

Poor children in rich countries: why we need policy action

October 2018



On average across the OECD, almost one child in seven lives in income poverty – defined as living on a disposable income that is at most half the national median.



Stable, full-time parental employment is central to efforts to protect children from poverty. If all parents from poor families were in paid employment, the poverty rate for individuals in households with children would fall from 11% to less than 6% on average.



Child poverty rates increased in almost two-thirds of OECD countries following the Great Recession. The share of children living below the pre-crisis poverty line (as measured by 'anchored' poverty rates) has increased sharply in Greece, Italy and Spain.



Promoting work among low-income parents requires strengthened support for affordable childcare services. Moreover, parents from the poorest families often face multiple obstacles to their return to work, which requires both appropriate and intensive assistance.



In many countries, the depth as well as breadth of poverty has increased in recent years. The income of children in low-income families has dropped, with the largest declines for children in families with the smallest incomes.



A budget-neutral redistribution of family and housing benefits to poor families can help reduce child poverty. But children in poor families experience multiple deprivation (including poor housing conditions and a lack of educational opportunities), which calls for a comprehensive strategy combating poverty in all its dimensions.

Childhood is a critical period for the development of human and social capital of individuals. Unfortunately, however, far too many children do not get the best possible start in life, due to poverty during their early years. Poverty has a big impact on children in different ways: it affects their material living conditions, the quality of the relationships with their parents, their health and educational outcomes, and, later in life, their integration into the labour market and career prospects. Effectively combating child poverty is essential as it improves family and child well-being, and fosters sustainable inclusive growth in future.

Child poverty is not a new policy issue, but it has received renewed attention with the adoption of the Sustainable Development Goals, including target SDG 1.2 to halve child poverty (as measured through national definitions) by 2030. The OECD is a member of the [Global Coalition to End Child Poverty](#) which is a global initiative to raise awareness about children living in poverty across the world and support global and national action to alleviate poverty and achieve SDG 1.2. Another reason for OECD countries to renew efforts in combatting child poverty is that children often face higher poverty risks than other population groups and many low-income families have experienced a loss of income since 2007.

On average across OECD countries, one in seven children live in income poverty

On average across OECD countries, nearly one child in seven is currently living in relative income poverty (Figure 1). Child poverty rates are especially high in Chile, Israel, Spain, Turkey and the United States, where more than one child in five lives in income poverty. This is almost seven times higher than the rate in Denmark.

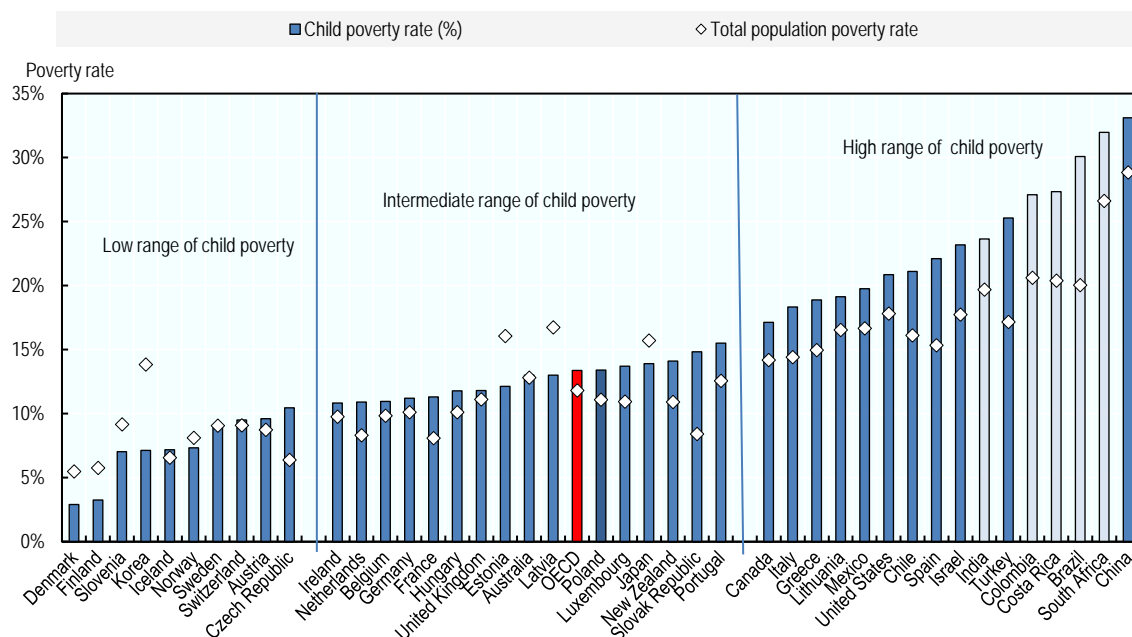
In many countries, children face higher poverty risks than other population groups. This is especially the case in countries where child poverty is relatively high (above 16% or so) – in these countries, children are more frequently exposed to income poverty than the general population (Figure 1).

