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Child poverty in the OECD: Trends, determinants and policies to tackle it

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Child poverty in the OECD: Trends, determinants and policies to tackle it

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Abstract

This paper provides an overview of the main trends in child income poverty since the mid-2000s, and explores to what extent child poverty trends are linked to demographic, policy and/or labour market changes. Trends in poverty and the standard of living of children in low-income families since the onset of the Great Recession are also closely examined: nearly 1 in 7 children is income-poor in the OECD, and child poverty increased in almost two/thirds of OECD countries with the Great Recession. About 1 in 10 children across the OECD live in a family with a standard of living below the 2005 poverty line. Children in low-income families experienced a decline in their standard of living in many countries, with the largest decline among families with the smallest incomes.

The paper also discusses the contribution of financial assistance paid to households under different schemes; it examines how child poverty would evolve if the employment rate of parents from poor families were increased or if the payment of family or housing allowances was more directly targeted at poor families. These analyses help to discuss the policy levers by which child poverty can be substantially reduced. A substantial reduction in family poverty (from 11% to less than 6% on average) would be obtained if all parents from poor families were to be in paid employment. Moreover, a budget-neutral redistribution of family and housing benefits to poor families can help reduce child poverty in many countries. But, such a reallocation of benefits does not lift children from very low-income families out of poverty. These children often experience multiple aspects of material deprivation (including poor housing conditions and a lack of educational opportunities), which calls for a comprehensive strategy combating poverty in all its dimensions.

Résumé

Ce document donne un aperçu des principales tendances de la pauvreté infantile depuis le milieu des années 2000, et explore dans quelle mesure ces tendances sont liées aux changements démographiques, politiques et/ou du marché du travail. Les tendances de la pauvreté et du niveau de vie des enfants de familles à faible revenu depuis le début de la Grande récession sont également examinées de près: près d'un enfant sur sept est pauvre en revenu dans les pays de l'OCDE, et la pauvreté des enfants a augmenté dans près des deux tiers des pays de l'OCDE avec la Grande Récession. Environ un enfant sur dix dans l'ensemble de l'OCDE vit dans une famille dont le niveau de vie est inférieur au seuil de pauvreté de 2005. Les enfants de familles à faible revenu ont connu une baisse de leur niveau de vie dans de nombreux pays, la baisse étant souvent plus importante parmi les familles à très faible revenu.

Le document examine également la contribution de l'aide financière versée aux ménages sous différentes formes ; il examine comment la pauvreté infantile évoluerait si le taux d'emploi des parents de familles pauvres augmentait ou si le versement des allocations familiales ou de logement était plus directement ciblé sur les familles pauvres. Ces analyses aident à discuter des leviers politiques par lesquels la pauvreté des enfants peut être considérablement réduite. Une réduction substantielle de la pauvreté des familles (de 11 % à moins de 6 % en moyenne) serait obtenue si tous les parents de familles pauvres avaient un emploi rémunéré. En outre, une redistribution budgétairement neutre des allocations familiales et de logement aux familles pauvres peut contribuer à réduire la pauvreté des enfants dans de nombreux pays. Mais une telle réaffectation des prestations ne sort pas les enfants de familles à très faible revenu de la pauvreté. Ces enfants sont souvent confrontés à de multiples aspects de la privation matérielle (y compris de mauvaises conditions de logement et un manque de possibilités d'éducation), ce qui appelle une stratégie globale de lutte contre la pauvreté dans toutes ses dimensions.

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Main findings

Key trends in child poverty

- On average, nearly 1 in 7 children are income poor across the OECD, but cross-country variations are large. For instance, the child poverty rate is lowest in Denmark at around 4%, but almost 25% in Israel and Turkey.
- Countries with higher child poverty rates show also a larger proportion of very poor children living in a family where disposable income is well below the poverty line.
- Child poverty rates have risen in almost two-thirds of OECD countries since the onset of the Great Recession; however, the child poverty rate continued to fall, as it did before the crisis in Korea, Ireland, Latvia, Switzerland and the United Kingdom until 2014. By contrast, the share of children living below the pre-crisis poverty line has increased sharply in Greece, Italy and Spain.
- In few countries (such as especially Greece, Spain, Ireland and Italy), the child poverty rate estimated with a poverty line set at its 2005 level is significantly higher than those obtained with a "floating" poverty line. This is because the median income decreased sharply in the aftermath of the Great recession, implying a drop in the standard of living of poor people. A significant proportion of children have a standard of living that is below the 2005 poverty line, even though they are not identified as poor with a floating poverty line. This underscores the need to analyse the evolution of the standard of living of children in low-income families, beyond a categorization as poor, which remains arbitrary.

Characteristics of child poverty

- About 6 in 10 poor children live in a household with both parents, but in some countries (Belgium, Sweden, the Czech Republic, the United Kingdom, Denmark and Sweden) 50% or more of poor children live in a single-parent family, and the share of children with a single parent among poor families is increasing in most countries.
- The most significant factor in determining child poverty at the household level is the employment status of the parents. To illustrate, on average across the OECD, less than a quarter of children with a single parent in employment were income poor in 2014, while this proportion is almost two-thirds for children living in jobless single-parent families.
- Most poor children have one-parent jobless: more than 6 out of 10 children in single-parent families; and nearly 7 poor children out of 10 in two-parent families have a mother who does not work, while 4 out of 10 have a jobless father. In addition, almost 30% of families with children are jobless across the OECD, but this proportion varies from about 10% to over 50%.
- Most poor children live in families with one or two children, and more than 20% of poor children live in families with three or more children.
- Most children in poverty have a father and/or mother who at most have completed secondary education, and their proportion is increasing in many countries.

