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What Works Best in Reducing Child Poverty: A Benefit or Work Strategy?

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SUMMARY

Child poverty is firmly on the policy agenda in many OECD countries. One of the main issues in the debate is the appropriate balance between the so-called "benefits strategy" (increasing the adequacy of benefits for low-income families with children) and the so-called "work strategy" (promoting policies to increase employment among poor families). The need to choose between these two apparent alternatives is sometimes seen as a consequence of an unavoidable trade-off between adequacy of benefits, work incentives and the costs of assistance.

This paper assesses the extent to which child poverty is associated with the work status of parents. It is found that in nearly all OECD countries child poverty rates are significantly higher for jobless families than for families with at least one parent in employment, and are also higher in single-earner families than in two-earner families, and in sole-parent households compared to two-parent households. While jobless families are nearly everywhere the most disadvantaged among the poor, the analysis finds, however, that on average across OECD countries only around one-third of poor families with children are jobless, although this ratio varies widely – from less than 20% (Austria, Greece, Italy, Japan, Luxembourg, Mexico, Portugal, Turkey and the United States) to 60% or more (Australia, the Czech Republic, Germany and Norway).

The paper discusses possible policy directions for OECD countries. The fact that all countries with very low child poverty rates (less than 5%) combine low levels of family joblessness and effective redistribution policies supports the view that successful anti-poverty strategies should seek a balanced approach combining improved benefits where necessary and improved incentives to work The article assesses the extent to which child poverty can be reduced by policies which successfully promote higher parental employment and more effective benefit systems, identifying wide variations across countries in the effectiveness of different policy approaches.

RÉSUMÉ

La pauvreté des enfants figure aujourd'hui sans aucun doute à l'agenda politique de plusieurs pays de l'OCDE. Une des problématiques dans le débat sur la pauvreté des enfants est de trouver le juste équilibre entre la « stratégie des prestations » (qui consiste à augmenter convenablement les prestations pour les familles à bas revenus avec enfants) et la « stratégie du travail » (qui consiste à encourager les politiques visant à augmenter l'emploi chez les familles pauvres). Le besoin de choisir entre ces deux alternatives est parfois perçu comme étant la conséquence d'une inévitable incompatibilité entre adéquation des prestations, incitations au travail et coûts de l'aide.

Ce document évalue dans quelle mesure la pauvreté des enfants est associée au statut professionnel des parents. Il montre que dans presque tous les pays de l'OCDE, les taux de pauvreté des enfants sont nettement plus élevés pour les familles sans emploi que pour les familles avec au moins un parent exerçant une activité professionnelle. Les taux de pauvreté sont aussi plus élevés dans les familles où seule une personne perçoit un salaire que dans les familles où les deux parents travaillent, ainsi que pour les familles monoparentales comparées aux ménages composés des deux parents. Alors que parmi les pauvres, les familles sans emploi sont quasiment partout les plus désavantagées, l'analyse montre qu'en moyenne, dans les pays de l'OCDE, seulement environ un tiers des familles pauvres avec enfants sont sans travail, bien que ce ratio varie grandement – de moins de 20 pour cent (Autriche, Grèce, Italie, Japon, Luxembourg, Mexique, Portugal, Turquie et Etats-Unis) à 60 pour cent ou plus (Australie, République tchèque, Allemagne et Norvège).

Le document examine aussi les possibles orientations politiques pour les pays de l'OCDE. Le fait que tous les pays enregistrant de très bas taux de pauvreté chez les enfants (moins de 5 pour cent) allient faibles pourcentages de familles sans travail et politiques efficaces de redistribution tend à confirmer que de bonnes stratégies anti-pauvreté devraient être fondées sur une approche nuancée combinant de meilleures prestations, si nécessaire, et de meilleures incitations au travail. L'étude évalue dans quelle mesure la pauvreté des enfants peut être réduite grâce à des politiques visant un plus grand nombre d'emplois chez les parents et des systèmes de prestations plus efficaces tout en identifiant les grandes différences qu'il existe d'un pays à l'autre en ce qui concerne l'efficacité des différentes politiques.

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1. Introduction

1. Fighting child poverty ranks high among the priorities of policy makers in many OECD countries. The importance of developing policies to combat child poverty was stressed at the meeting of OECD Ministers responsible for social policies in Paris on March 31-April 1, 2005. The Ministers concluded that:

> "Social and family policies must help give children and young people the best possible start to their lives and help them to develop and achieve through their childhood into adulthood. …Promoting child development requires society and families to invest adequate resources. All institutions of society and government should consider the impact of their policies on children. … Special effort should be targeted on the families that are struggling to give their children the resources, both financial and time, that they need. It is necessary to ensure that employment leads to an improved financial situation for families, that appropriate child care and educational support is available, and that cash and other benefits are designed in such a way that they effectively reduce child poverty. …the OECD should identify which interventions alleviate and will contribute to the eventual eradication of child poverty, break the cycle of inter-generational deprivation, and develop the capacity of children to make successful transitions through the life course. The OECD should look at the potential role of policy in supporting families" (OECD, 2005a).

2. In this context, in recent decades public policies in many OECD countries have focused on the challenge of reducing child poverty. For example, in Australia, in 1987 the then Prime Minister promised to "end the need for child poverty" by 1990. In Canada, in 1989 the House of Commons unanimously resolved to "seek to achieve the goal of eliminating poverty among Canadian children by the year 2000". In the United Kingdom, a target was set to reduce the number of children living in low-income households by one quarter by 2004-05, as a contribution to a broader target of halving child poverty by 2010 and eradicating it by 2020. Among other EU countries, the setting of targets for child poverty is also explicit in, for example, the National Action Plan of Greece, while Germany set targets in related areas (e.g. cutting by half the number of youth not having obtained vocational qualifications by 2010). In Ireland, the Government committed itself to reduce the number of children in consistent poverty to below 2% and, if possible, to end child poverty completely in 2007. In New Zealand, the Agenda for Children (June 2002) embodies a commitment to eliminate child poverty as the Government's top social priority.

3. In seeking to reduce the number of children in families below the poverty line (however defined), a central issue is how much can be achieved through income redistribution through the benefit and tax systems (the "benefits strategy") and how much can be achieved by increasing the level of labour force participation and the hours of work of poor parents (the "work strategy"). Views differ about the respective roles of work and welfare in tackling child poverty, but a central strand of opinion in recent years has been that increasing work effort is of key importance in reducing child poverty (Rector and Hederman, 2003). For example, Haskins and Sawhill (2003) note that in the United States "many advocates for the poor believe that the solution to poverty involves giving people more money. After all, if poverty is defined as

having an income below some socially acceptable level, then the easiest and most direct way of raising poor people above that level is to boost their incomes. … Providing such assistance has been the dominant strategy for combating poverty in the United States for many years. Yet it has been remarkably unsuccessful. … The data … suggest this is because work is a powerful antidote to poverty and that, in its absence, no politically feasible amount of welfare can fill the gap as effectively" (Haskins and Sawhill, 2003, pp. 1, 8). Similarly, in an assessment of the UK Government's policies to reduce child poverty, Adam, Brewer and Shepherd (2006, p.1) note: "Thus the two main ways for a government to help people with low incomes – providing them with support directly and encouraging them to earn more themselves – are in head-on conflict with each other. How best to deal with this conflict has long been one of the central questions facing academic economists and economic policy makers."[1]

4. In practice, however, many government initiatives to reduce child poverty involve a mix of policies designed to increase benefits for jobless families while maintaining or improving incentives to work. Across the OECD area, a number of Government documents, while stressing the importance of paid employment, also indicate that adequate social protection is an integral part of combating child poverty. For example, the UK government has stated that it is "… determined to tackle poverty, from childhood through to old age, by tackling the causes of poverty and social exclusion, not just the symptoms. These causes are complex and multi-dimensional and can only be addressed by joined-up action across Government and beyond. … Key to the Government's strategy to tackle poverty is raising employment rates. … The introduction of tax credits is also at the heart of the Government's strategy to tackle child poverty (Department of Work and Pensions, 2004). From this perspective, the challenge for policy is not one of choosing between alternative strategies, but finding the optimum combination of approaches. For example, the New Zealand "Working for Families" Package involves increases in family assistance, increased tax credits to assist families in paid work and increased assistance with child-care costs, among other elements.[2]

5. Child poverty has many dimensions, but in this paper we concentrate on the financial aspects of child poverty, and specifically look at alternative or complementary strategies to increase the incomes of poor households with children. While virtually all countries with policies to reduce child poverty have developed broad strategies, encompassing, for example, child development, social exclusion, and early childhood education and care, the income dimensions of child poverty remain a central concern; indeed, in

1. Child poverty has also been the subject of considerable academic analysis, exploring differences across countries in the characteristics of poor children (Bradbury and Jäntti, 2001; Bradbury, 2003; Bradshaw, 2006) and/or assessing alternative policies to combat child poverty (Corak *et al*, 2005; CERC, 2004, Makovec *et al*, 2006). A good deal of analysis has been undertaken under the auspices of UNICEF (for example, UNICEF, 2005 and 2007), and also using microsimulation as part of the EUROMOD working paper series, and research has also been undertaken on the role of public policies in assisting families with children (Bradshaw *et al.*, 1993; Bradshaw and Finch, 2002). The main focus of this analysis, however, has tended to be on the "tax and benefits strategy"- that is, on how public policies can directly boost the incomes of poor families with children (Immervoll *et al*, 2001; Matsaganis *et al*, 2004; Levy *et al*, 2005). Among the main conclusions of this research is that family assistance can have a significant impact on the extent of child poverty but that the form and structure of government assistance for families, and not just the level of spending, is important in reducing child poverty.

2. Another strategy to reduce child poverty among lone- parent families involves increasing the effectiveness of mechanisms to transfer child support from non-custodial parents to the parent with caring responsibility. This approach cannot be evaluated with the income data available to the OECD. Evidence suggests that better collection of child support and higher levels of this support can have a significant impact on levels of poverty among a sub-set of poor families with children, but the impact is limited because lone parents are a minority among poor families (25% on average in OECD countries). See Kunz, Villeneuve and Garfinkel (2001) for a comparative analysis, and Harding and Szukalska (1999) for Australia.

many countries, discussion of the effectiveness of child poverty strategies is predominantly based on changes in the number of children in families with incomes below defined poverty lines.

6. The paper is structured as follows. The next section discusses the data and methodology used in the analysis and identifies how this paper differs from earlier research. This is followed by a detailed analysis of income distribution data to identify the main factors associated with child poverty, including the role of household composition and the impact of paid work. Section four surveys the mix of policies for families with children in OECD countries and looks at the effectiveness of the tax and transfer systems in reducing child poverty. Section five provides a discussion of possible policy responses to further reduce child poverty, and their potentially different degree of effectiveness across countries.

2. Data and methods

7. Many international comparisons of poverty and inequality have been based on the Luxembourg Income Study (LIS), a cooperative research project with a membership that includes 30 countries.[3] The analysis of poverty in this paper, however, is based on data collected as part of the OECD Income Distribution Study. Because of concerns about confidentiality or other factors, a number of OECD countries are not members of LIS – Japan, New Zealand, Portugal and Turkey; these countries provide data to the OECD, and in addition, the OECD has access to more up-to-date information on Australia, Denmark and France, giving the OECD access to a wider range of OECD Member countries than would be available through LIS.[4]

8. The OECD data are collected through a standard questionnaire using common assumptions and definitions to increase cross-country comparability. The data are based on the concept of equivalised disposable income of individuals (i.e. the disposable income of households, adjusted for the number of individuals in the household) broken down by gross income components and presented for a variety of socio-demographic characteristics of individuals and households. The data are provided to the OECD in the form of detailed cross-tabulations, and the OECD does not have access to the original microdata. Information is presented for various breakdowns of individuals and households: age of individuals, age of the household head (below and above 65), presence of children (persons aged below 18), presence of other adults, and work status of household members (details of the data sources are given in Annex Table A.1).

9. Here, we use data on poverty rates for individuals, including children aged less than 18 years, and for people living in households with children and with a head of working age.[5] Households are classified by the presence of children and the number of adults in the household and their employment status, giving five groups – one employed adult with children, one non-employed adult with children, two or more adults with children and no adult employed, or with one adult employed, or with two or more adults employed. It is particularly important to note that this means that we cannot identify lone-parent families who are sharing households with other adults (their own grown-up children, their own parents or other unrelated

3. The LIS project began in 1983 under the joint sponsorship of the government of the Grand Duchy of Luxembourg and the Centre for Population, Poverty and Policy Studies (CEPS). The project is mainly funded by the national science and social science research foundations of its member countries. The LIS database is a collection of household income surveys, providing demographic, income and expenditure information at three different levels: household, person and child.

4. The Slovak Republic provides data to LIS but not to the OECD; Iceland and Korea do not (yet) provide data to either LIS or the OECD; LIS also includes data on economies that are not OECD members – Israel, Russia, Romania, Slovenia and Chinese Taipei.

5. The expression “child poverty rate” refers only to persons under the age of 18 years; the expression “household poverty rate” refers to all people (including adults) in households with children below 18 years.

persons). Thus, this is a restrictive measure of lone parenthood, and this means that in some countries our estimates of the share of lone parents are lower than if we had a measure based on family composition.

Box 1. Issues in measuring poverty

There are many practical and conceptual issues involved in poverty analysis. Two of the most important involve the concept of economic resources or well-being used in measuring poverty and the setting of the precise poverty line used in analysis. In this study, the measure of resources used is cash disposable income after adding in government cash transfers and deducting direct taxes. A wider measure of resources would take account of government services, such as health care, education, child care and public housing and would also take account of the impact of indirect taxes such as VAT (including differential impacts on families in different countries) and also employer social security contributions. In addition, households can also have access to different forms of private wealth, including liquid assets and home ownership, which augment their control over resources. Alternatively, it can be argued that consumption is a better measure of household wellbeing than cash income, and that therefore poverty or inequality analysis should be based on household expenditures rather than incomes.

Studies using a more comprehensive measure of household resources are rare, however, because information on the distributional impact of indirect benefits and indirect taxes is difficult to collect and imputation of benefits is complex and sometimes controversial (but see Marical et al, 2006) National studies of this sort tend to find that poverty is lower after taking account of government non-cash benefits, but that indirect taxes tend to be regressive and likely to increase relative poverty. Comparative studies also find that using a broader measure of resources results in lower estimates of poverty and inequality; but some studies suggest that country rankings do not alter (Smeeding *et al*, 1993), while others find that they do (Whiteford and Kennedy, 1995).

Setting the concept and measure of poverty can also be controversial (Eberstadt, 2006). In this study, we use a "relative" measure of poverty – households with equivalent disposable income less than 50% of the median income in each country. Some researchers and policy makers argue that poverty is an "absolute" concept – the minimum amount needed to meet the subsistence needs of the household or the amount needed to avoid hardship. The United States poverty line is sometimes viewed as such an absolute standard. Critics of absolute poverty lines argue that all poverty is relative to the society in which individuals live and that so-called absolute lines are simply restrictive relative standards. For the purposes of international comparisons of OECD countries, there are no commonly accepted measures of absolute poverty applicable across different countries.

It should be noted, however, that the living standards of people just at the poverty line will differ across countries. For example, it can be calculated that the relative poverty line for the United Kingdom is equivalent in terms of purchasing power to 80% of the US relative poverty line – that is, someone at 50% of median income in the United Kingdom would have an "absolute living standard" equivalent to somebody at 40% of median income in the United States (but not taking account of any differences in the value of non-cash government benefits or wealth, for example), while somebody at the poverty line in Mexico would have an income that is only one-fifth of that in the United States. However, some countries (Germany and Luxembourg) have poverty lines that are higher in absolute values than in the United States, while Switzerland is only slightly lower.

In addition, information on trends in relative poverty can be supplemented by also measuring progress against poverty on the basis of poverty lines held constant in real terms (after adjusting for inflation). For example, in the United Kingdom the official Households Below Average Income statistics (HBAI) report some results using 'absolute' low-income thresholds. These compare, for different years, the numbers of people with incomes below a fixed level of income, expressed as a percentage of median income in a "starting" year. The year in question can be thought of as an 'anchor' year. Some OECD results (Mira D'Ercole and Förster, 2005) similarly present trends in poverty against a standard held constant in real terms; however, these results are available only for the population as a whole and not for child poverty. Generally speaking, this approach shows declines in overall poverty rates in OECD countries between the mid-1980s and 2000, while trends in relative poverty have tended to rise in most OECD countries.

10. This study uses a relative concept of poverty (Box 1); poverty is defined as living in a household with an equivalised household disposable income of less than 50% of the median for the whole population, although in some comparisons it is possible to use different poverty lines (60% of the median). We have no direct measure of "poverty gaps" for households with children, the income difference between the actual income of the household and the defined poverty line. This is a limitation of our analysis since for some

purposes (e.g. assessing the impact of the taxation and transfer systems on poverty) the poverty gap would be the preferred basis for assessment.[6]

11. To account for possible scale economies in consumption, household income is "equivalised" using the square root of household size (Box 2). This is a fairly common equivalence scale, and in fact is used in many studies using LIS data. One limitation of this scale is that an additional household member has the same effect on equivalent income, irrespective of whether the additional person is an adult or a child, so that for example, a lone parent with one child is assumed to have the same income needs as a couple without children. In addition, as is well-known, the use of alternative equivalence scales can in some cases have a significant impact on estimates of the size and composition of the poor population. This is because the use of different equivalence scales will produce different estimates of the median income and therefore of the poverty line, and different equivalence scales can imply very different levels of needs for different family types. For example, our scales imply that a couple with two children need twice as much as a single person to be equally well-off, while the McClements scale used in the United Kingdom implies that a couple with two children have relative needs nearly 25% higher. As discussed below, this means that we find that benefits for families with children in the United Kingdom are closer to the poverty line than would be the case if we used the McClements equivalence scale.