Child poverty is increasing in many OECD countries

Child poverty is on the rise in many OECD countries. Using the usual 'relative' poverty measure (see Box 1), child poverty rates have increased in almost two-thirds of OECD countries since the start of the Great Recession in 2007/08. The Slovak Republic has seen the largest increase since 2007, at 5.4 percentage points. But countries like France, Hungary, Greece, Italy, Lithuania and Sweden have also seen relative child poverty rates rise by two percentage points or more over the same period.

Figure 1. Child income poverty rates in 2015-16

Share (%) of children (0-17) with an equivalised post-tax-and-transfer income of less than 50% of the national annual median equivalised post-tax-and-transfer income, 2015-16 or nearest available year



Notes: Data are for 2011 for India and China; 2013 for Brazil; 2014 for Australia, Hungary, Iceland, New Zealand and Mexico; 2017 for Costa Rica. Provisional data for Japan. Countries are categorised in low and high if they are half a standard deviation below or above the OECD average. Light blue bars refer to non-OECD countries.

Source: OECD Income Distribution Database, <http://oe.cd/idd>.

Trends in the alternative ‘anchored’ poverty rate – a rate based on a poverty line fixed at 2005 levels (see Box 1) – tell a slightly different story (Figure 2). In many OECD countries, child poverty as measured by the anchored rate has remained fairly stable or even declined since 2008. Chile, for example, has seen the anchored child poverty rate fall by over 10 percentage points since 2008, mostly due to a sharp rise in median household income. Others, however, have seen large increases. This is particularly the case in Iceland, Italy, Spain, and especially Greece, where the share of children living below the 2005 poverty line has trebled since 2008.

Are low-income families getting poorer?

Figure 3 takes the analysis one step further by examining how household income for children in low- and very-low income families has changed since the start of the crisis. Trends vary considerably across countries, as well as within countries across family types and household income levels. Nevertheless, in about two-thirds of the countries analysed, at least some categories of low-income families have become poorer since before the crisis.

Figure 3 Panel A shows how household income for children living with two parents changed from 2007 to 2014 depending on their position in the income distribution. The income in the bottom quarter of the income distribution fell in ten countries.

Box 1. “Relative” vs. “anchored” poverty rates

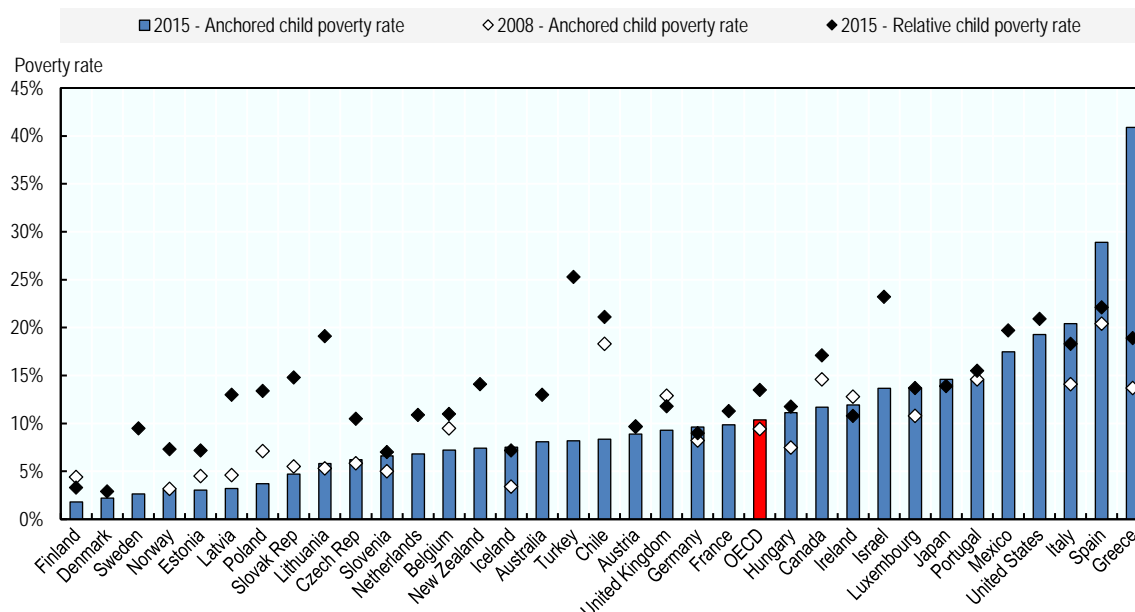
There are several ways of measuring child poverty. The usual or most common measure is the “relative” child poverty rate. This captures the share of children in households with incomes below 50% of the median equivalised income in given country and year, and is entirely relative. When median incomes change, so does the poverty line: it “floats” over time.