Determinants of child poverty trends

Several different demographic, economic and policy measures play a role in influencing global differences in levels of relative child poverty. Results from a time series analysis of pooled cross-section data for 27 OECD countries from the mid-1990s to 2013/14 suggest the following findings:

- Both the decrease in the average household size and adolescent fertility rate observed across the OECD since the mid-1990s have contributed to a reduction in child poverty. The rise in the proportion of single-parent families is associated with an increase in “absolute” child poverty, measured as the proportion of children living below the mid-2000s poverty line.
- *Within* country reduction of child poverty is closely associated with growth in maternal employment: a 1% increase in the share of families with a working mother, ceteris paribus, is estimated to induce a 0,4% decrease in child relative poverty rates and the effect is twice as large on "absolute" poverty rate (measured by reference to the 2005 poverty line). Therefore, maternal employment has played an important in maintaining family living standards despite the growth of relative poverty observed in many countries in the aftermath of the Great Recession.
- Within country, variations in “absolute” child poverty share a positive association with the proportion of jobless families.
- Increases in per-capita social spending are associated with decreases in the relative child poverty rate, and there is some evidence that the association is stronger when the 10% poorest household receive a higher share of total social spending.
- Per-poor-household spending on housing benefits and social assistance benefits both shares a moderate and negative association with changes in the post-tax/transfer relative child poverty rate. This makes sense since children in low-income households or households where one parents is unable to work are eligible for these benefits. More surprisingly, increases in spending on pensions are also associated with decreases in child poverty. To some extent, this may be related to a significant proportion of children living in multigenerational households with retirees in some countries.
- Increases in the payment rate of social assistance, child supplements and housing allowances are associated with decreases in child poverty within countries over time.
- Higher rates of social assistance payments seem to be particularly effective in reducing the poverty rate for families with one or two parents; and increases in housing benefits are associated with decreases in poverty rates of one-parent families and families with two jobless parents. By contrast, poverty rate of jobless single-parent families does not appear to be affected by the level of payment rates for assistance and housing allowances, probably because their standard of living before tax and transfers is so low that increases in the rate of payment of housing allowances have been not high enough to lift these families out of poverty.

Heterogeneous trends in living standards

- Children's living standards have evolved extremely differently from country to country, and according to the intensity of poverty. The standard of living of children – measured by the family equivalised disposable income – fell in about ten countries for children with two parents in the first quarter of the income distribution. The most severe decline occurred in Greece (-50%), and in many but not all countries the decline in disposable income is sharper for very low-income families (the 10th percentile). In Greece, this sharp fall was caused in particular by a high rise in unemployment (80% of poor children with two parents working in 2007, but only 66% in 2014), combined with a 20% fall in the real minimum wage.
- By contrast, the standard of living of children from low-income families has increased particularly in Sweden (+20%) or Poland (+17%), even for children from very low-income families (i.e. the 10th percentile). This rise in living standards has been driven by multiple factors, including an increase in the proportion of children with a father and/or mother who work full time all year and an improvement in the quality of jobs held by mothers.
- The relative decline in living standards has been greater for children from single-parent families than for others in few countries, including Austria, France, Hungary, Italy and the Slovak Republic.

What factors drive trends in the living standards of low income families since 2007?

- Among all factors, differences in trends regarding paternal and maternal employment rates and job quality are important factors explaining cross-national differences in the evolution of income for low-income families. Therefore, policies to raise parental employment and promote greater mobility towards better quality and better-paid jobs need to be implemented to cushion the effect of the Great recession and reduce child poverty.
- The decline in disposable income experienced in many countries by low- and very low-income families suggests that social benefits in general have played a rather limited role in mitigating the effects of the crisis, but there are examples where tax and social transfers seem to have at least partially offset the loss of market income.
- The socio-demographic composition of poor families is changing and that policies must adapt to these changes. In particular, an increasing number of "poor" children live in a single-parent household, and/or with fewer siblings, and/or in a household where the youngest child is of school age.

Raising parental employment: what effect on child poverty?

- Some crude simulations suggest family poverty rates could be halved on average across the OECD (from an OECD average of 11% to 5.4%) if joblessness were to vanish, but poverty reduction varies from country to country due to differences in the initial situation regarding the prevalence of joblessness.
- Substantial reduction of poverty rates could be also achieved by eliminating the extra poverty risk associated with the presence of children compared to childless households (i.e. by eliminating the “child penalty”). The poverty rate for families could fall from 11.8% currently to 11.2% if single-parent families had a poverty rate equal to single adults, and to 8% if two-parent families did not have a higher risk of poverty than childless couples.

Allocating family benefits differently: what effect on child poverty?

- A substantial reduction of child poverty could be achieved with a reallocation of family and housing allowances to get a greater coverage of poor children by these benefits – assuming that the total expenditures on these benefits are constant. This is due to low current take-up rates of benefits among poor children, meaning that improving benefit take-up rates of poor families is a substantial way forward in reducing child poverty.
- Compared to the current situation, the reduction of child poverty would be greater by redistributing family allowances or housing benefits only, or all together; what is best in each country depends on the gains for poor families but also the potential losses born by families initially above the poverty line but receiving different types of benefits.
    - In a first group of countries, the lowest child poverty rate is achieved when housing benefits are redistributed to cover all poor children. This scenario holds the largest drops in child poverty rates in Luxembourg (-6.5 percentage points) and Denmark, Iceland and Ireland (all around -5 percentage points). This result is achieved because the initial average housing payment rate is relatively small, so that withdrawing the transfer from children above the poverty line does not substantially increase the risk of such families falling into poverty. While 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, twelve countries (Belgium, Canada, the Czech Republic, Estonia, Greece, Israel, Lithuania, Mexico, Norway, Poland, the Slovak Republic and Switzerland) achieve their lowest child poverty rates when family benefits are targeted towards poor children. The largest decline in child poverty rates, by about 10 percentage points, occurred in Israel and Lithuania. These countries have either low current mean family transfers with a low proportion of children receiving them, or they have rather unequal distributions, where higher income children receive larger family benefits.
    - Finally, four countries (Italy, Portugal, Spain, and the United States) would have their lowest child poverty rates if both their housing and family transfers were targeted to poor children.

