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CHILDREN IN RICH COUNTRIES**

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RELATIVE INCOME POVERTY AMONG CHILDREN IN RICH COUNTRIES

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Abstract

This paper presents and discusses child relative income poverty statistics for 35 economically advanced countries, representing all the members of the European Union, Australia, Canada, Iceland, Japan, New Zealand, Switzerland and the United States. As most of the data refer to the year 2008, the results partly reflect the initial impact of the global economic crisis as well as government responses. According to the data, Nordic countries and the Netherlands present the lowest child relative poverty levels, while Japan, the United States, most of the Southern European countries and some of the new EU member states have among the highest. Several factors are associated with the risk of poverty, such as demographic composition, educational level of household members, labour conditions, but the extent to which these factors influence the risk of poverty vary considerably across countries. Lastly, in several countries the role of government is found to be highly important in reducing child poverty.

Keywords: child well-being, poverty, incomes, employment, OECD countries, fiscal policy

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1. INTRODUCTION

This paper reports and discusses the results of the analysis on relative income poverty among children in high income countries conducted for the Innocenti Report Card 10. The analysis includes all the 27 European Union countries, as well as Iceland and Norway, and Australia, Canada, New Zealand, Japan, Switzerland and United States.

Child income poverty has been the specific focus of two previous Innocenti Report Cards (Report Card 1 and Report Card 6) and of their background papers, where methodological issues, meaning of the indicators, limitations and caveats have been presented and discussed. In particular these studies confirmed the relevance of a relative approach for understanding poverty in the context of economically advanced countries. Indeed, relative poverty reflects better the cost of social inclusion and equality of opportunity in a specific time and space. "Once economic development has progressed beyond a certain minimum level, the rub of the poverty problem – from the point of view of both the poor individual and of the societies in which they live – is not so much the effects of poverty in any absolute form but the effects of the contrast, daily perceived, between the lives of the poor and the lives of those around them. For practical purposes, the problem of poverty in the industrialized nations today is a problem of *relative* poverty" (UNICEF 2000:9).

In addition, Report Card 6 included a series of recommendations on child income poverty measurement, on setting poverty reduction goals and on monitoring progress in poverty reduction. That Report also presented the comparative analysis of the effect of government interventions, with taxes and transfer, in terms of child poverty reduction in OECD countries.

Child income poverty has also been an important component of the analysis in other issues of the Report Card series, in addition to other indicators in multidimensional well-being frameworks. In the Innocenti Report Card 7 on child well-being, figures on child income poverty were included in the material well-being dimension: they were discussed along with data on other well-being indicators, with the conclusion that no single indicator nor dimension are representative of the overall situation of children in a country, but at the same time it was acknowledged that income poverty data have an important and revealing role, and clear policy linkages.

The Innocenti Report Card 9, on inequality in the bottom end of the distribution of well-being among children, presents data on income inequality as well as on child relative income poverty. Relative poverty reflects the inequality in the bottom-half of the income distribution: the poor are those living in households with an equivalent income which is far lower than the national median income (a poverty threshold set at half of the median is used in this analysis). Consequently they are at risk of not enjoying the prevalent living standards of the society in which they live, and are therefore unlikely to be able to fully participate in the community.

Report Cards 1 and 6 anticipated that the theme of child income poverty and statistical updates would have continued in the series, along with a discussion on the meaning of this measure for children in economically advanced countries. The Report Card 10 reintroduces this discussion, providing more recent statistics on child income poverty and comparing the measure with other indicators of material deprivation.

2. DATA SOURCES AND PERIOD OF REFERENCE OF THE DATA

The main source of the data used in the analysis of child income poverty is the European Union Statistics on Income and Living Conditions (EU-SILC).[2] This source is available for all 27 European Union countries, plus Iceland and Norway. This analysis uses the 2009 round of EU-SILC. The income data used for the poverty calculations refer to the household incomes for the year 2008, except for the United Kingdom. For the latter they refer to the year of the survey, i.e. 2009.

For Australia, Canada, New Zealand, Japan, Switzerland and United States other national sources have been identified as reasonably suitable to perform a comparative analysis of child income poverty.

For Australia, the microdata are from the *Household Income and Living Dynamics in Australia* (HILDA)[3] 2009 elaborated by the Melbourne Institute of Applied Economic and Social Research (University of Melbourne). The income data extracted from this survey refer to the fiscal year July 2008-June 2009.

For Canada, the source is the *Survey on Labour and Income Dynamics* (SLID) run by Statistics Canada.[4] The survey used has been fielded in 2009, with income data referring to the year 2008.

Data for New Zealand are taken from Perry (2011) based on the 2009–2010 Household Economic Survey, with income data referred to 2010.

The poverty statistics for Japan have been derived from Cabinet Office, Gender Equality Bureau (2011) which elaborates the microdata from the *2010 Comprehensive Survey of Living Conditions* of the ministry of Health, Labor and Welfare. Data on income refer to the year 2010.

Data for Switzerland are from the *Swiss Household Panel* (SHP)[5] 2009 elaborated by the Swiss Centre of Expertise in the Social Sciences. Household income information is for the year 2008.

The source used for the United States of America is the *Panel Study on Income Dynamics* (PSID)[6] run by the University of Michigan. The round analysed is that of 2007, with income data referring to the year 2006.

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[2] EU-SILC is the main source for the compilation of comparable indicators on social cohesion used for policy monitoring at EU level in the framework of the Open Method of Coordination. On an annual basis it collects timely and comparable multidimensional micro-data on income, poverty, social exclusion and living conditions. Every year, both cross-sectional data and longitudinal data are collected.
http://epp.eurostat.ec.europa.eu/portal/page/portal/living_conditions_and_social_protection/introduction/income_social_inclusion_living_conditions

[3] HILDA is a household-based panel study which reports information on income, employment, family life and household composition collected on an annual basis. For more information, see:
http://www.melbourneinstitute.com/hilda/

[4] SLID provides information on the financial, work and well-being conditions of people living in Canada. For more information, see: http://www.statcan.gc.ca/cgi-bin/imdb/p2SV.pl?Function=getSurvey&SDDS=3889&lang=en&db=imdb&adm=8&dis=2

[5] The SHP is a longitudinal survey which provides yearly information on economic and living conditions for the population of Switzerland. More information is reported in http://www.swisspanel.ch/index.php?lang=en

Lastly, for Australia, Canada, Switzerland and the United States, the income data used are those standardized in the Cross National Equivalent File (CNEF) released by Cornell University and partner institutions.[7]

It is evident, therefore, that the data used in the analysis do not refer to the same year for all the countries included in the study. However, most of the income figures refer to the year 2008. It is then expected that the results in part reflect the initial impact of the global economic crisis as well as the government responses, including stimulus packages. While it is expected that the more profound impact of the global crisis on the living conditions of the child populations in high income countries will be more visible in the data for the years following 2008 and not necessarily on income poverty data, it is important that the poverty data reported in this paper are read considering their historical context.

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[6] The Panel Study of Income Dynamics is a longitudinal household survey reporting information on employment, income, wealth, expenditures, health, education, and other topics. See http://psidonline.isr.umich.edu/

[7] The CNEF data file is elaborated and managed by Cornell University and staff affiliated with the German Institute for Economic Research (DIW Berlin), the University of Essex, the University of Melbourne, the Swiss Foundation for Research in the Social Sciences, the University of Lausanne, the Korea Labor Institute, and Statistics Canada. See: http://www.human.cornell.edu/pam/research/centers-programs/german-panel/cnef.cfm

3. CHILD INCOME POVERTY: ASSUMPTIONS, POVERTY LINES AND CALCULATIONS

The income poverty statistics reported in this study are based on data for household *disposable income*. Disposable income is the income derived from different sources available to the household, after deducting direct income taxes and adding public transfers. In the sub-section on the impact of government interventions, poverty data are also reported on the basis of *market income* (i.e. the household income before taxation and social transfers).

To compare the incomes of households of different size and composition, the modified-OECD equivalent scale is applied. This equivalent scale gives a score of 1 to the household head. Each of the other household members aged 14 and more receives a score of 0.5, while each child with age less than 14 receives a score of 0.3. The sum of the individual scores gives the equivalent household size. A household with 2 adults and 2 children under 14 has an equivalent size of 2.1; a household with 3 adults and no child has an equivalent size of 2; a household with an adult and 3 children has an equivalent size of 1.9, etc.

The equivalent disposable household income is obtained by dividing the total household disposable income by the equivalent household size. If the equivalent disposable household income is lower than the poverty line, then the household is considered as income poor.

The relative poverty threshold (or poverty line) used in this study is fixed, for each country, at 50 per cent of the median national disposable income. This is the threshold commonly used by the OECD for its international poverty comparisons. It is also the threshold adopted in the previous editions of the Innocenti Report Card series.

It should be noted however, that the European Union – which includes the large majority of countries analysed here – has settled on a threshold of 60 per cent of the median though Eurostat publishes poverty data at a range of thresholds.

Finally, while for obvious reasons the poverty calculations are made at the household level, most of the results presented refer only to children.[8] Children are defined as individuals aged less than 18. In the analysis results on poverty for the total population (all ages) and for the elderly (those aged 65 and more) are also reported.

4. THE RESULTS: CHILD INCOME POVERTY IN RICH COUNTRIES

Figure 1 shows the headline child poverty rate using 50 per cent of the median threshold. Child poverty varies from 5 per cent in Iceland to 25 per cent in Romania. Slightly less than half of the countries with data have a child poverty rate lower than 10 per cent: this group with relatively low child poverty includes all the Nordic countries, two fairly large countries – Germany and France – Switzerland, Austria, and two Central European countries (Slovenia and Czech Republic, generally characterised by low levels of income inequality). An intermediate category – with poverty levels ranging from 10 to 15 per cent – includes, among others, the Australia, Canada, Belgium, Japan, United Kingdom and the remaining Central European countries. Slightly less than a third of the countries has a rate exceeding 15 per

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[8] Child poverty estimates are based on data weighted by the product of the survey household weight and the number of children in the household.

cent: this group includes Greece, Italy and Spain. The highest levels are found in Romania and the United States, where more than one fifth of the respective child population lives in households with equivalent disposable income lower than the poverty line.