12. By way of background, Table 1 compares estimates of child poverty from the OECD data with results from LIS, and from a number of recent prominent studies of child poverty. In some cases there are significant differences between LIS and OECD results, despite the fact that the poverty line used and the equivalence scales are identical. In general terms, child poverty rates based on LIS data tend to be higher than those derived from OECD data, but this is not always the case. For some countries the difference in estimates is more than 3 percentage points (Australia, Austria, Belgium, Denmark, Hungary and Italy). Many of the surveys are common to both LIS and the OECD, but there are some differences. For example, the data for Australia used by the OECD come from the Household Expenditure Survey, while the Australian data in LIS come from a different series of income surveys. In addition, survey years are not always identical. In the case of EUROMOD results, poverty estimates tend to be lower because they are calculated under the assumption of full benefit take-up. Overall, it is not feasible here to determine the full reasons for these differences, but they should be borne in mind when assessing our results.

13. It is also important to note that the relative poverty line is a standard one used in international comparisons, but may differ from those used in specific countries. This means that some of the substantive results of our analysis may differ significantly from some national analyses. For example, as shown in Table 1, using a 50% of median income poverty line it is estimated that around 22% of American children were in poverty around 2000; in contrast, using the official US poverty line, which is well below 505 of median income, child poverty was much lower – around 16% (Rector and Hederman, 2003). Moreover, because the estimated level of child poverty is much lower when using the US poverty line, the composition of the poor population is also very different, with child poverty much more concentrated among families where no adult is employed, compared to our findings. In contrast, using the widely quoted low income cut-offs (LICOs) for Canada, child poverty is estimated at around 18%, compared to our estimate of 13.6%, because the LICOs are above the 50% median income standard. As a result, fewer Canadian working families are classified as poor using our standard than if we had used this higher poverty line.

6. However, poverty gap measures are highly dependent on the reliability of data on low incomes, and there are concerns in some countries, for example, Australia, about reported incomes at this level. Similarly, in the United Kingdom, there is evidence that receipt of child tax credits by the low-income population is significantly understated (Brewer *et al*, 2006).

Box 2. Adjusting for household size and composition – equivalence scales

The needs of a household grow with each additional member, but – due to economies of scale in consumption– not in a proportional way. Needs for housing space or electricity, for example, will not be three times as high for a household with three members than for a single person.

With the help of equivalence scales, each household type in the population is assigned a value in proportion to its needs. The factors commonly taken into account to assign these values are the size of the household and the age of its members (whether they are adults or children). A wide range of equivalence scales exist, many of which are reviewed in Atkinson *et al.* (1995). Some of the most commonly-used scales include:

- Square root scale. Recent OECD publications – including this one - comparing income inequality and poverty across countries use a scale which divides household income by the square root of household size. This implies that, for instance, a household of four persons has needs twice as large as one composed of a single person.
- The "Oxford scale" assigns a value of 1 to the first household member, of 0.7 to each additional adult and of 0.5 to each child. This scale was mentioned by OECD (1982) for possible use in "countries which have not established their own equivalence scale". For this reason, this scale is sometimes labelled the "(old) OECD scale" (even though it is not commonly used in OECD publications).
- The so-called "OECD-modified scale". After having used the "old OECD scale" in the 1980s and the earlier 1990s, the Statistical Office of the European Union (EUROSTAT) adopted in the late 1990s the so-called "OECD-modified equivalence scale". This scale, first proposed by Hagenaars *et al* (1994), assigns a value of 1 to the household head, of 0.5 to each additional adult member and of 0.3 to each child.
- Other scales are commonly used in country-specific studies of poverty. For example, the McClements scale is used in the United Kingdom in the annual publication on "Households Below Average Income" and has been used to date in assessing progress against the Government's child poverty pledge, although in future the McClements scale will be replaced by the "modified OECD scale" to improve comparability with other European studies. The Orshansky scale is used with the official poverty line in the United States, while the Canadian equivalence scales are those used with the officially produced measures of low income.

It is important to note that estimates of the extent of poverty can vary significantly according to the equivalence scales used. For example, the poverty line for a couple with two children would be around 20% higher using the McClements equivalence scales than using the "square root" scales. Obviously such a difference can have a significant impact on estimates of the extent and composition of poverty and on the effectiveness of alternative policy approaches.

Table Box 2. Adjusted family sizes with different equivalence scales

	Square root	Modified OECD	McClements	Orshansky	Canadian LICOs
Single adult	1.0	1.0	1.0	1.0	1.0
Lone parent, one child	1.41	1.30 – 1.50	1.33 - 1.52	1.33	1.22
Lone parent, two children	1.73	1.60 – 2.00	1.66 – 2.05	1.55	1.52
Couple, no children	1.41	1.50	1.64	1.29	1.22
Couple, one child	1.73	1.80 – 2.00	1.97 – 2.16	1.55	1.52
Couple, two children	2.00	2.10 – 2.50	2.30 – 2.69	1.95	1.89

Note: Scales are simplified and do not reflect possible variations by age of children or location of household.

Table 1. Alternate estimates of child poverty, 1980s, 1990s and around 2000

Poverty rates for children

	OECD			Bradbury and Jäntti	EUROMOD	LIS		
	1980s	*1990s*	*Around 2000*	*1990s*	*2001*	*1980s*	*1990s*	*Around 2000*
Australia	15.5	10.9	11.6	17.1	..	14.0	15.8	..
Austria	5.5	7.3	13.3	5.6	4.5	4.8	9.7	10.2
Belgium	..	4.1	..	6.1	4.7	4.0	7.7	6.7
Canada	15.8	12.8	13.6	16.0	..	14.8	15.4	14.9
Czech Rep.	..	5.5	7.2	1.8	..	..	6.6	..
Denmark	4.0	1.8	2.4	5.9	3.0	4.7	5.0	..
Finland	2.8	2.1	3.4	3.4	3.2	2.8	2.0	2.8
France	6.6	7.1	7.3	9.8	7.9	7.4	7.9	..
Germany	6.9	10.0	10.9	11.6	7.1	8.5	9.5	9.0
Greece	12.7	12.3	12.4	..	11.5	..	13.4	12.9
Hungary	..	10.3	13.1	11.5	..	..	11.4	8.8
Ireland	13.3	13.4	15.7	14.8	19.0	13.8	15.7	17.2
Italy	11.5	18.6	15.7	21.2	17.2	11.4	19.0	16.6
Japan	10.8	12.0	14.3	..	..	..	..	..
Luxembourg	6.8	7.9	7.8	6.3	5.2	5.2	4.5	9.1
Mexico	23.5	26.0	24.8	..	..	23.5	26.2	24.8
Netherlands	3.3	9.1	9.0	8.4	7.2	5.2	7.9	9.8
New Zealand	9.8	12.7	14.6	..	..	..	..	..
Norway	3.9	4.4	3.6	4.5	..	4.3	3.9	3.4
Poland	..	13.6	14.5	14.2	..	11.7	15.4	12.7
Portugal	..	15.6	15.6	..	15.5	..	..	..
Slovak Rep.	..	..	..	2.2	..	..	2.0	..
Spain	16.9	17.4	15.6	13.1	18.5	12.7	17.8	16.1
Sweden	2.4	2.5	3.6	3.7	2.5	3.5	2.6	4.2
Switzerland	..	10.4	6.8	6.3	..	4.3	10.0	6.8
Turkey	20.3	19.7	21.1	..	..	..	..	..
UK	9.7	17.4	16.2	21.3	12.1	12.5	19.8	15.3
US	25.1	22.3	21.7	26.3	..	25.0	24.5	21.9
OECD	10.9	11.3	12.2	10.5	9.3	9.7	11.4	11.7

Sources: Column 1: Förster M. and Pellizzari, M. (2000), "Trends and Driving Factors in Income Distribution and Poverty in the OECD Area", OECD, Paris; Columns 2 and 3: Förster M. and Mira D'Ercole, M. (2005, forthcoming), "Income distribution and poverty in OECD countries in the second half of the 1990s", OECD, Paris; Column 4: B. Bradbury and M. Jäntti, "Child Poverty across Industrialized Nations", 1999 ; Column 5: Corak, M., Lietz, C. and Sutherland, H. "The impact of tax and transfer systems on children in the European Union", 2005; Columns 6-8: LIS Key Figures, accessed at http://www.lisproject.orj/keyfigures.htm on 19/1/2006.

14. A further point to bear in mind is that our results refer to the period around 2000, and that in a number of countries there have been significant later policy developments that are likely to have affected poverty estimates. These include, for example, large increases in tax credits for low-income families and reductions in joblessness in the United Kingdom, significant increases in assistance for families in the United States and Australia, and substantially increased financial support for families in New Zealand (Box 3). The effects of some of these initiatives are likely to be captured in future waves of the OECD Income Distribution Study.

Box 3. Recent Reforms to Family Assistance

A range of reforms to assistance for families have been undertaken since the surveys used in this paper were undertaken. For example, in Iceland, benefit supplements for children under seven are no longer means-tested from 2001. In the Slovak Republic, the basic family allowance is no longer means-tested as of July 2002. In some countries, there have been continuing attempts to reduce the adverse incentive effects of means-tests. The regulations underlying family benefit means-tests in Poland have been amended to include a somewhat higher income disregard for working lone parents. Between 1999 and 2002, family benefits in Germany, Ireland, Spain and Sweden have increased significantly (in absolute terms and relative to average wages). In addition, family benefits in Spain no longer constitute taxable income. In a few countries, payment schedules for family benefits have become more differentiated with respect to the number or ages of children. For instance, Austria has introduced income-dependent benefit supplements for families with multiple children. The opposite development was, however, observed in Norway, where extra supplements for families with more than two children are no longer available. Japan extended benefit entitlements to children aged up to 6 years (the previous age limit was 3 years).

A number of OECD countries have made particularly significant reforms to family assistance since 2000 (or have continued reforms introduced prior to 2000). These include:

Australia: Family Assistance in a New Tax System

In July 2000 the Australian government introduced major changes to the tax system including the introduction of a broad-based Goods and Service Tax (a VAT) and substantial income tax cuts. There was also an extensive compensation package for social security recipients, as well as major changes to assistance for families. These changes to family assistance simplified payments, by amalgamating a number of different forms of assistance, and also provided higher levels of assistance, with reductions in income test withdrawal rates. The new structure combined twelve of the pre-existing types of assistance into three new programs of assistance. Overall levels of assistance were increased by more than was required to compensate for the introduction of the Goods and Services Tax and assistance was extended to more families.

Further major changes were introduced from 2004. These included the introduction of a lump sum payment to all mothers on the birth of a child, increasing in 2006 and 2008. This payment replaces two pre-existing schemes and amounts to as much as three times the value of these payments. Changes to the Family Tax Benefit include: an additional lump sum annual payment of ASD 600 per dependent child, to be paid upon reconciliation of entitlements following the end of the financial year; a reduction in the rate of withdrawal as family income increases from 30% to 20%, and an increase in assistance for secondary earners in the family.

Sources: http://www.reformmonitor.org/httpd-cache/doc_reports_2-3250.html

Canada: The National Child Benefit

The National Child Benefit (NCB) is a joint initiative of federal, provincial and territorial governments to support Canadian children living in low-income families. The initiative takes a multifaceted approach, which recognizes that both income support and a variety of benefits and services are critical to sustained success. Before the NCB was introduced in 1998, there was minimal coordination between the federal system, which delivered child benefits through the income tax system, and provincial/territorial systems, which delivered child benefits through social assistance programs.

The NCB is intended to support parents leaving social assistance for work, and to help low-income parents already in the labour market to stay there by reducing the role of social assistance in providing children's basic income support. Federal, provincial and territorial systems of income support for children are being integrated to build a national platform of income-tested child benefits available to both social-assistance families and low-income working families. The initiative combines two key elements: monthly payments to low-income families with children, and benefits and services designed and delivered by the provinces, territories and First Nations to meet the needs of low-income families with children.

The Government of Canada contributes to the NCB initiative through a supplement to the base benefit of the Canada Child Tax Benefit (CCTB). This base benefit is targeted to both low- and middle-income families with children, while the NCB Supplement provides extra support to low-income families with children. Both the base benefit and the NCB Supplement are paid on a monthly basis and are income tested using information provided when a parent files an income tax return. The benefits from the CCTB base benefit and NCB Supplement are provided to eligible families regardless of whether the parents are working or receiving social assistance. Provinces and territories have the flexibility to adjust social assistance or child benefit payments by an amount equivalent to the NCB Supplement. Since the introduction of the NCB initiative, a number of approaches to adjusting social assistance and child benefits have evolved. Provinces, territories and First Nations may also invest additional funds in benefits and services consistent with the objectives of the NCB. In 2003—2004, investments and reinvestments through the NCB initiative for provinces, territories and First Nations were estimated to be CAD 879.4 million.

Based on Statistics Canada's post-tax low-income cutoffs (post-tax LICOs), and comparing the actual child benefits structure in 2001 to what it would have been without the NCB, it has been estimated that because of the NCB, there was a reduction of 8.9 percent in the number of low-income families, meaning that 94,800 children in 40,700 families were not living in low-income situations. For these families, their average disposable income was higher by an estimated 9.2 percent (about CAD 2 200). The analysis also found that the NCB had a positive impact on families with children who remained in low-income situations. For these families, the NCB reduced the low-income gap by 12.3 percent and increased their average disposable income by about 5.5 percent (about CAD 900).

Source: http://www.nationalchildbenefit.ca/ncb/library1.shtml

New Zealand: Working for Families

The Working for Families package in New Zealand was the centre-piece of the 2004 Budget. By 2007 the package will provide around NZD 1.1 billion a year in extra financial and in-work assistance to families with dependent children, roughly doubling expenditure to around 1.4% of GDP. The key components of Working for Families are as follows: An expansion of the maximum amounts of three of the four Family Assistance tax credits, and changes to one of the credits to target it more explicitly to working families. An expansion of the income-eligibility guidelines for Family Assistance, so that as a family's income rises it can continue to receive Family Assistance over a greater range of income. Greater financial support is available for almost all families with children, earning under NZD 70 000 a year; many families with children, earning up to NZD 100 000 a year, and some larger families earning more. For the first time Working for Families indexes Family Assistance parameters for inflation after 2008. It includes a cut in core benefits for families with children — not enough to make beneficiaries net losers under Working for Families, but enough to increase the relative gains from work versus not-working. Other benefit changes include expansion of child-care subsidies and the Accommodation Supplement, a payment to families with high housing costs relative to income.

Sources: http://www.workingforfamilies.govt.nz/ and http://www.fulbright.org.nz/voices/axford/docs/johnsonn.pdf

United Kingdom: Ending Child Poverty by 2020

The UK child poverty pledge is a public commitment to end child poverty by 2020, with interim steps of reducing it by one-quarter by 2004 and by one-half by 2010. Further targets, to reduce worklessness, and improve the quality of housing, education and health have also been outlined.

The government's commitment to end child poverty is reflected in a range of programs.

The **Working Tax Credit** (WTC) replaced the Working Families Tax Credit in April 2003, supplementing the earnings of low-income workers. For the first time, low-income workers without children or a disability could be eligible for a tax credit. The WTC is payable to the main earner in a family. The WTC has several components— a disabled worker element, a child care element, a "30 hours" element, a basic or 'adult' element, and an element for couples and lone parents. Families with children and workers with a disability are eligible for the WTC provided they work at least 16 hours per week. To maintain incentives for these families to move into full-time work, the "30 hours element" is paid to a claimant who works at least 30 hours. Workers aged 25 and over with neither children nor a disability are eligible for the WTC if they work at least 30 hours a week. In 2005-2006, the maximum awards given to individuals or couples with incomes below a certain threshold were GBP 1 620 per year for the adult element, GBP 660 per year for the 30 hours element, and GBP 1 595 per year for the couples and lone parents element per year. For families with income above the threshold, the tax credit is reduced by 37 pence for every pound over the threshold.

Childcare Tax Credit. The child-care element of the WTC, or the Childcare Tax Credit (CTC), is designed to help offset child care costs for couples or lone parents who work for at least 16 hours a week. In 2005/6 the CTC is worth up to 70% of the first GBP 300 a week in eligible child care costs for two or more children or the first GBP 175 a week for one child. Thus, the maximum CTC for a family with two or more children is GBP 210 a week, and the maximum weekly credit for a family with one child is GBP 122.50. The percentage of eligible child-care costs that can be covered is scheduled to increase to 80 percent in 2006. The credit gradually phases out as income increases, but continues to provide help to families with income well above the poverty level: for example, in 2003 a family with two children, maximum child-care costs and an income of GBP 35 000 a year can still receive up to GBP 50 a week in support for child care.

Tax credits work along with a **national minimum wage** (NMW) to provide a Minimum Income Guarantee for all working households. The NMW was established in 1999 at a rate of GBP 3.60 an hour for adults 22 and over, and has since been increased to GBP 5.05. By October 2006 the rate will be GBP 5.35. The increases in the NMW have outpaced increases in the UK's average earnings and price indices.

