States Congress, January 2001.

introduction of a higher subsidy for workers with two or more children in 1994 and the further priority given to these families in subsequent expansions of the programme.

Other important measures have supported the EITC in making the holding of a low-paying job more financially rewarding for low-skilled parents. A decline in the real value of the minimum wage was halted in 1995 (it had fallen to 71% of its 1968 peak value) and it began to recover some of its lost ground (to reach 80% of the 1968 value by 1999). In addition, there has been a growing public investment in the provision of childcare facilities to support socially disadvantaged working parents, and public health insurance coverage, which used to be more widely available when people were dependent on welfare than if they were earning, has been extended to cover low-paid workers.

The cumulative effect of these changes has been substantial. Blank (2000) calculates that the combined effect of successive improvements to the minimum wage and the EITC raised the real earnings of a single mother working full-time at the minimum wage by 25.6% (if one child) and 40.4% (if two children) between 1989 and 1998. Ellwood (2000) compares the situation facing a single mother with two children who left welfare for a full-time job at the minimum wage in 1986 with that in 1997. In 1986, he estimates she gained \$2,005 dollars but lost health insurance for herself and her children; in 1997, she gained \$7,129 dollars (constant prices) and retained health insurance for her children.

These gains by low-earning parents are substantial, and it is clear that many parents have been responding and taking employment. However, the extent of the ground that low-skilled workers have to make up in the US labour market remains substantial, an issue which will be examined further below.

The EITC under the microscope

A particularly detailed and careful case study of the EITC in action is that by Hotz et al (2001). They set out to study a situation where employment rates on the part of California's welfare recipients had risen markedly over the period 1993-1998 but it

Table 13 **The Impact on Employment Rates of Californian Welfare Recipients of (a) the EITC (b) the California Work Pays Demonstration Project (CWDP), 1993-1998**¹

| Year | By how many percentage points did the EITC raise the employment rate of welfare recipients? ² | By how many percentage points did participation in the CWDP raise the employment rate of welfare recipients? ³ |
|-------------|--|---|
| 1993 | | 5.9 |
| 1994 | 0.6 | 3.2 |
| 1995 | 1.6 | 3.0 |
| 1996 | 2.6 | 5.1 |
| 1997 | 6.3 | 4.6 |
| 1998 | 6.4 | 2.7 |

Source: Table 7, Hotz et al (2001).

Notes:

1. The business cycle and conditions in the local labour market are controlled for.
2. These are calculated by comparing the employment rates of welfare recipients with two or more children, whom the EITC began to privilege after 1994, with those of recipients with one child.
3. These are calculated by comparing the employment rates of the welfare recipients for whom the state of California changed the AFDC rules in 1993 with the employment rates of those for whom the rules were not changed (the 'control group').

was unclear how much of this was due to the EITC, to welfare-to-work reforms, or to buoyant economic conditions generally. Their principal findings are clear. To the EITC there can be attributed a significant effect in raising the employment rates of Californian families on welfare over and above what would otherwise have happened (because of economic conditions and welfare reform measures).

As Table 13 shows, in 1997 and 1998, the EITC was estimated to be raising the employment rates of low-earning workers responsible for two or more children by some six percentage points. These are quite large policy effects, given that employment levels over the period studied never exceeded 47% for lone parents or 58% for parents in two-parent families. The 'carrot' effect of the EITC to take employment was comparable to the maximum 'stick' effect that earlier cutbacks in social welfare had had in the year they were introduced, 1993. In that year, the California Work Pays Demonstration Project (CWPDP) had reduced the maximum cash transfer available to non-employed parents by 15% but increased the proportion of earnings that welfare recipients could retain (reduced the benefit withdrawal rate).

Hotz and his colleagues go further and tentatively allocate the observed rises in the employment rates of California's welfare parents in the following way, distinguishing one-parent households from others, and families with one child from families with two or more children.

Table 14 Percentage of Observed Increase in Employment Rates of Californian Welfare Recipients Attributable to (1) Welfare Reform [CWPDP], (2) Earnings Subsidies [EITC], (3) Employment Growth

| Factor | One-Parent Households ¹ | | Other Households ² | |
|--------------------------|------------------------------------|-------------|-------------------------------|-------------|
| | One child | 2+ children | One child | 2+ children |
| CWPDP | 23 | 16 | 17 | 11 |
| EITC | 21 | 45 | 15 | 32 |
| Employment growth | 56 | 39 | 68 | 57 |
| | 100 | 100 | 100 | 100 |

Notes:

1. Recipients classified as AFDCFG, i.e., recipients of Aid to Families with Dependent Children who received it on the basis of being a parent/guardian on her or his own (FG Family Guarantee).
2. Recipients classified as AFDCU, i.e., recipients of Aid to Families with Dependent Children who received it on the basis of the head of household being unemployed (U unemployed).

Table 14 suggests that the EITC, where its advantages have been most concentrated since 1994, i.e., on parents with two or more children, has had an impact in raising the employment rates of parents dependent on welfare approximately three times greater than the 'stick effect' of the programme that made remaining on welfare less attractive. Across the board it is also clear that a buoyant labour market made the biggest single contribution, particularly for unemployed parents in two-parent households.

The solidity of American gains

It is clear that the EITC constitutes a significant escape route out of income poverty for a good number of American children. For some, this is because it encourages their parents to leave welfare for work, or minimally that it supplements their welfare with earnings, while for a larger number whose parents were already working it supplements their low earnings.

The success of the EITC must be assessed within the context of the US labour market. The extremely low earnings characterising its bottom rung to some extent makes it surprising that the EITC has recorded even modest success. This is implicit in the following observation made in the 2001 *Annual Report of the Council of Economic Advisers*:

When the [increase in the] minimum wage is combined with [the maximum] possible 40 percent subsidy from the EITC, the true minimum wage for workers with two or more children and earnings of less than \$9,700 is \$7.21 an hour. This hourly rate is higher in real terms than the peak minimum wage rates of the 1960s. Even so, *an individual working full-time at the minimum wage would have a yearly income of just \$14,188 (including the credit), well below the poverty line for a family of two adults and two children.* [italics added]

This is a startling admission. Full-time work at the minimum wage enhanced by the EITC does not pay a 'family' wage; it is not sufficient to enable a one-earner, 'traditional' family escape poverty. The implication is that other types of families (families with secondary earners, one-parent families, etc.) must figure prominently among its beneficiaries. The same Report provides new evidence that the quality of the jobs which a large number of those leaving welfare for work have been getting in the US is poor and their new employment status quite precarious. It presents findings from the first *nationally* representative sample of individuals' situations one year or more after leaving the welfare roles in the US (the period covered is approximately 1996-1998).³² Individual's receipts from the EITC were not included in the survey's findings. Its results, therefore, need to be interpreted as revealing the employability and earnings power of former welfare recipients in the open US labour market and prior to earnings subsidies. Thus:

- approximately 25% of those who leave welfare return within twelve months;
- 12.8% appear to get continuous full-time employment (working 50 or more weeks during the year for 35 or more hours per week), a further 19.8% get continuous part-time employment (50 or more weeks but at less than 35 hours per week), while a final 34% are employed at some point in the following twelve months;
- the median monthly income plus food stamps of those leaving welfare is \$94 higher in the twelve months following exit over the two months immediately preceding it (approximately a 6% rise);
- for 49% of leavers, monthly household income plus foods stamps in the year following exit was at least \$50 lower than in the months before, for 44% it was more than \$50 higher;
- some of those who leave welfare experience earnings growth in their first twelve months of exit - 39% had monthly earnings that were \$50 or more higher in the second six month period than the first - on the other hand, 28% had second period monthly earnings \$50 or more lower than in their first six-month period.

It is clear that the market position of those whom the EITC and America's other reforms have tempted into the open labour market is anything but secure. The fact

³² The US Census Bureau's Survey of Income and Program Participation (SIPP).

that a characteristic of TANF was the introduction of time limits to an individual's cumulative life-time receipt of welfare implies that when, rather than if, an economic recession makes low-skilled parents disproportionately likely to lose their jobs in the US, further innovations in welfare will be urgently needed or poverty - and child poverty with it - could once again increase.

3.1.2 Expectations of British policies

The British experience to 1997

The US accelerated the decline in its child poverty rate with major reforms in 1994 (expansion of the EITC) and 1996 (introduction of TANF) and, by the decade's end, had brought the rate down to 16.9%. Britain was slower to act. By 1997, after eighteen years of Conservative government, the percentage of children in relative income poverty had more than tripled to reach 35% (at the 50% mean income line). There is considerable consensus in the analyses of what was behind this dramatic deterioration [Bradshaw and Barnes 1999; Gregg et al 1999; Piachaud et al 2000].

