

CO8: Child poverty

Definitions and methodology

The indicators of poverty used here are the *child poverty rate* (the share of all children living in households with an equivalised income of less than 50% of the median), the *poverty rate of households with children* (the share of all households with children with an equivalised income of less than 50% of the median) and the *poverty rate for the total population* (the share of all individuals with an equivalised income of less than 50% of the median).

Children (aged less than 18) are considered as sharing the income earned by other household members, and to facilitate comparisons across households, disposable household income in cash is adjusted for household size with an elasticity of 0.5 (the square root scale). Household income includes earnings, transfers and income from capital, and is measured here net of direct taxes and social security contribution paid by households.

Key findings

On average, in the 30 OECD countries, around 12% of all children were at risk of poverty in the mid 2000s (Chart CO8.1). A similar rate prevailed in 26 EU countries, with 11% of children counted as poor. However, there is wide variation across countries. Child poverty rates were below 5% in Denmark, Finland, Norway and Sweden, but they exceeded 20% in Mexico, Poland, Turkey and the United States. In general, poverty rates for children are above those for the entire population, except for Austria, Australia, Denmark, Finland, Japan, Korea, Norway, Slovenia and Sweden. The gap between child poverty rates and poverty rates of the entire population is of 4 percentage points or more in the Czech Republic, Germany, Italy, Lithuania, Luxembourg, Mexico, New Zealand, Poland, Portugal and Turkey.

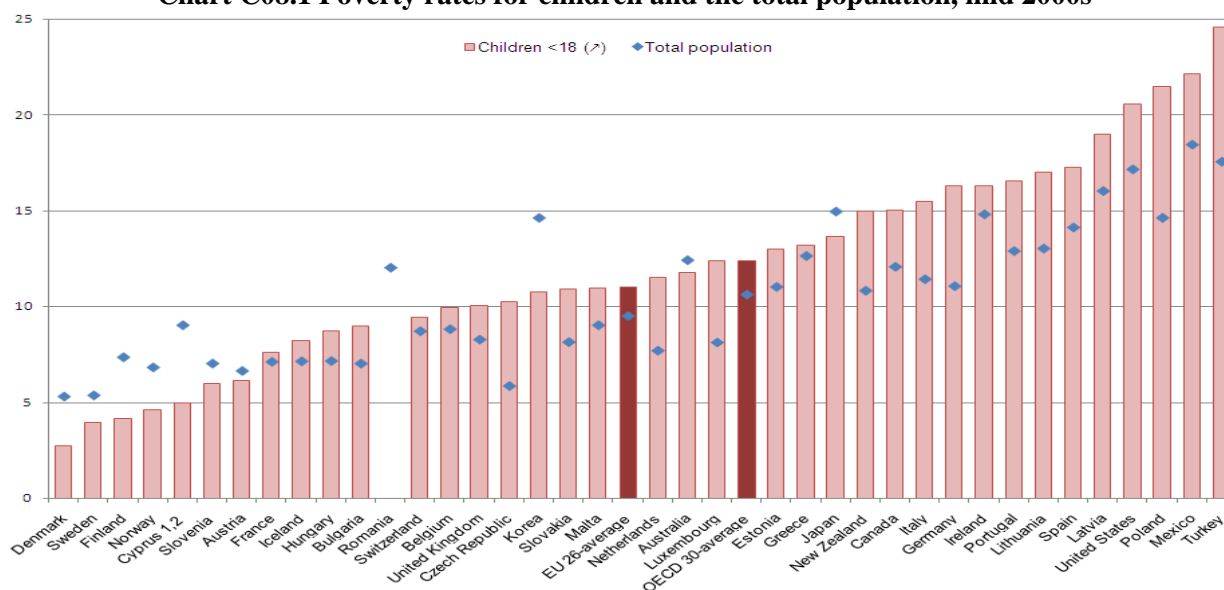
Despite targeted policies introduced by several OECD countries focused on poor children, child poverty rates have edged up by one point over the past decade, with large rises in Austria, Germany, Luxembourg and Turkey, and significant declines in Italy, Mexico and the United Kingdom (Chart CO8.2).

While several factors contribute to child poverty, two important factors relate to whether children live with a sole parent and whether the parent is in paid work or not. Children living with a sole parent have a higher probability of being in poverty than those living with two adults (Chart CO8.3). However, the probability of being poor is strongly associated with the employment status of parents.