In efforts to promote employment, the government has launched a set of "New Deals"— including the New Deal for Lone Parents, the New Deal 25+, the New Deal for Young People, and the New Deal for Disabled People.

New Deal for Lone Parents. Before this policy, lone parents received only limited employment-related assistance. The New Deal for Lone Parents is a nationally designed program that encourages work, offering the

services of a personal adviser, job search, training, and after-school care to help parents who are not working (or working under 16 hours per week) move from welfare to work. Among the program's components are the following. **The Work-Based Learning for Adults and Training for Work** program offers lone parents a wide selection of training and a GBP 15 incentive per week to take part in training. **The Childcare Subsidy** helps parents who are working fewer than 16 hours per week pay for child care, and covers the cost of child care for lone parents who have found a job through the New Deal for up to one week before they start work. **The Work Search Premium** provides GBP 20 per week to lone parents who participate in the New Deal for Lone Parents and agree to undertake intense and active work search. While all lone parents receiving Income Support (cash assistance) are required to attend work focused interviews, more extensive participation in the New Deal for Lone Parents is voluntary. The government has set a target that 70 percent of lone parents should be employed by 2010. In 2005, 56 percent of lone parents were employed, up from 45 percent in 1997.

Sources: http://www.clasp.org/publications/uk_childpoverty.pdf http://www.dwp.gov.uk/ofa/related/final_conclusions.pdf

United States: The Child Tax Credit

Originally enacted as part of the Taxpayer Relief Act of 1997, the Child Tax Credit (CTC) provided a USD 500 tax credit for dependent children under the age of 17. Eligibility was phased out at high income levels. The credit was also of little or no value to low-income households because few had any income tax liability. (A small refundable tax credit was available to some families with three or more children.) As a result, the CTC was effectively a middle-class entitlement program. The Economic Growth and Taxpayer Relief and Reconciliation Act of 2001 (EGTRRA) and the Jobs and Growth Taxpayer Relief and Reconciliation Act of 2003 doubled the credit to USD 1 000 and significantly expanded the credit's refundability. Families with earnings over USD 10 000 could receive a credit in excess of their tax liability. The refundable portion of the credit increased with earnings. Like many other federal income tax provisions, the USD 10 000 refundability threshold was indexed for inflation and has now reached USD 11 000. The expanded refundable tax credit made the CTC more valuable to many lower-income families, though many with very low incomes were still left out.

The child tax credit (CTC) provides over USD 46 billion in subsidies to families with children every year (Joint Committee on Taxation, 2005). This is equal to the entire federal budget for children and family services programs (excluding health care) administered by the Department of Health and Human Services (the largest of which is Temporary Assistance for Needy Families, at USD 18 billion per year). The earned income tax credit (EITC), the largest cash assistance program for low-income families, which is also run through the tax system, totals USD 39 billion per year.

Source: http://www.urban.org/UploadedPDF/411232_child_tax_credit.pdf

3. Family and child poverty – trends, risks and composition

3.1 Trends in household composition

15. Before turning to estimates of child poverty, it is useful to summarise what our data show about both trends in household composition and household incomes in OECD countries, as these are among the main factors impacting on poverty trends. Annex Table A.2 summarises trends in household composition. Looking across the OECD as a whole, the most notable trend between the 1980s and 2000 has been the increase in the share of households where at least two adults are employed in the labour market – from around 52% in the 1980s to close to 60% in 2000. Correspondingly, the share of two-adult, single-earner families has declined from 38% to 30% over the same period.[7] The share of all single adult households with children has increased from around 6 to 7.5%, while the share of jobless households increased between the 1980s and the 1990s, but has tended to fall back since.

7. It is important to note that these data will underestimate the number of lone-parent families in the population, because lone parent households only include households containing one adult with children. Lone parents who share their households with other adults 18 years and over – grown-up children, their own parents, relatives or cohabitants are counted as living in households with two or more adults. This appears to have significant impact on estimates of the number of lone-parent households in Denmark, for example.

16. However, patterns and trends vary widely between countries. In Germany, two-earner families account for under 40% of households with children, and they are around half of all households with children in Australia, Belgium, Greece, Italy, Luxembourg, Poland and Spain. By contrast in the United States, two-earner households comprise two-thirds of all households with children, and in Canada, Sweden and Finland close to three-quarters of households with children, and 85% in Denmark. Households of one adult with children are under 5% of households with children in a significant number of OECD countries – Denmark (apparently – but see footnote 7), Greece, Hungary, Italy, Luxembourg, Mexico, Portugal, Spain, Switzerland, and Turkey, but account for more than 15% of households with children in the United Kingdom and Sweden.

17. Joblessness among families with children similarly varies widely, being 3% or less in Austria, Greece, Japan, Luxembourg, Mexico, and Portugal, but more than 10% of households with children in Australia, Germany, Hungary, Poland, and the United Kingdom, and close to 10% in the Netherlands and New Zealand.

3.2 The income position of different types of households

18. How do incomes differ between family types? Annex Table A.3 compares the level of average disposable incomes of different types of households expressed as a percentage of the average income of all households with children, and also shows trends in incomes, expressed relative to the average for all households with children, and in real terms (adjusting for inflation). In all countries, households where two adults are employed have the highest average disposable incomes, while non-employed households are worst off by a wide margin. For the OECD as a whole, two-earner households with children had disposable incomes about 14% higher than the average for all families with children, and single-earner, two-adult households were about 14% below the overall average. Households with no adult employed had average incomes between only 45% (one jobless adult with children) and 55% (two jobless adults with children) of the overall average. Relatively speaking, jobless lone-parent households have the highest incomes in Greece and Turkey, and the lowest in the United States, where their incomes are less than a quarter of the overall average for families with children, and in Canada, Hungary, Italy, Luxembourg, Poland, Portugal and Spain, where incomes are under 40% of the overall average. The patterns for jobless couples with children are broadly similar.

19. Income trends by type of household vary across OECD countries. In a number of countries, some jobless households have seen falls in real disposable incomes (after adjusting for inflation). This is the case in Denmark and Finland for jobless two-adult households, in France, Hungary, New Zealand and Poland for jobless one-adult households, and for both types of jobless households in Mexico and the United States. In contrast, jobless households in Australia and Norway have enjoyed the highest rate of increase in real disposable incomes, as have jobless couples in Canada, Hungary, Japan, Luxembourg and the United Kingdom, and jobless lone-parent households in Austria, Denmark, Greece and Italy (but from an extremely low base in Italy).

3.3 Child poverty trends

20. Table 2 shows trends in child poverty rates in terms of market incomes and disposable incomes ("before" and "after" taxes and transfers respectively) in the 1980s, the 1990s and 2000 (see note to Table 2). It should also be noted that both market and disposable income poverty are measured against a constant poverty line. Over the longer term, child poverty rates after taxes and transfers have fallen in Australia, Canada, Denmark, Spain and the United States, and in Greece and Norway, but only to a minor extent. Since the 1980s, there have been large increases in child poverty in Austria, West Germany, Italy, Ireland, Japan, the Netherlands, New Zealand, and the United Kingdom. Other countries show small increases.

Table 2. Trends in child poverty, before and after taxes and transfers, 1980s to around 2000

Poverty rates for children and percentage point change

	1980s		*Mid-1990s*		*Around 2000*		*Change 80's to 90s*		*Change 90s to 2000*		*Change 80's to 2000*	
	Before	*After*	*Before*	*After*	*Before*	*After*	*Before*	*After*	*Before*	*After*	*Before*	*After*
Australia	20.6	15.5	29.9	10.9	26.6	11.6	9.3	-4.6	-3.3	0.7	6.0	-3.9
Austria	-	5.5	-	7.3	-	13.3	-	1.8	-	6.0	-	7.8
Belgium	-	-	14.9	4.1	-	-	-	-	-	-	-	-
Canada	20.7	15.8	23.0	12.8	21.1	13.6	2.4	-2.9	-1.9	0.8	0.5	-2.1
Czech Rep.	-	-	15.8	5.5	21.4	7.2	-	-	5.6	1.7	-	-
Denmark	9.6	4.0	13.4	1.8	11.8	2.4	3.8	-2.3	-1.6	0.6	2.2	-1.7
Finland	9.3	2.8	17.3	2.1	16.7	3.4	8.0	-0.8	-0.7	1.4	7.3	0.6
France	24.8	6.6	26.0	7.1	27.7	7.3	1.1	0.5	1.7	0.2	2.8	0.6
Germany-west	12.7	6.9	16.4	10.4	19.6	11.7	3.7	3.5	3.2	1.4	7.0	4.8
Germany	-	-	17.5	10.0	19.9	10.9	-	-	2.4	0.9	-	-
Greece	-	12.7	-	12.3	-	12.4	-	-0.3	-	0.0	-	-0.3
Hungary	-	-	-	10.3	-	13.1	-	-	-	2.8	-	-
Ireland	30.7	13.3	34.9	13.4	24.9	15.7	4.2	0.1	-10.0	2.3	-5.8	2.4
Italy	10.7	11.5	19.3	18.6	15.9	15.7	8.6	7.1	-3.4	-2.9	5.2	4.2
Japan	8.3	10.8	11.2	12.0	12.9	14.3	3.0	1.2	1.7	2.3	4.6	3.5
Luxembourg	-	6.8	-	7.9	-	7.8	-	1.1	-	-0.1	-	1.0
Mexico	-	23.5	-	26.0	-	24.8	-	2.5	-	-1.2	-	1.3
Netherlands	15.4	3.3	17.9	9.1	16.1	9.0	2.5	5.8	-1.8	-0.1	0.7	5.7
New Zealand	18.9	9.8	29.3	12.7	28.7	14.6	10.4	2.9	-0.6	1.9	9.8	4.8
Norway	8.8	3.9	13.3	4.4	11.8	3.6	4.5	0.5	-1.5	-0.8	3.0	-0.3
Poland	-	-	-	13.6	-	14.5	-	-	-	0.9	-	-
Portugal	-	-	16.9	15.6	16.4	15.6	2.3	3.2	-0.5	0.0	-	-
Spain		16.9		17.4		15.6		0.5		-1.8		-1.3
Sweden	10.0	2.4	20.8	2.5	16.1	3.6	10.8	0.1	-4.7	1.1	6.0	1.2
Switzerland	-	-	12.5	10.4	7.8	6.8	-	-	-4.6	-3.6	-	-
Turkey	-	20.3	-	19.7	-	21.1	-	-0.7	-	1.4	-	0.8
UK	23.5	9.7	32.2	17.4	29.1	16.2	8.6	7.7	-3.0	-1.2	5.6	6.5
US	28.8	25.1	29.0	22.3	26.6	21.7	0.2	-2.8	-2.4	-0.6	-2.1	-3.4
OECD avg.	17.4	10.8	21.6	11.3	20.5	12.1	4.8	1.1	-1.3	0.5	3.3	1.5

Note: All income components are generally reported on a "gross" basis, i.e. before deduction of direct and payroll taxes (social security contributions) paid by individuals and households. Except for Austria, Greece, Hungary, Mexico, Poland, Spain and Turkey, where income components are recorded on a "net" basis and information on taxes paid is not available. Columns labelled "before" denote market income poverty, while columns labelled ('"after") reflect disposable income poverty ("after" the subtraction of taxes and the addition of cash transfers).

Source: Calculated from OECD Income Distribution Study.

21. Child poverty rates before taxes and transfers rose significantly between the 1980s and the 1990s – with very large increases in vulnerability in Australia, Finland, Italy, New Zealand, Sweden and the United Kingdom – but disposable income poverty rose by much less. The rise in vulnerability to poverty (i.e. market income poverty) is likely to be associated with increasing numbers of lone-parent families and higher joblessness, as well as widening wage inequalities in some countries. Since the mid-1990s, vulnerability to poverty has generally fallen - very strongly in Ireland and Spain - but disposable income poverty rose to a small extent on average (although Austria and New Zealand saw large increases), while disposable income poverty fell in Italy, Luxembourg, the Netherlands, Norway, Spain, Sweden, Switzerland, the United Kingdom and the United States.

3.4 Poverty risks by household composition

22. Child poverty trends are thus quite diverse across countries – both by period and income measure. Nevertheless, countries share some key characteristics of child poverty in common, in particular the effects of household composition on poverty risks. First, lone parents are generally more likely to be in poverty than two-adult households: single-adult households who are working generally have higher poverty rates than two-adult households where one parent is employed, with the exceptions of Denmark, Norway, Sweden and Portugal; and non-employed lone-parent households also have higher poverty rates than jobless two-parent households, except in Finland, the Netherlands and Norway. Second, the employment status of parents is of crucial significance in determining poverty risks (Table 3). In nearly all countries poverty rates among non-employed lone parents are at least twice as high as among those in paid work, and in some countries by more than five to one. Poverty rates among couples with children where neither parent is employed, on average, are three times higher than where one parent is employed, and nearly ten times higher than where both parents are employed. Jobless families can have poverty rates up to 40 times higher than families where both parents are in paid employment (Norway).

Table 3. Poverty among children and households with children, around 2000

Poverty rates for children, households with children and by household type, percentages

	Children	*Households with children*	*Households with children and one adult*		*Households with children and two or more adults*		
			Not working	*Working*	*No worker*	*One worker*	*Two workers*
Australia	11.6	10.2	58.7	11.7	43.3	5.4	3.3
Austria	13.3	11.5	67.6	23.3	35.6	12.7	8.6
Belgium	4.1	3.3	22.8	11.4	16.1	2.8	0.6
Canada	13.6	11.5	89.7	27.7	75.3	22.9	3.5
Czech Republic	7.2	5.6	53.7	5.5	35.7	3.7	0.6
Denmark	2.4	2.1	22.2	4.0	19.0	6.4	0.7
Finland	3.4	3.3	25.0	7.2	25.8	5.4	1.3
France	7.3	6.7	61.7	9.6	37.9	6.3	1.6
Germany	12.8	9.5	55.6	18.0	51.5	6.4	1.9
Greece	12.5	11.1	18.8	20.0	13.4	16.8	4.8
Hungary	13.1	10.8	..	..	33.1	10.0	6.7
Ireland	15.7	13.5	88.7	22.1	74.8	17.4	1.6
Italy	15.7	14.3	76.8	13.4	61.1	23.9	1.6
Japan	14.3	12.9	52.1	57.9	46.0	12.3	10.6
Mexico	24.8	20.7	45.6	32.6	37.9	26.2	15.4
Netherlands	9.0	7.6	42.8	17.7	50.7	7.8	1.7
New Zealand	14.6	12.4	63.5	18.6	45.5	13.9	4.8
Norway	3.6	2.9	24.7	2.8	38.0	2.8	0.1
Poland	9.9	11.6	60.0	6.1	28.4	9.0	3.0
Portugal	15.6	13.1	84.8	20.3	50.6	32.4	4.8
Spain	15.6	13.7	68.2	32.8	64.7	18.1	4.7
Sweden	3.6	3.2	34.2	5.6	13.7	8.2	1.2
Switzerland	6.8	6.3	-	2.3 -	..	9.6	4.7
Turkey	21.1	17.6	51.6	65.4	25.2	17.2	15.7
UK	16.2	13.6	62.5	20.6	37.4	17.6	3.6
United States	21.6	18.4	93.0	39.9	77.7	30.5	8.3
OECD average	11.9	10.3	55.2	19.9	41.5	13.3	4.4

Source: OECD Income Distribution Study.

23. Another way of describing relative poverty risks is to compare the representation of household types in the poor population with their representation in the general population. The "poverty risk" is the ratio of the share of the group in the poor population to their share in the total population. [8] On this basis, single parents are represented three times as often in the poor population as in the working-age population as a whole; jobless households are over-represented by a factor of more than five to one, and jobless lone parents by more than six to one (see the columns labelled "poverty risk" in Table 4).

Table 4. Poverty risks among households with children, around 2000

	Lone parents			*All jobless households with children*			*Non-working lone parents*		
	% of households with children	*% of poor households with children*	*Poverty Risk*	*% of households with children*	*% of poor households with children*	*Poverty Risk*	*% of households with children*	*% of poor households with children*	*Poverty Risk*
Australia	10.8	40.8	3.8	12.4	61.9	5.0	6.2	35.4	5.8
Austria	6.6	17.1	2.6	2.6	10.9	4.1	1.0	5.9	5.9
Belgium	12.1	47.1	3.9	4.8	26.6	5.5	1.6	11.3	6.9
Canada	8.7	32.0	3.7	4.0	29.0	7.2	2.0	15.8	7.8
Czech rep.	10.4	43.4	4.2	9.0	69.9	7.8	3.8	36.8	9.6
Denmark	4.2	14.2	3.4	4.6	41.9	9.2	0.7	7.8	10.5
Finland	10.0	31.6	3.2	4.1	31.2	7.7	1.8	13.9	7.5
France	7.7	30.4	4.0	7.4	50.8	6.8	2.5	23.0	9.2
Germany	14.0	40.5	2.9	11.7	59.4	5.1	5.0	26.0	5.2
Greece	3.4	6.0	1.8	2.8	3.7	1.3	0.7	1.2	1.7
Ireland	6.6	26.2	4.0	8.2	48.6	5.9	3.1	20.6	6.6
Italy	2.5	4.3	1.7	4.1	17.9	4.4	0.5	2.4	5.4
Japan	3.3	14.7	4.4	0.6	2.4	3.8	0.3	1.4	4.0
Luxembourg	3.9	19.9	5.1	1.6	7.7	4.7	0.4	4.0	9.7
Mexico	3.2	5.1	1.6	3.0	5.4	1.8	0.5	1.0	2.1
Netherlands	9.5	38.1	4.0	8.2	50.2	6.1	4.8	26.9	5.6
New Zealand	11.9	34.7	2.9	9.0	39.7	4.4	4.7	23.9	5.1
Norway	13.8	47.6	3.4	6.8	70.1	10.3	4.4	38.4	8.6
Poland	5.7	17.2	3.0	10.2	41.8	4.1	2.2	13.0	6.0
Portugal	3.1	7.7	2.5	2.0	9.4	4.6	0.6	3.8	6.5
Spain	1.9	5.6	2.9	4.4	20.7	4.8	0.4	2.0	5.0
Sweden	17.1	49.4	2.9	3.9	30.7	7.9	2.2	23.4	10.7
Switzerland	3.7	1.3	0.4	..	..	..	..	..	..
Turkey	1.6	5.3	3.3	4.8	8.3	1.7	0.9	2.6	3.0
UK	15.3	45.7	3.0	11.5	45.0	3.9	7.3	33.7	4.6
US	11.2	29.9	2.7	3.1	14.9	4.7	1.8	9.2	5.1
OECD	7.8	25.2	3.1	5.8	31.9	5.3	2.4	15.3	6.3

Notes: The poverty risk is the ratio of each group among poor households with children relative to their share among all households with children.