Between 1979 and 1997, British social welfare policy emphasised work rather than welfare in a way quite similar to what we have described above for the US in the 1990s but the two other ingredients to the American success were missing. There was no sustained economic expansion with its strong demand for labour, and the level of subsidisation of low wages did not come near the level of America's EITC. The 'problem' for British children, therefore, was that social policy was increasingly recast around the assumption that their situation would improve if their parents left welfare and took employment, but for a growing number of them this did not happen. Labour market performance remained poor - unemployment rates facing those in the workforce did not return to their 1970s levels, while withdrawal from the labour force altogether was fuelled by other factors - more parents were on their own and, therefore, facing greater difficulties accessing employment, and male inactivity increased, particularly among the low-skilled and older age groups [Piachaud et al, 2000].

Studying developments between 1968 and 1995/96, Gregg et al [1999] attribute the bulk of the overall increase in child poverty in Britain to the rising chances of both one-parent and two-parent families being out of work, and just one fifth of it specifically to the rise in the proportion of children with lone parents (they rose from 6% to 22% of all children, and from 19% to 43% of all children in poverty over the period). What characterised this thirty-year period was that the link between not working and being poor strengthened substantially. The children most at risk of poverty were those without a working parent, regardless of whether they had two parents or one rearing them; the proportion of all children in two-parent families with no working parent rose from 2% to 10%, and of children of lone parents from 30% to 58%. At the same time as this was happening, public policy 'set its face against' non-employed and unemployed parents. They did not receive Income Support at a level sufficient on its own to keep their children out of poverty, there was little commitment to do more than raise Income Support in line with inflation, the level of payment to the short-term unemployed was reduced, and the value of the in-work package for families with children remained low by international standards.

British government policy post-1997

The New Labour Government of 1997 brought with it substantial pre-commitments that limited the measures it took to help children. Only in 1999 did it begin to set significantly new objectives and introduce new policies to meet them: "Our historic

aim will be for ours to be the first generation to end child poverty... It is a 20 year mission", stated Prime Minister, Tony Blair.

Piachaud and Sutherland (2000) have studied the impact on children's incomes in Britain of all the changes in taxation and social welfare introduced by 'New Labour' since 1997 or currently in the pipeline. This includes policies directly targeting children and measures only indirectly affecting them such as, for example, the national minimum wage. They have also sought to estimate the likely effects on child poverty of the current British emphasis on parents' employment as the privileged bulwark against family poverty. Their principal results are shown in Table 15.

Table 15 **The Effects of British Government Measures (post-1997) in Reducing Child Poverty**

| Policy package | Child poverty rates (50% line) | | | Child poverty rates (55% line) |
|---|--------------------------------|--------------------------|---------------------------|--------------------------------|
| | All children | Children with one parent | Children with two parents | All children |
| 1. April 1997 policy | 26.3 | 42.5 | 21.8 | 32.6 |
| 2. Tax & benefit changes to March 2000 inclusive ¹ | 17.0 | 24.4 | 14.9 | 24.0 |
| 3. Tax & benefit changes + maximum potential increase in parental employment ² | 9.7 | 14.5 | 8.3 | 16.3 |
| 4. Tax & benefit changes + realistic increase in parental employment ³ | 15.8 | .. | .. | 22.8 |

Source: Sutherland (2000).

Notes:

1. All changes to taxation and benefits introduced under 'New Labour' from 1997 onwards to the March 2000 budget inclusive, including introduction of the national minimum wage.
2. Assuming all able-bodied parents without care of children under five and currently not working take jobs for 30 hours a week paying the minimum wage (thus, 1.42 m. new jobs).
3. Assuming 250,000 able-bodied parents take jobs by 2001/2.

Valuable perspectives are suggested by the British experience as analysed in the Piachaud and Sutherland (2000) study.

Changes to taxes and benefits are the clearest and most certain way to effect a large reduction in child poverty. The tax and benefit changes introduced or proposed by the British government since 1997 are estimated to reduce child poverty by 35% (using the 50% of mean income poverty line). This reduction is modelled assuming employment patterns remain constant (row 2). The reduction is greater for children being reared by one parent (poverty rate down 43%) but is substantial also for those in two-parent households (down 32%). In fact, Piachaud and Sutherland estimate that 91% of all children in Britain and not just those in poor households benefit from the post-1997 changes; these have raised the mean income of households with children by 4.3%, as against a 2.4% increase for households in general.

Relying on large movements into employment by parents is an uncertain exercise. The second major plank in the British Government's policy on children since 1997 has been the encouragement of employment on the part of non-employed and unemployed parents. The effects of changes in taxes and benefits are easier to simulate than the effects of measures intended to promote employment. The former basically inquires how the income positions of current households change when the new provisions in the taxation and social welfare codes are applied to their existing circumstances (termed a static analysis as behavioural responses to the policy changes are not modelled). Estimating the effects of a greater take-up of employment, however, is a much more uncertain exercise. Government policies can certainly make low earnings more attractive and the income position of those not in work less so, but other factors must still operate to facilitate the movement into employment of non-working parents, and of low-skilled parents in particular. Available and affordable childcare, feasible transport modes to work, the availability of jobs locally, and – probably most important of all – buoyant aggregate labour demand are all capable of significantly influencing the likely effectiveness of given financial incentives (be they 'carrots' or 'sticks').

Accepting the limitations inherent in the nature of the exercise, therefore, Table 15 gives the estimated impact on the child poverty rate of two scenarios. Row 3 assumes that every able-bodied parent who is currently not in employment and does not have care of a child aged under five takes employment of 30 hours a week at the national minimum wage. The impact of such a massive swing to employment (on the part of some 1.42 million parents) has *nearly the same effect again* in reducing child poverty as the introduction of the tax/benefit changes; it drops by a further 7.3 percentage points (this time, children with two parents fare slightly better than children with one). However, the authors regard such a swing to employment as "the near upper bound of what could happen, not a forecast." They take a second scenario more seriously in which 250,000 non-working parents take employment. This, then, is their bottom line (row 4) allowing them to conclude that British government policies are set to reduce child poverty by 40% from its pre-1997 level to 15.8% (using the 50% line).

Parental employment cannot be relied upon to improve the incomes of a significant minority of children. Some 51% of poor children are considered by Piachaud and Sutherland to have parents who cannot reasonably be expected to take employment. This is the surprisingly large number of poor children whose parents are looking after at least one child under the age of five, or whose parents are sick or disabled (as indicated by receipt of the relevant benefit), or have parents already working but for poverty wages. The clear implication of this is that, in addressing child poverty, all the eggs cannot be put in the employment basket. If the income position of workless households is given low priority, a significant number of children will suffer.

Parents who do not or cannot take employment and are without independent sources of income continue to fare badly in post-1997 Britain. The welfare payment they receive (Income Support) is not at a level sufficient on its own to keep their children out of poverty. Piachaud and Sutherland estimate that, in 1999-2000, Income Support left a lone parent with one child aged six some 23% below the poverty line and a couple with two children aged four and eight approximately 36% below the poverty line. Furthermore, current British policy pledges to do no more than raise Income Support in line with inflation and a commitment to 'redistribution' *per se*

(independently of promoting employment and making work pay) has effectively disappeared from political discourse.

The most well-intentioned policies can produce some perverse effects. Overall, the tax and benefit changes introduced since 1997 have tried to privilege households with young children. The heterogeneity of those households' circumstances, however, has not been sufficiently appreciated. Thus, Piachaud and Sutherland find that a disturbing 17% of children in the poorest income decile have their income decreased by the reform measures; in other words, 2.3% of all British children, already poor, are being made poorer. These children are principally victims of one of two sets of circumstances: being in a household not receiving Income Support but which lose mortgage interest tax relief (abolished), or being in a household in receipt of Income Support with children aged over eleven who lose lone-parent benefit and premia (abolished). The details are not as important as the moral: policies targeting households with children must be accompanied by an effective audit of the impact of all other policies on children ('child proofing'). Otherwise, the risk is always there that the net effect of public policy changes will penalise vulnerable children.

Almost two decades of emphasis on cutting public social expenditure and promoting greater self-reliance has left Britain with a mountain to climb. The full implementation of current British policy proposals is estimated, even under the implausible assumption of 1.42 million inactive or unemployed parents moving into employment, to leave 9.7% of children in relative income poverty – a level higher than many European countries have already achieved. The more realistic estimate – based on 250,000 non-working parents moving into employment by 2001/2 – is that child poverty falls to 15.8%, which, if achieved, would remain one of the highest rates in the industrialised world. It is hard to see Britain reverting even to its own standards of the early 1970s without further and more major policy initiatives.

The demonstration of policies' effectiveness in reducing child poverty is quite sensitive to how poverty is measured. When the commonly used poverty line of 50% of mean income is raised marginally to 55% so as to include the 'almost poor', this – as expected – results in a higher level of child poverty being recorded (32.6% of British children fall below the 55% line as against the 26.3% below the 50% line, column 5). However, it also makes a substantial difference to the apparent success of the reform package. The level of child poverty that existed when New Labour came to power is estimated to be reduced by 30% and not 40%, by the changes to policy subsequently introduced. This less flattering conclusion suggests that a significant minority of children are being raised only marginally above the 50% poverty line by the new measures taken by the British Government.