The relative child poverty rate is useful for capturing poverty at a given point in time, but can sometimes be misleading when comparing how things have changed over years. Its relative nature means that the threshold for who is and isn’t consider poor is always changing.

An alternative measure especially useful for comparing across time is the “anchored” child poverty rate – a rate based on a poverty line fixed at some given income level (though still adjusted for price inflation), such as the median equivalised income in a certain year. Using the anchored rate, it is possible to see how many children are poor today based on the standards of some point in the past.

Figure 2 compares the current 2015-16 relative poverty rate with an 2015-16 anchored poverty rate based on income levels in 2005. It shows that, while in some countries the 2015-16 anchored poverty rate is lower than the current relative poverty rate, in some (like Italy, Spain and Greece) it is actually higher. In these countries, declines in median income over the last decade mean that there are actually more children considered poor by 2005 standards than there are by the standards of today.

Figure 2. Largest increases in anchored child poverty in Greece, Italy and Spain



Notes: The 'anchored' poverty rate sets the poverty line at its 2005 level with yearly adjustments for price inflation. Poverty rates are « anchored » in 2006 for Chile, (Japan), Korea and Turkey; and 2007 for Austria and Spain – instead of 2005. Provisional data for Japan.

Source: OECD Income Distribution Database, <http://oe.cd/idd>.

The largest decline (-50%) happened in Greece, driven in large part by a sharp increase in unemployment (80% of poor children in Greece had a father working for most of the year in 2007, compared to only 66% in 2014). Over the same period, the real minimum wage also fell by around 20%.

It is also remarkable that, in countries where household income has declined, the drop has often been steepest for children in very low-income families (the poorest 10%) (Figure 3 Panel A). This reflects the particular vulnerability of very low-income families, whose parents are often in unstable employment situations or are/were employed in sectors severely affected by the economic recession (OECD, 2015).

Not all countries have seen the incomes of low-income two-parent families decline, however (Figure 3, Panel A). Sweden (+20%) or Poland (+17%) have seen particularly large increases, even for children from the poorest 10% of families.

This rise in household income for poor families in these countries has been driven by multiple factors.

¹ At the same time, the proportion of children in poor couple families with a parent who does not work all year has also increased, thus leading to a growing income gap between families where one parent works (increasingly full-time) and those where parents do not work. In addition, the situation in 2014 does not take into account the effects of the new family allowance introduced in 2016. The 500+ benefit increases family benefits per beneficiary almost five-fold, while more than doubling the number of beneficiaries.