Figure 1. Child poverty rates in high income countries, around 2008
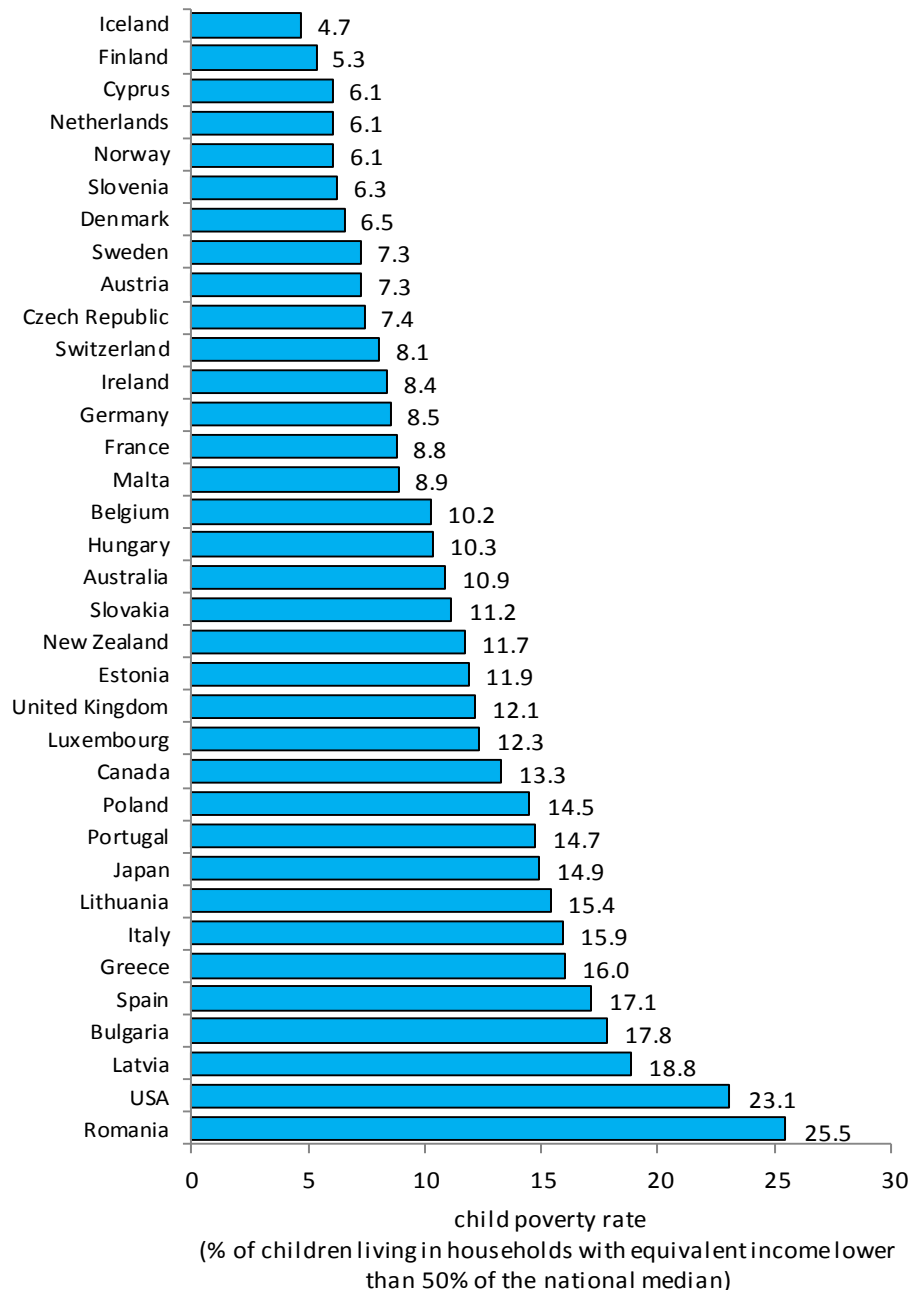
Country	Rate
Iceland	4.7
Finland	5.3
Cyprus	6.1
Netherlands	6.1
Norway	6.1
Slovenia	6.3
Denmark	6.5
Sweden	7.3
Austria	7.3
Czech Republic	7.4
Switzerland	8.1
Ireland	8.4
Germany	8.5
France	8.8
Malta	8.9
Belgium	10.2
Hungary	10.3
Australia	10.9
Slovakia	11.2
New Zealand	11.7
Estonia	11.9
United Kingdom	12.1
Luxembourg	12.3
Canada	13.3
Poland	14.5
Portugal	14.7
Japan	14.9
Lithuania	15.4
Italy	15.9
Greece	16.0
Spain	17.1
Bulgaria	17.8
Latvia	18.8
USA	23.1
Romania	25.5

child poverty rate
(% of children living in households with equivalent income lower
than 50% of the national median)

Source: Authors' calculations based on EU SILC 2009, HILDA 2009, SLID 2009, SHP 2009, PSID 2007. Results for New Zealand are from Perry (2011) and refer to 2010, while for Japan the data are derived from Cabinet Office, Gender Equality Bureau (2011).
Note: Countries are ranked by increasing levels of the child poverty rate.

Figure 2 ranks the countries by the increasing level of the poverty gap. The poverty gap here is calculated according to the practice of Eurostat and reflects the distance between the poverty line and the median income of the poor population; the distance (the gap) is

expressed as a percentage of the value of the poverty line. Therefore, if a country has a poverty gap of 30 per cent, this means that the median income of the poor is 30 per cent lower than the poverty line. A low level of the poverty gap means that most of the poor have incomes not far from the poverty line. The lowest child poverty gap is registered in Finland (at around 11 per cent), the highest in the United States (at slightly more than 40 per cent), followed by Romania (at 35 per cent).

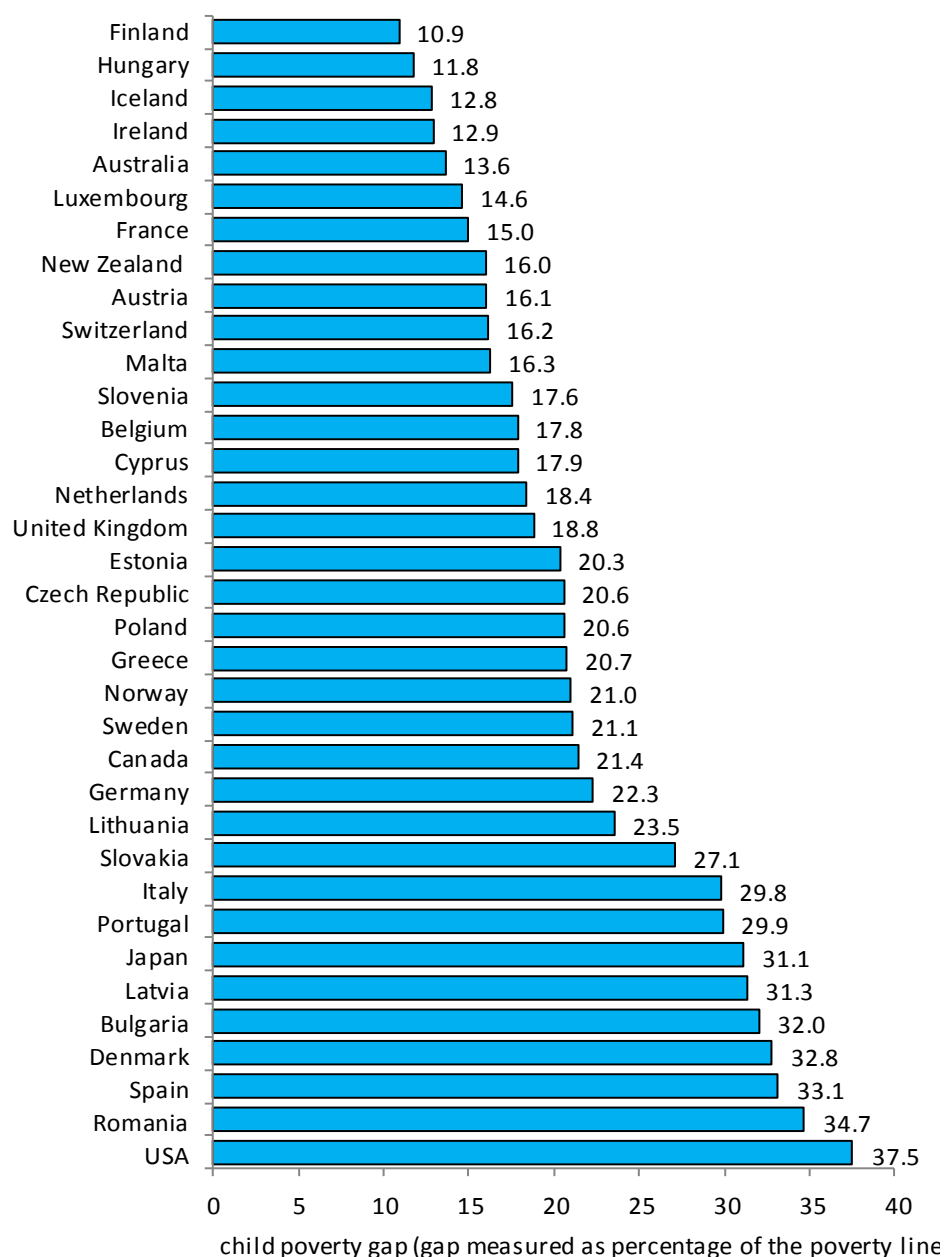**Figure 2.** Poverty gaps among children in high income countries, around 2008

Source: Authors' calculations based on EU SILC 2009, HILDA 2009, SLID 2009, SHP 2009, PSID 2007. Results for New Zealand are from Perry (2011) and refer to 2010, while for Japan data are derived from Cabinet Office, Gender Equality Bureau (2011).
Note: For each country, the poverty gap is the distance between the median equivalent disposable income of the poor and the poverty line, and it is expressed as a percentage share of the poverty line. The calculations of the poverty gap are based on a poverty line set at 50 per cent of the national median income. Countries are ranked by increasing levels of the child poverty gap.

The comparison between Figure 1 and Figure 2 shows that very often the higher the poverty rate the higher the poverty gap. But there are also notable exceptions to that: Denmark and Slovakia have higher gaps than expected, while Ireland, Hungary, Luxembourg and Greece have lower gaps than those with similar poverty rates. A discrepancy between rates and gaps may be an indication of the effectiveness of social protection. Countries with comparatively high gaps may have inadequate coverage of social protection.

The use of different poverty thresholds obviously determines different poverty levels. However, it useful to test and discuss results based on different poverty lines, to explore how the country ranking varies and if poverty levels change dramatically with small changes in the poverty line value (for example a substantial increase in poverty levels due to a small increase in the value of the poverty line, means that there is a quite high density of households just above the original poverty line).