Children whose parents are employed have much lower poverty than those in jobless households (Table CO8.1). Among sole-parent families, the poverty rate of those in jobless households is 2.6 times higher than that of households with workers. Among couples with children, the poverty rate of jobless households is three times higher than that for one-worker households, and 12 times higher than for households with two or more workers. As a result of these patterns, OECD countries with a larger share of mothers in paid work also record lower poverty rates among children (Chart CO8.4). Poverty rates also generally increase monotonically with the number of children present in the household, although there are exceptions (Table CO8.1).

Other relevant indicators: CO7: Trends in income inequality and the income position by household type; SF2: Children in sole-parent families and LMF1: Children in families by employment status.

Chart C08.1 Poverty rates for children and the total population, mid 2000s

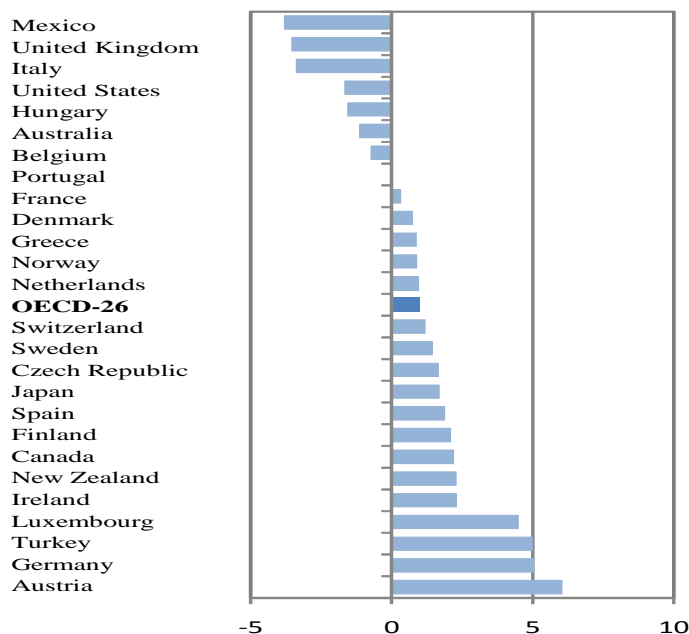


Source: OECD (2008) and for EU non-OECD countries EU-SILC (2005).

1) Footnote by Turkey: The information in this document with reference to « Cyprus » relates to the southern part of the Island. There is no single authority representing both Turkish and Greek Cypriot people on the Island. Turkey recognizes the Turkish Republic of Northern Cyprus (TRNC). Until a lasting and equitable solution is found within the context of United Nations, Turkey shall preserve its position concerning the “Cyprus issue”.

2) Footnote by all the European Union Member States of the OECD and the European Commission: The Republic of Cyprus is recognized by all members of the United Nations with the exception of Turkey. The information in this document relates to the area under the effective control of the Government of the Republic of Cyprus.

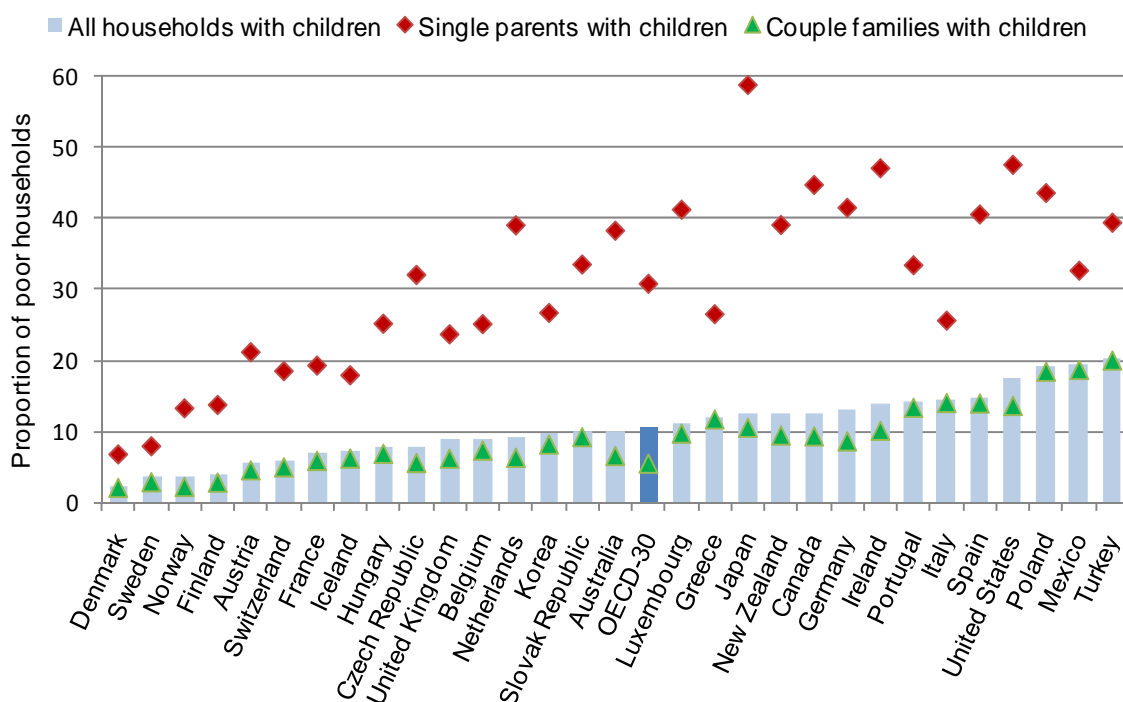
Chart C08.2 Point changes in child poverty between mid-1990s and mid-2000s