**Appendix to Section 3.1: Earned Income Tax Credit Parameters, 1990-2000
(in nominal dollars)**

| Year | Phase-in Rate (%) | Phase-in Range | Maximum Credit | Phase-out Rate (%) | Phase-out Range |
|-------------|--------------------|----------------|----------------|--------------------|-------------------|
| 1990 | 14.00 | \$0 - \$6,810 | \$953 | 10.0 | \$10,730-\$20,264 |
| 1991 | 16.70 ¹ | 0 - 7,140 | 1,192 | 11.93 | 11,250-21,250 |
| | 17.30 ² | | 1,235 | 12.36 | 11,250-21,250 |
| 1992 | 17.60 ¹ | 0- 7,520 | 1,324 | 12.57 | 11,840-22,370 |
| | 18.40 ² | | 1,384 | 13.14 | 11,840-22,370 |
| 1993 | 18.50 ¹ | 0 - 7,750 | 1,434 | 13.21 | 12,200-23,050 |
| | 19.50 ² | | 1,511 | 13.93 | 12,200-23,050 |
| 1994 | 23.60 ¹ | 0 - 7,750 | 2,038 | 15.98 | 11,000-23,755 |
| | 30.00 ² | 0 - 8,245 | 2,528 | 17.68 | 11,000-25,296 |
| | 7.65 ³ | 0 - 4,000 | 306 | 7.65 | 5,000- 9,000 |
| 1995 | 34.00 ¹ | 0 - 6,160 | 2,094 | 15.98 | 11,290-24,396 |
| | 36.00 ² | 0 - 8,640 | 3,110 | 20.22 | 11,290-26,673 |
| | 7.65 ³ | 0 - 4,100 | 314 | 7.65 | 5,130- 9,230 |
| 1996 | 34.00 ¹ | 0 - 6,330 | 2,152 | 15.98 | 11,610-25,078 |
| | 40.00 ² | 0 - 8,890 | 3,556 | 21.06 | 11,610-28,495 |
| | 7.65 ³ | 0 - 4,220 | 323 | 7.65 | 5,280- 9,500 |
| 1997 | 34.00 ¹ | 0 - 6,500 | 2,210 | 15.98 | 11,930-25,750 |
| | 40.00 ² | 0 - 9,140 | 3,656 | 21.06 | 11,930-29,290 |
| | 7.65 ³ | 0 - 4,340 | 332 | 7.65 | 5,430- 9,770 |
| 1998 | 34.00 ¹ | 0 - 6,680 | 2,271 | 15.98 | 12,260-26,473 |
| | 40.00 ² | 0 - 9,390 | 3,756 | 21.06 | 12,260-30,095 |
| | 7.65 ³ | 0 - 4,460 | 341 | 7.65 | 5,570-10,030 |
| 1999 | 34.00 ¹ | 0 - 6,800 | 2,312 | 15.98 | 12,460-26,928 |
| | 40.00 ² | 0 - 9,540 | 3,816 | 21.06 | 12,460-30,580 |
| | 7.65 ³ | 0 - 4,530 | 347 | 7.65 | 5,670-10,200 |
| 2000 | 34.00 ¹ | 0 - 6,920 | 2,353 | 15.98 | 12,690-27,413 |
| | 40.00 ² | 0 - 9,720 | 3,888 | 21.06 | 12,690-31,152 |
| | 7.65 ³ | 0 - 4,630 | 353 | 7.65 | 5,766-10,380 |

Source: Hotz et al (2001) and website of IRS (US).

Notes:

1. Taxpayers with one qualifying child.
2. Taxpayers with more than one qualifying child.
3. Childless taxpayers.

How to read this table: Take as an example a worker with two qualifying children in the year 2000 (the middle row for year 2000). For every dollar this person earns from zero to \$9,720, the EITC adds another 40 cents, i.e., the subsidy rate is 40% over the first \$9,720 of earned income. The maximum subsidy this worker receives, therefore, is \$3,880 (=9,740*0.40). Over another range of income, the subsidy remains steady though the worker's earnings continue to rise. When earned income passes \$12,690, the subsidy begins to be withdrawn at a rate of 21.06 cents for each dollar earned over \$12,690. The subsidy will have been totally withdrawn when the worker's earnings reach \$31,152 (=3,880/0.2106+12,690).

3.2 Supporting Parenting

When parental earning is presented as the privileged route to eliminating child poverty, the implicit conceptualisation of the issue is that responsibility for the support of children lies primarily – even overwhelmingly – with their parents. Raising the employment rates of parents and the financial returns to their work then become the pillars of public policy to eradicate child poverty.

A distinct conceptual framework, which, it will be argued, is better regarded as complementary rather than alternative, recognises that children are a ‘public good’ [Folbre, 1994]. In households with children, the initial preparation is taking place of the citizens and workforce of the future, from which *everyone* in society will benefit to some degree. It is considered appropriate, therefore, that the costs of having and rearing children should be partially socialised. This is the rationale behind the ‘horizontal equity’ objective in paying universal child benefits, i.e., at every level of income, households without children should be asked to support a degree of redistribution in favour of households with children.

While most countries acknowledge this to some extent, the level of public resources they commit to it varies enormously. For universal child benefit alone to guarantee that no child lived in income poverty, the transfer of resources would have to be very large and the efficiency of such a programme would, accordingly, be extremely low (more resources would be transferred to non-poor households than to poor households). The behavioural responses of adults is, of course, a separate and much more controversial issue. The main questions policy makers face in designing child benefit, therefore, tend to be the appropriate level at which to set the transfers in recognition of the objective of horizontal equity, whether to tax it, and whether and how to provide additional transfers for children in low-income households.³³

3.2.1 The contribution of child benefits to reducing rates of child poverty

Comparing EU countries

In fact, the types of income support from which children can significantly benefit extend well beyond universal child benefits. Some family allowances make explicit recognition of the demands of parenting in specific circumstances (e.g., being a lone parent, being a teenage parent, etc.) while it is not unusual for social assistance payments to acknowledge the number of children dependent on a recipient. Any comparison of the generosity of the support package available to children in different countries has to begin by carefully identifying just which programmes impact on children’s incomes. This is not an easy task.

A first study we will use³⁴ adopts what the European Community Household Panel (ECHP) routinely classifies as “family related benefits” in its user data base.³⁵ The

³³ Countries further define ‘the dependent child’ in quite different ways, make different distinctions between dependent children for the purposes of paying different rates (age, parity, characteristics of parents, etc.), and administer the delivery of child benefit in different ways [see Immervoll, Sutherland and de Vos (2000); O’Donoghue and Sutherland (1998)]. Even a strategic decision to privilege child benefits as the instrument to eliminate child poverty, therefore, would not remove the need to consider many different models of how child benefit can be conceived and administered.

³⁴ H. Immervoll, H. Sutherland and K. de Vos (2000), “Child Poverty and Child Benefits in the European Union”, EUROMOD Working Paper No.EM1/00.

³⁵ In effect, these are narrowly focused to include child benefits, maternity benefits, and benefits for carers of disabled dependants [ECHP UDB variable H1133]. In-work benefits, tax allowances, housing benefits, and benefits-in-kind are prominently absent.

standardised data available in this way for the EU countries allows the countries in which children are most dependent on child benefits for being rescued from poverty to be identified. This is done by first estimating the actual child poverty rates in 1994 and then recalculating them after removing “family related benefits” from household income to see how many more children fall below the poverty line as a result. The methodology is crude (for example, no response by social assistance programmes to the withdrawal of child benefits is allowed for) but it yields an interesting broad-brush picture of the role of child benefits in the EU in 1994.

In two countries (Denmark and Luxembourg), child benefits were generous but household incomes were high enough to leave them with relatively low child poverty rates even after the withdrawal of child benefits. In a second group consisting of the southern European member states (Portugal, Spain, Italy and Greece), child benefits were low and made such a small contribution to household income that their withdrawal only marginally increased already high child poverty rates. In a third group (the UK, the Netherlands, Belgium, Austria and France), child benefits constituted a significant proportion of the total income of households with children (minimum of 3% and as high as 6.6% in Belgium) and their withdrawal was seen to have a major effect in increasing child poverty. Ireland fell between the second and third group depending on the poverty line used. At the 50% and 60% poverty lines removing child benefits prompted approximately a small 10% increase in a relatively high child poverty rate (putting Ireland into group two) whereas, at the 40% poverty line, the increase was of one third (putting it into group three). In other words, at the level at which child benefits were paid in Ireland in 1994, there was a relatively large group just above the 40% poverty line depending on them to remain above it and proportionately smaller groups being kept just above the 50% and 60% poverty lines.

Comparing Europe and the US

The difference public policy in the area of child benefit and family allowances can make is emphasised when the US and Europe are compared. It can reasonably be argued, for example, that, if the US genuinely wants to reduce further its still high level of child poverty, it has immediately available to it a range of ‘best practice’ in the shape of current European systems for paying child benefit and family allowances.