Table 1 shows the child poverty rates calculated according to three poverty thresholds: an extreme level set at 40 per cent of the national median income; the poverty line fixed at half of the median, i.e. the one used in this paper; and a higher poverty line set at 60 per cent of the median, which is also the threshold adopted by Eurostat for reporting poverty data for European Union countries.

The threshold used makes only small differences to the countries' ranking order – for example Netherlands, Ireland, Malta or Switzerland do relatively better using the 50 per cent thresholds and Australia, Belgium, Denmark and Slovakia would do better in ranking using the 60 per cent threshold. In general, however, sizeable re-ranking is quite limited.

If the 60 per cent poverty line is considered, around one third of the countries have a poverty level between 10-15 per cent. In 14 countries out of 35, between one fifth and one fourth of all children are living in poor households, while two countries (United States and Romania) have poverty levels slightly exceeding 30 per cent.

Table 1. Percentage of children in households in poverty using 40 per cent, 50 per cent and 60 per cent thresholds, around 2008

	poverty line at 50%	poverty line at 40%	poverty line at 60%
Iceland	4.7	1.9	10.1
Finland	5.3	1.5	11.9
Cyprus	6.1	1.8	12.1
Netherlands	6.1	2.9	15.4
Norway	6.1	3.1	11.3
Slovenia	6.3	2.9	11.1
Denmark	6.5	3.6	11.4
Sweden	7.3	3.7	12.7
Austria	7.3	3.2	13.6
Czech Republic	7.4	3.8	13.0
Switzerland	8.1	3.2	17.9
Ireland	8.4	3.5	18.9
Germany	8.5	4.6	14.9
France	8.8	3.7	16.8
Malta	8.9	2.9	20.3
Belgium	10.2	4.1	16.6
Hungary	10.3	3.0	20.6
Australia	10.9	4.3	17.6
Slovakia	11.2	6.6	17.0
New Zealand	11.7	n.a.	19.4
Estonia	11.9	6.1	20.6
United Kingdom	12.1	5.6	20.8
Luxembourg	12.3	4.2	22.4
Canada	13.3	7.3	21.9
Poland	14.5	7.5	22.9
Portugal	14.7	9.6	22.7
Japan	14.9	9.6	20.5
Lithuania	15.4	8.8	24.3
Italy	15.9	9.7	24.2
Greece	16.0	8.1	23.5
Spain	17.1	11.5	23.6
Bulgaria	17.8	12.2	24.4
Latvia	18.8	12.8	25.0
USA	23.1	16.6	31.1
Romania	25.5	17.8	32.3

Source: Authors' calculations based on EU SILC 2009, HILDA 2009, SLID 2009, SHP 2009, PSID 2007. Results for New Zealand are from Perry (2011) and refer to 2010, while for Japan the data are derived from Cabinet Office, Gender Equality Bureau (2011).

Note: Countries are ordered by increasing levels of the child poverty rate based on 50 per cent of the median poverty line. Light blue denotes the best performing countries, mid-blue the average performers and dark blue the worst in each single measure. n.a.= not available

5. CHILD POVERTY AND OVERALL POVERTY

In most countries, children – or better households with children – are at higher risk of living in poverty compared to the rest of the population. However, there are a few notable exceptions to that trend. Figure 3 compares statistics on income poverty for children and for the overall population (including children) for 35 countries. While these results also reflect the different demographic compositions of the various countries and the relative weight of the child population, in only three countries are child poverty rates lower than more than one percentage point compared to the poverty rate for the overall population: these countries, where children are relatively more protected from poverty compared to adults, are Cyprus,[9] Australia and Finland.

Figure 3. Child poverty and overall poverty rates
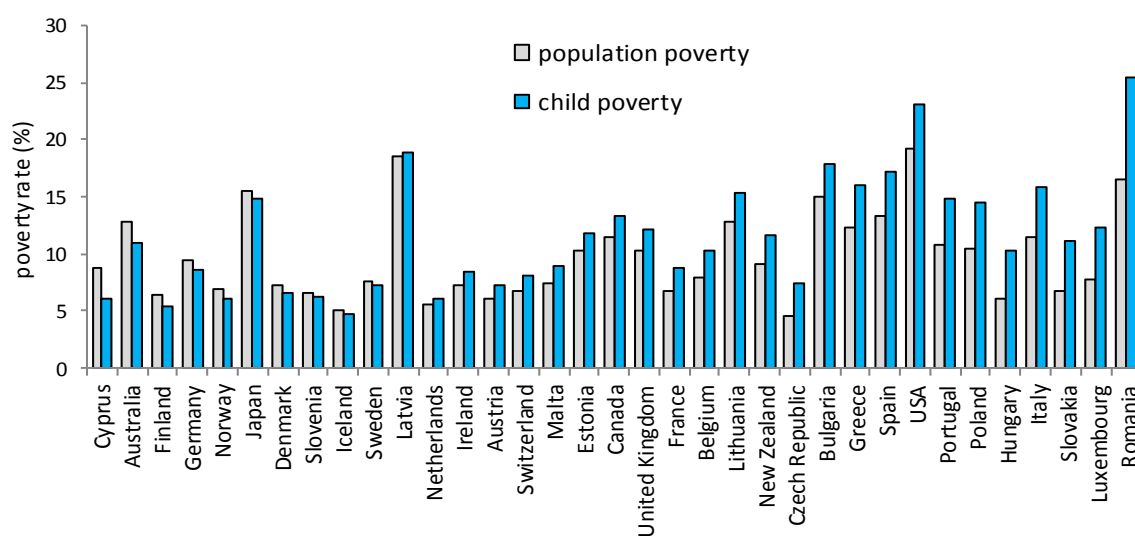

Source: Authors' calculations based on EU SILC 2009, HILDA 2009, SLID 2009, SHP 2009, PSID 2007. Results for New Zealand are from Perry (2011) and refer to 2010, while for Japan the data are derived from Cabinet Office, Gender Equality Bureau (2011).
Note: For each country, poverty calculations are based on a poverty line set at 50 per cent of the national median income. Countries are ordered by increasing gap between child poverty and the overall population poverty (on the left of the figures are the countries where children are not relatively disadvantaged compared to the overall population in terms of poverty; on the right are the countries where poverty is particularly concentrated among children).

In a few other countries (all the other Nordic countries, Germany and Slovenia), child poverty is slightly lower than overall poverty. In the remaining countries, children have a higher risk of being in poverty compared to the rest of the population. The amount of disadvantage varies considerably. In Poland, Hungary, Italy, Slovakia and Luxembourg, the child poverty rate exceeds that of the overall population by 4-4.5 percentage points. In Romania, the difference reaches 9 percentage points, indicating a huge concentration of poverty in households with children.

The elderly (individuals aged 65 or more) represent another group which in general experiences a higher risk of poverty compared to the overall population.

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[9] Pashardes (2007) reports that one of the most important reasons for the success of keeping child poverty low in Cyprus is the generosity of the child benefit system to large families.

Figure 4. Child poverty and 65+ poverty rates

Source: Authors' calculations based on EU SILC 2009, HILDA 2009, SLID 2009, SHP 2009, PSID 2007. Results for New Zealand are from Perry (2011) and refer to 2010, while for Japan the data are derived from Cabinet Office, Gender Equality Bureau (2011).
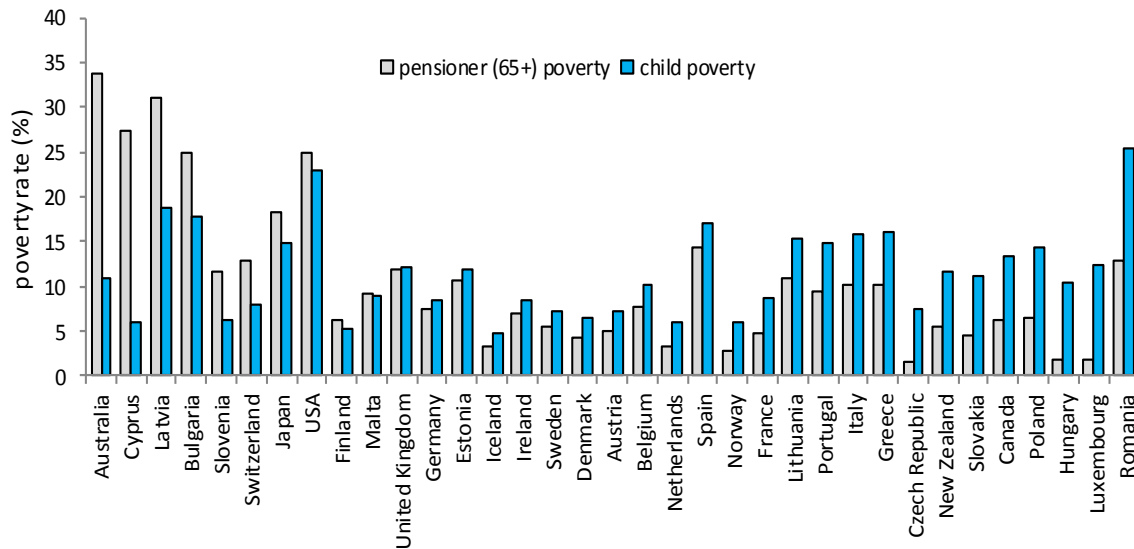**Note:** For each country, poverty calculations are based on a poverty line set at 50 per cent of the national median income. Countries are ordered by increasing gap between child poverty and elderly poverty.

The child poverty rates exceed the elderly poverty rates by more than one percentage point in more than half of the countries (Figure 4). Child disadvantage is greatest in Romania and Luxembourg, but it is quite substantial in most of the Central European countries, as well as in Greece, Italy, Portugal and France.

Australia, on the left of figure 4, is the country where the population aged 65+ is at greatest disadvantage, compared with the rest of the population, including children. This result reflects the low level of government spending on pensions and the important role played by the private pension system. Indeed, the private pension schemes have a very low coverage of the poorest deciles of the pensioners, while the level of the amount of public safety net retirement benefit is set at a level which is below the poverty line (OECD, 2011). However, if home ownership wealth is taken into account in poverty calculations, the poverty rate of the elderly in Australia would diminish due to the low level of housing costs. As reported by Bradbury (2010: 39): "Compared to people in other countries, the average Australian older person is indeed (own-home) asset rich but income poor".

Several factors are associated with the risk of children living in poor families and some are acknowledged to have a particularly strong influence: these are the demographic characteristics of the household, the socio-economic background of the household, including participation of members in the labour market, and the impact of taxation and of public and private transfers on the household's income. Descriptive comparative statistics on the raw association between child poverty and these factors are reported and discussed in the following sections.