..: Data not available.

Source: Calculated from OECD Income Distribution Study.

24. It is therefore clear that in most OECD countries joblessness is strongly associated with a much higher risk of child poverty. Having said this, employment *per se* is not the complete solution to child poverty. Working lone parents have poverty rates exceeding 20% in 11 OECD countries, and poverty rates among single-income couples are over 20% in five countries, and are even substantial for two-earner families in Japan, Mexico and Turkey (Table 3).

8. For example, in Australia single adult households account for 10.8% of all households with children in the population, but 40.8% of all poor households with children; thus, in Table 4, their "poverty risk" is 3.8 (i.e. 40.8 divided by 10.8).

25. In fact, on average, only around one-third of poor families with children are jobless in OECD countries, but this share ranges from under 10% in Greece, Japan, Luxembourg, Mexico, Portugal and Turkey to more than 50% in Australia, the Czech Republic, France, Germany, the Netherlands and Norway (Table 5). Other countries with an above average share of jobless poor households include Denmark, Ireland, New Zealand, Poland and the United Kingdom. Around half of all poor families with children in OECD countries live in single-income families, but this share ranges from 20% in Australia to more than 70% in Greece, Italy and Luxembourg. Only 20% of poor families with children have both parents employed, on average; poverty among two-earner families is negligible in Germany and Norway, but accounts for nearly half of all child poverty in Japan.

Table 5. Composition of child poverty by number of earners in the household, around 2000

Share (%) of poor persons in each household type

	None employed	*One employed*	*Two or more employed*		*None employed*	*One employed*	*Two or more employed*
Australia	61.9	20.7	17.4	**Mexico**	5.4	62.8	31.8
Austria	10.9	41.3	47.7	**Netherlands**	50.2	35.7	14.2
Belgium	26.6	64.4	9.0	**New Zealand**	39.7	36.8	23.4
Canada	29.0	48.8	22.1	**Norway**	70.1	28.8	1.1
Czech Rep.	69.9	24.1	5.9	**Poland**	41.8	49.9	8.4
Denmark	41.9	28.5	29.5	**Portugal**	9.4	64.6	26.0
Finland	31.2	40.6	28.2	**Spain**	20.7	62.2	17.1
France	50.8	35.6	13.6	**Sweden**	30.7	44.4	24.9
Germany	59.4	39.9	0.7	**Switzerland**	..	55.8	44.2
Greece	3.7	75.5	20.8	**Turkey**	8.3	50.3	41.5
Ireland	48.6	44.6	6.7	**UK**	45.0	36.5	15.6
Italy	17.9	76.6	5.5	**US**	14.9	55.0	30.1
Japan	2.4	48.6	49.0	**OECD**	31.9	47.8	21.4
Luxembourg	7.7	70.8	21.5				

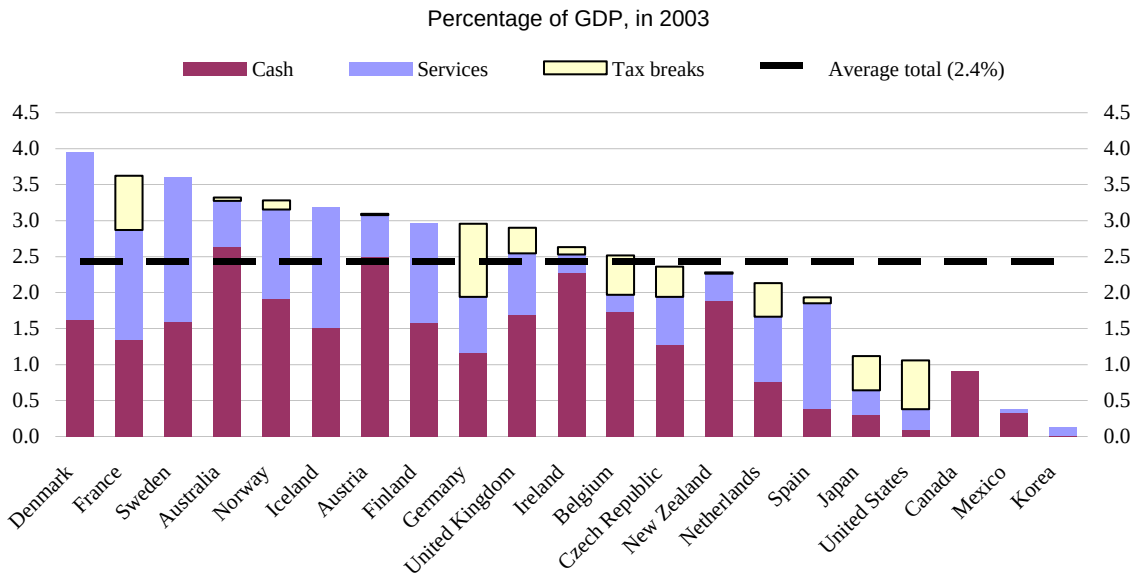
Source: Calculated from OECD Income Distribution Study.

4. Tax and benefit policies and their effect on poverty and employment

26. How effective are government social policies in reducing child poverty? Answering this question is complex, because there are varying measures of the relevant social programmes and measurement of their impacts involves difficult conceptual challenges. Many government policies impact on the wellbeing of families with children, either positively or negatively, and it is possible to define family support either broadly or narrowly (Corak *et al.*, 2005). Using a broad definition, tax and benefit systems can redistribute income towards families either by providing a minimum level of income for those without paid employment (social assistance, unemployment benefits, disability payments), or by supplementing the incomes of employed and non-employed families with children. Other public policies also affect the disposable incomes of the employed, notably the minimum wage. Non-cash benefits and policies in the areas of education, health, housing and child care, for example, can also have a significant impact on child wellbeing and child poverty. In addition, poverty lines are usually set by reference to cash disposable incomes; taking account of non-cash benefits implies not only adding the value of non-cash benefits received to the incomes of recipients, but also their value needs to be taken into account in setting the poverty line. In contrast, a narrow definition of family policy will usually only focus on those programmes specifically identified as being for families; these usually only include those programmes that supplement the incomes of families with children, such as cash benefits that are not means-tested or through income-related supplements, or alternatively through taxation expenditures.

27. In the discussion below, we use both social expenditure data and information derived from income surveys, but it is important to note that these can differ in scope. For example, OECD social expenditure data on family assistance (Chart 1) refer to programmes specifically directed to families, such as family allowances or income-related benefits for children, but some countries include assistance for lone-parent families (although in other countries similar benefits will be counted as social assistance spending); these expenditure data also include spending on child care and other services for children, and information on tax expenditures for families, as provided in Adema and Ladaique (2005). These data are reasonably comprehensive, but the nature of the data means that it is not possible to identify how benefits are distributed across households, or between rich and poor. The information available in income distribution surveys, such as those available to the OECD, allows us to look at the distribution of benefits, but it usually involves a narrower (and sometimes unclear) definition of family assistance, and it is not possible to identify tax support for families, even though the effects of this support are included in observed tax liabilities; alternatively it would be possible to take a broader measure of cash benefits and direct taxation, but this would include assistance received by people without children as well as assistance received by families with children.

Chart 1. Public spending on family benefits in cash, services and tax breaks



Note: The definition of public support used here only concerns public support that is exclusively for families (e.g. child payments and allowances, parental leave benefits and childcare support). Spending recorded in other social policy areas as health and housing support also assists families, but not exclusively, and is not included here.

Source: OECD (2007), Social Expenditure Database.

4.1 Assistance for families – levels and distribution

28. Families with children have always been an important client group for social policies in OECD societies, but direct public spending on families tends to be low compared to other types of social spending (OECD, 2007): on average, in 2003 it accounted for less than 2% of GDP — and for around 3% or more in Australia, Austria, Denmark, Finland, France, Norway and Sweden. Cash transfers represent the dominant component of gross public spending (around 70%), although in-kind services represent more than half of these outlays in Finland, Iceland, Japan, Korea, Mexico and the United States (but very small absolute amounts in the latter four countries). In absolute levels, spending on services is highest (exceeding 1% of GDP) in Denmark, Finland, France, Iceland, Norway and Sweden.

29. However, as noted, an important component of family assistance in some countries is delivered through the tax system, and many countries combine tax support with direct family assistance. Chart 1 shows that taking account of tax expenditures increases average public spending on families in OECD countries to around 2.4% of GDP in 2003. The addition of tax expenditures for families is most significant in France, Germany, Belgium, the Czech and the Slovak Republics, the Netherlands, the United Kingdom, the United States and Japan. As a result, for example, while gross public spending on families is about one-third higher in Denmark than in France, net spending is actually higher in France. In the case of the United States it has been estimated that tax credits and exemptions are the largest single component of support for children.

30. Family cash benefits – as identified in income surveys - comprise a relatively small share of the disposable income of working-age households – only around 2% on average (Table 6), but as high as 4% in Sweden and Luxembourg and 5% in France.[9] For the lowest decile, these benefits are considerably more significant, exceeding 10% of household disposable income in eight countries. On average, the poorest 20% of the working-age population receive around 30% of family cash benefits, while the richest quintile receive around 10%. The degree of targeting of these benefits – measured either by the ratio of the benefits received by the poorest quintile to the benefits received by the richest quintile or by the Concentration coefficient for family transfers – is highest in the United States, the United Kingdom, New Zealand and Australia, where the poorest quintile receive between 40% and 60% of family cash benefits (the Czech Republic, Ireland and Hungary also have above-average targeting).

31. The redistributive impact of different systems, however, is a product both of how much is spent as well as how it is targeted; for example, while in France only around one quarter of family cash benefits are received by the poorest quintile compared to nearly two-thirds in the United States, measured spending in France is about ten times higher than in the United States, so that in absolute terms (i.e. as a percentage of the total household disposable income of the working age population), the amount received by the poorest quintile in France is more than four times higher than in the United States.[10]

9. The definition of family cash benefits in income surveys are not the same as in OECD social expenditure statistics, for example, assistance for families through the tax system is not separately identified in income surveys (although the impact of tax assistance is taken into account in observed taxes paid by different families).

10. For example, Table 6 shows that in France family benefits are 5.1% of total household disposable income, and 26.8% of this is 1.37% of French household disposable income; in the United States, family benefits are only 0.5% of household disposable income and 65.2% of this is 0.33% of American household disposable income.

Table 6. Family Cash Benefits, size and distribution, around 2000

	Benefits as % of disposable income		*Distribution of benefits*			
	Total	Lowest decile	*Share of lowest Quintile (%)*	*Share of richest Quintile (%)*	*Ratio Q1/Q5*	Concentration coefficient
Australia	1.8	12.9	45.2	1.2	37.7	-47.3
Austria	3.0	8.7	23.9	12.2	2.0	-14.0
Belgium	3.8	5.9	15.6	20.9	0.7	5.2
Canada	1.0	11.3	28.9	2.6	11.1	-53.6
Czech Republic	2.1	10.4	33.2	7.5	4.4	-33.4
Denmark	1.3	3.0	22.6	10.5	2.2	-13.0
Finland	3.5	7.5	21.3	11.5	1.9	-12.6
France	5.1	17.0	26.8	9.8	2.7	-19.2
Germany	3.7	10.3	20.7	17.1	1.2	-6.0
Greece	0.4	1.6	19.9	17.8	1.1	-2.9
Hungary	5.0	18.6	26.4	14.8	1.8	-13.5
Ireland	2.9	15.4	33.4	9.8	3.4	-24.4
Luxembourg	4.2	13.9	24.7	13.1	1.9	-11.9
Netherlands	1.3	4.5	27.2	9.2	3.0	-20.3
New Zealand	1.5	17.8	58.2	2.5	23.3	-52.2
Norway	2.5	6.7	19.9	12.0	1.7	-11.8
Poland	1.3	6.0	25.0	17.0	1.5	-10.8
Portugal	0.8	2.8	22.0	15.1	1.5	-7.9
Sweden	4.0	7.9	20.7	9.7	2.1	-15.1
Switzerland	0.7	4.4	20.2	14.3	1.4	-8.9
United Kingdom	0.5	7.1	58.2	5.8	10.0	-51.8
United States	0.5	7.7	65.2	1.5	43.5	-59.5
OECD Average	2.3	9.3	30.6	10.2	3.0	-23.3

Note: The Concentration coefficient is calculated in the same way as the Gini coefficient, so that a coefficient of zero would mean that all income groups received the same amount of assistance. However, benefits are ranked according to household disposable incomes, and therefore, the greater the share of benefits received by lower income groups, the more negative will be the Concentration coefficient.

Source: OECD Income Distribution study, 2004.

32. A common approach to measuring the effectiveness of the tax and benefit systems in reducing child poverty is to compare poverty rates in terms of market and disposable incomes – or "before" and "after" taxes and transfers, with the inference being that the difference between these measures can be seen as the "effectiveness" of the tax and benefit systems in reducing poverty. This approach has a number of limitations, including the fact that not all taxes and all transfers are necessarily being measured; in addition, this assumes that the distribution of market income has not been affected by the existence and incentive effects of the taxation and transfer systems. Bearing in mind these significant caveats, the results of such calculations (Table 7) suggest that public transfers and tax advantages towards families with children play a significant role in reducing child poverty at a point in time. On average, across 19 OECD countries, public transfers and taxes lift out of relative poverty around 40% of all households with children whose market income is below the poverty threshold. The extent of this reduction ranges from around 70% or more in the Nordic countries, Belgium, the Czech Republic and France, around 60% in Australia to being negligible in Italy and Portugal, and the tax and benefit systems apparently increase child poverty in Japan and Switzerland.

Table 7. Effect of taxation and benefit systems on child poverty, OECD countries, 2000

Poverty rates in percent before (market) and after (disposable) taxes and transfers and differences by household types