In a second study³⁶, a group of researchers based in Luxembourg compare the multiple income supports available to households with children in France and Luxembourg with those available to households with children in California. They confine their study to child benefits, family allowances and means-tested social assistance transfers (income-in-kind and insurance-based income receipts were excluded). In effect, therefore, the study looks at, firstly, a household’s entitlements to monetary support based on the number, age, condition and any other special needs of children within it, regardless of the financial circumstances of the household, and, secondly, its entitlements to monetary support on behalf of children based on evidence of household income poverty.³⁷

³⁶ B. Jeandidier, P. Hausman, K. Vleminckx, R. De Wever and M. Zanardelli (2000), “To What Extent do Family Policy and Social Assistance Transfers Reduce the Frequency and Intensity of Child Poverty? A Comparison between France, the US and Luxembourg”, CEPS-LIS, Luxembourg.

³⁷ The study usefully draws attention to the wide range of criteria that can govern the entitlement of a European household with children to income maintenance support. By contrast, the list of programmes that provide monetary support to US households with children is extremely short. They use data from the 1994 wave of the French European Community Household Panel (7,321 households), the 1996 wave of the Luxembourg Socio-Economic Panel (2,654 households), and the 1997 US Current Population Survey (50,320 households). The poverty line they adopt is 50% of median income but they take the State median in each case for the US, not the national median.

The study first asks how differently do poor children fare in the European countries to California.³⁸ The conclusion is unambiguous. European-style family allowances and social assistance programmes combine to lift around *two thirds* of poor children out of poverty, whereas the more limited US policy mix rescues only about *one seventh* of poor children (Table 16). France's mix of family allowances and social assistance transfers reduced the percentage of the nation's children who were poor from 19.4% to 7%; the much smaller package in place in California reduced its child poverty rate from 34.4% to 29.3%. The Californian package appears in a better light when the intensity of poverty, and not just a headcount of those in poverty, is examined. While the Californian package reduced the number of children in poverty by only 15%, it reduced the index of child poverty by 46% (the index combines the numbers in poverty with the intensity of their poverty). However, France's policy package went much further and reduced the child poverty index in that country by 75%.

Table 16 **Poverty Rate and Poverty Intensity among Children (under 16) in France and California, before and after Government Interventions**

| Measure | France (1993) | | California (actual, 1997) | | California (simulated for 1994) |
|-----------------------------|---|-----------------|---------------------------|-----------------|---------------------------------|
| | Percent of all Children in Poverty ¹ | | | | |
| | Before transfers | After transfers | Before transfers | After transfers | After transfers à la Luxembourg |
| 1. Poverty rate (headcount) | 19.4% | 7.0% | 34.4% | 29.3% | 8.8% |
| 2. Poverty gap (intensity) | 35.0% | 24.0% | 55.0% | 35.0% | 15.0% |
| 3. Poverty index (1*2) | 0.068 | 0.017 | 0.189 | 0.103 | 0.013 |

Source: Jeandidier et al (2000), Table 8.

Notes:

1. The poverty line is 50% of median household income adjusted for needs using the square root of household numbers as equivalence scale.

Secondly, the study asks what would happen if a US state were to adopt the programmes and policies of a European state. An answer is provided by a simulation exercise which assumed that the 1994 population of California became entitled to the family allowances and social assistance then available in Luxembourg.³⁹ Luxembourg was chosen as representing Europe's 'best practice' - it had the lowest child poverty rate in the EU in 1994 [Immervoll et al, 2000].⁴⁰ Again, the results are clear. If California had provided family allowances and social assistance in 1994 under the same criteria of eligibility and at the same levels of support as Luxembourg, it would have had a child poverty rate almost as low as France - at 8.8% - and an even lower child poverty index (last column, Table 16). However, this adoption by California of the policy package enjoyed by children in Luxembourg is estimated by the authors as needing a *fivefold* increase in the state's budget for child support in 1994. To some extent this justifies the conclusion that

³⁸ Approximate population sizes in 1999: California, 34m., France 60m.

³⁹ The exercise is indicative only because it prescinds from how Americans might change their behaviour in response to such a culturally unusual - for them - policy environment. It also prescinds from the implications of having to finance a huge increase in the budget for family support.

⁴⁰ It helped that most of the researchers were based there!

much lower poverty rates are attainable in jurisdictions that are willing to pay enough to attain them.

Examination of the French situation makes clear that the programmes from which children most benefit are overwhelmingly the universal and categorical ones designed for children, and not the means-tested social assistance programmes targeted on need. In those households where children were rescued from poverty thanks to the French policy package, 35% of household income was coming from family allowances of one type or another and only 4% from social assistance programmes (Table 17, column 2). This implies that California would not only have to enormously increase the scale of its financial support for children but that the American preference for targeting public social assistance tightly on need would have to be challenged in favour of greater public support for child-rearing more generally.

Table 17 **Composition of Household Income, where Children have been Raised out of Poverty and where Children Remain in Poverty - France, 1993**

| Composition of household income | Not poor thanks to transfers (12.4%) | Poor despite the transfers (7%) |
|------------------------------------|--------------------------------------|---------------------------------|
| Due to Family Allowances | 35 | 30 |
| Due to Social Assistance transfers | 4 | 7 |
| Due to income from activity | 44 | 34 |
| Due to other social transfers | 16 | 25 |
| Other Income | 1 | 4 |
| <i>Total</i> | <i>100</i> | <i>100</i> |

Source: Jeandidier et al (2000), Table 3.

3.2.2 The 'portability' of child income supports across the work/no-work divide

Universal child benefit has the obvious advantage of treating children equally, regardless of the employment status of their parents or income situation of their households. The obvious disadvantage is the scale of the public resources needed if child benefit alone were to constitute a bulwark against child poverty, and its low efficiency as a programme when the anti-poverty rather than the horizontal equity objective is focused. This last reason has led many countries to develop child-supplements to social assistance payments intended exclusively for children in low-income households. The great drawback to these means-tested, non-universal forms of child income support has been their poor transferability across the 'work/no-work' divide. In many instances, a parent leaving welfare for work faced - in addition to work-related expenses and entry to different forms of income taxation - the progressive withdrawal of these child income supports.

The increased attention being given to 'in work' benefits for those on low wages has been a partial recognition of the fact that the children of parents on welfare received greater public support than children whose parents had similar incomes but from low-paying work. However, the end result in some countries was that parents on social welfare and parents in low-paying work came to face two separate systems with different rules and assessment procedures, and that transferring from one to the other was not easy. Britain, Canada and Australia have all adopted, or are about to, major innovations in the delivery of child income supports to low income households in a way that ensures children will receive the same support regardless of the employment or welfare status of their parents. We have selected the proposed Integrated Child Credit in Britain to illustrate what is involved.

Britain currently operates three programmes of income support to children in low-income households. They are designed respectively for *out-of-work low-income* families, *in-work low-earning* families, and *income-tax paying* families not on the higher rate.⁴¹ The New Labour Government has committed itself to integrating these three programmes into a new one, termed the Integrated Child Credit (ICC) to take effect in 2003. The ICC will radically restructure the way in which public support is provided to children in low income households in Britain. It is intended to make the deployment of any given level of resources earmarked for children in low income households more effective and fair in reaching all such children. For its introduction to effect a further reduction of child poverty, the level at which the ICC is set will have to be higher than what is implicit in the level of resources devoted to the three programmes it will replace; no decision has been pre-announced about its level. The ICC will be a refundable tax credit for children; i.e, in households where income is very low it will take the form of a maximum cash transfer, in middle income households it will take the form of a tax reduction, while in households with very high incomes neither a cash transfer nor a tax reduction will be received. The ICC, thus, is not a universal measure and it leaves universal child benefit untouched. It is similar to America's EITC but with the major difference that it applies equally to low-income non-employed and unemployed parents and not just to low-earning parents.

From a review of an extensive debate about the merits and demerits of the ICC, we summarise its anticipated advantages and disadvantages. The main advantages which it is considered to have are:

- It will ensure that children with out-of-work and in-work parents are treated equally (the measure will be 'seamless' and 'portable' across the work/no-work divide). It seeks to end, therefore, any distinction between a deserving-because-working poor and a non-deserving-because-not-working poor.
- It will be administered primarily through the tax system rather than the benefit system. Proponents of this see three benefits. It is expected to make the assessment of means less intrusive as form-filling for tax purposes is relatively anonymous compared to the face-to-face interviews with officials involved in applying for social assistance. It is considered that there is less stigma to claiming a tax reduction than claiming means-tested benefits. It is thought that wider support among the general public can be secured for tax reductions than for social security spending increases.
- Allied with an Employment Tax Credit to be introduced in 2003 also, it will enable two objectives - encouraging work and supporting children - to be met with two policy instruments, and not handled with one as the current British Working Family Tax Credit seeks to do.

The main concerns expressed about the introduction of the ICC are:

⁴¹ They are Income Support and Jobseeker's Allowance child supplements, Working Families Tax Credit (WFTC), and Children's Tax Credit (CTC). The last may be the least well known. It was introduced in April 2001 and allows one income tax credit *per family* where at least one child is under sixteen. The credit is of £520 at year, i.e., the income tax bill can be reduced by this amount. If there is more than one income taxpayer in a family, the highest earner has to claim it. Withdrawal begins only when the taxpayer moves into the higher tax band; then s/he loses £1 of the CTC for each £15 of income taxable at the higher rate. In 2000/01, the higher tax band began at £32,785; thus, the withdrawal was complete at ca £40,000.