6. CHILD POVERTY AND HOUSEHOLD COMPOSITION

The household composition has a strong correlation with income poverty. Large families with children have often higher dependency ratios (the ratio between those in the non-working age groups and those in the working age group). While information on household composition should be read in combination with the labour force participation of household members, data on the number of children living in the households provide some information on vulnerability to poverty for children living in large families.

Figure 5 suggests that, with very few exceptions, while children living in households with 1 or 2 children have a similar and quite low risk of income poverty,[10] the poverty rates increase significantly for children in households where three or more members are under-18. While in most of the high income countries, large families with children represent a small share of all households with children, poverty is more concentrated in these households. In 10 of the countries included in the analysis more than one fourth of children living in large households are poor. Bulgaria and Romania are the countries with the highest levels of poverty for children in large households, followed by Spain, Latvia and Portugal. However, the majority of poor children live in one- or two-child families in every country except Belgium, Denmark and Finland, where the figure drops to just under a half.

Figure 5. Percentage of children living in relatively poor households, by number of children living in the household
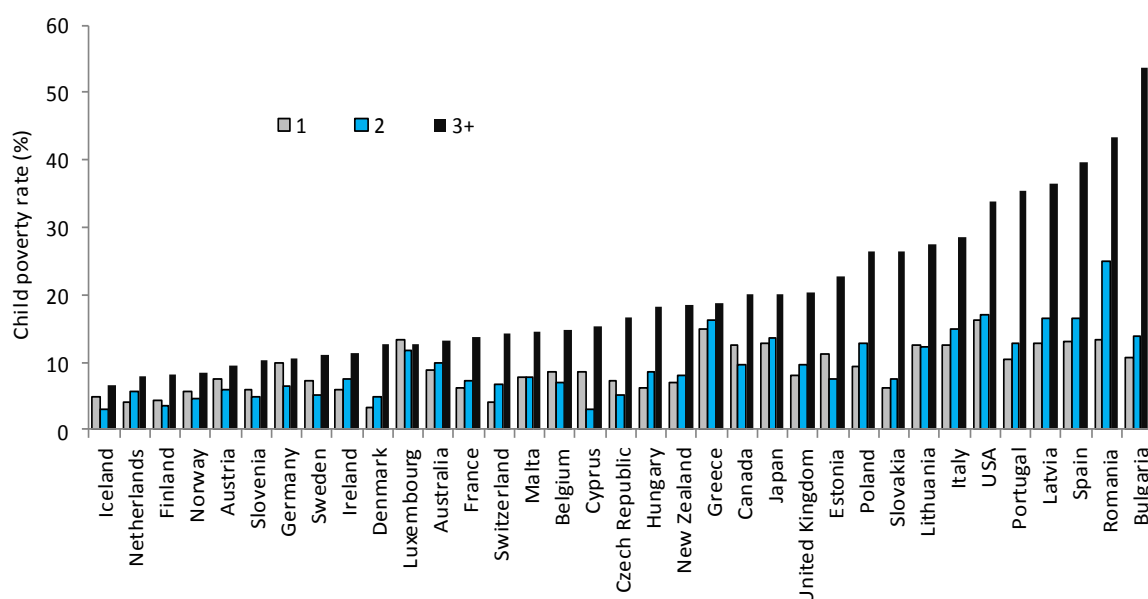
Source: Authors' calculations based on EU SILC 2009, HILDA 2009, SLID 2009, SHP 2009, PSID 2007. Results for New Zealand are from Perry (2011) and refer to 2010, while for Japan the data are derived from Cabinet Office, Gender Equality Bureau (2011).
Note: For each country, poverty calculations are based on a poverty line set at 50 per cent of the national median income. Countries are ordered by increasing poverty among children living in households with 3 or more members aged under 18.

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[10] The poverty rate for children living in a household with only 1 member under-18 exceeds the 10 per cent level in only 13 countries.

Many studies show that children living in lone parent families are also at greater risk of poverty, compared to children living in families with both parents. This condition is related to the fact that households with a single parent are characterized by high earning instability, especially among young lone mothers. This result is also confirmed by the most recent data analysed for this paper. The highest levels of poverty for children in lone parent families are found in the United States, Japan and Luxembourg, followed by Bulgaria and Lithuania.[11]

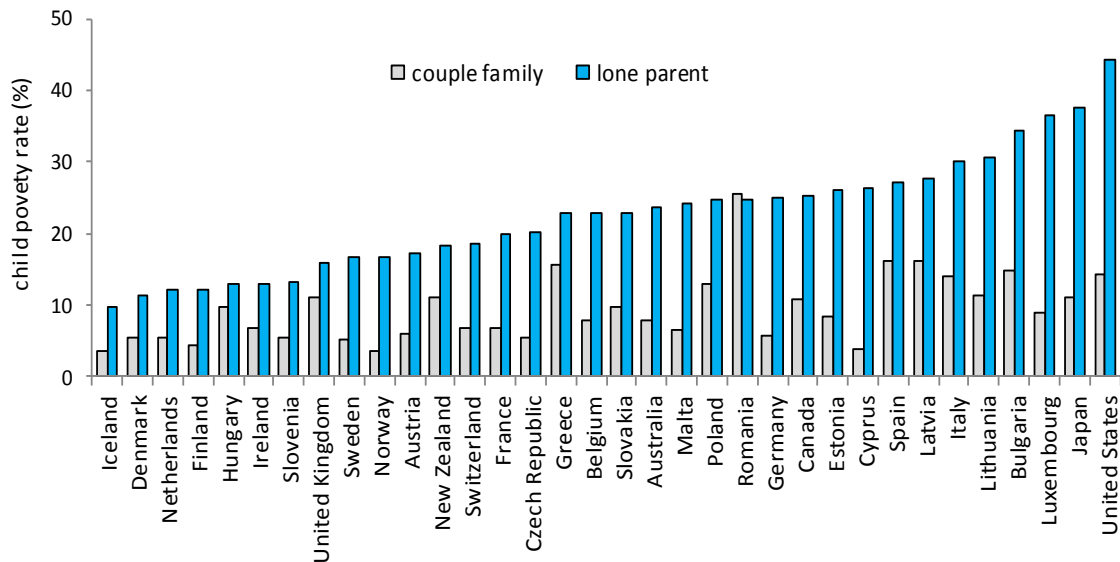**Figure 6.** Child poverty rate by family type

Source: authors' calculations based on EU SILC 2009, HILDA 2009, SLID 2009, SHP 2009, PSID 2007. Results for New Zealand are from Perry (2011) and refer to 2010, while for Japan the data are derived from Cabinet Office, Gender Equality Bureau (2011).
Note: For each country, poverty calculations are based on a poverty line set at 50 per cent of the national median income. Countries are ordered by increasing poverty among children living in lone parent families. Data on lone parents is lacking for Portugal.

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[11] While the EU-SILC lacks a comprehensive household grid which would describe the relationships between all household members, it reports personal identification (ID) numbers for all individuals in the household as well as mother, father and partner or spouse identifiers. Where the mother, father or partner is not a household member, the value of the corresponding ID is flagged up as missing, which allows the identification of lone parent families living both within larger households and on their own. Family units where a child lives with a sole parent cohabiting with another adult, who is not the child's parent, are also identified as couple families. Conversely, we define single adults living with unrelated children under 18 as lone parent families, but such cases are very rare (approximately 2.5% of all lone parents in the sample).

7. CHILD POVERTY AND HOUSEHOLD SOCIO-ECONOMIC CONDITIONS

Both in high and low income countries (even if to a very different extent), the level of education of the household members, in particular that of mothers, has a strong influence on the survival and development chances of the child, including on the risk of poverty.

Figure 7 compares child poverty levels by the education level of the household they belong to. The level of education of the household is reported here in terms of the highest level of education attained among the household members and is based on the ISCED classification: ISCED 0-2 means that the highest level attained by the members (at least one member) of the household is lower secondary education, ISCED 3-4 indicates households where the maximum level of education attained is upper secondary and post-secondary non tertiary education, while ISCED 5 refers to tertiary education. As expected the higher the education level in the household, the lower the risk of poverty, for virtually all the countries. In most countries, those children in households where the highest attainment is secondary education are relatively well protected from the risk of poverty. The main exception in this case is the United States, where the poverty rates for those children living in households with upper secondary education is close to 40 per cent.

Figure 7. Child poverty rate by the highest education level attained by household members
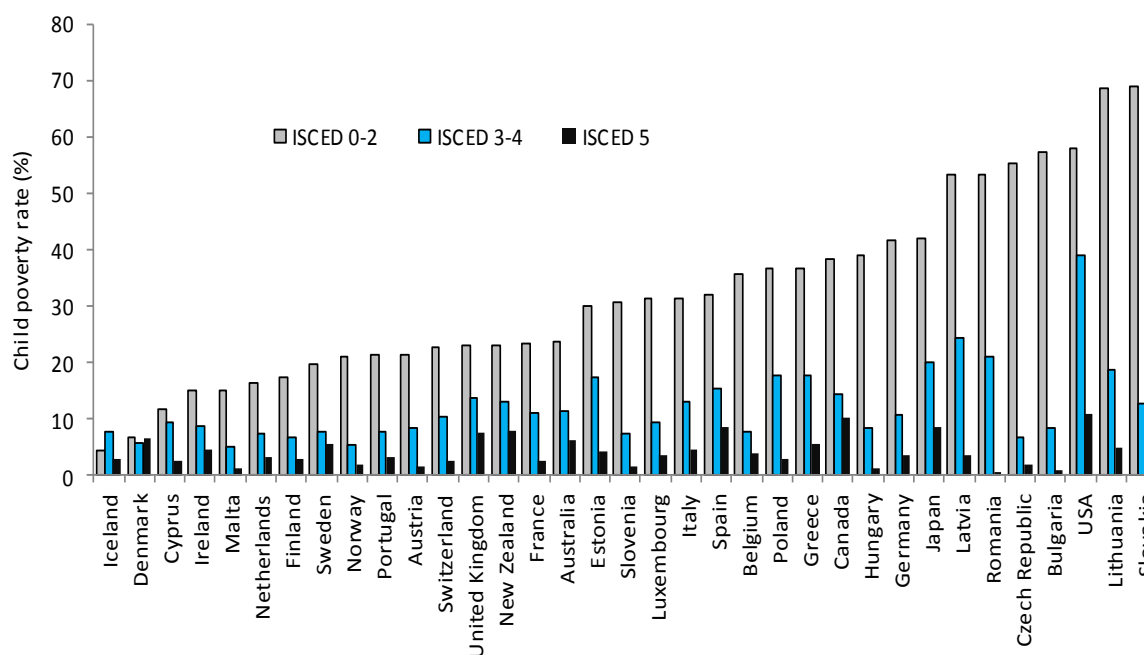
Source: Authors' calculations based on EU SILC 2009, HILDA 2009, SHP 2009, SLID 2008 and PSID 2007. Results for New Zealand are from Perry (2011) and refer to 2010, while for Japan the data are derived from Cabinet Office, Gender Equality Bureau (2011).
Note: For each country, poverty calculations are based on a poverty line set at 50 per cent of the national median income. Countries are ordered by increasing poverty among children living in households in which the maximum education attainment is ISCED 0-2 (i.e maximum lower secondary education).