How to combat child poverty?

The diversity of factors driving the evolution of family income suggest that only a range of policies addressing all these factors can significantly and durably improve children's standard of living and reduce their exposure to poverty. It involves measures with different objectives and means to either ***prevent*** poverty (by in particular raising parental employment and/or raising income gains from employment) or ***protect*** children and families (by ensuring that the assistance provided by financial aid covers all poor children and that it responds to the changing characteristics of poor families).

- Policies promoting better quality and better paid jobs and supporting maternal employment are key to get an as large as possible reduction in child poverty. Making work pay, supporting the work-life balance and improving the skills of parents from low-income families are key elements to promote a continuous presence in employment and raise career prospects.

- An important challenge for redistribution policies is to ensure that the entire population of poor children is covered by benefits and for this that eligibility criteria are adapted to the changing composition of poor families. Single-parent families, small-size families and families with school-aged children are increasingly exposed to poverty and for that reason need to receive adequate support.
- The Sustainable Development Goals (SDGs) include one objective to halve child poverty by 2030. Achieving this goal requires investing in a comprehensive inclusive growth strategy. One of the conditions necessary for the success of the anti-child poverty policies is the creation of stable, high-quality jobs that are both sufficient and accessible to the lower skilled parents. A successful anti-poverty strategy for children also requires policies to cope with many of the consequences income poverty has on children's material deprivation, physical and mental health, and educational achievements. These policies are particularly important for children in the poorest families whose parents are durably out of work and for whom social benefits are not large enough to lift them out of poverty.

Outline of the discussion

The paper is organised as follows. The first section highlights why combating child poverty is an important policy challenge and provides a brief discussion of the main socio-economic and policy determinants of child poverty to be explored. The second section provides an overview of key trends in child poverty and in children's living standards as well as of the changing socio-demographic characteristics of poor families.

The third section shed light on the factors influencing the risk of poverty at both national and household levels. The influence of different economic, demographic and social expenditure variables on child poverty trends at country level is first examined by means of a panel data analysis of data spanning from the mid-1990s to 2013-14. Then, the section looks at factors (including changes in household composition and/or in employment status of parents) which explain trends in the standard of living of children from low-income families in some OECD countries between 2007 and 2014. These factors vary across family types and with levels of family income which suggests that specific categories of families have been most affected by the great recession, these categories being different from one country to the other.

To further explore the possible role of parental employment and of cash transfers in reducing child poverty, section 4 examines with simple simulations what poverty rates would be obtained by increasing parental employment rates or by a budget-neutral redistribution of family and/or housing allowances to poor families. The paper concludes with a discussion of policy options in light of the overall findings presented.

1. Tackling child income poverty: do we know how to do it and why does it matter?

1. 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, as they experience poverty in the early years of life. Children growing up in poverty are less likely than their better-off peers to do well at school, enjoy good health, report satisfaction with their life and realise their full potential upon reaching adult age (OECD, 2018[1]). Combatting child poverty hence is key to ensure equality of opportunity across children particularly and ensure that no child will be put on a footing of disadvantage.

2. Child poverty levels today stem from long-term changes in demographic and labour market behaviour, or from insufficient development of policies tackling poverty. As a result, child poverty has increased in more than half of OECD countries since the early 1990s, and now nearly one child in seven lives in poor households. In addition, the economic downturn caused by the 2008 financial crisis has pushed families into poverty in many countries, and social policies offered some protection only to some extent and with large cross-country variations (Chzhen, 2017[1]); (Cantillon B., Chzhen Y., Handa S, 2017[2])).

3. The persistence of child poverty at rather high levels compared to national poverty rates and its rebound with the economic crisis explain why reducing child poverty is now high on the social policy agenda of many OECD countries. Recent stimuli in this direction have also been given at the international level with a 2013 recommendation to "invest in children" adopted by the European Commission (C2013) 778 final) and with the 2015 UN Sustainable Development Goals which include a target to halve child poverty according to national definitions by 2030.

4. Not all countries are on an equal footing when it comes to child poverty, however. To understand the reasons, it is necessary to have a good grip on the drivers of child poverty and policy responses. On one hand, there is clear evidence that the economic growth has played a very important role in the progress against poverty in the world (Ravallion, 2016[2]). However, two key institutions that shape economic fortunes—the labour market and the family—have dramatically changed over the last half-century in ways that leave large segments of the population increasingly vulnerable to poverty and its effects. In addition, countries differ in the policies they pursue to combat family poverty, in the timing of their policies, the intensity of their efforts to reduce poverty and the form of their interventions.

5. The evidence suggests that demographic, labour market and policy factors all played a role in explaining child poverty trends, though to different degrees across countries. Differences in family composition, in parental employment rates and work intensity, and in the "returns" to labour market participation of parents all combine to explain cross-national variations in child poverty – and differences are especially large when it comes to single-parent families (Gornick and Jäntti, 2011[4]), (Gornick and Nell, 2017[5]) (Whiteford and Adema, 2007[6]) pointed to the role of employment and of public transfers to combat child poverty effectively. They observe that child poverty rates are significantly higher for jobless families than for families with at least one parent in employment in nearly all OECD countries, and are also higher in single-earner families than in two-earner families, and in sole-parent households compared to two-parent households. Nevertheless, employment do not always offer a protection that is sufficient to lift children out of poverty since on average across OECD countries only around one-third of poor families with children are jobless.

Countries with very low child poverty rates (less than 5%) combine low levels of family joblessness and effective redistribution policies which supports the view that successful anti-poverty strategies should seek a balanced approach combining improved benefits where necessary and improved incentives to work.