- Its very effectiveness in channeling income support to families who need it may weaken government commitment to universal child benefit. The Child Poverty Action Group (CPAG), for example, argues that universal child benefit already possesses the advantages anticipated of the ICC (portable across the work/non-work divide, administratively efficient, zero stigma) while having, in addition, a high take-up. They tend to regard the fact that high income families also receive child benefit, and the high cost of the programme (£8.5bn. in 2000/01), as the price to be paid for these advantages.
- It will extend means-testing even though, it is hoped, a less intrusive and more acceptable form of means-testing. The number of families means tested will rise from 2.5m. to some 6m. (there are only 7m. families with children in Britain today). This means a huge increase in the number of people who will face a higher marginal tax plus withdrawal rate as they seek to increase their incomes.
- Take-up will be a problem, partly because tax authorities have less experience and knowledge of low-income Britain than social welfare authorities and partly because tax-forms will always be difficult for many of the poorest households to handle.

This debate is highly illustrative of the trade-offs entailed in meeting the horizontal equity and anti-poverty objectives of child income support payments. Interestingly, the reforms already introduced in Britain and the announcement of the ICC have proceeded without any official figure being put on the cost of rearing a child in Britain today, much less any attention to whether and how that cost varies with the age of a child or family size. It needs to be emphasised that the ICC has been designed to meet Britain's circumstances; in the process, an Australian system of integrated child payments introduced in 1992 and a Canadian two-tier child tax benefit introduced in 1998 were closely studied. Each country has a different system but has faced the same trade-offs; the different balances struck and designs adopted reflect cultural and administrative characteristics of each nation as well as the political mood of their times [Battle and Torjman, 2000; Wilson, 2000]. Space precludes a presentation of the Canadian and Australian systems here but their existence is mentioned to underline, again, that there is no single 'golden path' but that every society has to weigh the horizontal equity and anti-poverty reasons for socialising some of the costs parents incur in rearing their and society's children.

3.3 Acknowledging Particular Needs in One-Parent Households

The previous sections have demonstrated that countries take different positions on the extent to which employment on the part of parents and/or the socialisation of child-rearing costs are to be emphasised in the fight against child poverty. The differences are wider still when it comes to the one-parent family. A basic question is whether there is any need or justification for providing additional income support specific to the lone parent, when parenting as such is receiving income support *and* the lone parent has the same access to employment as couples.

Table 18 Poverty Rates by Household Type, Mid-1990s

| | <i>No one working</i> | | <i>Working</i> | | |
|----------------|-----------------------|-------------|----------------|-----------------|-----------------|
| | Lone parent | Two parents | Lone parent | One of a couple | Two of a couple |
| United States | 93.4 | 82.2 | 38.6 | 30.5 | 7.3 |
| United Kingdom | 69.4 | 50.1 | 26.3 | 19.3 | 3.3 |
| Canada | 72.5 | 73.5 | 26.5 | 18.1 | 3.7 |
| Australia | 42.1 | 18.3 | 9.3 | 8.9 | 5.0 |
| Germany | 61.8 | 44.8 | 32.5 | 5.6 | 1.3 |
| Netherlands | 41.3 | 51.4 | 17.0 | 4.7 | 1.2 |
| France | 45.1 | 37.5 | 13.3 | 7.3 | 2.1 |
| Belgium | 22.8 | 16.1 | 11.4 | 2.8 | 0.6 |
| Denmark | 34.2 | 6.0 | 10.0 | 3.6 | 0.4 |
| Sweden | 24.2 | 9.5 | 3.8 | 6.0 | 0.8 |
| Finland | 9.9 | 3.6 | 3.0 | 3.5 | 1.5 |
| <i>Average</i> | <i>47.0</i> | <i>35.7</i> | <i>17.4</i> | <i>10.0</i> | <i>2.5</i> |

Source: Oxley et al (2001), Table 15.5.

Table 18 represents the poverty rates by household type first seen in Table 3 but now reorganised to highlight that it is whether parents are working or not, rather than being reared by one or two parents, which most affects the poverty risks facing children. In all the English-speaking countries and nearly all the northern EU member states, being reared by two jobless parents carries a much graver risk of childhood poverty than being reared by a lone parent who is working. However, when households with no parent in work and those with at least one at work are considered as two separate groups, the children of lone parents frequently face by far the highest poverty risk within each. When a lone parent takes employment, the child faces a much lower level of risk than previously but it is frequently one that remains high compared to children in the other types of households with a parent at work. In short, in or out of work, the children of one-parent households appear to be at a strong relative disadvantage.

There is one clear reason why the one-parent household runs particularly high risks of being among either the 'work poor' or the 'working poor' in several countries. The lone parent populations of countries can differ significantly in median age, level of labour market experience and educational attainment [Bradshaw, Terum and Skevik, 2000; Wilson, 2000]; however, there is evidence from several countries that they are alike in constituting a relatively disadvantaged group in the national labour market [Duncan and Edwards, 1997]. Poor employability is seen to be the root cause of both their higher non-employment and low pay when in work. Where this is the

case, the welfare-to-work emphasis for lone parents may be particularly wide of its target. Lone parents may be a group who find it particularly hard to find jobs in the first place and to experience financial reward when they succeed in doing so, rather than a group among whom the work ethic is particularly weak.

For example, David Ellwood comments that US policymakers need to be realistic about the skill levels of many lone parents and what they can maximally earn in the open labour market: “even with all the new supports in place, even with the extraordinarily strong economy of recent years, and even with the sharp increase in work by single parents, overall poverty rates among single parent families remain well over 40 percent” [2000: 195]. When they take jobs, their earnings tend not to improve substantially over time and their employment is frequently of short duration. The basic problem, he believes, is not being addressed by the EITC and welfare-to-work reforms, viz., that “the family must generally rely on the earnings of one person - typically a low-skilled woman - for support” [195].

A second and contrasting example is provided by Sweden [Björnberg, 1997; Bradshaw et al, 2000]. Working lone parents in particular seemed to have benefited from Sweden’s overall emphasis on parents as workers and not to have suffered from the intentional neutrality of Swedish public policy on family type.⁴² Statistics on lone parents as a group were not even routinely collected for official purposes. One of the few ways Swedish policy officially recognised the one-parent household was by ensuring that their children received priority in gaining access to municipal day-care services, but there was no additional income transfer. However, from 1992 to 1997, an economic recession put exceptional pressure on the lone parent population in Sweden. It became evident that they had weaker educational attainments than married couples and were disproportionately the casualties of rising unemployment. The increases in the costs of childcare put fiscal pressures on municipalities who restricted their childcare services to employed lone parents. As unemployment and inactivity among lone parents rose, however, the Swedish State has taken a more explicit anti-poverty stance and increased passive transfers.

Sweden’s child poverty rate, thus, was at its lowest when the country was having most success in ensuring that women in general, including low-skilled women, could find employment and were not handicapped by their parenting responsibilities. For example, Christopher et al (2001) show that, of eight countries they study, the gender-poverty ratio was quite exceptional in Sweden, viz., only there were *women less likely to be poor than men* (1992). Vigorous policies on the part of the Swedish welfare state improved the post-tax and transfer position of women relative to men substantially, but *the market position was already favourable to women*. However, as already mentioned, economic recession and less priority access to childcare facilities for lone parents as a consequence of new constraints on public spending have led to a deterioration in this advantageous position of women from which one-parent households, in particular, benefited.

There can be little doubt that English-speaking countries have been characterised by an exceptional reluctance to target public income support on children in one-parent households despite their elevated poverty risk (in and out of work). This has been

⁴² The high employment rates of Swedish lone parents were chiefly a result of the State’s approach to parenting in general: childcare services, generous maternity leave, leave for the sickness of a child, etc., were all to facilitate workers in their role as parents regardless of their marital status. Their low poverty rates were chiefly the result of the Swedish State’s social democratic emphasis on citizenship: progressive taxation and redistribution reduced poverty throughout the population.

because of 'moral hazard', the theory that insuring a population against a risk will lead to less effort on people's part to avoid the risk in the first place. In this context, that means fears that income transfers specific to being a lone parent create an inducement to become or remain a lone parent and, if withdrawn as earnings rise, also constitute a group-specific work disincentive. These fears tend to be remarkably resilient despite the absence of any strong research to ground them, i.e., *there is no evidence that the countries which 'do most' for lone parents (by way of income support) have either the highest non-employment rates among lone parents or the largest numbers of lone parents in the first place.*

Forssén and Hakovirta (1999), for example, found that most Finnish lone parents were working despite the fact that they would have had the same or higher disposable income by staying at home. Phipps (2001) notes that the labour force participation of Norwegian lone parents is extremely high, though Norway has strong support for one-parent families who also avail of good universal, non-taxable children's allowances. McKeown and Sweeney (2001) point out that lone mothers with children aged under fifteen had higher labour market participation rates than any other category of mother in Ireland by the late 1990s. Battle and Torjman (2000) are dismissive of the idea that Canada's Child Tax Benefit has had a discernible effect in reducing parents' incentive to work because it is gradually withdrawn as earnings rise. They underline some of the assumptions that are made by those who claim major disincentive effects, and urge closer attention to the distinction between marginal and average tax rates and the specifics of programme design.