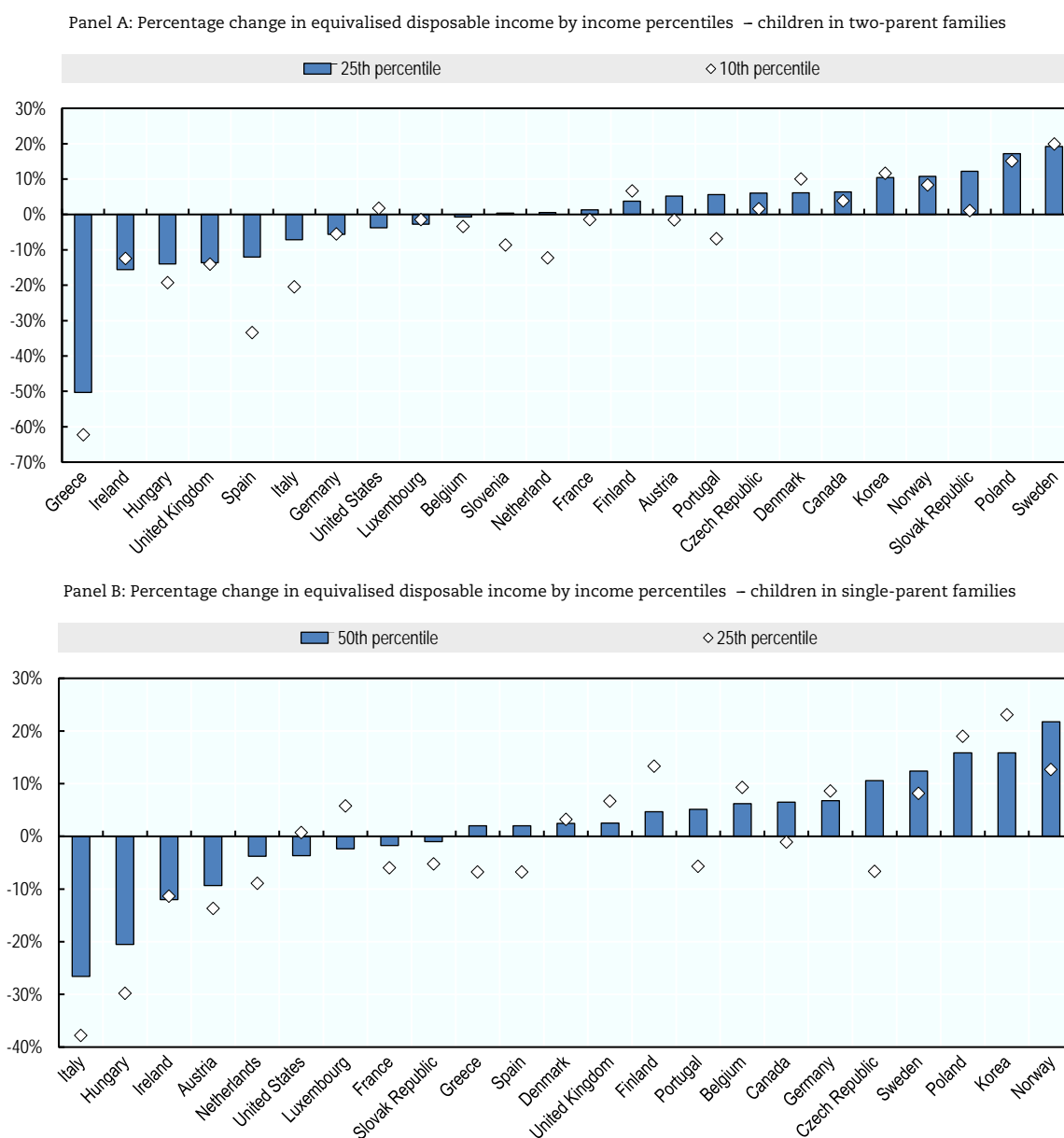
One important factor is an increase in the proportion of children with a father and/or mother who works full-time all year. For example in Poland in 2014, among children with parents working the whole year, about 83% had a father who works full-time (compared to 48% in 2007), and 48% had a mother who works full-time (compared to 21% in 2007¹).

In addition, in some countries, while the work intensity of fathers in poor families with children declined in the post-crisis years, this was offset by an increase in mothers' labour supply. In France, for example, the number of mothers working full-time increased among all those who worked for a complete year, boosting the percentage of children with a full-time working mother by more than 20 percentage points between 2007 to 2014.

This trend offset the decreasing propensity for fathers in poor families to work full-time. As a result, children in low-income two-parent families did not experience any significant change in family income from 2007 to 2014 (Figure 3).

Extreme poverty among children fell by more than 3 percentage points. Evidence suggests that the participation rate among partnered women with children was lowered by close to 3 percentage points in the first half of 2017 as a result of the reform (Magda et al., 2018, "The 'family 500+' child allowance and female labour supply in Poland", OECD Economics Department Working Papers, No. 1481, OECD Publishing, Paris).

Figure 3. Changes in income of children in low-income families, 2007-2014



Notes: The figure in Panel A shows the percentage change in the household disposable income for the 25 and 10 percent of children at the bottom of the income distribution in two-parent families. In Panel B, The figure shows the percentage change in the household disposable income for the 50 and 25 percent of children the bottom of the income distribution for single-parent families. The income is equivalised and adjusted for price inflation and changes in purchasing power. A positive change represents an rise in children’s living standards, while a negative score represent a drop in living standards.

Source: 2014 Canadian Income Survey; EU Survey on Income and Living Conditions for European countries; Luxembourg Income Study for Germany and Korea.

Children in single-parent families are at greater risk of poverty

Children in single-parent families constitute a growing share of poor children: 39% in 2014 on average in the OECD, up more than 4 percentage points from 2007.