Note: Poverty thresholds are set at 50% of the median income of the entire population. Data for changes refer to the period from the mid-1990s to around 2000 for Austria, Belgium, the Czech Republic, Ireland, Portugal and Spain (where 2005 data, based on EU SILC, are not comparable with those for earlier years); and to changes from 2000 to 2005 for Switzerland.

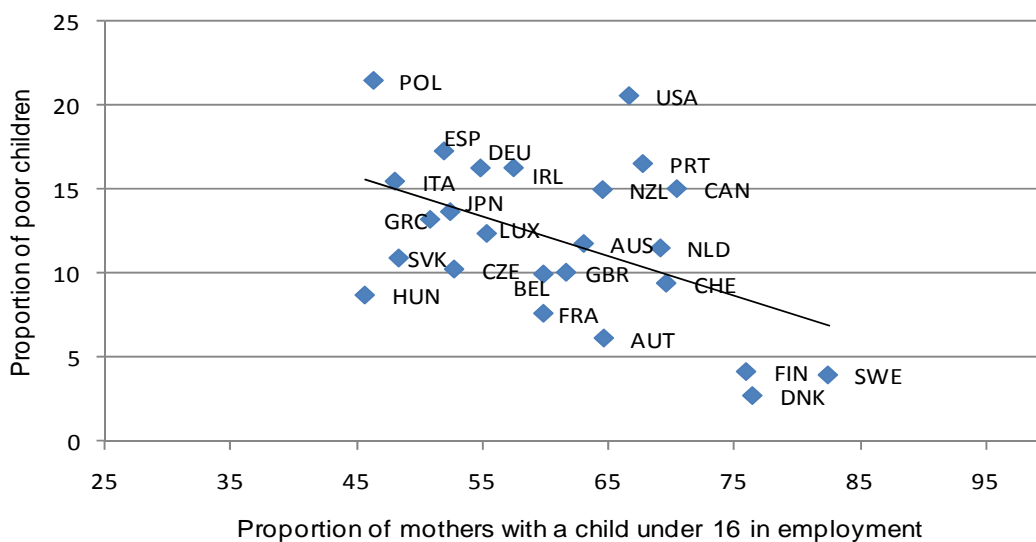
Source: OECD (2008)

Chart CO8.3 Poverty rates by household type, mid-2000s



Source: OECD (2008)

Chart C08.4 Child poverty rates lower in countries with higher maternal employment rates, mid-2000s



Source: OECD (2008) and Family database.