		Single adult		***Two adults***			***All households with children***
		Working	*not working*	*two working*	*one working*	*non working*	
Australia	Market	43.7	97.6	6.4	22.2	98.0	24.1
	Disposable	11.7	58.7	3.3	5.4	43.3	10.2
	Difference	*73.2%*	*39.9%*	*48.8%*	*75.9%*	*55.8%*	*57.7%*
Belgium	Market	27.2	95.4	1.6	14.3	99.2	13.1
	Disposable	11.4	22.8	0.6	2.8	16.1	3.3
	Difference	*58.1%*	*76.1%*	*62.5%*	*80.2%*	*83.8%*	*74.7%*
Canada	Market	43.6	97.3	7.3	36.5	95.6	18.1
	Disposable	27.7	89.7	3.5	22.9	75.3	11.5
	Difference	*36.3%*	*7.8%*	*52.4%*	*37.2%*	*21.2%*	*36.7%*
Czech Rep.	Market	16.6	98.6	1.7	23.8	97.3	17.2
	Disposable	5.5	53.7	0.6	3.7	35.7	5.6
	Difference	*66.7%*	*45.6%*	*65.7%*	*84.6%*	*63.3%*	*67.6%*
Denmark	Market	22.1	91.3	5.0	27.0	83.7	10.9
	Disposable	4.0	22.2	0.7	6.4	19.0	2.1
	Difference	*82.0%*	*75.7%*	*85.3%*	*76.1%*	*77.2%*	*80.4%*
Finland	Market	29.5	100.0	5.5	27.9	95.1	14.3
	Disposable	7.2	25.0	1.3	5.4	25.8	3.3
	Difference	*75.6%*	*75.0%*	*76.8%*	*80.6%*	*72.9%*	*76.8%*
France	Market	31.8	95.6	7.4	38.6	96.6	24.6
	Disposable	9.6	61.7	1.6	6.3	37.9	6.7
	Difference	*70.0%*	*35.4%*	*78.4%*	*83.6%*	*60.8%*	*72.7%*
Germany	Market	25.3	91.9	3.3	10.4	79.1	17.9
	Disposable	15.3	49.3	0.2	5.5	47.2	9.5
	Difference	*39.6%*	*46.3%*	*94.3%*	*46.7%*	*40.3%*	*46.9%*
Ireland	Market	54.2	97.4	4.3	27.6	97.4	20.7
	Disposable	22.1	88.7	1.6	17.4	74.8	13.5
	Difference	*59.2%*	*9.0%*	*64.0%*	*37.1%*	*23.2%*	*34.9%*
Italy	Market	17.8	94.0	1.4	22.1	88.2	14.6
	Disposable	13.4	76.8	1.6	23.9	61.1	14.3
	Difference	*24.7%*	*18.3%*	*-14.3%*	*-8.1%*	*30.7%*	*1.7%*
Japan	Market	56.5	75.3	8.5	9.8	38.4	10.7
	Disposable	57.9	52.1	10.6	12.3	46.0	12.9
	Difference	*-2.5%*	*30.8%*	*-24.0%*	*-25.8%*	*-19.9%*	*-19.9%*
Netherlands	Market	28.3	93.6	2.7	14.3	86.8	13.9
	Disposable	17.7	42.8	1.7	7.8	50.7	7.6
	Difference	*37.5%*	*54.3%*	*37.0%*	*45.5%*	*41.6%*	*45.6%*
New Zealand	Market	57.5	100.0	7.3	31.0	97.5	24.1
	Disposable	18.6	63.5	4.8	13.9	45.5	12.4
	Difference	*67.7%*	*36.5%*	*34.2%*	*55.2%*	*53.3%*	*43.5%*
Norway	Market	14.0	97.0	0.4	9.5	94.1	10.0
	Disposable	2.8	24.7	0.1	2.8	38.0	2.9
	Difference	*80.0%*	*74.5%*	*87.5%*	*70.5%*	*59.6%*	*71.5%*
Portugal	Market	21.2	87.3	3.8	34.3	91.4	13.4
	Disposable	20.3	84.8	4.8	32.4	50.6	13.1
	Difference	*4.2%*	*2.9%*	*-25.7%*	*5.3%*	*44.6%*	*2.8%*
Sweden	Market	33.7	98.2	3.5	33.3	96.6	13.8
	Disposable	5.6	34.2	1.1	8.2	13.7	3.2
	Difference	*83.3%*	*65.1%*	*68.8%*	*75.4%*	*85.8%*	*76.7%*
Switzerland	Market	7.5	..	3.2	9.8	..	5.7
	Disposable	2.3	..	4.7	9.6	..	6.3
	Difference	*69.4%*	..	*-47.0%*	*2.4%*	..	*-10.8%*
UK	Market	41.7	96.7	6.1	32.6	98.8	25.0
	Disposable	20.6	62.5	3.6	17.6	37.4	13.6
	Difference	*50.5%*	*35.4%*	*41.4%*	*46.1%*	*62.2%*	*45.6%*
US	Market	51.2	98.3	10.8	36.6	93.5	22.6
	Disposable	40.3	93.8	8.3	30.5	77.9	18.4
	Difference	*21.2%*	*4.6%*	*23.6%*	*16.7%*	*16.7%*	*18.9%*
OECD Average	Market	34.0	93.7	4.9	23.6	87.7	16.3
	Disposable	18.6	55.7	3.3	12.4	44.3	9.2
	Difference	*49.7%*	*40.2%*	*39.3%*	*43.0%*	*44.9%*	*40.2%*

Source: Calculated from OECD Income Distribution Study.

4.2 Adequacy of benefits and other support for families

33. Another way of assessing the likely impact of the tax and transfer systems in reducing poverty is to compare the level of benefit entitlements directly with median incomes, since the poverty line is set as a percentage of median income. Table 8 shows the net incomes of families receiving social assistance benefits before and after taking account of housing benefits, for lone parents with two children and couples with two children, expressed as a percentage of median disposable incomes in each country. Expressing benefits in this way facilitates comparisons with either the 50% of median income poverty line, or a 60% of median income line, a standard commonly used in European OECD countries.

34. In some countries benefit packages are already above a 50% poverty line, while in others they are practically non-existent. Lone-parent social assistance recipients receiving their full basic benefit entitlements will have incomes at or above the 50% poverty line in Australia, Belgium and Japan, and will be very close to this line in the Czech Republic, Denmark and Poland. Benefit entitlements are a long way below the 50% line in Spain, the United States, Hungary, Greece and Italy. Housing benefits boost recipients closer to the poverty line or above it in a considerable number of countries, so long as they do not require considerable out-of-pocket spending on housing. In no country are benefits above the 60% of median income poverty line, but they are closest to this standard in Australia, Denmark, Germany and New Zealand.

Table 8. Net incomes of social assistance recipients 2003

Percentage of median household income

	Lone parent with two children		***Couple with two children***	
	No housing-related benefits	*With housing-related benefits*	*No housing-related benefits*	*With housing-related benefits*
Australia	50.0	56.7	52.4	58.3
Austria	39.0	50.1	40.1	49.7
Belgium	50.0	50.0	43.3	43.3
Canada	40.4	40.4	37.0	37.0
Czech Republic	48.2	48.2	52.8	52.8
Denmark	46.4	54.0	46.1	51.6
Finland	32.3	49.2	36.8	51.5
France	29.2	44.7	29.2	42.6
Germany	33.8	58.5	32.7	54.1
Greece	1.9	1.9	1.7	1.7
Hungary	20.7	21.6	16.9	17.6
Ireland	31.6	44.6	36.4	48.6
Japan	51.0	51.0	49.0	49.0
Netherlands	38.8	45.6	36.9	42.6
New Zealand	47.1	54.8	44.9	51.0
Norway	36.5	44.3	39.7	39.7
Poland	46.6	46.6	54.5	54.5
Portugal	29.0	29.0	35.7	35.7
Spain	24.0	24.0	23.2	23.2
Sweden	25.9	42.4	30.0	44.3
Switzerland	32.6	48.8	32.5	46.5
United Kingdom	32.2	50.1	34.3	49.9
United States	18.8	21.2	20.1	22.2
OECD Average	32.8	40.3	33.8	39.9

Note: Estimates of the value of housing benefits assume that the rent before such benefits is 20% of average earnings. Median disposable incomes are projected from 2000 to 2003 values using changes in the Consumer Price Index for each country.

Source: OECD 2005, Benefits and Wages, OECD Indicators.

35. Broadly similar results are found for couples with children, with Australia, the Czech Republic and Poland having basic entitlements above the 50% poverty line and Denmark, Japan and New Zealand being close to this level. Receipt of housing benefits boosts a considerable number of countries above the line, but Greece, Italy, Spain and the United States provide very low levels of assistance (Box 4). Clearly, in countries with benefits close to the poverty line the poverty gap is likely to be much less than in countries with low benefit levels, such as Greece, Italy, Spain, Portugal and the United States.[11]

Box 4. Poverty and housing benefits and costs

Interpretation of differences in benefit entitlements across counties is complicated by the different role of housing benefits and housing costs (Bradshaw and Finch, 2002). There are no direct cash housing benefits included in some countries – Belgium, Canada, the Czech Republic, Greece, Italy, Japan, Poland, Portugal and Spain – while in Hungary and the United States these benefits have a minimal impact on income levels. Housing benefits are substantial in Austria, Finland, France, Germany, Ireland, the Netherlands, Sweden, Switzerland and the United Kingdom. The value of housing benefits can be calculated by comparing the columns for each family type in Table 8; thus housing benefits for a lone parent with two children are worth around 6.7% of median household income in Australia, but close to 18% of median household income in the United Kingdom and 25% in Germany.

Receipt of housing benefits may require substantial out-of-pocket expenditure on rental housing, however, for example in Australia and New Zealand, while in the United Kingdom housing benefits can cover all rental expenditures. In fact, even if recipients of cash housing benefits have to pay significant out-of-pocket costs, their incomes as measured in surveys may still be above the poverty line in a technical sense.

Indirect benefits through reduced rents for tenants are also important in some countries, but are not captured in this cash income measure. Moreover, home ownership can also contribute significantly to the living standards of low-income groups. Families with children, however, are more likely to be in the high housing expenses phase of the life-cycle when they are paying off a mortgage, and home ownership is thus more likely to have a positive impact on the living standards of older people.

Taking account of indirect housing benefits is potentially important because households may otherwise be incorrectly ranked in terms of economic wellbeing. For example, a household receiving a cash housing benefit may be measured as having a higher disposable income than an otherwise similar household receiving benefits in the form of reduced rents, even if the implicit subsidy is greater in the second case.

There are two broad approaches to dealing with the issues of housing benefits and housing costs. The first is to add the imputed value of indirect housing benefits to the income measure and to calculate poverty rates on the basis of this augmented income measure (Whiteford and Kennedy, 1995). It can be argued that this is the most appropriate approach to taking account of indirect housing benefits, but the approach requires considerable information on the value of government housing subsidies and imputed rent from owner-occupied housing and this is not always available. The alternative is to deduct housing costs from income, and calculate poverty rates on the basis of the narrower income measure (Fahey, Nolan and Maître, 2004; Ritakallio, 2003). It is usually argued that this approach is a proxy for the first approach, but it is less satisfactory because households may be using different quality housing, or may trade-off higher housing expenses against lower transport expenses, for example.

The main finding of research on these issues is that whichever way is used of taking account of housing benefits and costs, the direction of the impact differs across countries. Indirect government subsidies in the form of reduced rents for low-income households tend to be pro-poor in most cases, but vary in significance. Imputed income from owner-occupied housing varies significantly across countries, depending on the income profile of home ownership, but tends to help older people the most (Whiteford and Kennedy, 1995; Fahey, Nolan and Maître, 2004; Ritakallio, 2003).

11. Some – but not all – other measures of benefit entitlements give similar rankings of countries. For example, taking the same measures of entitlements and converting them to US dollars using purchasing power parities gives the result that entitlements are highest in Luxembourg, Switzerland, Japan, Australia, Norway, and the United Kingdom. Similar rankings are found when benefit entitlements are expressed relative to GDP per capita in each country.

36. The fact that benefit entitlements are calculated as being above the poverty line in some countries raises the obvious question of why there is any child poverty among jobless families in these countries. Among these countries, Belgium (in 1995) had the lowest disposable income poverty rates, but even there around 15-25% of jobless families were estimated to be in poverty (Table 4). There are a number of possible explanations; one is that the income surveys understate the incomes of benefit recipients, and a second is that take-up is a problem and not all benefit entitlements are actually claimed (see Mood Roman, 2005, and Hernanz *et al.*, 2004)). It is also likely that a simple comparison of benefit entitlements does not capture all the criteria that individuals have to satisfy to receive payments, including obligations to look for work, the age of qualifying children and asset limits. A further factor is that the poverty lines underlying the results in Table 8 have been projected to 2003 values using the consumer price index, whereas median incomes could have increased at a faster rate. In the case of Belgium, the original data refer to 1995, so that the projection methodology could lead to a widening divergence over time. In addition, as discussed above, results of this sort are sensitive to the choice of equivalence scales – if the McClements equivalence scales had been used rather than the square root scales, the poverty line for couples with children would be substantially higher (Box 2).

5. The effect of "benefit" and/or "work" strategies

37. In order to assess the relative effectiveness of the benefit and work strategies in reducing child poverty, this section of the paper presents the results of some relatively straightforward simulations of the effects of alternative policies. This involves setting a benchmark for other countries to achieve, either in terms of the redistributive impact of tax and benefit systems or in terms of changing the employment levels of families with children. In order to assess the benefits strategy, we assume that all countries could achieve the level of poverty reduction (i.e. the proportional difference in poverty rates before and after taxes and transfers) achieved by the third best-performing country. In the case of the employment strategy, we estimate the impact on poverty of achieving the level of joblessness of the third best-performing country, and then the share of two-earner families among couples, and then both changes combined.

5.1 The strategy of redistribution

38. How effective is the strategy of redistribution in reducing child poverty? If tax and benefit systems could be made as effective as the third best performing country in terms of the proportional reduction in child poverty (Sweden, with a reduction of around 78%), it is estimated that child poverty in OECD countries would be more than halved from 10.2 to 4.3 %, and no OECD country would have a child poverty rate above 7% (final column, Table 9).

39. At first glance this suggests that the strategy of redistribution is likely to be extremely effective in reducing child poverty. However the situation is more complicated. This is because Sweden starts with a very low level of joblessness and a level of market income poverty that is about 80% of the OECD average. This means that most countries wishing to be as effective as Sweden would actually have to spend considerably more than Sweden, or spend more and target it better. As a percentage of total disposable income, Swedish family benefits are already twice the OECD average (Chart 1). However, it is also possible to measure effectiveness in terms of the percentage-point reduction in child poverty, rather than the proportional reduction; using this criterion Australia is the third most effective country in reducing poverty (by 15 percentage points). In contrast to Sweden, Australia appears to spend below the OECD average, but targets it considerably more, with the Concentration coefficient for family cash benefits being about twice the OECD average (see Table 6 above). This discussion suggests that there are alternative approaches to redistribution.

Table 9. Simulated reduction in child poverty through redistribution, actual and counterfactual,[a] around 2000

Poverty rates for children

	Before	*After*	*Reduction*	*Counterfactual*
Australia	26.6	11.6	0.56	6.0
Belgium	14.9	4.1	0.72	3.3
Canada	21.1	13.6	0.36	4.7
Czech Republic	21.4	7.2	0.66	4.8
Denmark	11.8	2.4	0.80	2.4
Finland	16.7	3.4	0.80	3.4
France	27.7	7.3	0.74	6.2
Germany	19.9	10.9	0.45	4.5
Ireland	24.9	15.7	0.37	5.6
Italy	15.9	15.7	0.01	3.6
Japan	12.9	14.3	-0.11	2.9
Netherlands	16.1	9	0.44	3.6
New Zealand	28.7	14.6	0.49	6.4
Norway	11.8	3.6	0.69	2.6
Portugal	16.4	15.6	0.05	3.7
Sweden	16.1	3.6	0.78	3.6
Switzerland	7.8	6.8	0.13	1.7
United Kingdom	29.1	16.2	0.44	6.5
United States	26.6	21.7	0.18	6.0
OECD	20.5	12.1	0.45	4.3

Note: (a) Shows actual poverty rates before and after taxes and transfers and simulated rates if all countries were as effective as the third best-performing country (Sweden) in reducing child poverty (by 78%).

Source: Calculated from OECD Income Distribution Study.

5.2 Does a "work-strategy" work?

40. As noted above, jobless households have very much higher poverty rates in nearly all OECD countries than do households with at least one earner. What then would be the impact of increasing employment among parents on child poverty? Table 10 simulates changes in poverty rates, first if the number of jobless households was reduced to the level of the third-best performing OECD country (Portugal), and second if the share of two-income couples was increased to the share of the third-best performing country (Denmark); and third, if both effects were achieved simultaneously. The new poverty rates are calculated with within-group poverty rates held constant, so the results simply show the impact of changes in the composition of the population in terms of work status of parents.

41. Not unexpectedly, reforms to reduce joblessness would have widely differing impacts on child poverty in different OECD countries. Overall, if it were possible in all OECD countries to reduce joblessness to the level of the third best-performing country and current within-group poverty rates were unchanged, child poverty would fall from 10.2% to 9.0%, on average. In some countries the effects would be small – for example, in the United States, poverty would only fall from 18.4% to 17.8%. In contrast, child poverty would fall by between two and 4.5 percentage points in Australia, the Czech Republic, France, Germany, Ireland, New Zealand and the United Kingdom. This suggests that in these countries reforms to reduce joblessness among families with children should be a priority.

42. Reforms that encouraged an increase in the number of two-earner families would have diverse impacts. On average, if it were possible to increase the share of two-earner families to the level of the third best-performing country, then child poverty would fall from 10.2% to 8.7%, or by slightly more than the reduction associated with reduced joblessness. In many countries, the effect of such a reform would be negligible, but the impacts on child poverty would be large in Greece, Italy, Mexico, Poland, Portugal and Spain (falls of between two and six percentage points). This suggests that in these six countries reforms to encourage employment among partners in single-earner families should be particularly encouraged.

Table 10. Simulated changes in child poverty rates under differing employment assumptions, OECD countries, 2000

Poverty rates in percentages

	Actual household poverty rate	*Change in jobless households*	*Increase in share of two-earner couples*	*Combined reform*
Australia	10.2	6.5	9.9	5.8
Austria	11.5	11.3	11.0	10.8
Belgium	3.3	3.0	2.5	2.5
Canada	11.5	10.3	11.1	9.1
Czech Republic	5.6	2.8	5.2	2.7
Denmark	2.1	1.8	(2.1)	1.8
Finland	3.3	2.9	(3.3)	2.8
France	6.7	4.6	6.0	3.8
Germany	9.5	5.8	7.8	4.2
Greece	11.1	11.1	7.3	6.5
Ireland	13.5	9.7	10.9	6.0
Italy	14.3	13.6	7.7	4.9
Japan	12.9	(12.9)	12.5	12.5
Luxembourg	6.9	(6.9)	5.2	5.0
Mexico	21.9	21.7	18.2	17.2
Netherlands	7.6	5.7	7.0	4.8
New Zealand	13.6	9.9	12.6	9.1
Norway	2.9	1.7	2.7	1.7
Poland	11.6	9.0	8.8	4.8
Portugal	13.1	(13.1)	10.5	8.6
Spain	13.7	12.6	9.8	7.3
Sweden	3.2	2.7	(3.2)	2.7
Switzerland	6.3	..	5.3	4.9
Turkey	17.5	17.3	17.0	16.7
United Kingdom	13.6	10.2	12.4	8.8
USA	18.4	17.8	16.9	15.6
OECD average	10.2	9.0	8.7	7.0

Notes: Column 1 shows the poverty rate for households with children around 2000 (except Belgium, which is 1995); Column 2 shows what the poverty rate would be if the share of workless households was reduced to the level of the third-best performing country (Portugal) and the poverty rate within household groups was held constant; Column 3 shows the poverty rate if the number of single-earner couples decreased and the number of two-earner couples increased to the level of the third-best performing country (Denmark), and the poverty rate within groups was held constant. Column 4 shows the effects of a combined reform, reducing joblessness and increasing the share of two-earner couple. Countries which perform better than the benchmark are assumed to be unchanged, and these and the benchmark counties are shown in brackets.