The Canada Child Tax Benefit imposes relatively high marginal tax rates on working poor families⁴³ ... (However, these) cannot affect labour market behaviour if they are invisible. It is hard to believe that many Canadian families have any idea of the impact of federal child benefits on their marginal tax rate. There is a long time lag (up to 18 months) between the assessment of income and the payment of child benefits. The net family income definition used by the Canada Child Tax Benefit also makes it difficult for families to figure out their child benefits; in any case, the benefit is calculated automatically for them by the federal government. Families are much more likely to have a sense of their average tax rate (visible to them from the difference between their gross and net pay) than their marginal tax rate, and the former is much lower than the latter.

Labour market behaviour is affected by a variety of factors, amongst which marginal tax rates are but one consideration. For example, the availability of affordable childcare and the fierce desire of many Canadians, especially the thousands of working poor and modest-income employed parents, to work for pay and not rely on welfare are two such factors. Some people work because they like the social aspects of the workplace, or the challenge of work, or for any number of non-monetary reasons. It seems implausible to us that higher marginal tax rates on working poor families resulting from the Canada Child Tax Benefit, even if such families understood the implications, which is doubtful, would result in parents deciding to quit their job or to move from full-time to part-time work. [Battle and Torjman, 2000]

There is also a dearth of reliable evidence that the availability and generosity of income support to lone parents has had an appreciable impact on the number of one-

⁴³ For example, the marginal tax rate for an Ontario family with net income of \$27,000 rose from 39.5% before the reform to 54.2%, which means that it keeps only half of every extra dollar that it earns.

parent households. In the US for example, careful research has consistently been unable to find trends and patterns that would support the thesis [for example, Moffitt, 1992; Rosenzweig and Wolpin, 1994.]. In Australia, Wilson (2000) makes clear that the growth in the numbers of lone parents dependent on social welfare over the last two decades has broadly matched their growing significance in the population, i.e., welfare is responding to, and not leading, the trend. Finally, Bradshaw et al (2000) study three Nordic and three English-speaking countries. Despite their very different welfare regimes, they find that one-parent households approximately doubled as a percentage of all households with children, from around 10% in 1975 to around 20% in 1996 in all the countries. They conclude that “policy regimes appear to have only a modest effect, if any at all, on the formation of lone parent families” but that they can “strongly influence the lone parent’s situation”, meaning principally the proportion of them in poverty and the proportion in employment.

The thrust of the evidence reviewed above is that curtailing or refusing income support to one-parent households more surely adds to the numbers in poverty than it reduces the number of lone parents. Improving income support to them, on the other hand, quite certainly reduces the poverty count while it has minimal impact on a secular trend that is increasing the number of one-parent households.

There is another dimension to a nation’s one-parent households that has not always figured prominently in assessments of their poverty risks and the policy debate surrounding them; it is important to ensure that their contribution to society as parents remains part of the context within which public support is being designed for them along with their potential contribution as employees. Even if it were true that more generous income support to lone parents reduced their labour supply, this might not be a bad thing as it could mean, for example, that mothers with young children were allocating their time in a way arguably more optimal for society (e.g., devoting more time to child-rearing, or combining doing so with education).

The alternative allocation of time in poor households (where a parent is dependent on welfare) is not necessarily less optimal than a low-paid, unprotected and stultifying job, including from a social welfare point of view, and particularly in the long term. [Nicaise, 1996: 29]

For example, few of the extensive evaluations undertaken in the US of the effects of different welfare-to-work reforms on lone parents have explicitly included the effects on the well-being of children of their parent’s new employment. The outcomes of primary interest have been the degree of welfare dependency, employment levels, and poverty rates, while the quality of parenting and child developmental outcomes have been conspicuous by their absence from the evaluations [Bane, 2000; Ellwood, 2000].

In so far as being reared by two parents, each of whom has employment, constitutes the best context within which children can escape poverty, then two issues normally considered part of the analysis of family policy become important to analyses of child poverty also. These are the rate at which one-parent households reconstitute to become two-parent households, and the different strategies which promote the involvement of both parents in the rearing of their child even when they live apart.

Other things being equal, child poverty can be more efficiently and effectively addressed by public interventions when children are being reared in households by two parents rather than by one. There is, in first place, the potential for two earners or the potential for one earner and one carer, both of which strengthen the

household's labour market position. Apart from these improved foundations for children's material and economic well-being, there are, of course, other arguments based on the independent and complementary contributions of mothers and fathers to children's non-material well-being. For example, family studies demonstrate that (a) children are happier having regular and secure communication with each of their parents; (b) children's self-identity and social skills develop better through observation of, and interaction with, father and mother; (c) children are better supervised when two parents share the responsibility; (d) children are likely to have parents who enjoy better physical and mental health when their parents are not separated [McKeown and Sweeney, 2001].

Just as these anticipated benefits are not present in every household with two parents (part of the reason for divorce/separation in the first place), so they can be pursued even where the parents are living in separate households. While family law has obligations to protect children's and parents' rights to access, communication and inheritance, the aspect of most interest in a review of child poverty is the manner in which the non-resident parent is regarded as having some financial responsibility for his or her children. Again, countries offer very different models. In Sweden, the State pays an advance maintenance payment (modest) to lone parents 'on behalf of the absent parent from whom it then seeks to recoup the expense incurred. This spares divorced or separated parents having another issue over which, potentially, to quarrel. Britain's Child Support Agency, on the other hand, engaged, for a while, in trying to enforce levels of maintenance from non-resident parents that appeared to make little allowance for the financial commitments that their new relationships entailed, to the extent that non-resident parents faced a heightened poverty risk in their new situations. In the US, maintenance payments from non-resident parents increased by more than two-thirds in real terms between 1992 and 1999 and are credited, on their own, with lifting half a million children out of poverty. However, in so far as states use maintenance monies they collect to reduce public support, it is acknowledged that parents currently have little incentive to co-operate.

We end this brief foray into family policy by suggesting that the desirability and feasibility of public policies encouraging stable two-parent households is not a perilous entry into the fraught debate about 'traditional family values' for those centrally concerned with child poverty, but a legitimate intermediate strategy worth scrutiny. Enough has already been said to emphasise that such policies (for example, income support for the at-home parent engaged in caring for a young child, tax allowances for married couples, ensuring the welfare code does not penalise lone parents for forming new relationships, etc.) do not imply a negative appraisal of one-parent households but would better be complementary to specific policies providing additional support to them.

3.4 Protecting the Living Standards of Households with No Earnings

The fourth and final intermediate policy objective en route to eliminating child poverty is the need for a country to ensure income adequacy for parents who, for whatever reasons, remain unemployed for long periods or are outside the workforce. In reviewing the contribution of the EITC to reducing child poverty in the US, and the likely impact of British Government policy in doing so in Britain, clear limits emerged as to how far the strategy of lifting children out of poverty by increasing their parents' earnings will attain its objective. Even in periods of strong aggregate labour demand, adults in some households are unable to sustain a full-time job - the reasons vary from alcohol and drug abuse to psychosocial problems not covered by the existing disability code. Some of these adults, though troubled, are willing to work but employers are unwilling to hire them; others are, frankly, unwilling to work. These apparently able-bodied, working-age adults attract little public sympathy and have virtually no political attraction. Yet many of them are parents and their children share their lot.

Cantillon and Van den Bosch (2000) point out that the Belgian and Dutch experiences of good employment growth (during the investment-led expansion after the inauguration of the Single Market in 1987) did *not* reduce poverty rates for two reasons:

- most of the jobs created went to members of households where someone was already at work, swelling the incidence of 'work rich' households;
- benefit policy became less generous towards 'work poor' households, though a significant number of the poor remained in them.

Poverty rates among the non-employed of working age in Belgium even increased during what were 'good' economic times.

Between 1988 and 1992, the relative poverty among households of working age in Belgium increased from 2.4% to 4.1%. [Cantillon and Van den Bosch, 2000]

In as different a society as Australia, the same pattern has been observed; good economic growth and an expansion of employment by-passed a significant number of households and their children.

Nearly a decade of economic growth since the early 1990s has not translated into reduced levels of welfare dependency in the Australian community. ... While overall employment levels have risen in Australia over the past two decades, this has been accompanied by a much larger increase in the proportion of the working age population receiving income support payments. This is primarily due to changes in the distribution of employment across families, whereby there has been an increased number of families with no adult in employment, and an increasing proportion of children living in these families. Around 1 in 6 Australian children are growing up in families where there is no adult in paid work. [Wilson, 2000]

This pattern is, also, a somewhat neglected aspect to US developments during the 1990s. It is frequently emphasised that low wages mean there is a large incidence of 'working poor' in the US; the less adverted to aspect is that poverty rates among the non-employed of working age in the US are extremely high.