6. The sources of income of poor families, whether from the labour market or social transfers, vary considerably between countries. (Bradbury, Jäntti and Lindahl, 2017[7]) for instance observe that levels of disposable income both vary quite widely across English-speaking countries, and have a sensitively different structure due to from wide variations in the generosity of social transfers combined with average market incomes that represent at most one fifth of national median disposable. By contrast, Nordic countries show lower disposable income disparities which are, however, achieved by different mix between market income and social transfers. Moreover, in some countries such as the United States or Spain, the low work intensity of parents from poor families compared to the "median" family explains more strongly than elsewhere their lower income.

7. Other cross-national studies highlight the effect of social spending on reducing child poverty. (Bäckman and Ferrarini, 2010[8]) point out two mechanisms by which family transfers contribute to reduce child poverty: a direct effect via the support in-cash provided to traditional one-earner families; and the support to dual-earner families which operates by enabling both parents to work and raise market income. (Petmesidou et al., 2016[9]) also highlight the influence of social transfers beyond those targeting families specifically, and the heterogeneity with which different types of transfers contribute or not to reducing child poverty in Europe. For instance, they point out the low efficacy of social spending in reducing child poverty is in Southern Europe countries due to scarce social services and modest family benefits. By contrast, pensions are found to have a noticeable impact on child poverty in countries where family and kin continue to play an important role in providing welfare, while other types of transfers are much more limited (Chzhen and Bradshaw, 2012[10]); (Petmesidou et al., 2016[9])).

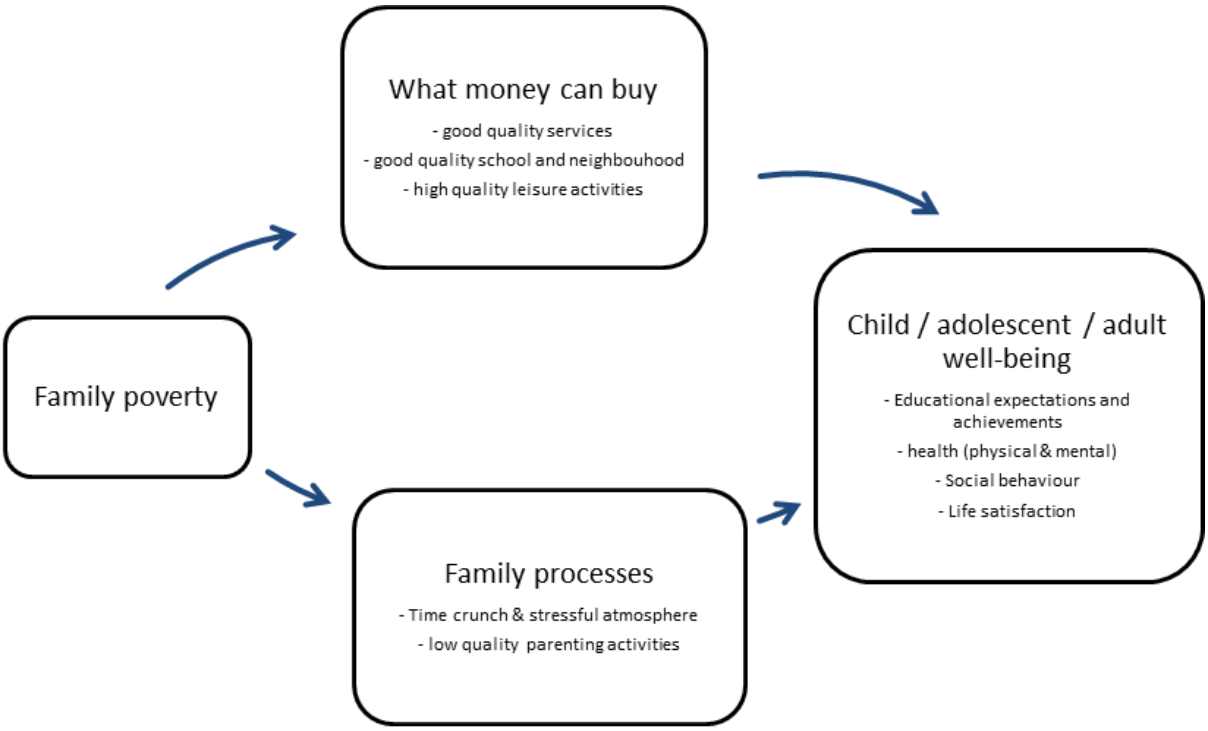
8. Only few studies have analysed changes in child poverty over time to understand its mechanisms, and these studies are now somewhat dated. (Chen and Corak, 2008[11]) observed a reduction in child poverty only few countries among the 12 OECD countries they scrutinized from the early 1990s to the mid-2000s. In the countries where poverty rates did change, demographic forces played a limited role. Instead, increases in the labour market engagement of mothers consistently lowered child poverty rates, while decreases in the employment rates and earnings of fathers were a force for higher rates. Government support was also found to be major cause of a decrease in child poverty for instance in Norway, the United Kingdom and the United States but they played very little or no role in many other countries.

9. From this discussion it emerges that a better understanding of the determinants of recent child poverty trends is needed, taking into account in a more systematic way the interplay between demographic factors, parental employment status and policies that can influence all these dimensions. This paper contributes to bridge the gap in the literature by analysing trends in child poverty since the mid-1990s and focusing in particular on the trends in child poverty and changes in the standard of living of low-income families since the onset of the Great Recession.

1.1. Why do we need to tackle child poverty?

10. Being exposed to income poverty is harmful to all members of a family, but it is particularly so for children. There is so plenty of evidence underlying the multiple short- and long-term consequences that poverty has on children's well-being and development. Therefore, children exposed to poverty often perform less well later in life than children from better-off families in terms of school performance, health and they also show a higher risk of early school leaving and/or behavioural problems (Box 1). Career prospects are also affected in the long-run since they heavily depend on soft and hard skills learned in childhood or adolescence.