The poverty rates grow disproportionately for children in households with low education attainment. In Slovakia and Lithuania, slightly less than 70 per cent of children in low education households are poor. Five other countries have poverty rates between 50 and 60 per cent for the same educational category, and also for Germany, which has low total poverty rates, where more than two fifths of children living in low education households are poor.

The actual workforce participation of household members is another important factor in shaping the child poverty profiles in high income countries. The information provided by the household surveys available for this study enables us to calculate a measure of the household's work intensity.[12] As expected, in this case the child poverty gradient for households with different categories of work intensity is striking (Figure 8).

Children in households with high work intensity (more than 0.8) have low and very low poverty rates. The only country with a poverty level over 10 per cent for this category is Romania. In Greece too, slightly less than 10 per cent of children in this category are poor. However, in the majority of the countries studied at least 20 per cent of all poor children live in households with work intensity above 0.8, due to the high share of households in this category.

For the intermediate work intensity group (between 0.2 and 0.8) child poverty increases, and reaches the level of at least 20 per cent in Romania, Spain, Greece, Latvia, Lithuania, Bulgaria and Italy.

Poverty levels are extremely high for children living in jobless households or in households with very low work intensity. In around half of the countries analysed more than 50 per cent of children in jobless or low work intensity households are poor, the highest levels being reached in Slovakia, Latvia and Bulgaria. While it is true that work is the best route out of poverty, it does not guarantee freedom from poverty and in-work poverty remains a serious problem in all the high income countries under analysis.

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[12] Work intensity is calculated as the ratio of the total months worked by each working age household member to the total months available. For example, WI=0 means none of the household members worked at all during the reference period, while WI=1 means all of the household members worked during the entire reference period.

Figure 8. Child poverty rate <50% median by work intensity (authors' definition)
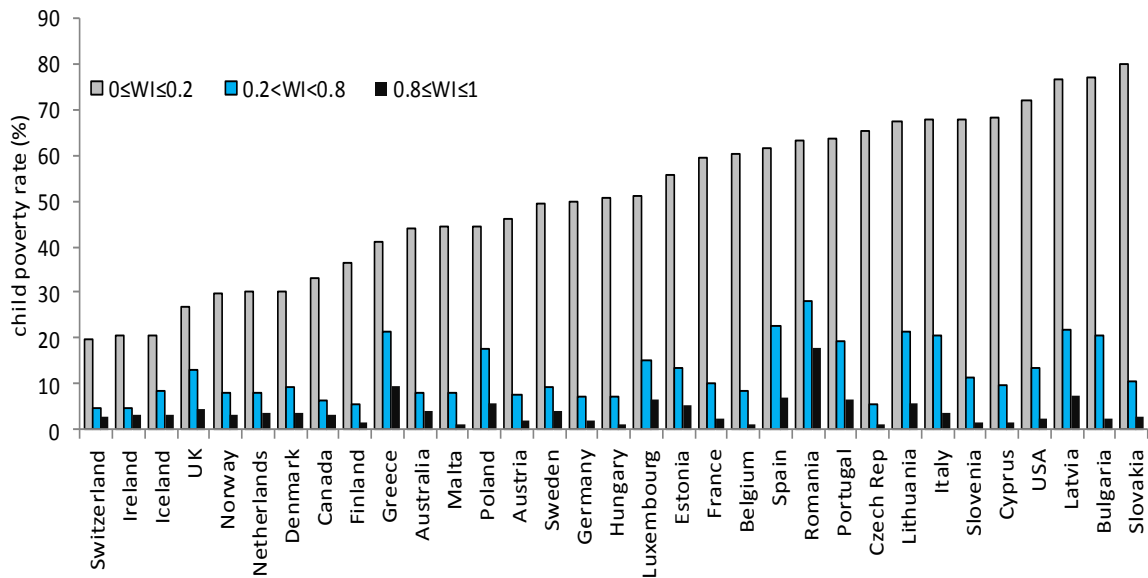
Source: Authors' calculations based on EU SILC 2009, HILDA 2009, SLID 2009, SHP 2009 and PSID 2007. Data are not available for New Zealand and Japan.

Note: For each country, poverty calculations are based on a poverty line set at 50 per cent of the national median income. Countries are ordered by increasing poverty among children living in households with low work intensity (0<=WI<=0.2).

Table 2 summarizes some of the key trends emerging from the previous figures, by focusing on the categories more at risk of poverty in the countries under analysis. The categories of children at risk highlighted here are those of children living in single parent families, children living in large families, children in households with low education and children in households with low work intensity. The colour codes group the countries according to their ranking for each single measure. The light blue indicates the 12 countries with a lower poverty rate in the individual category, the mid-blue denotes the average performers, while the dark blue marks the 12 countries with the highest levels of poverty. Overall, the country composition of the groups is quite stable, as expected, but with some exceptions. Thus Denmark, Finland, Iceland, Ireland, the Netherlands and Norway are among the best performers as might be expected (for the total child poverty rate, in the first column, and also for the individual risk categories) while Bulgaria, Latvia, Lithuania and USA are stable in the group of the worst performing countries on relative poverty.

Belgium and France have a stable position in the intermediate group of countries, while Germany and the United Kingdom (in the intermediate group, according to the total child poverty rate) have contrasting positions when the poverty rate for children living in large families is taken into account. In particular, the level of poverty for children living in families with three or more children is amongst the lowest in Germany due to a social protection system which assists large families via a reduction of taxable income and progressive birth cash transfers, while one of the highest poverty levels is found in the United Kingdom.

Finally, there are some interesting changes at the extreme end of the ranking. Canada is in the group of countries with the highest level of overall relative child poverty, but the disadvantage and the vulnerability of children living in families with low work intensity is

much less accentuated compared to most of the countries under analysis. This result reflects the labour market situation of the country, and in particular the low rate of unemployment, one of the lowest levels of long-term unemployment among the OECD countries,[13] the greater emphasis placed on active labour market policies, and a social transfer system to reduce poverty for working households, though jobless households do not enjoy the same benefits (OECD, 2009).

In the Czech Republic too, the poverty level is much higher for children living in families with low working intensity, compared to the average for all children. In 2008, this country had one of the lowest unemployment rates in Europe (4.4 per cent of the workforce in contrast to 7.1 per cent in the whole European Union), one of the highest long-term unemployment rates among the unemployed (49 per cent compared to 37 per cent European Union average) and one of the lowest levels of public expenditure in labour market policy interventions (0.4 per cent of GDP compared to the EU average of 1.6 per cent). Consequently, it is possible that long-term unemployment increases the probability of being poor due to lack of labour income and social protection (Jurajda and Münich, 2002).

Lastly, the poverty level for children living in single parent families in Cyprus represents an interesting case. As in other high income countries, single parent families are more numerous in Cyprus than in the past, especially female headed households. Considering that the labour market is subject to gender discrimination, it is easy to understand that the number of poor children living in a lone parent household has increased in the recent past (Spyrou et al, 2007).

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[13] In 2008, the rate of long-term unemployment as a percentage of unemployment was 7% in contrast to 24% of OECD countries (World Development Indicators, 2011).

Table 2. Overview of the most vulnerable groups

Country	Poverty rate	Level of poverty for children living in single parent families	Level of poverty for children living in large families with three or more children	Level of poverty for children living in families with low parental education (ISCED 0-2)	Level of poverty for children living in families with low work intensity (WI≤ 0.2)
Iceland	4.7	9.7	6.7	4.3	20.7
Finland	5.3	12.0	8.1	17.2	36.5
Cyprus	6.1	26.5	15.2	11.8	68.3
Netherlands	6.1	12.0	7.9	16.3	30.2
Norway	6.1	16.8	8.5	21.2	29.7
Slovenia	6.3	13.3	10.3	30.5	67.8
Denmark	6.5	11.2	12.6	6.9	30.3
Sweden	7.3	16.7	11.0	19.7	49.3
Austria	7.3	17.3	9.4	21.4	46.1
Czech Republic	7.4	20.2	16.7	55.2	65.4
Switzerland	8.1	18.7	14.3	22.5	19.6
Ireland	8.4	13.0	11.4	14.9	20.5
Germany	8.5	24.9	10.6	41.7	49.9
France	8.8	20.0	13.7	23.3	59.5
Malta	8.9	24.1	14.6	15.1	44.2
Belgium	10.2	22.9	14.8	35.7	60.1
Hungary	10.3	13.0	18.3	38.9	50.8
Australia	10.9	23.7	13.2	23.7	44.1
Slovakia	11.2	22.9	26.4	68.9	80.0
New Zealand	11.7	18.4	18.5	23.0	
Estonia	11.9	26.0	22.7	30.1	55.6
United Kingdom	12.1	15.9	20.4	22.9	26.7
Luxembourg	12.3	36.6	12.7	31.2	50.9
Canada	13.3	25.4	20.0	38.5	33.0
Poland	14.5	24.8	26.3	36.6	44.5
Portugal	14.7		35.5	21.3	63.4
Japan	14.9	37.5	20.1	41.9	
Lithuania	15.4	30.6	27.5	68.6	67.2
Italy	15.9	30.0	28.6	31.4	67.6
Greece	16.0	22.8	18.8	36.6	41.3
Spain	17.1	27.1	39.6	32.1	61.6
Bulgaria	17.8	34.5	53.6	57.1	76.9
Latvia	18.8	27.8	36.5	53.3	76.6
USA	23.1	44.3	33.8	58.0	72.0
Romania	25.5	24.8	43.4	53.3	63.1

Finally, the migration background of households can also add elements to the description of child poverty in rich countries. However, the available data do not have the kind of detail needed for a clear understanding of the poverty risk for children in migrant families. As clearly shown by UNICEF (2009), children with a migration background are far from being a homogeneous group with respect to poverty: those whose parents were born in low and middle income countries have in general a higher risk of poverty compared to those with no migration background, while those with at least one parent originating from a high income country are in general not at a disadvantage compared to the rest of the child population.