Parental separation often results in a loss of income that is barely offset by the child alimony paid by the

non-resident to the custodial parent. Child custody is often with the mother who frequently has a lower personal income than her former partner. It is therefore no surprise that, at 31%, the poverty risk for individuals living single-parent families is three times higher than that of those living in two-parent families (10%), on average across the OECD.

Joblessness among single-parents partly explains this high rate of poverty in single-parent families. On

average, nearly six in ten children from poor single-parent families live with a parent (most often the mother) who is not in paid employment.

Since 2007, household income single-parent families has moved in different directions in different countries (Figure 3 Panel B). Some have seen income decline since the crisis, in most cases with children in the poorest single-parent families have experiencing the largest declines in relative terms. For instance, in Italy, children in median-income single-parent families saw their income fall by 26% between 2007 and 2014, while children in low-income single-parent families (those at the 25th percentile, or the first quarter of the income distribution) saw it drop by 38% (Figure 3 Panel B).

Child poverty hurts in many ways

Income poverty affects child outcomes through two main channels. First, having a low income limits a household's ability to purchase or produce important "inputs" for healthy child development, such as good quality housing, healthy food, or good quality care and education services for children below school-age. Low-income families also do not always have the means to provide a supportive home environment for children to learn well (for instance through books, educational toys and quiet space to study). Second, financial strain can be stressful for parents and negatively affect family relations and parenting behaviour.

Table 1 shows how income poverty increases the risk that children will experience some form of material deprivation and grow up without access to essential goods and opportunities. For example, in France and Spain, income-poor school-aged children are twice as likely as non-poor children to live in low-quality housing, and three times as likely not to eat fruit, vegetables or protein every day (Table 1). They are also four to five times more exposed to multiple or "severe" material deprivation.

Income poverty therefore means accumulating deprivation and disadvantage that harm children. In Spain, for example, slightly more than 40% of income-poor school-aged children experience severe deprivation, which is almost six times higher than the proportion among the non-income poor (Table 1). Living with only a single parent also increases the risk of children experiencing multiple deprivation. In the United Kingdom, about 62% of children who are materially deprived in almost all dimensions live with only one parent, and the children of single parents also account for 40% of all income-poor children.

How to combat child poverty?

Poor children live in poor families. Therefore, effective anti-poverty strategies must consist of a package of measures which support parental employment and "repair" low incomes with financial support directed at poor families with children.

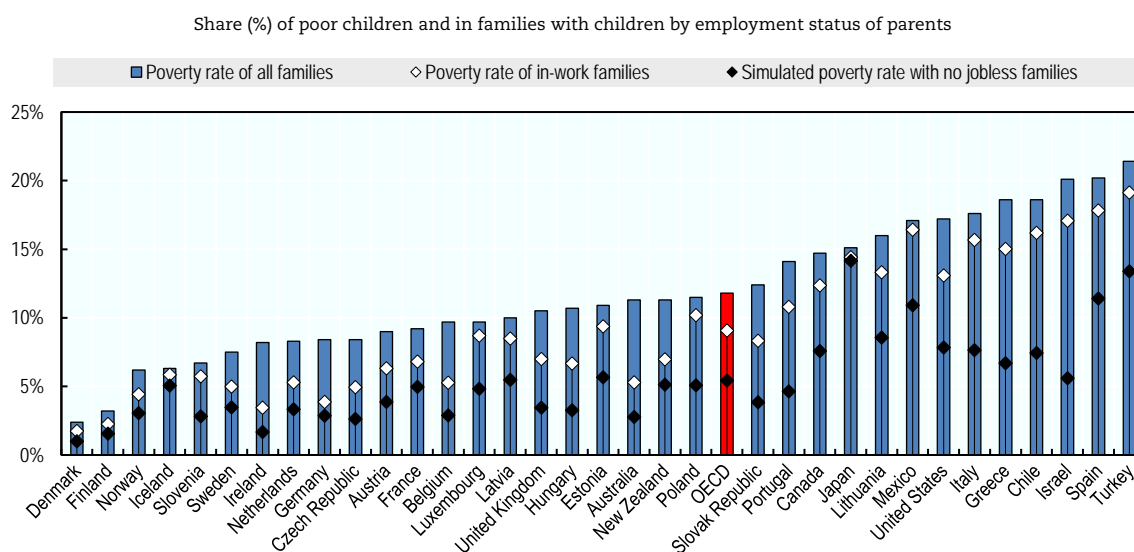
Table 1. Material deprivation rates according to the diverse dimensions