The extent of poverty among the employed should not be exaggerated, even in countries where low-wage labour is relatively widespread. *What is much more striking is that poverty levels among the non-employed are very high in the Anglo-Saxon world.* The poverty rate among non-employed Americans of active age is 40%. That is about twice as high as the corresponding rate in any European country (with the exception of the UK), and about four times the level found in Belgium, Denmark, Finland or Norway. [Cantillon and Van den Bosch, 2000, italics added]

The principal reason, of course, is that income-maintenance support for the non-employed of working-age is simply not acknowledged as a political and social objective in the US. Rather, the growing financial rewards to working have been accompanied by a decrease in public support to 'work poor' households. However, there continue to be such households, and children continue to live in them. This bottom group of families may even be slipping deeper into poverty in the US, as they were in Britain up to 1997. Close analysis of the latter's Household Budget Expenditure Surveys reveal that, for a fraction of children in the nation's poorest households, living standards effectively stagnated over three decades in which Britain became steadily more prosperous (and the relative income poverty line rose). There was no real rise in spending on toys, children's clothing, shoes, or fresh fruit and vegetables for the poorest fifth of the British population between 1968 and 1996 [Gregg et al, 1999].

The distribution of children's incomes tends to reflect the distribution of incomes of the population of working age (from whom their parents are drawn). It is noteworthy in this respect that, within the US, not one state records a lower poverty rate for its children than it has attained for its working age (18-64) adults. The same can not be said for the elderly: it appears quite possible for a state to attain lower poverty rates for its elderly population than for its children [Rainwater et al, 2001]. Lower levels of child poverty, therefore, appear to stand or fall with the success of attaining lower poverty rates among the age groups to which children's parents belong. A conclusion must be that pressing for the elimination of child poverty is to press for egalitarian income distribution policies generally.

This is a major reason why low child poverty rates appear to attend high levels of public social expenditure in general. Several authors point to the macroeconomic evidence that, the higher the overall level of public social expenditure in a country's GDP, the lower is its poverty rate [see Atkinson, 2000; Cantillon and Van den Bosch, 2000; Bradshaw et al, 1993]. For example:

It appears that, from a macroeconomic perspective, there is a positive relationship between the volume of public social expenditure (social security and collective goods and services) and poverty. Poverty levels are the lowest in countries that spend the most, and they increase (albeit not in a linear fashion) as the expenditure level drops. [Cantillon and Van den Bosch, 2000]

Atkinson (2000) goes further and uses an economic model (EUROMOD) to simulate what would happen to the overall poverty rate of selected European countries if they were to devote an additional and net 1% of their GDP to fund increases in their current social welfare transfers (excluding pensions). The exercise suggests that poverty rates would fall by about 3 percentage points when 1% of GDP is reallocated in this way. Thus, if a country with a poverty rate of 18% devoted an additional net two percentage points of its GDP to social transfers, its poverty rate would fall to 12%.

What is true of the overall poverty rate is *a fortiori* true of the child poverty rate. Bradshaw et al (1993) studied child poverty in fifteen different countries and concluded that the factor, indeed the only factor, that explained variation in the level of their child benefit packages was the tax paid per capita in purchasing power parities. Using a further economic model (POLIMOD) developed for the UK only, Atkinson (2000) is able to simulate what would happen if Britain used 1% of its GDP to target the child poverty rate rather than the poverty rate overall and increased child benefits accordingly. This reallocation of resources would reduce child poverty in the UK by 9.7 percentage points, suggesting that 1.5% of GDP would be needed to halve the child poverty rate.

The conclusion is not as crude as saying that 'a country gets as low a child poverty rate as it is willing to pay taxes to get'. There are other types of evidence which need to be acknowledged. For example, how a higher level of public social expenditure is funded and the effects of the higher taxation on economic activity have to be factored in; the relative weights within different countries of mandatory private social expenditure (e.g., compulsory insurance but with private organisations) and voluntary private social expenditure (the level of activities of philanthropic, charitable and other associations) may mean that a given level of public social expenditure has an altogether different effectiveness [Adema, 1998]. It can be concluded, however, that the lowest child poverty rates are achieved by countries where an emphasis on rising employment rates as the high road to lower welfare dependency has not been allowed to obscure the primordial task of the welfare state, viz., to protect living standards.

Social investment in improving labour market skills and employability is not a complete substitute for social spending. [Atkinson, 2000]

Social security should never be allowed to deviate from its primary objective, i.e. to assure an adequate minimum income to those affected by a social risk. This is not an understatement. If one considers the (albeit slow) welfare erosion of minimum benefits in Belgium (including assistance benefits), one cannot help but think that this is a consequence of the activation logic and the unconditional belief in a positive linear relationship between job creation and poverty reduction. "...Contemporary policy fashion tends to stress far too narrowly the wonders of 'activation' while ignoring income maintenance" (Esping-Andersen). [Cantillon and Van den Bosch, 2000]

An integral part of the policy mix adequate to the task of eliminating child poverty is a commitment to realistic income support levels for working-age, non-employed adults who, for whatever reasons, are not holding jobs. In other words, society must commit itself to minimum income protection for those who remain without a job in spite of the best efforts of social investment strategies.

3.5 Summary of Key Points

- Countries where child poverty is low, or falling significantly, have effective programmes meeting several intermediate policy objectives.
- Four intermediate policy objectives en route to eliminating child poverty are: increasing parental employment and earnings, supporting parenting, acknowledging particular needs in single-parent households, and ensuring adequate income support for 'work poor' households.
- Countries with low or steadily falling child poverty rates may have quite different emphases in these four areas but their policies will, in each case, be consistent, interlocking and adequately resourced.

3.5.1 Increasing parental employment and earnings

- There is evidence that earnings subsidies have a much greater effect in increasing the employment rates of low-skilled parents than cut-backs in welfare.
- The level of earnings and the likely duration of the jobs available to some of those who leave welfare imply that welfare will always be needed.
- Changes to taxes and benefits are the clearest and most certain way to effect a large reduction in child poverty.
- Relying on large movements into employment by currently unemployed and non-employed parents is a risky option.
- The demonstration of the effectiveness of policies in reducing child poverty is sensitive to how poverty is measured.

3.5.2 Supporting Parenting

- Most countries socialise at least some of the costs of rearing children.
- For universal child benefit alone to guarantee that no child lived in income poverty, the transfer of resources would have to be very large and its efficiency as an anti-poverty programme would be extremely low.
- Different types of family allowances are what most characterise European success in lifting children out of income poverty (rather than social assistance programmes).
- Several countries have developed programmes targeting children on low-incomes to supplement universal child benefit and as a way around the huge cost of relying on the latter alone to alleviate child poverty.
- In targeting children on low-incomes, no distinction should be made on the basis of an assumption that there are 'deserving-because-working' and a 'non-deserving-because-not-working' set of parents.

3.5.3 Acknowledging the particular needs in one-parent households

- In many countries, working lone parents face much higher poverty risks than couples where one is working.
- Controlling for indicators of labour market strength confirms that *employability* rather than family type is what differentiates lone parent and couple households where only one parent is working.
- Encouraging stable two-parent households is a legitimate ancillary objective in the fight against child poverty.

3.5.4 Protecting the living standards of work-poor households

- A high rate of child poverty, or a rise in a country's previously low child poverty rate, tends to be associated with low or declining levels of income support for non-employed parents.
- Sustained employment growth can still leave a significant minority of children stranded in households where no adult has employment.
- The clearest macroeconomic predictor of a country's rate of child poverty is the proportion of GDP that is accounted for by public social expenditure.
- There is considerable truth in the view that a nation gets as low a child poverty rate as it is willing to pay for. Informed estimates suggest that Britain could reduce its child poverty rate by nearly 10 percentage points if it used a further net 1% of its GDP to increase child benefits.

Chapter Four: **Some Perspectives and Recommendations for Ireland**

The principal purpose of this study was to review the policies adopted by rich countries to reduce child income poverty. Ireland, therefore, features in the text largely to the extent that data on Irish children was included in the cross-country research reviewed. This final chapter draws some lessons for the debate within Ireland as to how policies for eliminating child income poverty should be designed and monitored.

4.1 **Eliminating Child Income Poverty**

Ireland's National Children's Strategy is committed to securing the elimination of child income poverty; targets for doing so are being set in consultation with the social partners in the context of the National Anti-Poverty Strategy. The material reviewed in Chapter One confirms that there is no room for scepticism or complacency or naivety in the implementation of this goal. There is no room for scepticism because, even before the particularly rapid employment expansion of the second half of the 1990s, Ireland's tax and transfer system was making a major difference to the income position of many children. A deterioration in the market income coming into households with children was successfully compensated for. The higher employment rates and stronger fiscal position enjoyed by Ireland in the early years of the twenty first century constitute a much more favourable context for improving on the achievements of an earlier, less fortunate, economic era.