Figure 1. How family poverty affect child outcome?



11. How does family income poverty affect child outcomes? Two main channels play a role (Figure 1; (Duncan and Magnuson, 2013[3])). Having low income first limits households' 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 (Box 1). 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); and they also often live in low quality neighbourhoods, i.e. with low quality transportation infrastructure, poor access to care services and good quality schools, and sometimes a greater exposure to pollution and violent crime (Gustafsson and Osterberg, 2010[4]) (Chetty et al., 2014[5]).

12. Income poverty dramatically increases the risk that children will experience some kind of material deprivation. For example, income-poor school-aged children are twice as likely to live in low-quality housing as non-poor children in France and Spain (Table 1); three times as likely not to eat fruits, vegetables or proteins every day. They are also four to five times more often exposed to multiple and "severe" deprivations.

Table 1. Material deprivation rates according to the diverse dimensions

	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	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	30.2	24.0	59.8	41.8	26.7	74.5	43.4	38.7	62.3
Education	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

Note: The sample is restricted to children aged 6 to 15. 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.
Definitions of the variables: Housing conditions: defined as whether or not a child lives in a household having one of the following problems with their dwelling: sanitation problems ("having neither a bath nor a shower", or having no "indoor flushing toilet for the sole use of household), or overcrowding difficulties, according to the Eurostat definition of overcrowding, or multiple housing problems (dwelling "too dark, not enough light" or with "leaking roof, damp walls/floors/foundation, or rot in window frames or floor", or inability "to keep home adequately warm"; Clothing: defined as whether or not a child lives in a household where at least one child (1-15) does not have access to either "some new (not second-hand) clothes" or "two pairs of properly fitting shoes (including a pair of all-weather shoes)"; Nutrition: defined as whether or not a child lives in a household where at least one child (1-15) does not eat "fruits and vegetables once a day" or does not eat "one meal with meat, chicken or fish (or vegetarian equivalent) at least once a day"; Educational materials and opportunities: defined as whether or not a child lives in a household where at least one child (1-15) does not have "books at home suitable for their age" or, for children attending school, does not "participate in school trips and school events that cost money" or does not have a "suitable place to study or do homework" ; Leisure opportunities: defined as whether or not a child lives in a household where at least one child (1-15) does not participate to "regular leisure activity" or does not "go on holiday away from home at least one week per year"; Social opportunities: defined as whether or not a child lives in a household where at least one child (1-15) does not "invite friends round to play or eat from time to time"; Neighbourhood quality: defined as whether or not a child lives in a household answering positively to either question: "do you have any of the following problems related to the place where you live? Crime, violence and vandalism in the local area?" or "do you have any of the following problems related to the place where you live? Too much noise in your dwelling from neighbours or from outside (traffic, business, factory, etc.?)".

13. Financial strain can be stressful for parents and impact family climate and parenting behaviour negatively, which in turn can impact child outcomes (Chase-Lansdale and Pittman, 2001[6]) (Kalil, 2003[7]). Family processes are thus a key mechanism through which poverty affects child achievement (Bradley and Corwyn, 2002[8]) (Newland et al., 2013[9]). In particular, there is some evidence that poverty creates disruptions in family processes such as maternal and/or paternal warmth and home learning stimulation, which in turn predicts less optimal academic outcomes (Brooks-Gunn and Duncan, 1997[10]) (Baker, Kainz and Reynolds, 2018[11])An additional stress factor is that parents with low incomes often juggle between work and care commitments, which affects both the quantity and the quality of the time parents spend with their children.

Box 1. Does income poverty affect child outcomes?

The links between family poverty and subsequent child outcomes have been investigated for decades (Mayer, 1997[12]); (Duncan et al., 2012[13]). In a comprehensive literature survey, (Cooper and Stewart, 2013[14]) emphasize that children from lower-income households have worse outcomes at later ages for a range of topics such as: scoring lower on tests of cognitive skill in early childhood, being more likely to drop out of school and less likely to attain tertiary education, the evidence being strongest and most abundant. Children from low-income families are also showing more behaviour problems than others. The evidence on physical health, as well as on intermediate outcomes such as parenting and parental mental health is more limited.

While it is possible that the inequalities between children from rich and poor families are also due to unmeasured factors that simultaneously explain parents' income and their children's outcomes, evidence from randomised controlled trials, quasi-experimental approaches or analysis of longitudinal data suggests that there is also an independent income effect and that money in itself does matter (Cooper and Stewart, 2017).

The *timing* of poverty matters, and for some outcomes later in life, particularly those related to achievement skills and cognitive outcomes, poverty early in a child's life is particularly harmful (Duncan et al., 2012[13]); (Cooper and Stewart, 2013[14]). By contrast, for behavioural outcomes, income in later childhood may appear to be more important. Evidence on the effect of the age at which children are exposed to poverty on their later outcomes is, however, rather mixed and does not justify targeting public intervention to combat poverty exclusively at early childhood.

The *duration* of low income is also important: longer durations of poverty seems to have a more severe effect on children's outcomes than short-term experiences of poverty. That said, chronic experience of low income and unstable income are still also associated with negative outcomes for children (Cooper and Stewart, 2013[14]).

Raising family income improve child outcomes. From their literature survey, (Cooper and Stewart, 2013[17]) (Cooper and Stewart, 2017[15]) estimate that that a $1,000 increase in annual income increases young children's school achievement and cognitive outcomes by between 5% to 27% of a standard deviation and from 9 to 24% for behavioural outcomes.

2. Child poverty trends across the OECD

14. The relative income poverty rate is a widely used indicator in industrialised countries to measure the proportion of a population that is poor within a country with a given distribution of income. The analysis is based on equivalised incomes, where households incomes are divided by the square root of the household size in order to reflect the variations in standard of living due to different family size (see Annex A for a discussion of child poverty measurement issues). By convention, the OECD uses a relative poverty threshold at 50% of median equivalised income.