The available data do not allow such detailed disaggregation. They only indicate if the household includes migrant members, irrespective of whether they originate from low or other high income countries. Their origins are, however, an important factor in explaining their differing poverty risk, but this information is lacking.

In most of the older EU countries, except Germany and Portugal the risk of poverty is higher for children in migrant households (Figure 9). The findings are mixed for the new member states: children in migrant households are more likely to be poor in the Czech Republic but less likely to be poor in Estonia and Slovenia where it is interesting to note that migrants have on average higher levels of education than in other countries. With respect to the other member states, the percentage of poor children living in migrant households is high in Belgium, Greece and Spain.

Figure 9. Child poverty rate by migrant status
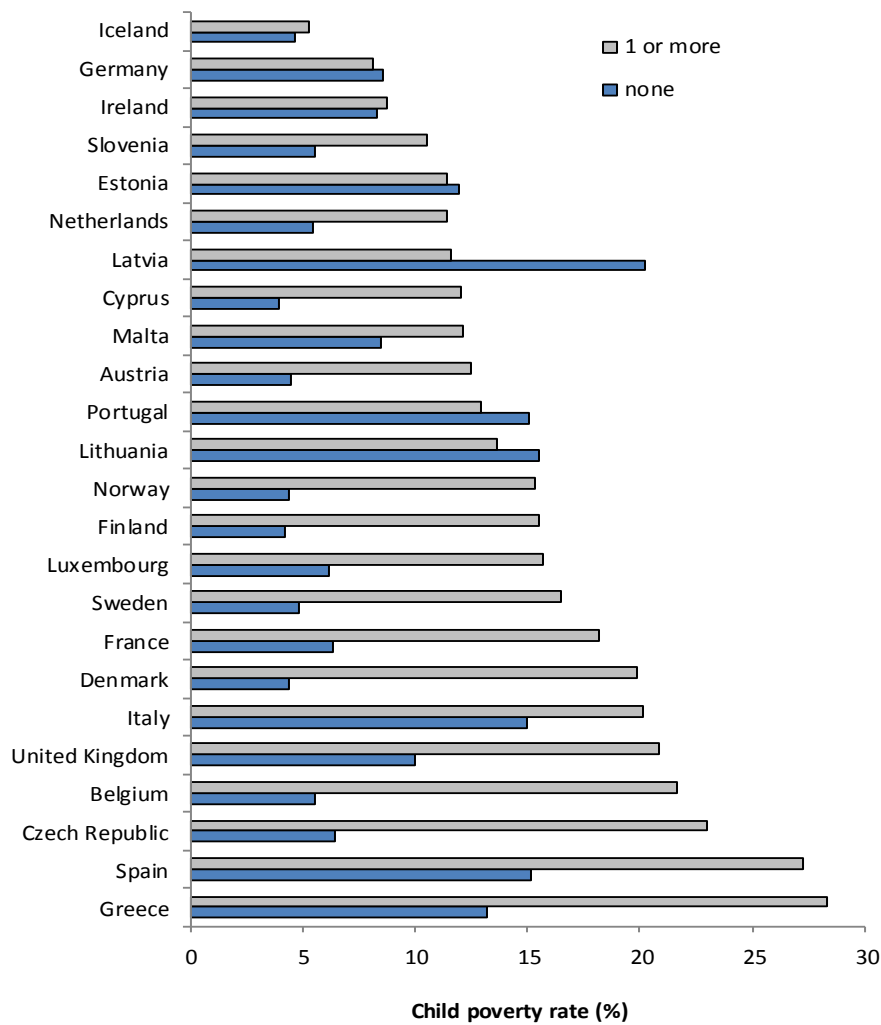
Source: Authors' calculations based on EU SILC 2009. Data are not available for Australia, Canada, New Zealand, Japan, Switzerland and United States.
Note: For each country, poverty calculations are based on a poverty line set at 50 per cent of the national median income. Countries are ordered by increasing poverty among children living in households with 1 or more migrant members. Data are not presented for Bulgaria, Hungary, Poland, Romania and Slovakia (due to too small a sample of children living in households with migrant members), and for Australia, Canada, Switzerland and the United States.

The composition of child poverty by level of urbanisation in the European Union countries

The EU-SILC data also allows us to identify the kind of urban setting within which poor households with children are concentrated. Figure 10 shows the composition of the child population in poor households according to the degree of urbanisation. In the older EU countries poor children tend to live in urban (densely or 'intermediately' populated) areas. But this does not apply to the new EU countries (except Cyprus) where most poor children live in thinly populated rural settings. In addition, poverty rates in those countries are lower in urban areas. This becomes an important factor when housing is used as an indicator of deprivation as poor families in rural areas in the EU 10 group generally have a better quality of housing than urban families.

Figure 10. Composition of the child population living in poor households by degree of urbanisation
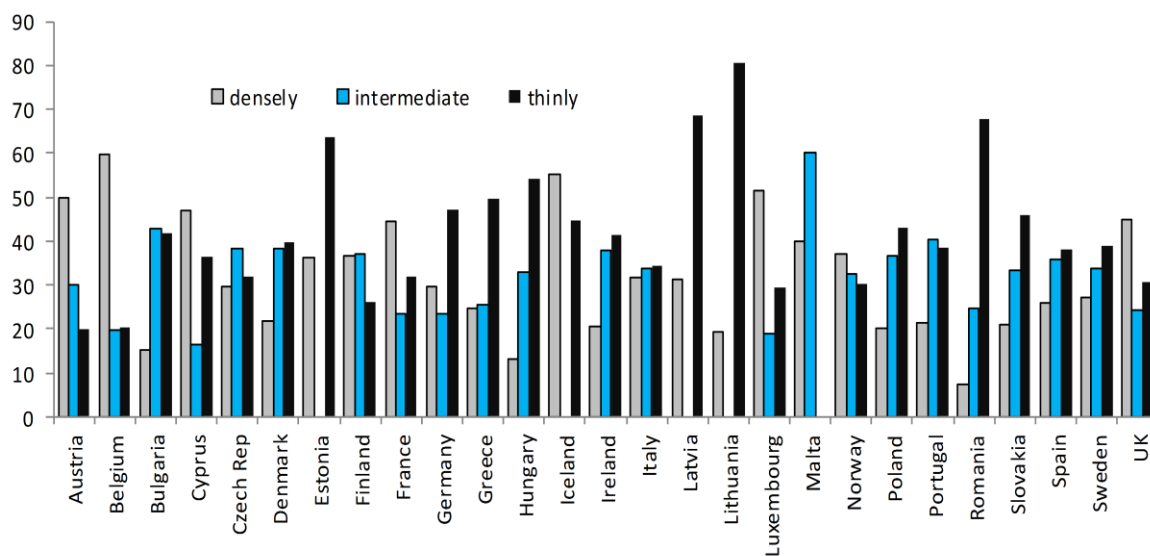

Source: Authors' calculations based on EU SILC 2009. Data are not available for Australia, Canada, New Zealand, Japan, Switzerland and United States.
Note: For each country, poverty calculations are based on a poverty line set at 50 per cent of the national median income. Data are not available for Australia, Canada, the Netherlands, Slovenia, Switzerland and the United States.

8. CHILD POVERTY AND GOVERNMENT INTERVENTION WITH TAXES AND SOCIAL TRANSFERS

Taxes and social transfers are some of the possible interventions that a government can use to confront poverty. While their aim is not necessarily the reduction of poverty, in several countries they are quite effective in protecting the population from poverty generated by labour market forces alone. In particular, the tax transfer policies adopted in rich countries translate into various outcomes.

The snapshot provided in Figure 11, comparing market poverty and poverty after government intervention, gives some raw indication of the different impacts of taxes and transfers on child poverty reduction. In absolute terms, state intervention reduces child poverty levels by more than 20 percentage points in Ireland, Hungary and the United Kingdom. But it also has notable effects in Austria, Australia, Canada, France, Germany and New Zealand.

In relative terms, the greatest effect is again registered in Ireland and Hungary, with a reduction of more than two thirds of the number of children living in poverty compared with a scenario without direct taxes and transfers. But in this case there are also important reductions in the Nordic countries which start from substantially lower market poverty levels.

The lowest effects in terms of poverty reductions are seen in Greece, Italy, Japan, United States and Spain, which all start from relatively high levels of poverty. The effect of taxes and transfers on child poverty is also low in Switzerland, but, based on market incomes, levels of poverty were comparatively low here.

Figure 11. Child poverty rate before taxes and transfers (market income) and after taxes and transfers (disposable income)