| Percentage of school-aged children experiencing material deprivation, by poverty status, 2014 | | | | | | | | | |
|---|--------|--------------------------|----------------------|-------|--------------------------|----------------------|----------------|--------------------------|----------------------|
| | France | | | Spain | | | United Kingdom | | |
| | Total | Non income-poor children | Income-poor children | Total | Non income-poor children | Income-poor children | Total | Non income-poor children | Income-poor children |
| Housing conditions | 28.4 | 23.6 | 51.4 | 31.4 | 23.5 | 48.3 | 33.7 | 30.3 | 47.3 |
| Nutrition | 10.8 | 8.4 | 22.2 | 8.0 | 4.4 | 15.6 | 11.1 | 10.2 | 14.9 |
| Leisure opportunities | 30.2 | 24.0 | 59.8 | 41.8 | 26.7 | 74.5 | 43.4 | 38.7 | 62.3 |
| Educational materials and opportunities | 13.0 | 9.4 | 30.1 | 17.2 | 9.4 | 34.0 | 10.7 | 8.8 | 18.4 |
| Social environment | 25.7 | 23.0 | 38.7 | 22.2 | 19.7 | 27.7 | 26.9 | 25.4 | 33.0 |
| Deprivation in 1 basic item at least | 62.1 | 56.5 | 88.4 | 63.5 | 52.8 | 86.5 | 69.7 | 66.1 | 84.6 |
| Severe deprivation | 12.7 | 7.7 | 36.3 | 18.0 | 7.2 | 41.4 | 16.4 | 14.3 | 25.1 |

The sample is restricted to children aged 6 to 15. For the definition of variables see OECD (2018). Severe deprivation refers to children lacking at least four items.

Source: Source: OECD secretariat estimates based on the European Union Statistics on Income and Living Conditions (EU-SILC) survey 2014.

Figure 4. How much would family poverty be reduced by raising parental employment?



Notes: The scenario with no jobless families assumes no jobless single parents and all two-parent families having two earners. The current poverty rates applying to families with working parents are then applied to all families with children to estimate the rate that would result if all parents were in employment. On average, the poverty rate for families with children would be halved (from 11 to 5.4%) if all parents had a job.

Source: OECD Income Distribution Database <http://oe.cd/idd>

Raise employment participation of working families

Parental employment protects against poverty. Figure 4 shows that, on average across the OECD, 60% of jobless families are poor compared to only 9% of families where at least one parent has a job.

Increasing parental employment can thus be expected to lead to a major reduction in child poverty. A basic simulation can serve to illustrate the point. If all parents were to be in paid employment (and assuming that poverty rates of working families remain at their current levels), this would halve the poverty rate in families with children, from an OECD average of 11% to 5.4% (Figure 4).

And if joblessness among single-parents were to be eliminated their poverty rate would fall from 33% at present to 22%.

Obviously, at family level, the risk of being poor or not depends on the quality of the job held by one and/or both parents. In particular, as already mentioned, employment stability and intensity, whether full-time or not, are important parameters for reducing the risk of poverty. In addition, for families with two parents, the risk of poverty will be significantly lower if both parents are in work.

Helping parents gain good-quality employment is crucial for reducing child poverty and reversing the decline in living standards experienced by many families. It involves enabling parents to have a stable and if possible full-time job: in 2014, just over five in ten poor children had a working father without a full-

time, full-year job, and eight in ten had a mother without a full-time, full-year job. In addition, between 2007 and 2014, the proportion of children from poor families whose father works but does not have full-time, full-year jobs increased in Belgium, the Czech Republic, Estonia, France and particularly in Canada, where it rose from about 34% to nearly 52%. And in Belgium, Canada, the Czech Republic, Denmark, Estonia, France, Lithuania, the Slovak Republic and Slovenia, there has been an increase in the share of income-poor children with a mother who works but not full-time.

Policy levers to combat poverty through work

Several policy levers can be used to promote parental employment in poor and often jobless families:

- Ensuring that barriers to employment are removed, including for the most disadvantaged people whose health status, social problems or low-skill levels keep them away from the labour market. It requires accompanying intensively hard-to-place workers by means of profiling tools to better adapt assistance to employment barriers (OECD, 2015).
- Making work pay for both parents and ensuring that tax/benefit systems provide first and second earners in couple families with equally strong financial incentives to work, with a view to encouraging parental employment and durably protecting children against poverty.
- Enhancing access to affordable all-day

childcare after parental leave is particularly important for helping low-income parents stay in employment full-time. However, in many countries, children from low-income families are among the least likely to participate in formal childcare (OECD, 2016).