Table C08.1 Poverty rates for children and households with children, mid-2000s

Country	Poverty among Mid-2000s Point change s since mid- 1990s		Poverty in households with children and a head of working age									
			All		Single		Couple			By number of children		
					Not working	Working	Level, mid-2000s			One	Two	Three and more
			Level, mid-2000s	change from 1995			No workers	One worker	Two and more workers			
Australia	12	-1.2	10	-1.0	68	6	51	8	1	9	10	11
Austria	6	6.0	6	6.1	51	11	36	4	3	6	5	6
Belgium	10	-0.8	9	0.1	43	10	36	11	3	7	9	11
Canada	15	2.2	13	1.6	89	32	81	22	4	11	13	18
Czech Republic	10	1.7	8	1.4	71	10	43	9	1	8	6	[..]
Denmark	3	0.8	2	0.7	20	4	21	5	0	2	2	4
Finland	4	2.1	4	1.9	46	6	23	9	1	5	3	3
France	8	0.3	7	-0.2	46	12	48	12	2	6	7	10
Germany	16	5.1	13	4.2	56	26	47	6	1	13	13	14
Greece	13	0.9	12	0.9	84	18	39	22	4	8	13	19
Hungary	9	-1.6	8	-1.1	44	16	22	6	3	5	6	14
Iceland	8	..	7	..	23	17	51	29	4	7	6	10
Ireland	16	2.3	14	..	75	24	55	16	2	12	12	19
Italy	16	-3.4	14	-3.1	[..]	16	78	24	1	..	..	..
Japan	14	1.6	12	1.2	60	58	50	11	10	..	..	..
Korea	10	..	9	..	29	26	65	10	4	..	..	..
Luxembourg	12	4.5	11	3.8	69	38	27	16	5	7	13	14
Mexico	22	-3.8	19	-2.4	30	34	53	27	11	11	16	26
Netherlands	12	1.0	9	1.2	62	27	65	12	2	..	..	..
New Zealand	15	2.3	13	1.5	48	30	47	21	3	..	..	..
Norway	5	0.9	4	0.6	31	5	29	4	0	4	2	6
Poland	22	..	19	..	75	26	51	28	6	15	18	31
Portugal	17	0.0	14	0.4	[..]	26	53	34	5	10	17	[..]
Slovak Republic	11	..	10	..	66	24	66	18	2	..	..	..
Spain	17	1.9	15	1.1	78	32	71	23	5	10	16	29
Sweden	4	1.5	4	1.5	18	6	36	14	1	4	3	3
Switzerland	9	1.2	6	1.3	----	22	----	8	----	..	..	..
Turkey	25	5.0	20	3.6	44	32	28	19	20	..	..	..
United Kingdom	10	-3.6	9	-3.7	39	7	36	9	1	4	6	20
United States	21	-1.7	18	-1.1	92	36	82	27	6	14	15	26
OECD	12	1.0	11	0.8	54	21	48	16	4	8	10	15

Note: Poverty thresholds are set at 50% of the median income of the entire population. Data for changes refer to the period from the mid-1990s to around 2000 for Austria, Belgium, the Czech Republic, Ireland, Portugal and Spain (where 2005 data, based on EU SILC, are not comparable with those for earlier years); and to changes from 2000 to 2005 for Switzerland. [..] indicates that the sample size is too small.

Source: OECD (2008)

Cross-country differences in the make-up and poverty record of different household types have implications for the scope of various policies to reduce child poverty. A simple way to assess these implications is by computing the child poverty rate that would prevail if each country attained the prevalence of parental employment net of public transfers in reducing child poverty that are currently achieved by well-performing country taken as a benchmark. This exercise suggests that a “work strategy” focusing on promoting employment among parents could have its largest impact in Australia, the United Kingdom, Germany and Ireland, while a “benefit strategy” raising adequacy of family benefits would have its largest effects in Korea, Japan, Italy, Poland and the United States (Whiteford and Adema, 2007).

Comparability and data issues

The data used here define the household as the basic unit where income is pooled and shared; they do not necessarily capture blood relations between household members. As a result, households classified as “single adult with children” will include, beyond sole-parent families, other household arrangements (such as a grandparent living with his or her nephew); similarly, “couples with children” may include some sole-parent families living in a household with other adults.

Data for OECD countries was derived from OECD income distribution questionnaire (see Table 1.A1.1 in OECD 2008). Data for EU non-OECD countries was extracted from Eurostat’s website (as of October 2008), which is based on EU-SILC 2005. The main difference between estimates here and those of Eurostat is the equivalence scale. While here we use the square root of the household size, Eurostat gives a somewhat higher weight to additional household members and distinguishes between adults and children (gives a weight of 1 to the first person, 0.5 for each additional adult and 0.3 for each additional child).

Years of reference vary slightly across countries. For the mid-2000s, most data concern the year 2004, except for Canada, Denmark, Germany, Hungary, Ireland, Korea, the United Kingdom and the United States for which data belongs to 2005; and the Netherlands for which data belongs to 2003. For the mid-1990s, most data concern the year 1995, except for Austria for which data belongs to 1993; Ireland, Japan, Mexico and Turkey for which data belongs to 1994; and the Czech Republic, France and Luxembourg for which data refers to 1996.

Sources and further reading: OECD (2008), *Growing Unequal –Income Distribution and Poverty in OECD Countries*, OECD, Paris (www.oecd.org/els/social/inequality); Eurostat (2008), *Child Poverty and Well-Being in the EU - Current status and way forward*, Luxembourg; and, Whiteford P. and W. Adema (2007), “What Works Best in Reducing Child Poverty: A Benefit or Work Strategy?”, OECD Social, Employment and Migration Working Paper, No. 52, OECD, Paris (www.oecd.org/els/workingpapers).