..: Data not available.

Source: Calculated from OECD Income Distribution Study.

43. A reform that combined both effects would have stronger impacts overall, and child poverty on average would fall to 7%, or by around 30%. In some countries, the effects would not be particularly strong – for example, Sweden, reflecting the fact that it already has very low poverty and very high employment levels in both dimensions. In other countries such as Japan, the effects would not be very

strong, again because employment levels are already very high, but because within-group poverty rates are high, child poverty would become nearly twice the OECD average. The impact of these changes would be strongest in Italy, where poverty would fall by close to 10 percentage points, followed by Poland, Spain, Portugal, the United Kingdom, Australia, Germany and Greece.

44. A number of caveats should be attached to these estimates. The poverty line has been held constant before and after the simulated changes, even though an increase in employment would increase the median income and *might* therefore increase the poverty line itself.[12] This is defensible if one thinks of the poverty line as fixed in the short run, but it does imply that from a purely relative perspective these results overestimate the impact on poverty. A related if more important factor is that by holding the poverty rates constant within groups, we are assuming that the average incomes of those who get jobs are the same as those currently with jobs. It is likely, however, that the current jobless would be less well educated and less qualified than the currently employed, so that their wage rates if they were able to find jobs would be below those of the currently employed.

45. A further factor is that in some cases the changes required to achieve these outcomes are very large. For example, the employment rate of lone parents in Portugal is 80%, so that the employment rates of lone parents in Australia, Ireland, and the Netherlands would have to increase by 30 percentage points and in New Zealand and the United Kingdom by more than 20 percentage points to reach this level. Correspondingly, for the share of two-earner couples to rise to the Swedish level, it would be necessary in Greece, Italy and Spain for the employment rates of partnered mothers to rise by close to 40 percentage points.

46. In considering the relative merits of the work strategy and the redistribution strategy, it is also important to note that encouraging employment is not a costless policy. In order to encourage greater employment among parents, a range of policy options would need to be considered, including expansion of the availability of child care in some countries and increased child-care support to improve affordability. To increase the share of two-earner families, it may be necessary to reduce taxes for second earners. In addition, reducing the number of jobless families is not simply a matter of tightening eligibility requirements, but may require a range of other initiatives to support parents in the transition to work.[13] Reducing joblessness, however, does have the advantage of potentially increasing tax revenues and reducing social assistance expenditures, which can offset some of the costs of improved support services.

5.3 How much work to get out of poverty and financial incentives to work more

47. Overall, this discussion suggests that while encouraging employment of the jobless and increasing the share of two earner families is likely to be an essential part of any effective policy to reduce child poverty, complementary strategies are required. That is, as well as effectively encouraging employment, policies are needed to reduce poverty among working families.

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12. Immervoll *et al*. (2006) show that poverty simulations can be sensitive to different types of macro-changes and effects can differ significantly across countries.

13. For example, the 1996 welfare reforms in the United States were part of a wider set of initiatives, which included the prior doubling of the earned-income tax credit in 1993 for lower-income workers; the 1997 Balanced Budget Act, which included USD 3 billion to move long-term welfare recipients and low-income, non-custodial fathers into jobs; the Access to Jobs initiative, which helped communities create innovative transportation services to enable former welfare recipients and other low-income workers to get to their new jobs; and the welfare-to-work tax credit, which provided tax incentives to encourage businesses to hire long-term welfare recipients. Spending on the core work support programs (Medicaid/SCHIP, food stamps, child care subsidies, and the EITC) increased in real terms by 27 percent between 1996 and 2002 (Urban Insitute, 2006).

48. Perhaps the starting point for thinking about these issues is first to determine what policies are needed to ensure that families are not poor when they are in paid work, to develop and structure policies to support families in earning more than the poverty line, and then to consider reforms to out of work benefits that are consistent with the goal of supporting work effort.

49. An obvious starting point is the level of the minimum wage. Working full-time at the minimum wage – where it exists – and combined with relevant family benefits - should be sufficient for single-earner families to escape poverty in half the countries with a minimum wage (Table 11). Indeed, the combination of the minimum wage and tax and benefit policies appears already to be sufficient in Australia, Belgium, Ireland, New Zealand and the United Kingdom to place sole-parent families above a 60% of median income poverty line, and is also sufficient for couples with children in Australia and the United Kingdom. In contrast, families at the minimum wage are well below the 50% poverty line in Spain, Greece, Hungary, Portugal and the USA. If one chooses to use a 40% of median income poverty line, however, some of these countries would be closer to achieving this standard, although Spain and Greece are still well below this lower level.[14]

Table 11. Net incomes of full-time minimum-wage earners

Per cent of median household income

	Lone parents	*One-earner couples*		*Lone parents*	*One-earner couples*
Australia	83.8	73.1	**Netherlands**	52.7	44.4
Belgium	62.1	53.0	**New Zealand**	61.4	50.3
Canada	53.1	47.3	**Poland**	46.6	54.5
Czech Republic	48.2	52.8	**Portugal**	42.8	47.6
France	54.4	51.2	**Spain**	23.9	22.0
Greece	32.6	28.2	**United Kingdom**	74.8	63.1
Hungary	40.9	34.4	**United States**	36.6	35.1
Ireland	63.7	50.2	**OECD average**	51.8	47.1

Notes: Includes housing benefits, assuming that rent before benefits is 20% of APW wage. Parents are assumed to work 40 hours per week at the minimum wage and receive all their benefit entitlements.

Source: OECD 2005, Benefits and Wages, OECD Indicators.

50. Comparison of the results in Table 11 with the estimated poverty rates among working families for lone parents and single-earner couples (Table 3) finds the expected negative correlation between the level of net incomes at the minimum wage and the number of working poor families (the correlation is –0.335). However, some countries appear to have relatively high numbers of working poor given their relatively high net minimum wages for families (Canada, Ireland and the United Kingdom), while others appear to have relatively low levels of working-poor families despite lower net incomes at the minimum wage (the Czech Republic, Hungary and Poland). Other countries, as expected, either have high minimum wages and low in-work poverty (Australia, Belgium, France, the Netherlands) or low minimum wages and higher in-work poverty for families (Greece, Portugal, Spain and the United States).

51. It might be argued that increases in the minimum wage are not the most efficient way of reducing child poverty, given that the minimum wage also benefits people without children and individuals in families already above the poverty line. This raises the role of in-work benefits and tax assistance as potentially more effective redistributive measures. Table 12 shows the level of earnings required by families to achieve disposable incomes of 60% of median equivalent income, given the existing minimum

14. Countries without a statutory minimum wage are likely to have collective agreements that guarantee high effective wages for the low paid.

wage and existing family assistance through the benefit and tax system (e.g. including the EITC in the United states and similar measures elsewhere). The level of additional earnings required is expressed as a percentage of the Average Production worker's Wage (APW). This calculation takes into account all interactions with the tax system, as well as the withdrawal of benefits. For example, a lone parent with two children in Australia would need to earn only 10% of the APW level to reach the 60% of median income poverty line, while in Austria, a similar family would need to earn 66% of the APW level. The significant differences across countries reflect the nature of their benefit systems, including the generosity of benefit levels and the rate at which benefits are reduced as earnings rise, as well as the level of in-work benefits.

52. Bearing in mind the level of wages and the interactions of the taxation and benefits systems, lone-parent families could fairly easily escape poverty (at the 60% of median income level) through additional work in Australia and New Zealand, and Germany, after taking account of housing benefits (Table 12).[15] This reflects the fact that in Australia and New Zealand the existing benefit systems for lone parents have very high cut-out points, and continue to supplement wages over extended income ranges, while in Germany housing benefits do the same.

Table 12. In-work earnings required to reach the poverty line (60% of median disposable income)

Per cent of average production workers wage (apw)

	Lone parent with two children		***Couple with two children***	
	No housing-related benefits	*With housing-related benefits*	*No housing-related benefits*	*With housing-related benefits*
Australia	10	2	22	1
Austria	66	66	86	86
Belgium	47	47	58	58
Canada	58	58	88	88
Czech Republic	66	66	76	76
Denmark	73	71	87	21
Finland	57	37	99	99
France	84	78	98	98
Germany	50	1	57	57
Greece	92	92	108	108
Hungary	89	89	119	119
Ireland	38	38	84	84
Italy	59	59	65	65
Netherlands	75	75	101	101
New Zealand	17	9	41	29
Norway	66	66	104	104
Poland	68	68	78	66
Portugal	102	102	107	107
Spain	97	97	114	114
Sweden	71	56	108	108
Switzerland	78	78	92	92
United Kingdom	39	39	66	39
United States	101	101	117	117
OECD	65	61	86	80

Notes: Housing benefits assuming that rent before benefits is 20% of APW wage.

Source: OECD 2005, Benefits and Wages, OECD Indicators.

15. It is possible to justify a higher poverty line for employed families than for non-employed families because of the additional costs of working, particularly child care.

53. In Belgium, Finland, Ireland and the United Kingdom, a lone-parent family could also escape poverty with a job that paid less than half the average production worker's wage. In most other OECD countries lone-parent families would require a job that paid at least two-thirds of the average production worker's wage, and in Portugal and the United States a lone parent would need to earn more than the APW level to escape poverty. The earnings required for couples with children to exit poverty are higher – because adjusted for household size, their needs are greater - but of course the presence of two adults means that their potential hours of work are considerably greater than for a lone-parent family. As with lone-parent families it appears that it would be relatively straightforward for couples to exit poverty in Australia and New Zealand. In Belgium, Germany and the United Kingdom, a family would need earnings of up to 70% of the APW level, and in the Netherlands, Norway, Portugal, Greece, Sweden, Spain, the United States and Hungary, a wage over the APW-earnings would be required to escape poverty for a couple with two children. One conclusion that might be drawn from this is that this last group of countries may need to consider introducing new policy instruments or extending existing programmes of in-work benefits if they wish to reduce child poverty.

54. Of course, it could be argued that higher employment, including increased hours of work are in themselves the most appropriate solution to child poverty, and increased earnings should reduce the poverty gap, even if it does not have an apparent impact on child poverty rates. There are also concerns that in work-benefits such as an Earned Income Tax Credit may improve incentives for lone parents to participate in the paid labour market, but may worsen incentives for second earners because of the family income test, and that they may also reduce incentives for individuals to invest in training and education, thus reducing long-term earnings growth.

55. The discussion in the previous section has shown that in a significant number of OECD countries social assistance entitlements are already fairly close to the 50% poverty line. For groups judged not to be capable of taking up paid employment opportunities, there could be a case for improving these benefits where they are already close to the poverty line, since marginal changes may not be likely to have a significant impact on employment behaviour. Where benefit entitlements are much further away from the poverty line, the situation is more complex, both because the cost of initiatives would be higher and the implications of a dramatic expansion in assistance for incentives to work may be more problematic.

56. Two further issues relate to barriers to work. A concern expressed in many OECD countries is with high effective marginal tax rates facing low-paid workers as they make the transition from receipt of benefits into paid work, or as potential second earners entering or re-entering the paid labour market. In nearly all OECD countries, average effective tax rates on the low paid can be higher than on average earners or the high paid, primarily through the interaction of direct taxes with the withdrawal of benefits. However, while this factor is likely to provide a disincentive to paid work, it does not appear to explain variations in joblessness among families with children. Some countries such as Australia and New Zealand with high levels of joblessness have relatively low effective tax rates in these circumstances, while others such as Denmark, which has very high effective tax rates, have very low joblessness. The low level of employment for low-income parents in countries like Australia and New Zealand and also the United Kingdom and Ireland appears to be associated with the nature of their benefit systems - benefit levels are towards the upper end of the range of OECD countries, and the benefits are available without a work test until the youngest child is a teenager. These arrangements reinforce expectations that mothers should stay out of the labour force on a very long-term basis. In contrast, in countries with low levels of joblessness such as the Nordic countries, the public policy framework is based on encouraging and facilitating participation in paid work by mothers when their children are still quite young.

57. Apart from capacity and access constraints to child- and out-of-school hours care (OECD, 2002, 2003, 2004, and 2005c), an important related issue is the cost of childcare when parents are in paid employment (Immervoll and Barber, 2005). Net childcare costs are high in many countries. Even after

deducting all relevant types of government support, typical out-of-pocket expenses for two pre-school children can add 20% and more to total family budgets. In some cases, typical net costs are found to consume more than a third of family resources. For most countries results show that, before accounting for the costs of childcare, even low-wage employment brings significant income gains for lone parents and potential second earners in two-parent families. Yet, in several countries, tax burdens and the withdrawal of social benefits reduce gains from work to such an extent that even very limited childcare expenses can leave families with less money to spend than if they were to stay at home.

58. In a few countries, lone parents entering a low-wage job lose income even before accounting for any childcare-related expenses. Since non-employed lone parents are faced with extremely low incomes in some countries, and with considerable poverty risks everywhere, this highlights the need for work-friendly policies, including low effective tax burdens for low-wage earners and/or effective support for childcare. Once childcare costs are taken into account as work-related expenditures, low-wage second earners in about half the countries see more than 70% of their earnings consumed by childcare fees, taxes and reduced benefits. For lone parents, the payoff from employment can be lower still.

59. Two further points should be noted. It is likely that in some countries working families are poor because they are working insufficient hours, but our current data do not allow us to identify part-time work. This issue can only be addressed by collecting data that can identify whether families are poor due to part-time work. The second caveat relates to the fact that the poverty line is set at the same level for single-earner and two-earner couple families. There are strong reasons for arguing, however, that families at the same money income level but where different hours of work are required to produce those earnings are not in fact enjoying equal levels of welfare. Single-earner families benefit from more home production, in that the parent at home can provide more household services, including child care; alternatively, households with two earners may incur higher costs of working, including child care, travel costs, additional clothing costs, and purchase of household services, so their effective incomes are likely to be lower than those with one earner and the same disposable money income.

6. Conclusions

60. The objective of this paper has been to explore the relationship between child poverty and the employment status of parents. In this context, an obvious question is why do some countries have very low levels of child poverty while others have much higher levels? Belgium, Finland, Denmark and Sweden have below-average levels of child poverty “before taxes and transfers” and their tax and benefit systems appear to reduce these levels significantly, so that they end up with very low levels of child poverty after taxes and transfers (below 5%). France and Australia have tax and benefit systems that are very effective in reducing child poverty, but because they have high or very high levels of poverty before redistribution, their levels of child poverty after taxes and transfers are higher than in the first group of countries. Poland is able to reduce child poverty more (in percentage points) than any other country, but because it starts with a level of market income poverty that is the highest in the OECD, it ends with a level of poverty that is still above average. The United Kingdom has a tax and transfer system that is more effective than average, but as the level of poverty before taxes and transfers is high, so is its post-tax transfer level of poverty. Mexico, Italy, Portugal, Spain, Japan and Switzerland have systems that reduce child poverty only to a limited extent if at all, so that poverty in terms of disposable income is similar to market income poverty. Thus, for example, Mexico has very high disposable income poverty, but Switzerland rather low. The remaining countries are more effective than this group in reducing poverty, but are not as effective as the United Kingdom or the Nordic countries.

61. To generalise, all countries with very low levels of child poverty (under 5%) also have relatively low levels of joblessness (except Norway, where joblessness is only just above the OECD average) and relatively low market income poverty, together with tax and transfer systems that are very effective at

further reducing child poverty, usually through high levels of spending rather than through targeting. But not all countries with low joblessness have low poverty. Countries that have relatively high levels of child poverty appear mainly to have very high levels of poverty among working families, and tax and benefit systems that are not effective in reducing it.

62. This study also simulates the potential effects of increased family spending and employment-stimulating polices on levels of child poverty. There are many caveats to this rather mechanical approach including; different poverty lines would generate different sizes of poverty-reducing effects; different results would be generated by using other equivalence scales; the fact that poverty lines are assumed constant while changes in employment would shift the poverty line; the assumption that people who find a job on average earn as much as people who already have jobs; and in some cases resulting reductions in poverty rates would require very large increases in employment rates for groups of workers.

63. Notwithstanding these limitations, the following conclusions about the effectiveness of the "benefit" and/or "work" strategies appear to emerge:

- Reforms to reduce levels of family joblessness to a set benchmark would have widely differing impacts on child poverty in different OECD countries. In some countries the effects would be small – for example, in the United States, Luxembourg, Japan and Portugal. In contrast, child poverty would fall by more significant amounts in Australia, the Czech Republic, France, Germany, Ireland, New Zealand and the United Kingdom. This suggests that in these latter countries reforms designed to reduce joblessness among families with children should be a priority.

- Reforms that encouraged an increase in the number of two-earner families on average would have a stronger effect on reducing child poverty, and there could be significant falls in Greece, Italy, Mexico, Poland, Portugal and Spain. This suggests that in these six countries reforms to encourage employment among partners in single income families should be particularly encouraged.