- Helping parents in low-income families improve their skills and access better quality jobs can also help reduce child poverty. Vocational training schemes and financial assistance for training could be targeted at low-skilled parents as a priority and adapted to their family constraints (OECD, 2014).

Returning to work is central to reducing the risk of poverty for families. However, having at least one parent working is not always a guarantee of getting out of poverty. On average across the OECD, slightly less than one in ten families with children and just one working parent lives on an income below the poverty line. For these families, as well as those where parents are not immediately employable, support with cash benefits and services is important.

Social transfers benefit poor children

Social benefits have an important role to play in reducing child poverty. In most OECD countries, per capita social expenditure has increased in recent decades. This growth in spending has coincided with a reduction in child poverty, with effects that appear particularly strong when the share of spending on low-income households increases. On average, a 1% increase in per capita social expenditure is associated with roughly a 1% reduction in the relative child poverty rate.

However, an increase in social spending has no significant influence on the poverty rate of jobless families and single-parent families. The main reason for this is that the income of these families is often far below the poverty line and cash transfers are not large enough to lift them out of poverty.

The limited impact of social benefits on the relative poverty rate of families is also due to the way in which their amount is determined. Social benefit payment rates are often price-indexed rather than linked to wages, and minimum wages often increase less rapidly than the median wage – and, therefore, the relative poverty line. Over time, the poverty-reducing power of social benefits and minimum wages diminishes. Ensuring that social benefits grow at the same rate as wages can help address this issue. However, closing the poverty gap also requires increases in social transfers for working and non-working households, while maintaining average work incentives at the bottom of the income distribution. Meeting these two objectives would require a significant increase in public spending (Cantillon et al., 2018).

Without even such an increase in spending, a significant reduction in child poverty can be achieved through better coverage and targeting of benefits towards poor children.

Improve benefit coverage of poor families

Substantial progress in reducing child poverty may be achievable at constant expenditure levels through better benefit coverage for poor children. To examine this, Figure 5 reports the effect on the child poverty rate of changing the distribution of family and housing allowances to target poor families while keeping the total amounts spent at current levels.

In most countries, family benefits are granted universally or to a much larger segment of families than to those categorized as income poor. In addition, the take-up rate of family benefits among poor families is lower than for wealthier families, often because they do not know how to access the benefits. As a result, most countries could reduce child poverty by improving the distribution of family and/or housing benefits.

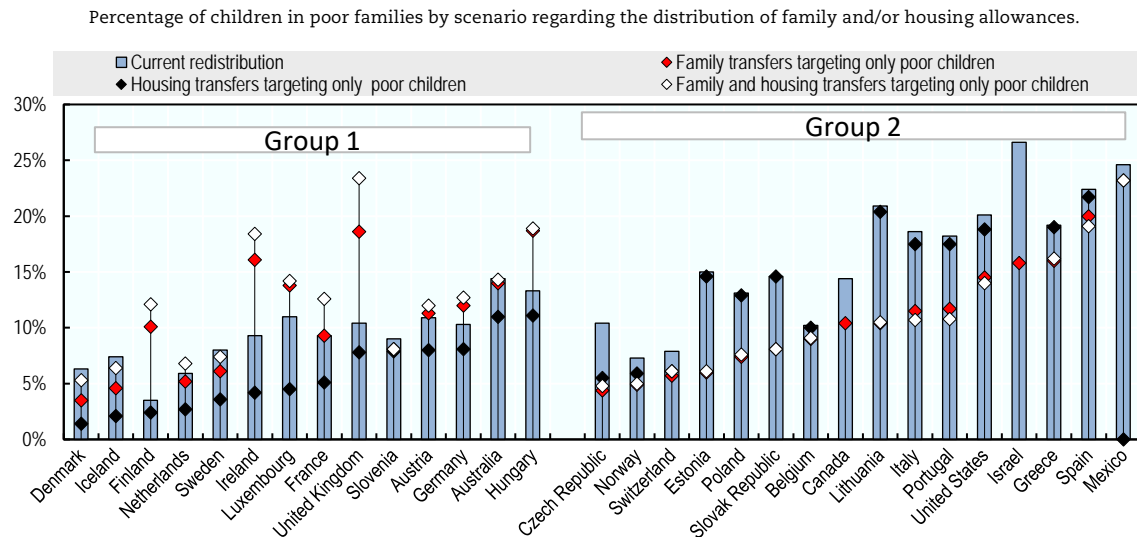
How this can best be achieved varies across countries (Figure 5). Some would be best off redistributing family allowances, while for others a greater reduction in child poverty could be obtained by improving the distribution of housing benefits.