There is no room for complacency because, while Ireland has avoided the horrendous level of child income poverty that developed in its geographic neighbours, the United Kingdom and the USA, the differences in child poverty rates between Ireland and other small northern EU member states are substantial. Ireland does not hold up well in the comparison.

There is no room for naivety because 'slippage' is possible in the face of the labour market, family and public sector changes occurring in the developed world. Continental European countries that had proud records in keeping child income poverty at low levels have experienced a deterioration. It is also clear that aggregate employment expansions are quite capable of leaving a significant minority of a nation's children stranded in 'work poor' households.

Ireland should welcome the extension of benchmarking within the EU from employment policy to social policy with the adoption of child income poverty as a starting theme [Atkinson, 2000]. Benchmarking is considered an integral part of the EU's current European Employment Strategy. Under this process, a standard is adopted based on the performance of the best member states, the other states commit themselves to attain this standard, and the European Commission publishes periodic reviews of their progress, partly to shame the laggards into redoubling their efforts. The process was first used successfully in preparing for the introduction of EMU. Extending this process to tackling child poverty will sharpen the need for a common measure of child poverty that is fair to the different circumstances and traditions of the member states. (A common measure of 'employment', for example, had to reckon with different national definitions of what constituted 'part-time' employment.) The stimulus Irish policy-making needs will come disproportionately

from close comparison with the smaller northern EU member states because of their superior performance. As any suggestion for a new procedure at the EU level takes considerable time to bear fruit, it would be wholly appropriate for a pilot project in benchmarking to be launched from within Ireland for a restricted group of countries that included Denmark, Sweden and Finland, as an integral part of energising and monitoring progress in eliminating child income poverty. Rather than huge resources, a good design and well-chosen 'experts' in each comparison country would ensure this process produced a valuable and regular input to monitoring progress in implementing the poverty elimination goal of the National Children's Strategy.

4.2 What Constitutes 'Success' is not to be taken for Granted

Chapter Two serves to sharpen awareness of the significance of the way progress towards eliminating child income poverty is monitored.

As a social issue moves centre-stage in politics, its measurement frequently becomes politicised. (Anti-unemployment campaigners during the 1980s became acutely aware of the importance of different unemployment 'counts' during the 1980s, precisely because the extent of public attention given to movements in the unemployment rate gave governments a strong incentive to 'massage' the figures.) It is important that the different ways in which changes in child poverty can be measured and presented should be widely debated and what constitutes 'progress' be solidly based.

As in measuring income poverty for any population group, appropriate recognition needs to be given, not just to reductions in the number of children below an adopted poverty line, but to reductions in the extent to which they are below it, and for what length of time. In addition, improvements in the margin by which children are lifted above the line and in the range and quality of services-in-kind provided to children validly record progress in eliminating poverty. The 'willingness to pay' of the general public for increased child income supports can only be strengthened by the early identification and active dissemination of research findings establishing the pivotal contribution of increased parental income in early childhood to a wide range of positive developmental outcomes for children.

4.3 Four Dimensions to Eliminating Child Poverty

This study provides a perspective on how to arrive at the goal of eliminating child poverty. Chapter Three identified four intermediate policy objectives as constituting the basic architecture of a strategy for eliminating child poverty. Its central message is that no single policy is capable of ending child income poverty in rich countries. Countries where child poverty is low, or falling significantly, tend to have effective programmes covering several intermediate and complementary objectives. While different emphases in how countries conceptualise and focus the problem of child poverty may validly endure, the successful countries will be characterised by *sets* of policies which, in each case, are consistent, interlocking and adequately resourced.

The core question, "What more should Ireland do to eliminate child poverty?", therefore, can be broken into four sub-questions: What more should Ireland do to increase parental employment and earnings? What more should it do to support parenting? What more should it do to acknowledge the particular situation of one-

parent households? What more should it do to ensure adequate income support for 'work poor' households?

Increase parental employment and earnings: The Government and social partners in Ireland have given extensive consideration to measures making the labour market more 'family friendly'. This is an important objective but the value of parenting and the needs of the child (particularly the pre-school child) have to be given proportionate attention to that given to labour shortages and economic growth. Much can be learned from, for example, Swedish standards in ensuring working-age adults can combine care of young children and employment with relative ease. In the final analysis, this may be a better strategy than, for example, the aggressive development of Ireland's Family Income Supplement into a major programme on the lines of the USA's Earned Income Tax Credit (EITC).

The need for, and the success to date of, the EITC are presented in this study as linked to the particular context that is the US labour market. Large subsidies to low earnings, even when tailored to benefit young families disproportionately, may not be in the long-term interests of children. Ireland should not risk an approach that involves consolidating a segment of the labour market featuring low skills and low earnings. The approach currently in force, viz., combining the introduction of a national minimum wage with reductions in the tax taken out of the lowest earnings, is, arguably, a better one. It can be improved further by extending incentives and supports to low-skilled workers who participate in education or training.

Supporting parenting: Over the last three Budgets, Child Benefit in Ireland has been dramatically increased and further significant increases are in the pipeline for 2003. This is, arguably, the most sustained effort since the State's independence to make child income a significant proportion of household income.⁴⁴ There is anecdotal evidence that these substantial increases are popular and still at a level which the community is willing to pay to honour the objective of 'horizontal equity'. However, criteria governing the appropriate level of universal child benefit on an on-going basis rather than a time-dependent figure have not been adopted and the former would, arguably, be the greater and more enduring achievement. It should also be pointed out that making child benefit subject to tax would not be contrary to the objective of 'horizontal equity'. The country's highest paid parents would still receive a net transfer from the community at large, while taxing child benefit would strengthen the case for increasing its value.

For families dependent on social welfare, the benefit of this decisive increase in income support to children in general has been partially offset by the effective decision, since 1994, not to increase the weekly additions they receive on behalf of their dependent children. It is clear that a pro-employment stance in social policy generally has resulted in a reluctance to increase support for children that is conditional on the welfare status of their parents. The anti-poverty objective, currently pursued through child additions to social assistance payments and the Family Income Supplement, may need an innovation in Ireland comparable to the Integrated Child Credit announced for Britain and the Child Tax Benefit introduced in

⁴⁴ For example, after the Budget increase of 2001, the annual value of Child Benefit rose to approximately 7.5% and 17% of Gross Average Industrial Earnings of males in manufacturing for a family with two children and four children respectively. When the 1986 Commission on Social Welfare examined the relative significance of Child Benefit over the period 1976-1986, it found it had peaked in 1982/83 at 3.5% and 7% of GAIE of males in manufacturing for two-child and four-child families.

Canada. Designing a refundable tax credit for parents on low incomes with dependent children will involve paying close attention to the issues discussed at the end of section 3.2 (Chapter Three). Two of those advantages are underlined here. A refundable child tax credit relieves universal child benefit of having to play an anti-poverty role, a desirable step because of the low efficiency it has in doing so. In second place, a refundable child tax credit would be neutral with respect to the employment status, participation in education or training programmes, family type, and any other characteristic of a child's parents. This is extremely valuable both to avoid the differential treatment unfair to children on low incomes which develops when parental employment and earnings receive priority emphasis, and to allow separate and more effective policy instruments be developed to influence parents towards employment, further education, the social economy, co-parenting, or whatever.

Acknowledge the particular situation of one-parent households: Even if Irish workplaces were 'family friendly', child benefit substantially raised and a new refundable child tax credit for low income households introduced, it is highly probable that the current One-Parent Family Payment would still be needed, and should even be earmarked for further development. Ireland's lone parent population contains elements of heterogeneity, but a considerable percentage of it is strongly disadvantaged in the labour market. The effectiveness of the high (relative to other social welfare programmes) earnings disregard that is a feature of the One-Parent Family Payment should be carefully monitored, and the consequences for children of their parent's employment should be part of the evaluation. Interest should centre on the quality of the employment which lone parents are accessing and the potential for financial incentives, comparable to the earnings disregard, to encourage their participation in further education and training. In addition, the scope for policy to encourage co-parenting across households where parents have separated, and the avoidance of situations where lone parents lose financially because of entering new partnerships, should be examined in the interests of combating child poverty.

Ensure adequate income support for 'work poor' households: This study has maintained a tight focus on child income poverty. In fact, however, a society that tolerates income poverty among any section of its population is putting children at risk. Eliminating child income poverty cannot be divorced from the broader goal of eliminating income poverty generally.

It is also clear that improving services-in-kind from which children benefit has a major potential to ease the financial pressures on low-income households with children. Currently, commendable emphasis is placed in Ireland on providing such services (access to childcare, pre-school, homework clubs, additional school facilities, etc.) within socially disadvantaged areas. The area-based approach is both a cost-effective design and an input to community development. However, the advantages to an area-based approach need to be compared with those of a more universal approach; many children on low incomes are not living in disadvantaged areas. Ireland currently attracts favourable international attention for the imagination and breadth of the services-in-kind it provides its senior citizens (free travel, free telephone line rental, etc.). An integral part of a strategy for eliminating child poverty should be bringing similar imagination and resources to the provision of services-in-kind for the nation's younger citizens (e.g., a medical card for all children).

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