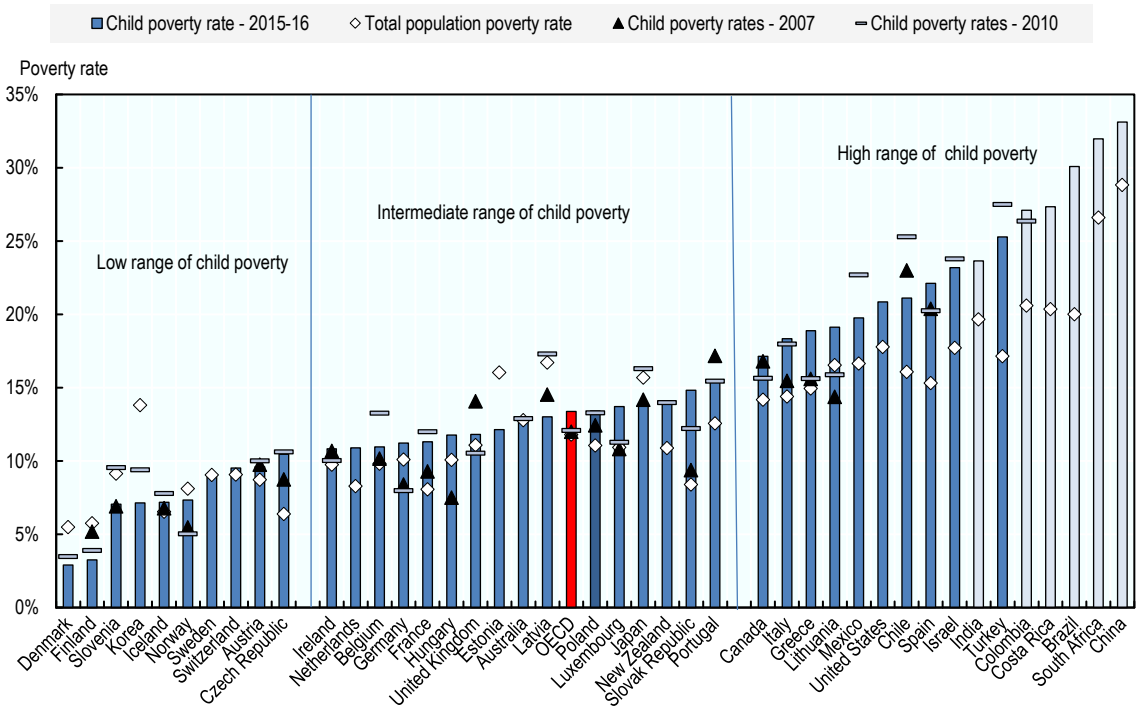
2.1. Relative child poverty rates range from 3% to 25% across the OECD

15. Using this conventional OECD poverty concept, nearly 1 in 7 children is income-poor across the OECD, with large disparities across countries. For example, more than one in five children is relatively poor in Chile, Israel, Spain, Turkey and the United States, which is almost ten times higher than in Denmark. More generally, three groups of countries can be distinguished according to their level of child poverty (after tax and transfers) in 2014-15 (Figure 2):

- A first group of 10 countries (Austria, the Czech Republic, Denmark, Finland, Iceland, Korea, Norway, Slovenia, Sweden and Switzerland) where child poverty rates are significantly below the OECD average of 13% (see the notes to Figure 2). In Finland and Iceland the child income poverty rate is only around 5-6%, while in Denmark it is less than 3%.
- The second group comprises countries where child poverty rates range between 10 and 16% which is not significantly different from the OECD average. It includes Australia, Belgium, Estonia, France, Germany, Hungary, Ireland, Japan, Latvia, Luxembourg, the Netherlands, New Zealand, Poland, Portugal, the Slovak Republic and the United Kingdom. In the United Kingdom, child poverty rates declined from 2000 to 2013 as a result of policy reform that focused on reducing child poverty. Poland also saw a remarkable drop in poverty headcount rates since 2004. Child poverty has been relatively stable in most other countries in this group, except in Hungary and the Slovak Republic where poverty rates have risen significantly since their low-point in 2007 just before the Great Recession.
- The last group consists of OECD countries where child poverty is significantly above the OECD average. In Canada, Chile, Greece, Israel, Italy, Lithuania, Mexico, and Spain more than 17% of children live in poverty; rates rise to about 20% in Mexico and the United States and 25% in Israel and Turkey. Child poverty is markedly above than the poverty rate of the total population, the difference being particularly large in countries where the child poverty rate exceeds the OECD average.

Figure 2. Child income poverty rates since the mid-2000s

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, 2007[a], 2010[b] and 2015-16[c] or nearest available year



Note: a) 2006 for Japan; 2008 for Australia, France, Germany, Israel, Norway, Sweden and the United States; 2009 for Chile
b) 2011 for Denmark, Germany, New Zealand and Russian Federation, Turkey; 2012 for Australia, France, Japan, Mexico.
c) 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 (as of June 2018), http://oe.cd/idd.