- In the first group of countries shown in Figure 5, the lowest child poverty rate is achieved when housing benefits are redistributed to cover all poor children. This scenario produces the largest reductions in child poverty rates in Luxembourg (-6.5 percentage points) and Denmark, Iceland and Ireland (all around -5 percentage points). As the initial average housing payment rate is relatively small, withdrawing the transfer from children above the poverty line does not substantially increase the risk of such families falling into poverty. And the relatively high payment rate of the targeted housing transfers (pooled among a smaller group of children) will move many poor children out of poverty.

- By contrast, sixteen countries (group 2) would achieve their lowest child poverty rates by targeting family benefits or the sum of family and housing benefits towards poor children (Figure 5). The largest decline in child poverty rates, by about 10 percentage points, would occur in Israel and Lithuania. These countries have either low mean family transfers with a low proportion of children receiving them, or they have a take-up rate of family benefits that is much lower for poor than for wealthier families.

For some countries (in particular Belgium, Greece, Mexico and Slovenia), changes in child poverty rates across the different scenarios are very small.

Figure 5. Child poverty rates following a reallocation of family and/or housing benefits



Notes: The chart shows the estimated child poverty rates that would follow a reallocation of family and/or housing benefits to poor families, keeping constant the total expenditures on family and housing benefits. The first group consists of countries for which the lowest child poverty rate is achieved by redistributing housing allowances to cover all poor children; group 2 corresponds to countries where the lowest rate is achieved by redistributing family allowances or the sum of family and housing allowances. Countries are ranked in each group according to the lowest poverty rate obtained in the best case scenario.

Source: Simulations are based on the 2014 Canadian Income Survey; the EU Survey on Income and Living Conditions for European countries; the Luxembourg Income Survey for Germany and Korea.

A simple change in the distribution of benefits with no additional expenditure may not be sufficient to significantly reduce the poverty rate. This is particularly the case in countries where the level of social spending is comparatively low (as for instance in Greece and Mexico) and/or where support already targets poor families (as, for instance, in Belgium and Slovenia).

Towards a comprehensive anti-child poverty strategy

Family and housing benefits can lift families out of poverty if their income is not initially too far from the poverty line. Although these supports also improve living standards of families with lower incomes, their level is not large enough to lift them completely out of poverty and to address all needs of children. Addressing these needs requires a wide range of policies to improve the quality of the environment in which poor families live, whether in terms of housing, and to ensure that basic needs in terms of nutrition, clothing or access to resources for study and recreation are all covered.

References

Cantillon, B., D. Collado and N. Van Mechelen ((n.d.)), "The structural nature of the inadequate social floor for single-parent families", in *The triple bind of single-parent families*, Policy Press,

OECD (2018), OECD Employment database - Earnings and Wages, [OECD.Stat](https://data.oecd.org/employment/).

OECD (2016), "Who uses childcare? Background brief on inequalities in the use of formal early childhood education and

care (ECEC) among very young children", <https://www.oecd.org/els/family/publications.htm>

OECD (2015), "The quality of working lives: Earnings mobility, labour market risk and long-term inequality", chapter 4 in *OECD Employment Outlook 2015*, OECD Publishing, Paris. http://dx.doi.org/10.1787/empl_outlook-2015-en

OECD (2014), *Skills Beyond School: Synthesis Report*, OECD Reviews of Vocational Education and Training, OECD Publishing <http://dx.doi.org/10.1787/9789264214682-en>

Citation

Please cite as: OECD (2018), "Poor children in rich countries: why we need policy action", Policy Brief on Child Well-Being, OECD Publishing, Paris. This brief is produced by OECD as part of the Global Coalition's activities.

This policy brief summarises the findings assembled in Thévenon O. et al. (2018), "Child poverty in the OECD : trends, determinants and policies to tackle it", *Employment and Migration Working Papers*, OECD Publishing, Paris.

Contact

Olivier Thévenon – Directorate for Employment, Labour and Social Affairs

✉ olivier.thevenon@oecd.org

☎ +33 1 85 55 60 04

🐦 [@OECD_Social](https://twitter.com/OECD_Social)

[OECD Child Well-Being Portal](https://www.oecd.org/childwellbeing/).

The statistical data for Israel are supplied by and under the responsibility of the relevant Israeli authorities. The use of such data by the OECD is without prejudice to the status of the Golan Heights, East Jerusalem and Israeli settlements in the West Bank under the terms of international law.

<http://dx.doi.org/10.1787/888932315602>

OECD in figures refers to unweighted average of OECD countries for which data are available.