child poverty rate (% of children living in households with income
lower than 50% of the national median income)
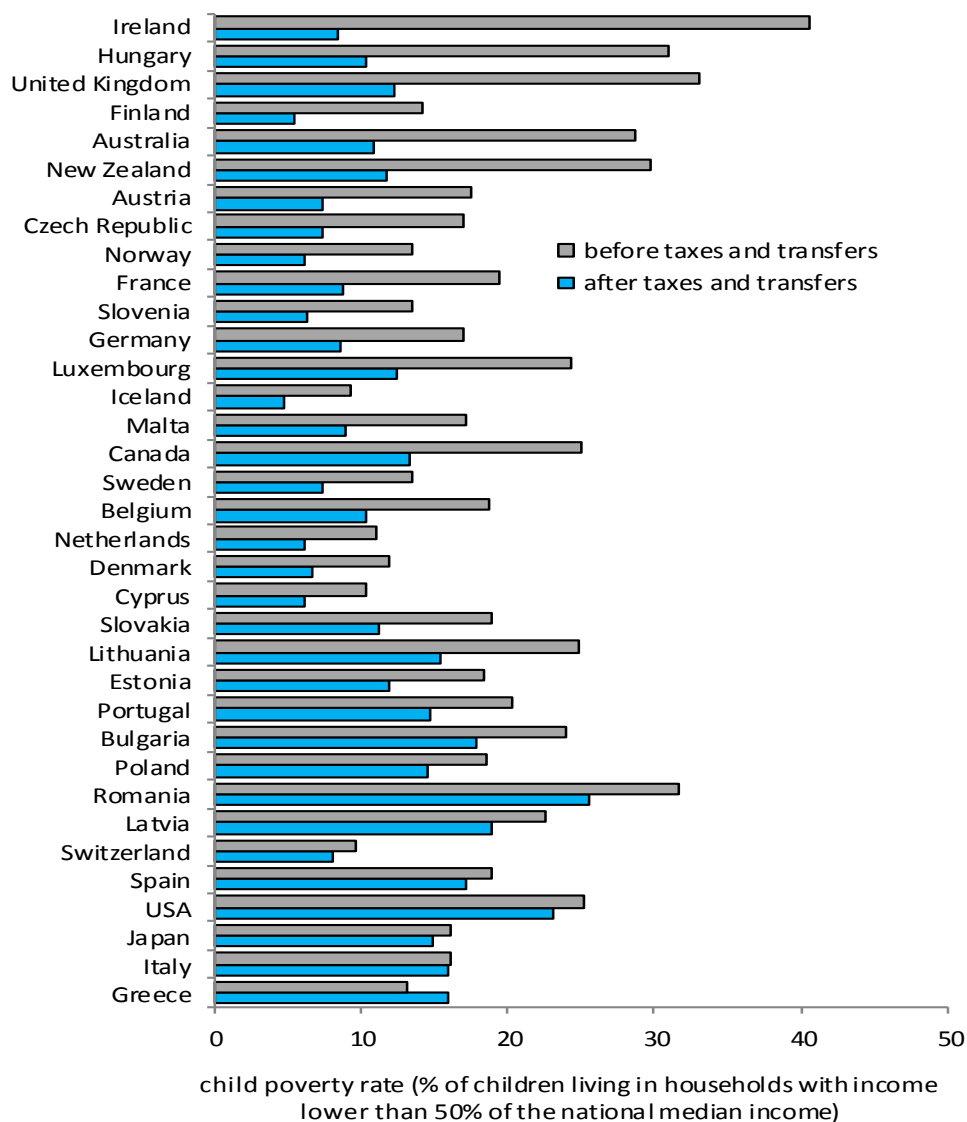
Note: For each country and for both income definitions, poverty calculations are based on a poverty line set at 50 per cent of the national median disposable income. Countries are ordered by decreasing percentage of poverty reduction achieved.

The levels of public expenditure on family benefits and tax breaks is expected to correlate with the levels of poverty and the size of poverty reduction due to state intervention in favour of families. This indication seems in part to emerge from figure 12, where the countries with the highest reduction in poverty due to taxes and transfers are those spending at least 2 per cent of GDP on family benefits and tax breaks.

Figure 12. Reduction in child poverty rates by government family spending on cash benefits and tax allowances
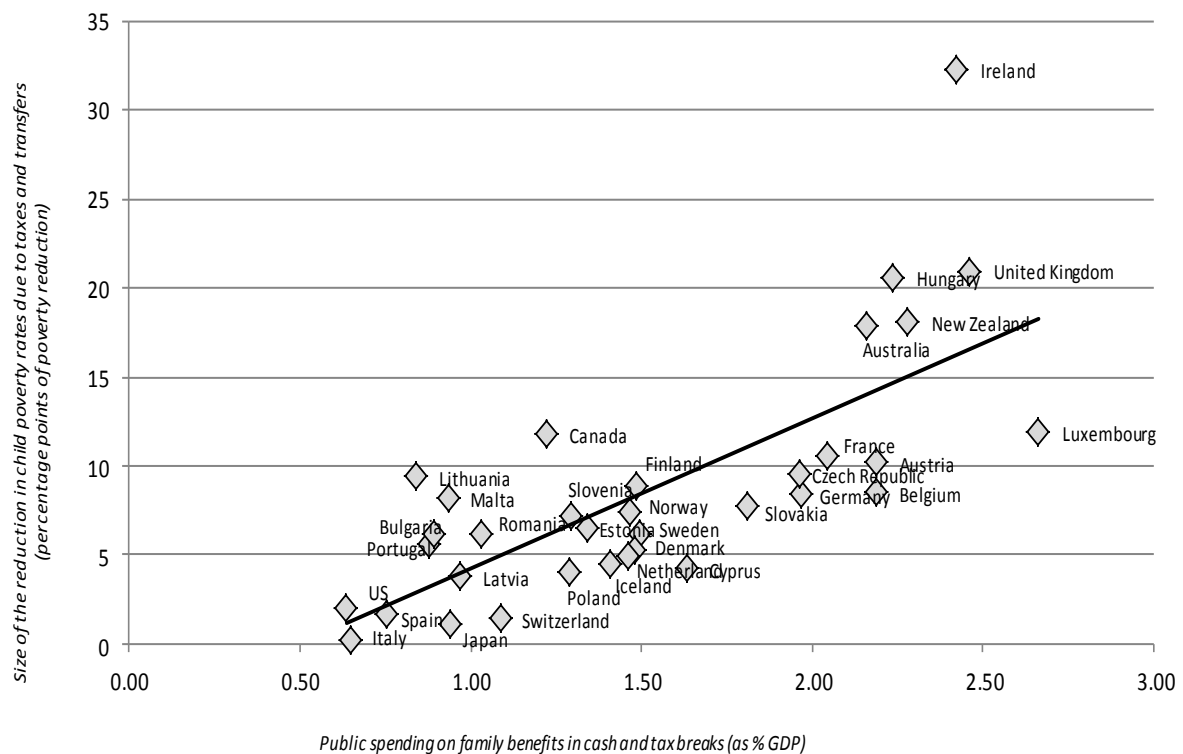
Figure 13 offers another view of the possible correlation between the size of state intervention and child poverty. This time public spending also includes information on expenditure in in-kind services for families with children. The scatter graph would seem to suggest that the countries with low levels of public expenditure on families as a percentage of GDP are also often those with the highest levels of child poverty.

Figure 13. Child poverty rates and public spending on families
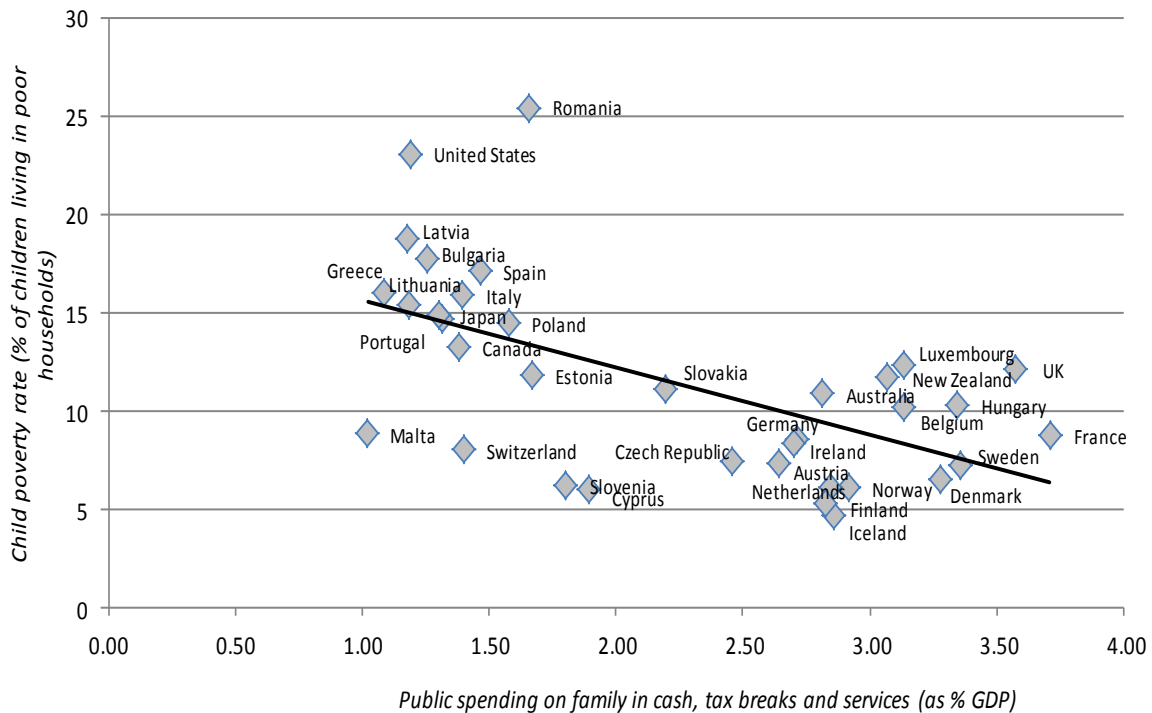
Notes: Data on expenditure on family benefits and data on poverty are not for the same year and the relation emerging from the scatter should be considered only indicative. Public spending data include only public support that is exclusively for families (e.g. child payments and allowances, parental leave benefits and childcare support). Spending in other social policy areas such as health and housing also assists families, but not exclusively, and is therefore not included here. Trend line is obtained by linear regression.

9. CONCLUSIONS

The aim of this paper was to provide an updated analysis of relative income poverty among children in high income countries. These recent data confirm Nordic countries and the Netherlands as those having some of the lowest child poverty levels. At the other end of the spectrum are Japan, the United States, some Southern European countries (Italy, Greece, Spain and Portugal) and some of the new EU member states (Romania, Bulgaria, Latvia and Lithuania). As discussed in the paper, several factors are associated with the risk of poverty, in particular the household composition, the level of education and the actual workforce participation of household members.

Children in households with low work intensity have very high poverty rates in all the countries included in the study. The results also confirm that the risk of poverty is higher for children in migrant households or those characterized by a lower level of education. This suggests that poverty is not simply an outcome of labour market conditions and dynamics (e.g. unemployment, low wage, inadequate benefit packages etc). Thus, a strategy to assure a decent standard of living for children must take into consideration not only the generation of employment but must also ensure decent working conditions for parents.

An important role in reducing child poverty is played by fiscal policies. Indeed, countries with high levels of public expenditure on families are, in general, also those with the lowest levels of child poverty. However, there is not always a direct relationship between public expenditure and poverty outcomes but it is also evident that in some countries the level of expenditure is too low and they need to spend more to achieve a reduction of child poverty similar to the most virtuous countries. Furthermore, especially in a time of crisis, fiscal stimulus packages and additional social protection measures are essential to avoid a deterioration of the conditions of vulnerable groups and a further rise of poverty.

All in all, in limiting relative poverty among children it is important that the social transfers system and the labour market should both function well. Governments have an important responsibility to mitigate socially unacceptable results, to protect children, and to ensure them a better future.