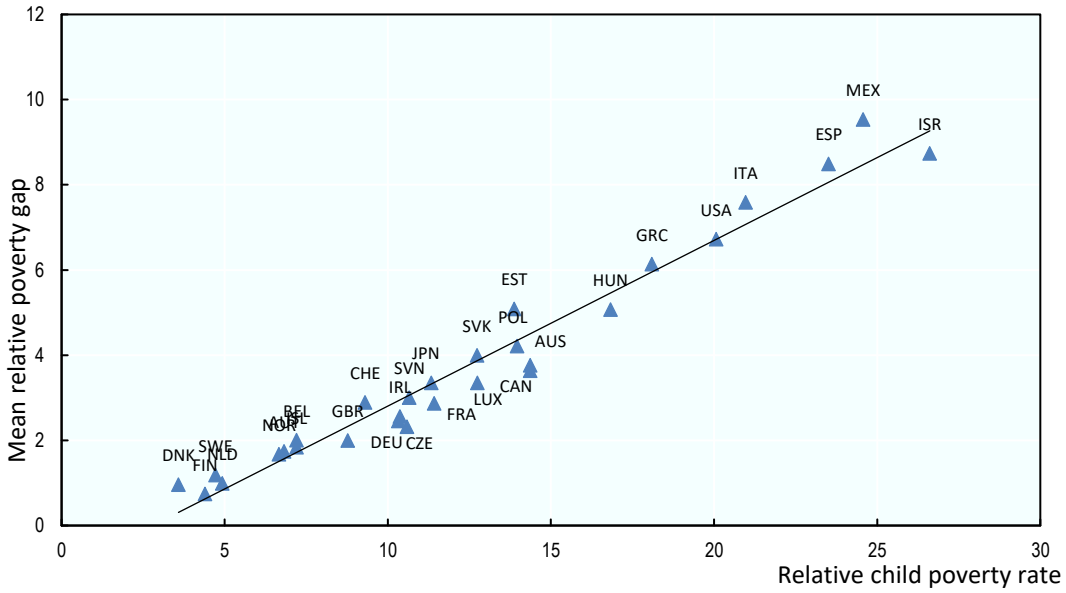
16. In countries where child poverty is above the OECD average, children are often more frequently exposed to income poverty than the total population. In contrast, countries where child poverty is low have rates that are significantly lower than the poverty rates of the population in general.

17. The following observations help to understand the disparities in levels and trends of child poverty:

- Globally, countries with higher poverty rates on average also have a larger poverty gap, which measures the distance between household disposable income and the poverty line; a larger poverty gap then means that children more often live in a family with total income that is far below the poverty line (Figure 3).

Figure 3. More intense poverty in countries with higher poverty rates

Panel A. Correlation between relative poverty rate and mean poverty relative gaps



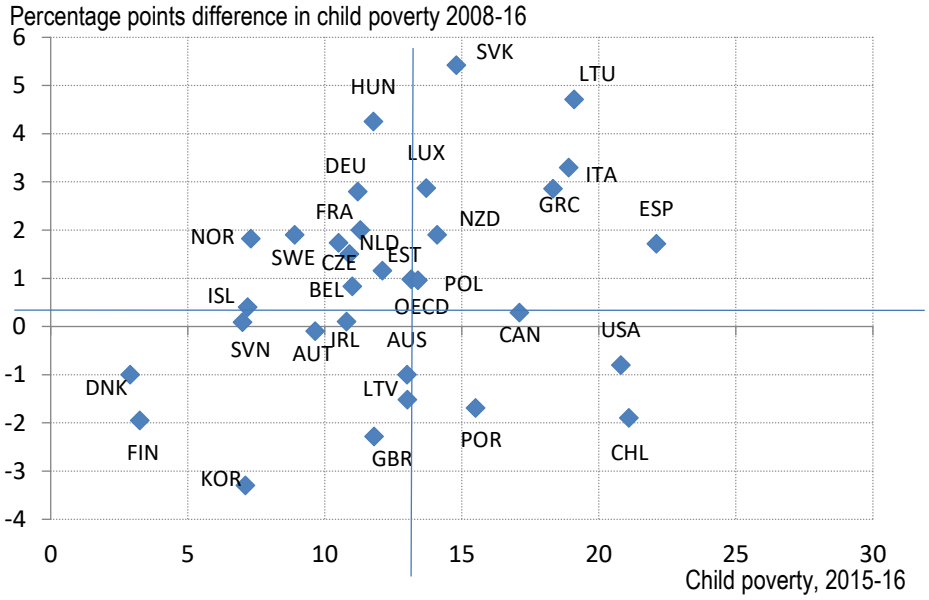
Note: The poverty gap index provides a weighted measure of the distance between household disposable income and the poverty line; a higher poverty gap index then implies that children face severe hardship.
Source: OECD Income Distribution Database & Luxembourg Income Study.

- With the Great Recession child poverty increased in about two/thirds of OECD countries. At 5.4 percentage points the increase between 2008 and 2015-16 was largest in Slovak Republic. An increase of more than two percentage points over the same period was observed in France, Germany, Greece, Hungary, Italy, Lithuania, Luxembourg, and Sweden (Figure 4, Panel A).
- In several countries, including in particular Slovenia, Korea, Belgium, Latvia, Japan, Mexico, Chile, Turkey and Chile, the child poverty rate peaked around 2010 and has declined since then.
- Child poverty did not increase in all countries and even continued to decrease after 2007 in some countries, including Australia, Denmark, Finland, Korea, Latvia, Portugal, the United Kingdom and the United States (Figure 4, Panel A).