- Reform that included both reduced household joblessness and an increase in dual-income families would be particularly effective in Italy, followed by Poland, Spain, Portugal, the United Kingdom, Australia, Germany and Greece. However, disregarding those countries where child poverty is already very low, this two-prong strategy would have a relatively limited impact in Austria, Canada, Japan, Mexico, Turkey and the United States - implying that these countries would need to increase their effectiveness in reducing poverty among those in work.

- On the surface, a pure "benefit strategy" appears more effective in reducing poverty than a "work strategy", but this conclusion is substantially complicated by the fact that most countries would have to spend considerably more than the benchmark country (Sweden), which has a below-average level of child poverty before taxes and transfers and already spends much more than the OECD average on family payments and on other benefits to people of working age.

- These considerations point to the obvious conclusion that policy choices in this area should not be seen as choosing between either work or benefits, but require a balanced approach that encourages increased employment among parents and also increases the rewards of paid work at the same time. In this context two points are relevant: first, in virtually all countries non-employed families are the most economically disadvantaged, so increased employment will assist those who are among the most disadvantaged; and second, a policy of encouraging employment is likely to be a pre-requisite for public and political support for more effective redistribution to the poor.

- These findings are also relevant to the argument that there is an unavoidable trade-off between providing generous assistance to the poor and improving incentives for people to work and provide for themselves. On average across OECD countries, there is a fairly strong correlation between the effectiveness of tax and benefit systems in reducing poverty and the level of family joblessness. The correlation coefficient is 0.63 – implying that every 1 percentage point increase in the level of poverty reduction achieved by the welfare state is associated with an increase in the number of jobless families by 0.63 percentage points. Among the English-speaking countries, the correlation is even stronger (about 0.92), so that Australia and the United Kingdom reduce child poverty very significantly and have very high levels of joblessness among families; while Canada and the United States reduce poverty much less, but have much lower levels of joblessness (although they have much higher poverty among working families with children). That is, in the English-speaking countries the argument made by Adam, Brewer and Shepherd (2006) appears to apply – more generous support to poor families is associated with higher levels of family joblessness. However, among the Nordic countries the correlation between joblessness and redistribution is negative (-0.93). While further analysis would be required to verify this, this could reflect the pro-employment policy orientation of the Nordic welfare states.

- In some cases existing programmes and policies appear to be sufficient to substantially reduce child poverty, so that fairly incremental policy changes could be very effective in reducing poverty rates significantly. For example, lone-parent families could fairly easily escape poverty (at the 60% of median income level) through additional work in Australia and New Zealand, and Germany, after taking account of housing benefits. In other cases, it appears that countries would need to consider the introduction of new policy instruments if they wished to make an inroad into reducing child poverty.

64. In conclusion, our analysis shows that while joblessness raises significant risks of child poverty, the factors associated with child poverty vary significantly across OECD countries. This means that simple policy prescriptions are not sufficient, but that policy responses need to be multi-faceted and carefully tailored to the situation in each country.

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ANNEX

SOURCES AND DATA FEATURES

Annex Table A.1. National sources and data adjustments

Country	*Survey-source*	*Year to which income refers*	*Period over which income is assessed*	*Sample size and response rate most recent year*	*Definition of households*	*Recorded income*	*Other data features*
Australia	*Household Expenditure Survey*	1984 1989 1994 1999	June to June, except 1984 (calendar year)	About 8,900 households and 78% response rate	Persons living together in a private dwelling and having common provision for food and other essentials of living	Current income from wages and salaries and government transfers. Annual income from other sources is pro-rated to a weekly equivalent	Personal income taxes were collected until 1993-94 and imputed thereafter. Negative income bottom coded to zero. .
Austria	*Micro census*	1983 1993 1999		67% for income questions		Net income. Incomes are monthly averages. Income data exclude capital incomes and self-employment incomes (if the self-employed person is the household head)	All income data are collected net of taxes and social security contributions and those are not imputed. Income components asked on individual level. Imputation of non-response (1993, 1999).
Canada	*Survey of Consumer Finances* *Survey of Labour and Income Dynamics*	1975 1985 1995 1995 2000	Income over the full calendar year	About 30,000 households and 85% response rate	A person, or group of persons, residing in a dwelling	Market income and government benefits, net of income taxes	Amounts received through some government transfers derived from other sources. Survey data on taxes are complete and do not require imputation Income items which were coded as non-response in SLID were set to zero
Czech Republic	*Micro census*	1992 1996 2002		About 38,000 dwellings and 76% response rate	Private households	Annual disposable income in each year. For 1992 no information on "taxes" is available	No imputation, no negative incomes.
Denmark	*The Danish Law Model System*	1983 1994 2000	Annual income	About 170,000 persons. For all these persons, income data are based on registers.	Couples include both married and cohabitating partners. Children above 17 living at home are considered as separate households	Disposable income net of personal taxes and contributions to private pension schemes	Data are derived from several tax and benefits registers (the Danish Law Model is not a survey). Negative incomes are set to zero. Payments from private pension schemes are included in capital income
Finland	*Household Budget Survey* *Finnish Income Distribution Survey*	1976 1986 1995 2000		Around 13,000 households and 75% response rate	Persons living in private households		
France	*Family Budget Survey*	1984 1989 1994 2000	Annual income if the 12 moths preceding the survey	Around 10,000 households and 70% response rate	Persons living in the same housing unit	Values for individual income components are aggregated into total income	Income, housing and property taxes as declared in the survey. Social security contributions paid by workers are excluded. Capital income in 2000 estimated by applying an average rate of return to survey-measure of asset holdings Negative incomes are replaced with values over the three preceding years. Missing data are imputed.
Germany	*Socio-Economic Panel*	1984 1989 1994 2001 (old Länder) 1994 2001 (all Länder)	Annual income in the year preceding the survey	Around 13,000 households, initial response rate over 50%, cross-sectional response rate over 95%	People living together and sharing their income	Self-employment income is included in "earnings", occupational pensions in "current transfers", private pensions in "capital income"	Direct taxes and social-security contributions paid by workers are imputed from micro-simulation models Income below the social minimum of DM 5000 per year is excluded.

Annex Table A.1. National sources and data adjustments (contd.)

Country	Survey-source	Year to which income refers	Period over which income is assessed	Sample size and response rate most recent year	Definition of households	Recorded income	Other data features
Greece	*Household Budget Survey*	1974 1988 1994 1999		96% 93% 86% 84%	Private households	All incomes in cash, net of taxes and social insurance contributions	Missing incomes - households that did not provide income information - excluded from the sample
Hungary	*Hungarian Household Panel* *Household Monitor Survey*	1991 1995 2000	From April of the year in question to following March	About 2,000 households and 67% response rate	Private households	Incomes in cash, net of taxes and social insurance contributions	No negative incomes. Missing incomes excluded in 1992, partly replaced by imputed values in 1996 and 2001
Ireland	*Survey of Income Distribution Living in Ireland Survey*	1987 1994 2000	Current weekly income	About 3,500 households and 69% response rate	Persons living together, sharing budget arrangements, and meeting at least once per week for meals. Persons temporarily absent and living in collective households also included	Income excluding non-monetary components	
Italy	*Bank of Italy Survey of Household Income and Wealth*	1984 1991 1993 1995 2000	Annual income	About 8,000 households and 38% response rate	Persons living in the same dwelling and contributing part of their income to the household	Disposable income Income from financial assets (not available in 1984), "gifts" and family benefits excluded in all years.	Gross income data based on a micro-simulation model to estimate income taxes and social security contributions paid by workers Micro-simulation models used for 1995 and 2000 differ slightly from that used for previous years. Private transfers and pensions (minor items) are included in "public transfers"
Japan	*Comprehensive Survey of Living Condition of the People on Health and Welfare*	1985 1995 2000	Annual income in the year preceding the survey	About 32,000 households and 80% response rate	Persons sharing the same housing unit and livelihood. Data exclude households headed by a person aged less than 17, and all individuals whose age is not recorded	Gross income All income items as reported in the survey	Negative disposable income allowed, negative values for income components set to zero Persons with income three times larger than the standard deviation excluded (1.6% of all persons in 1995 and 1.3% in 2000)
Luxembourg	*Panel Socio-Economique Liewen zu Lëtzebuerg*	1986/87 1996 2001	Annual income	About 2,300 households and 57% response rate		All types of incomes in cash, net of taxes and social insurance contributions	Include all private households in which at least one person belongs to national social security system (around 97% of the population). Negative incomes set to zero
Mexico	*Survey of Household Income and Expenditure*	1984 1994 2002	Income in the 3rd quarter of each year.	About 20,000 households and 85% response rate in 2002	Persons normally sharing a housing unit and having common expenditure for food	Quarterly cash income net of direct taxes and soc. security contributions. Income items as reported in the survey	Private pensions cannot be separately identified and are included in "public transfers"
Netherlands	*Income Panel Survey*	1977 1985 1990 1995 2000		About 82,000 households and 100% response rate (data from tax registers)	Persons living at the same dwelling and running a common budget		Data exclude persons with zero or negative disposable household income
New Zealand	*Household Economic Survey*	1986 1991 1996 2001	June to June in all years except 2001 (June to March period)	About 2,800 households and 73% response rate	Persons sharing a private dwelling and normally spending four or more nights a week in it	Disposable income All receipts received regularly or of a recurring nature	Direct taxes paid by households imputed through microsimulation models Missing incomes are treated as zeros

Annex Table A.1. National sources and data adjustments (contd.)

Country	Survey-source	Year to which income refers	Period over which income is assessed	Sample size and response rate most recent year	Definition of households	Recorded income	Other data features
Norway	*The Income Distribution Survey*	1986 1995 2000	Calendar year	About 13,000 households and 75% response rate	All individuals in the same dwelling having common housekeeping	Annual disposable income. All income data collected from registers	No missing data, negative income set to zero. Non-respondents included in sample with missing data replaced by data from registers
Poland	*Consortium for Household Economic Research Panel Database*	1995 2000		About 7,700 households and 100% response rate		Annual disposable income	Missing values imputed or set to zero
Portugal	*Household Budget Survey*	1980 1990 1995 2000	Income in the year preceding the interview	About 10,000 households and response rate close to 100% in all years	Persons living in the same dwelling	Gross income, excluding all non-monetary components	
Spain	*Continuous survey of household budgets*	1985 1990 1995	Income in the 2nd quarter of each year	About 3,200 households and 90% response rate in 1995	Persons sharing a common budget	Quarterly disposable income	All income components are on a net basis
Sweden	*Income Distribution Survey*	1975 1983 1991 1995 2000	Calendar year	About 14,500 households and 75% response rate. Data based on tax registers, complemented with survey data.	All individuals living together and sharing household resources.	Annual disposable income. All income data collected from tax records	No missing incomes, negative incomes included, households with negative disposable incomes deleted.
Switzerland	*Income and Consumption Survey*	1998 2000 2001		About 3,700 households and 35% response rate		Monthly gross and net income	No negative incomes, missing incomes imputed
Turkey	*Household Income and Consumption Survey*	1987 1994 2002					
United Kingdom	*Family Expenditure Survey*	1975 1985 1991 1995 2000	Income at the time of the interview for most items (over the previous 12 months for capital and self-employment income)	About 10,000 households and 60% response rate	Persons living in the same dwelling	Weekly gross income	Missing values excluded, negative values included
United States	*Current Population Survey*	1974 1984 1995 2000	Year preceding the March interview	About 50,000 households and 95% response rate	Persons occupying a housing unit.	Gross annual income	Model-based estimates of taxes paid by each household and in-kind government benefits added to survey data of gross annual income Negative values allowed when below $10

Annex Table A.2. Household composition, OECD countries, various years

Per cent of all households with children

	Single adult with children		*Two adults with children*			*All lone parents as % of households with children*	*All jobless households with children as % of households with children*
	working	*not working*	*Both adults working*	*One adult working*	*No adult working*		
Australia							
1984	3.5	4.2	50.0	36.2	6.1	7.7	10.3
1994	4.8	5.6	52.6	29.4	7.7	10.4	13.2
1999	4.7	6.2	53.9	29.1	6.2	10.8	12.4
Austria							
1983	4.0	2.5	40.9	49.6	3.1	6.5	5.5
1993	8.3	4.7	56.5	29.0	1.6	13.0	6.3
1999	5.6	1.0	64.3	27.4	1.6	6.6	2.6
Belgium							
1995	10.4	1.6	51.1	33.7	3.2	12.1	4.8
Canada							
1975	2.8	1.9	54.0	39.4	1.9	4.7	3.8
1985	4.3	2.7	66.4	24.6	2.1	7.0	4.7
1995	6.0	3.6	67.9	19.4	3.1	9.6	6.7
1995 SLID	5.5	2.9	68.9	19.6	3.0	8.4	6.0
2000 SLID	6.7	2.0	72.9	16.4	2.0	8.7	4.0
Czech Rep.							
1992	4.5	1.0	69.6	23.6	1.3	5.5	2.3
1996	5.0	1.5	65.0	26.1	2.4	6.4	3.9
2002	6.6	3.8	57.7	26.7	5.2	10.4	9.0
Denmark							
1983	2.9	0.4	88.0	5.9	2.8	3.4	3.2
1994	3.3	0.9	85.1	6.9	3.8	4.2	4.7
2000	3.4	0.7	84.7	7.3	3.8	4.2	4.6
Finland							
1976	3.6	0.1	85.5	10.6	0.1	3.8	0.3
1986	6.1	0.5	84.9	8.3	0.2	6.6	0.7
1995	8.1	2.2	83.6	4.9	1.2	10.3	3.4
2000	8.1	1.8	73.7	14.1	2.2	10.0	4.1
France							
1984	3.7	1.3	51.4	39.6	4.1	5.0	5.4
1989	3.6	1.9	55.4	35.5	3.5	5.6	5.5
1994	4.1	1.7	55.9	33.5	4.8	5.8	6.5
2000	5.1	2.5	57.4	30.0	4.9	7.7	7.4
West Germany							
1984	6.0	3.4	33.3	53.4	3.9	9.4	7.3
1989	9.4	3.6	32.5	51.4	3.1	13.0	6.7
1994	7.0	4.3	31.2	50.8	6.7	11.3	11.1
2001	8.5	4.6	33.4	46.9	6.6	13.1	11.2
Germany							
1994	6.9	4.4	35.1	46.8	6.8	11.3	11.1
2001	9.0	5.0	35.6	43.7	6.7	14.0	11.7

Annex Table A.2. Household composition, OECD countries, various years (contd.)

Per cent of all households with children

	Single adult with children		*Two adults with children*			*All lone parents as % of households with children*	*All jobless households with children as % of households with children*
	working	*not working*	*Both adults working*	*One adult working*	*No adult working*		
Greece							
1974	1.3	1.8	23.3	70.1	3.5	3.1	5.4
1988	2.0	1.9	33.7	58.0	4.4	3.9	6.4
1994	1.5	1.1	43.8	50.5	3.1	2.6	4.2
1999	2.6	0.7	47.7	46.8	2.1	3.4	2.8
Hungary							
1991	5.5	1.0	75.3	15.2	2.9	6.5	4.0
1995	4.5	0.9	74.6	13.8	6.3	5.4	7.1
2000	3.4	1.2	60.7	23.9	10.7	4.6	12.0
Ireland							
2000	3.4	3.1	58.1	30.3	5.1	6.6	8.2
Italy							
1984	1.0	0.2	44.3	53.2	1.4	1.2	1.5
1991	1.5	0.6	44.3	50.1	3.5	2.1	4.0
1993	1.4	1.0	45.4	48.0	4.1	2.5	5.2
1995	1.1	0.7	45.9	47.4	4.9	1.8	5.6
2000	2.0	0.5	49.1	44.8	3.6	2.5	4.1
Japan							
1985	1.2	0.3	53.4	44.6	0.4	1.5	0.7
1995	2.0	0.4	51.7	44.7	1.2	2.4	1.6
2000	3.0	0.3	59.6	36.8	0.3	3.3	0.6
Luxembourg							
1986/87	1.5	1.3	43.0	52.5	1.8	2.7	3.1
1996	4.2	1.0	36.7	55.4	2.6	5.2	3.6
2001	3.5	0.4	50.6	44.3	1.2	3.9	1.6
Mexico							
1984	2.6	0.5	38.4	55.6	2.9	3.1	3.4
1994	2.7	0.5	45.3	49.0	2.5	3.2	3.0
2001	3.4	0.8	51.0	42.7	2.2	4.1	3.0
Netherlands							
1977	0.6	1.8	38.5	56.2	2.9	2.4	4.7
1985	1.1	3.4	35.6	54.1	5.8	4.5	9.1
1990	2.3	4.4	44.1	43.9	5.3	6.8	9.7
1995	2.8	5.4	53.1	33.5	5.2	8.2	10.6
2000	4.8	4.8	63.1	23.9	3.5	9.5	8.2
New Zealand							
1986	4.5	3.6	62.0	27.9	2.0	8.1	5.6
1991	5.1	7.2	54.1	27.5	6.1	12.3	13.3
1996	5.8	7.4	54.3	26.5	6.0	13.2	13.4
2001	7.3	4.7	60.6	23.2	4.3	12.0	9.0
Norway							
1986	5.6	3.2	59.5	30.8	1.0	8.8	4.2
1995	8.2	5.3	62.4	21.5	2.6	13.5	7.9
2000	9.4	4.4	63.8	20.0	2.4	13.8	6.8

Annex Table A.2. Household composition, OECD countries, various years (contd.)