Table A.1. Poverty rates for total population, 65+ population and children in high income countries, around 2008, poverty line at 50 per cent of the median

	Total population	65+ population	children
Australia	12.8	33.9	10.9
Austria	6.1	5.1	7.3
Belgium	7.9	7.6	10.3
Bulgaria	14.9	24.9	17.8
Canada	11.4	6.3	13.3
Cyprus	8.8	27.4	6.1
Czech Republic	4.6	1.6	7.4
Denmark	7.1	4.4	6.6
Estonia	10.2	10.7	11.9
Finland	6.4	6.2	5.3
France	6.8	4.9	8.8
Germany	9.4	7.6	8.5
Greece	12.2	10.2	16.0
Hungary	6.1	1.8	10.3
Iceland	5.0	3.4	4.7
Ireland	7.3	6.9	8.4
Italy	11.5	10.3	15.9
Japan	15.6	18.4	14.9
Latvia	18.5	31.0	18.8
Lithuania	12.8	11.0	15.4
Luxembourg	7.8	1.8	12.3
Malta	7.4	9.3	8.9
Netherlands	5.5	3.3	6.1
New Zealand	9.0	5.4	11.7
Norway	6.9	2.7	6.1
Poland	10.4	6.5	14.5
Portugal	10.8	9.5	14.7
Romania	16.5	13.0	25.5
Slovakia	6.8	4.5	11.2
Slovenia	6.6	11.8	6.3
Spain	13.3	14.3	17.1
Sweden	7.6	5.5	7.3
Switzerland	6.7	12.9	8.1
United Kingdom	10.3	11.8	12.2
United States	19.2	25.0	23.1

Source: Authors' calculations based on EU SILC 2009, HILDA 2009, SLID 2009, SHP 2009 and PSID 2007. Results for New Zealand are from Perry (2011) and refer to 2010, while for Japan the data are derived from Cabinet Office, Gender Equality Bureau (2011).

Table A.2. Percentage of children living in relatively poor households, by household characteristics (poverty line at 50 per cent of the median)

	Number of children			Family type	
	1	*2*	*3+*	*couple family*	*lone parent*
Australia	8.9	9.8	13.2	7.8	23.7
Austria	7.6	5.9	9.4	5.9	17.3
Belgium	8.5	7.1	14.8	7.9	22.9
Bulgaria	10.7	13.9	53.6	14.8	34.5
Canada	12.7	9.7	20.0	10.9	25.4
Cyprus	8.7	3.0	15.2	3.9	26.5
Czech Republic	7.2	5.1	16.7	5.4	20.2
Denmark	3.4	4.8	12.6	5.5	11.2
Estonia	11.1	7.5	22.7	8.5	26.0
Finland	4.4	3.7	8.1	4.5	12.0
France	6.2	7.3	13.7	6.7	20.0
Germany	10.0	6.5	10.6	5.8	25.0
Greece	14.9	16.2	18.8	15.6	22.8
Hungary	6.2	8.5	18.3	9.9	13.0
Iceland	4.8	3.1	6.7	3.7	9.7
Ireland	6.0	7.6	11.4	6.9	13.0
Italy	12.6	15.0	28.6	14.1	30.0
Japan	12.9	13.5	20.1	11.2	37.5
Latvia	12.9	16.5	36.5	16.1	27.8
Lithuania	12.6	12.2	27.5	11.4	30.6
Luxembourg	13.4	11.8	12.7	9.0	36.6
Malta	7.8	7.7	14.6	6.7	24.1
Netherlands	4.0	5.7	7.9	5.4	12.0
New Zealand	6.9	8.1	18.5	11.0	18.4
Norway	5.8	4.6	8.5	3.6	16.8
Poland	9.5	12.8	26.3	13.0	24.8
Portugal	10.4	12.9	35.5		
Romania	13.4	25.1	43.4	25.5	24.8
Slovakia	6.3	7.5	26.4	9.7	22.9
Slovenia	5.9	4.8	10.3	5.6	13.3
Spain	13.1	16.6	39.6	16.3	27.1
Sweden	7.2	5.2	11.0	5.2	16.7
Switzerland	4.2	6.9	14.3	6.9	18.7
United Kingdom	8.0	9.6	20.4	11.1	15.9
United States	16.2	16.9	33.8	14.4	44.3

Source: Authors' calculations based on EU SILC 2009, HILDA 2009, SLID 2009, SHP 2009 and PSID 2007. Results for New Zealand are from Perry (2011) and refer to 2010, while for Japan the data are derived from Cabinet Office, Gender Equality Bureau (2011). Data on family composition for Portugal are missing.

Table A.3. Child poverty rate by the highest education level attained by household members (poverty line at 50 per cent of the median)

	ISCED 0-2	ISCED 3-4	ISCED 5
Australia	23.7	11.5	6.3
Austria	21.4	8.3	1.7
Belgium	35.7	7.7	3.9
Bulgaria	57.1	8.3	0.8
Canada	38.5	14.5	10.1
Cyprus	11.8	9.5	2.5
Czech Republic	55.2	6.6	2.0
Denmark	6.9	5.6	6.7
Estonia	30.1	17.5	4.2
Finland	17.2	6.7	2.8
France	23.3	11.1	2.6
Germany	41.7	10.7	3.5
Greece	36.6	17.9	5.6
Hungary	38.9	8.4	1.2
Iceland	4.3	7.7	2.8
Ireland	14.9	8.6	4.6
Italy	31.4	13.1	4.4
Japan	41.9	20.1	8.6
Latvia	53.3	24.5	3.5
Lithuania	68.6	18.8	4.9
Luxembourg	31.2	9.2	3.6
Malta	15.1	5.2	1.2
Netherlands	16.3	7.4	3.1
New Zealand	23.0	13.0	8.0
Norway	21.2	5.5	1.8
Poland	36.6	17.6	3.0
Portugal	21.3	7.7	3.3
Romania	53.3	20.9	0.4
Slovakia	68.9	12.7	3.6
Slovenia	30.5	7.5	1.4
Spain	32.2	15.5	8.5
Sweden	19.7	7.9	5.7
Switzerland	22.5	10.5	2.7
United Kingdom	22.9	13.8	7.7
United States	58.0	38.9	10.7

Source: Authors' calculations based on EU SILC 2009, HILDA 2009, SLID 2009, SHP 2009 and PSID 2007. Results for New Zealand are from Perry (2011) and refer to 2010, while for Japan the data are derived from Cabinet Office, Gender Equality Bureau (2011).

Notes: ISCED 0-2 means lower secondary education; ISCED 3-4 refers to upper secondary and post-secondary non tertiary education, while ISCED 5 refers to tertiary education.

Table A.4. Child poverty rate (poverty line at 50 per cent of the median) by work intensity

	0≤WI≤0.2	0.2<WI<0.8	0.8≤WI≤1
Australia	44.1	8.1	4.0
Austria	46.1	7.8	2.0
Belgium	60.1	8.7	1.1
Bulgaria	77.0	20.7	2.4
Canada	33.0	6.6	3.4
Cyprus	68.3	9.8	1.5
Czech Republic	65.4	5.5	1.2
Denmark	30.3	9.2	3.8
Estonia	55.7	13.7	5.3
Finland	36.5	5.7	1.5
France	59.5	10.1	2.3
Germany	49.9	7.2	2.1
Greece	41.3	21.6	9.8
Hungary	50.8	7.3	1.2
Iceland	20.7	8.5	3.4
Ireland	20.5	4.8	3.4
Italy	67.6	20.5	3.8
Latvia	76.6	22.0	7.4
Lithuania	67.2	21.6	5.7
Luxembourg	50.9	15.0	6.5
Malta	44.3	8.2	1.3
Netherlands	30.2	8.0	3.6
Norway	29.7	8.1	3.3
Poland	44.5	17.9	5.8
Portugal	63.4	19.4	6.5
Romania	63.1	28.1	17.7
Slovakia	80.0	10.8	2.8
Slovenia	67.8	11.3	1.5
Spain	61.6	22.7	7.3
Sweden	49.3	9.4	4.1
Switzerland	19.6	4.6	2.7
United Kingdom	26.7	13.2	4.7
United States	72.0	13.5	2.6

Source: Authors' calculations based on EU SILC 2009, HILDA 2009, SLID 2009, SHP 2009 and PSID 2007.

Notes: Work intensity is calculated as the ratio of the total months worked by each working age household member to the total months available. For example, WI=0 means none of the household members worked at all during the reference period, while WI=1 means all of the household members worked during the entire reference period.

Table A.5. Child poverty rate before taxes and transfers (market income) and after taxes and transfers (disposable income) and reduction related to government action, poverty line at 50 per cent of the median disposable income

	after taxes and transfers	before taxes and transfers	% reduction achieved	reduction in % points
Australia	10.9	28.8	62	17.9
Austria	7.3	17.5	58	10.2
Belgium	10.2	18.8	45	8.5
Bulgaria	17.8	24.0	26	6.2
Canada	13.3	25.1	44	11.8
Cyprus	6.1	10.3	41	4.3
Czech Republic	7.4	17.0	56	9.6
Denmark	6.5	11.8	45	5.3
Estonia	11.9	18.4	36	6.6
Finland	5.3	14.2	62	8.8
France	8.8	19.4	55	10.6
Germany	8.5	17.0	50	8.4
Greece	16.0	13.1	-22	-2.9
Hungary	10.3	30.9	67	20.6
Iceland	4.7	9.2	49	4.5
Ireland	8.4	40.6	79	32.2
Italy	15.9	16.2	2	0.3
Japan	14.9	16.0	7	1.1
Latvia	18.8	22.6	17	3.8
Lithuania	15.4	24.8	38	9.4
Luxembourg	12.3	24.3	49	11.9
Malta	8.9	17.1	48	8.2
Netherlands	6.1	11.0	45	5.0
New Zealand	11.7	29.8	61	18.1
Norway	6.1	13.5	55	7.4
Poland	14.5	18.5	22	4.0
Portugal	14.7	20.4	28	5.6
Romania	25.5	31.6	20	6.2
Slovakia	11.2	18.9	41	7.7
Slovenia	6.3	13.5	54	7.2
Spain	17.1	18.8	9	1.7
Sweden	7.3	13.4	46	6.1
Switzerland	8.1	9.5	16	1.5
United Kingdom	12.1	33.1	63	21.0
United States	23.1	25.1	8	2.0

Source: Authors' calculations based on EU SILC 2009, HILDA 2009, SLID 2009, SHP 2009 and PSID 2007. Results for New Zealand are from Perry (2011) and refer to 2010, while for Japan the data are derived from Cabinet Office, Gender Equality Bureau (2011).

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