Per cent of all households with children

	Single adult with children		*Two adults with children*			*All lone parents as % of households with children*	*All jobless households with children as % of households with children*
	working	*not working*	*Both adults working*	*One adult working*	*No adult working*		
Poland							
1995	2.9	1.3	52.2	34.0	9.6	4.2	10.9
2000	3.6	2.2	50.7	35.6	8.0	5.7	10.2
Portugal							
1990	3.0	1.1	60.6	33.5	1.7	4.2	2.9
1995	2.0	0.6	66.7	28.6	2.0	2.6	2.6
2000	2.5	0.6	71.0	24.4	1.4	3.1	2.0
Spain							
1985	0.8	0.9	29.5	58.3	10.6	1.6	11.5
1990	1.1	0.8	43.0	50.6	4.5	1.9	5.3
1995 (old def.)	1.5	0.4	40.9	49.2	8.0	2.0	8.4
1995	0.9	0.4	41.8	50.8	6.0	1.3	6.4
2000	1.5	0.4	49.9	44.3	4.0	1.9	4.4
Sweden							
1975	9.5	1.0	70.8	18.3	0.4	10.5	1.4
1983	12.9	1.2	73.7	11.4	0.8	14.1	1.9
1991 (old def.)	15.2	2.3	71.2	8.6	2.6	17.6	5.0
1995	12.9	1.9	73.2	9.2	2.8	14.8	4.7
2000	14.9	2.2	74.0	7.2	1.7	17.1	3.9
Switzerland							
1998	4.4	1.4	54.9	38.2	1.1	5.8	2.5
2001	- 3.7 -		60.3	36.0	..	3.7	..
Turkey							
2002	0.7	0.9	46.1	48.3	3.9	1.6	4.8
United Kingdom							
1975	2.7	1.9	60.4	32.4	2.6	4.6	4.5
1985	4.2	3.6	54.5	31.0	6.7	7.8	10.3
1991	4.7	5.1	59.0	27.6	3.6	9.8	8.7
1995	6.6	7.5	57.5	24.3	4.1	14.1	11.6
2000	8.0	7.3	59.5	21.1	4.1	15.3	11.5
United States							
1974	5.3	3.1	54.2	34.5	2.9	8.4	6.1
1984	7.2	3.8	60.5	25.1	3.4	11.0	7.2
1989	7.6	3.5	65.0	21.6	2.4	11.1	5.8
1995	8.8	3.3	64.4	21.3	2.2	12.1	5.5
2000	9.4	1.8	66.8	20.7	1.3	11.2	3.1
OECD average							
1980s	4.0	2.0	52.8	37.9	3.3	6.0	5.4
1990	4.4	2.8	54.8	34.6	3.4	7.2	6.2
1990s	5.1	2.6	57.3	31.1	3.9	7.7	6.4
2000	5.3	2.3	59.3	29.6	3.6	7.5	5.9

Source: Calculated from OECD Income Distribution Study.

Annex Table A.3. Trends in incomes of different household types

Income of household type as percentage of incomes of all households with children

	Single adult with children		***Two adults with children***			***All families with children***
	Working	*not working*	*Both adults working*	*One adult working*	*No adult working*	
Australia						
1984	79.8	42.2	124.6	83.5	47.1	100.0
1994	81.7	49.3	123.1	83.1	54.8	100.0
1999	80.4	45.6	121.5	85.7	49.0	100.0
Relative level	*100.7*	*108.0*	*97.5*	*102.7*	*104.0*	-
Absolute level	*109.9*	*117.9*	*106.4*	*112.1*	*113.6*	*109.2*
Austria						
1983	83.2	44.0	123.7	86.9	62.6	100.0
1993	94.9	82.0	116.0	75.7	55.2	100.0
1999	73.4	46.4	112.4	80.7	60.0	100.0
Relative level	*88.3*	*105.5*	*90.8*	*92.9*	*95.9*	-
Belgium, 1995	70.6	54.5	115.9	91.6	53.4	100.0
Canada						
1975 SCF	81.2	52.6	111.0	91.9	32.6	100.0
1985 SCF	68.1	34.8	113.7	81.0	35.9	100.0
1995 SCF	74.2	45.1	114.4	77.1	42.1	100.0
1995 SLID	72.3	41.2	113.7	76.6	47.9	100.0
2000 SLID	64.9	35.0	111.8	77.0	40.2	100.0
Relative level	*95.2*	*100.4*	*98.3*	*95.1*	*111.9*	-
Absolute level	*109.0*	*114.9*	*112.6*	*108.9*	*128.1*	*114.5*
Czech Republic						
1992	70.3	42.1	108.7	85.1	54.4	100.0
1996	73.5	40.0	113.0	80.6	50.0	100.0
2000	78.4	45.9	117.6	84.3	52.0	100.0
Relative level	*111.5*	*108.9*	*108.2*	*99.0*	*95.6*	-
Absolute level	*125.5*	*122.5*	*121.8*	*111.4*	*107.6*	*112.5*
Denmark						
1983	70.4	48.5	103.0	85.2	74.9	100.0
1994	71.8	55.0	104.9	79.5	61.8	100.0
2000	71.7	52.7	105.3	78.2	57.6	100.0
Relative level	*101.8*	*108.7*	*102.3*	*91.7*	*77.0*	-
Absolute level	*115.3*	*123.1*	*115.8*	*103.9*	*87.2*	*113.3*
Finland						
1976	75.5	26.3	104.4	74.5	43.9	100.0
1986	77.3	62.5	104.1	77.3	74.2	100.0
1995	82.4	61.6	104.5	78.9	64.3	100.0
2000	72.5	47.5	110.0	78.2	49.2	100.0
Relative level	*93.7*	*75.9*	*105.7*	*101.2*	*66.3*	-
Absolute level	*126.9*	*102.8*	*143.1*	*137.0*	*89.8*	*135.4*

Notes: Figures for individual years are the average income of the household type as a percentage of the average income of all households with children. The *relative level* is the ratio between these figures in the 1980s and in 2000 (e.g. in Australia in 1984 working lone parents received average disposable incomes that were 79.8% of the average for all household types; in 1999 the corresponding figure was 80.4%;, and therefore the level in 1999 was 100.7% of the 1984 figure. The absolute level is the 1999 figure as a percentage of the 1984 level after accounting for inflation. Trends in absolute levels are not shown for Austria, Mexico and Spain, because of discontinuities in these series.

Annex Table A.3. Trends in incomes of different household types (contd.)

Income of household type as percentage of incomes of all households with children

	Single adult with children		***Two adults with children***			***All families with children***
	working	*not working*	*Both adults working*	*One adult working*	*No adult working*	
France						
1984	85.4	51.9	117.9	84.4	54.9	100.0
1989	83.6	49.2	116.6	83.1	53.7	100.0
1994	75.9	52.8	115.0	87.0	53.2	100.0
2000	78.1	46.6	115.8	85.4	55.1	100.0
Relative level	*91.5*	*89.7*	*98.2*	*101.3*	*100.4*	-
Absolute level	*99.5*	*97.5*	*106.7*	*110.1*	*109.1*	*108.7*
West Germany						
1984	91.7	48.5	121.0	94.1	58.2	100.0
1989	95.8	45.6	118.1	96.3	48.2	100.0
1994	95.1	53.5	125.0	96.6	45.0	100.0
2001	81.9	46.7	122.9	99.6	47.6	100.0
Relative level	*89.3*	*96.2*	*101.5*	*105.8*	*81.8*	-
Absolute level	*102.3*	*110.2*	*116.3*	*121.2*	*93.7*	*114.6*
Germany						
1994	93.7	53.4	120.2	97.6	47.9	100.0
2001	81.5	48.4	119.9	101.1	51.1	100.0
Greece						
1974	74.5	105.3	128.5	93.1	55.9	100.0
1988	82.3	61.6	128.8	86.7	79.6	100.0
1994	80.8	89.9	119.7	84.2	91.9	100.0
1999	100.1	91.4	119.5	80.8	87.6	100.0
Relative level	*121.6*	*148.4*	*92.8*	*93.2*	*110.0*	-
Absolute level	*147.5*	*179.9*	*112.5*	*113.1*	*133.4*	*121.3*
Hungary						
1991	75.2	48.5	108.6	80.7	44.7	100.0
1995	83.9	47.3	108.8	80.8	56.3	100.0
2000	89.1	31.5	108.3	95.2	75.3	100.0
Relative level	*118.5*	*65.0*	*99.7*	*118.0*	*168.4*	-
Absolute level	*96.7*	*53.0*	*81.3*	*96.2*	*137.3*	*91.0*
Ireland						
2000	66.3	34.7	119.0	84.2	39.8	100.0
Italy						
1984	71.5	20.8	123.9	82.6	34.6	100.0
1991	74.7	15.7	132.4	77.1	42.0	100.0
1993	73.9	36.2	133.7	76.1	33.0	100.0
1995	77.2	40.5	130.5	77.6	44.7	100.0
2000	81.2	36.7	128.4	75.0	42.4	100.0
Relative level	*113.6*	*176.1*	*103.7*	*90.9*	*122.4*	-
Absolute level	*131.3*	*203.6*	*119.8*	*105.0*	*141.5*	*115.6*
Japan						
1985	62.7	52.8	105.3	95.4	52.2	100.0
1995	58.3	52.0	108.5	92.8	84.6	100.0
2000	53.5	48.8	107.2	92.9	65.0	100.0
Relative level	85.3	92.5	101.7	97.4	124.4	-
Absolute level	95.8	103.8	114.2	109.4	139.7	112.3

Notes: Figures for individual years are the average income of the household type as a percentage of the average income of all households with children. The *relative level* is the ratio between these figures in the 1980s and in 2000 (e.g. in Australia in 1984 working lone parents received average disposable incomes that were 79.8% of the average for all household types; in 1999 the corresponding figure was 80.4%;, and therefore the level in 1999 was 100.7% of the 1984 figure. The absolute level is the 1999 figure as a percentage of the 1984 level after accounting for inflation. Trends in absolute levels are not shown for Austria, Mexico and Spain, because of discontinuities in these series.

Annex Table A.3. Trends in incomes of different household types (contd.)

Income of household type as percentage of incomes of all households with children

	Single adult with children		***Two adults with children***			***All families with children***
	working	*not working*	*Both adults working*	*One adult working*	*No adult working*	
Japan						
1985	62.7	52.8	105.3	95.4	52.2	100.0
1995	58.3	52.0	108.5	92.8	84.6	100.0
2000	53.5	48.8	107.2	92.9	65.0	100.0
Relative level	*85.3*	*92.5*	*101.7*	*97.4*	*124.4*	-
Absolute level	*95.8*	*103.8*	*114.2*	*109.4*	*139.7*	*112.3*
Luxembourg						
1986/87	63.5	49.6	117.8	89.2	54.6	100.0
1996	85.4	55.5	112.4	95.5	61.4	100.0
2001	72.0	38.0	112.3	89.6	66.3	100.0
Relative level	*113.4*	*76.6*	*95.3*	*100.5*	*121.3*	-
Absolute level	*163.3*	*110.4*	*137.3*	*144.7*	*174.7*	*144.1*
Mexico						
1984	68.6	67.4	119.8	88.1	99.1	100.0
1994	78.2	70.1	114.2	90.9	51.8	100.0
2002	80.1	50.0	114.2	87.5	61.1	100.0
Relative level	*116.7*	*74.1*	*95.3*	*99.3*	*61.7*	-
Netherlands						
1977	84.1	60.1	116.3	91.7	73.2	100.0
1985	86.1	59.8	117.1	94.9	68.1	100.0
1990	83.6	54.1	117.4	93.0	59.0	100.0
1995	77.9	52.3	116.9	89.8	54.4	100.0
2000	73.5	53.1	113.3	86.1	54.5	100.0
Relative level	*85.3*	*88.8*	*96.8*	*90.7*	*80.0*	-
Absolute level	*113.6*	*118.2*	*128.8*	*120.8*	*106.6*	*133.1*
New Zealand						
1986	75.8	56.2	113.3	83.5	52.8	100.0
1991	67.6	47.6	121.9	88.5	45.9	100.0
1996	69.5	47.2	120.2	91.0	51.5	100.0
2001	65.3	43.8	122.2	80.0	50.0	100.0
Relative level	*84.7*	*69.8*	*107.3*	*94.1*	*91.5*	-
Absolute level	*95.5*	*78.8*	*121.1*	*106.1*	*103.2*	*112.8*
Norway						
1986	81.8	44.1	113.6	84.2	58.0	100.0
1995	80.5	55.5	114.0	83.8	50.6	100.0
2000	78.6	51.9	110.8	90.3	64.9	100.0
Relative level	*96.2*	*117.5*	*97.6*	*107.3*	*112.0*	-
Absolute level	*132.8*	*162.3*	*134.7*	*148.2*	*154.6*	*138.1*
Poland						
1995	62.4	43.7	131.6	71.2	49.4	100.0
2000	68.4	35.5	133.9	70.3	49.0	100.0
Relative level	*109.6*	*81.2*	*101.8*	*98.7*	*99.2*	-
Absolute level	*122.8*	*90.9*	*113.9*	*110.5*	*111.0*	*112.0*

Notes: Figures for individual years are the average income of the household type as a percentage of the average income of all households with children. The *relative level* is the ratio between these figures in the 1980s and in 2000 (e.g. in Australia in 1984 working lone parents received average disposable incomes that were 79.8% of the average for all household types; in 1999 the corresponding figure was 80.4%;, and therefore the level in 1999 was 100.7% of the 1984 figure. The absolute level is the 1999 figure as a percentage of the 1984 level after accounting for inflation. Trends in absolute levels are not shown for Austria, Mexico and Spain, because of discontinuities in these series.

Annex Table A.3. Trends in incomes of different household types (contd.)

Income of household type as percentage of incomes of all households with children

	Single adult with children		Two adults with children			All families with children
	working	*not working*	*Both adults working*	*One adult working*	*No adult working*	
Portugal						
1990	73.1	52.9	116.4	76.6	56.5	100.0
1995	65.9	55.2	115.1	72.1	44.1	100.0
2000	99.6	33.4	113.2	66.2	50.9	100.0
Relative level	*136.3*	*63.1*	*97.2*	*86.3*	*90.1*	-
Absolute level	*220.0*	*101.8*	*157.0*	*139.4*	*145.4*	*161.4*
Spain						
1985	96.5	28.1	135.9	93.5	42.1	100.0
1990	101.8	32.7	121.5	86.9	53.6	100.0
1995 (old def.)	64.0	17.1	130.6	85.8	41.4	100.0
1995	83.9	30.1	123.4	87.1	53.0	100.0
2000	72.5	33.5	122.5	81.4	41.3	100.0
Relative level	*75.1*	*119.1*	*90.2*	*87.0*	*98.1*	-
Sweden						
1975	84.8	55.2	106.6	86.3	34.8	100.0
1983	79.9	58.1	107.2	83.7	53.9	100.0
1991 (old def.)	78.0	55.9	109.8	81.2	63.6	100.0
1995	78.9	58.0	108.5	81.3	63.6	100.0
2000	72.6	54.0	107.6	101.3	62.0	100.0
Relative level	*90.8*	*93.0*	*100.4*	*120.9*	*115.0*	-
Absolute level	*121.3*	*124.2*	*134.1*	*161.5*	*153.6*	*133.5*
Switzerland						
1998	84.8	64.0	107.8	92.9	61.3	100.0
2001	88.4	..	106.1	90.9	..	100.0
Turkey						
2002	46.8	87.0	102.0	100.6	82.8	100.0
United Kingdom						
1975	76.4	51.5	112.0	85.8	57.3	100.0
1985	76.9	51.1	117.5	89.4	47.5	100.0
1991	67.7	42.0	116.9	85.8	56.6	100.0
1995	70.4	48.4	120.5	83.2	54.0	100.0
2000	73.7	46.8	119.3	83.6	51.0	100.0
Relative level	*95.8*	*91.5*	*101.5*	*93.5*	*107.5*	-
Absolute level	*131.6*	*125.7*	*139.4*	*128.5*	*147.6*	*137.3*
United States						
1974	58.4	31.2	113.9	94.2	59.4	100.0
1984	65.6	30.6	116.3	88.3	46.3	100.0
1989	63.6	26.4	114.0	89.3	37.1	100.0
1995	65.1	26.3	115.5	85.9	34.4	100.0
2000	63.5	22.6	112.3	88.1	30.6	100.0
Relative level	*96.8*	*73.9*	*96.6*	*99.8*	*66.1*	-
Absolute level	*122.1*	*93.3*	*121.9*	*125.9*	*83.4*	*126.2*
OECD average						
1980s	77.2	48.0	117.1	86.9	57.7	100.0
1990s	77.1	53.0	115.7	84.1	55.9	100.0
2000	75.4	45.3	113.9	85.8	54.1	100.0
Relative level	*88.0*	*85.3*	*86.5*	*86.0*	*88.3*	-
Absolute level	*112.4*	*107.9*	*115.4*	*112.0*	*110.0*	*123.90*

Notes: Figures for individual years are the average income of the household type as a percentage of the average income of all households with children. The *relative level* is the ratio between these figures in the 1980s and in 2000 (e.g. in Australia in 1984 working lone parents received average disposable incomes that were 79.8% of the average for all household types; in 1999 the corresponding figure was 80.4%;, and therefore the level in 1999 was 100.7% of the 1984 figure. The absolute level is the 1999 figure as a percentage of the 1984 level after accounting for inflation. Trends in absolute levels are not shown for Austria, Mexico and Spain, because of discontinuities in these series.

Source: Calculated from OECD Income Distribution Study.

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