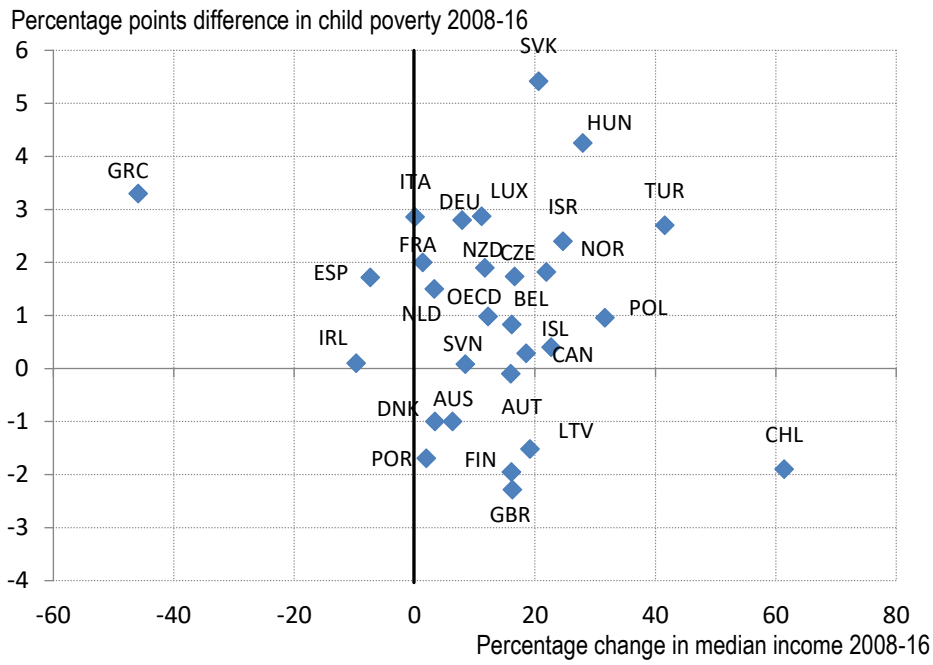
- Most countries have experienced an increase in median disposable income (and hence poverty line) (Figure 4, panel B); and in many cases, this increase has not benefited families at the bottom of the income scale since the child poverty rate has increased at the same time (northeast quadrant). On the contrary, a fall in the child poverty rate coincided with the rise in median income which has been particularly strong in Chile especially since 2010. In Greece, the increase in the relative child poverty rate was accompanied by a significant fall in median income and thus the poverty line (**Figure 4**, Panel B). This suggests that not only the proportion of children experiencing poverty increased, but also that the standard of living of poor families declined – as further explained in the next sub-section.

Figure 4. Child Poverty since the onset of the Great recession

Panel A: Changes since 2008



Panel B: Changes in poverty rates and poverty line



Note: The charts show data on relative headcount poverty rates for children. Headcount poverty is defined as the proportion of children aged 0-17, living in a household with an equivalised disposable income below 50% of the median household income of the total population. The income attributed to each person is "adjusted" for household size based on an equivalence scale (the square root of household size) that does not distinguish between adults and children and which implies that a household's economic needs increase less than proportionally with its size.

Source: OECD Income Distribution Database (as of June 2018), http://oe.cd/idd.

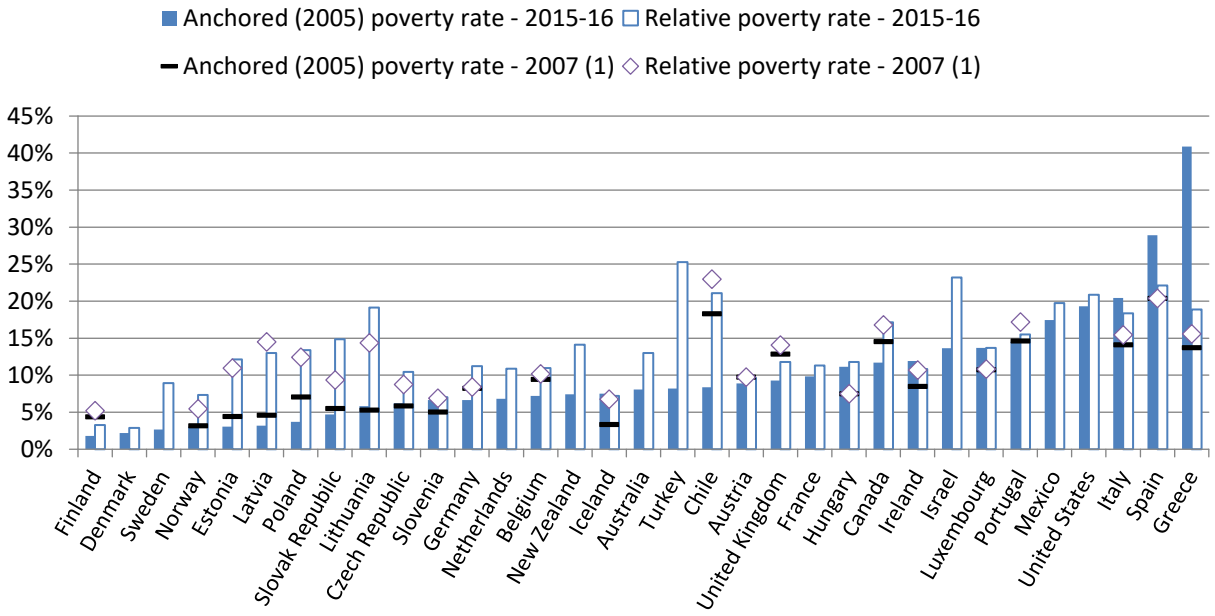
2.2. Changes in living standards aggravate cross-national differences in poverty trends

18. The measured level of poverty depends on the adopted poverty concept. By convention, the OECD uses a relative poverty threshold at 50% of median income equivalised for the composition of households. However, in this approach median income – and thus the relative poverty line, varies over time which influences comparisons over time and across countries (See **Figure 4**, Panel B).

19. To get around the issue of a floating poverty line a fixed poverty line can be used, e.g. an 'anchored' poverty line which keeps income levels constant accounting for inflation. Setting the poverty line at its 2005 level[1] – with yearly adjustments for price inflation (Figure 5) facilitates considering changes in living standards related to the Great Recession. In times of crisis, median incomes are likely to decline so that relative income poverty measures based on a 'floating' (in this case declining) median income threshold would show a smaller increase compared with poverty rates based on a constant 'anchored' poverty threshold. This is tantamount to an increase in an 'absolute level of poverty' and suggests that households are generally worse off than before the economic crisis.

Figure 5. Child poverty with a mid-2005 baseline

Percentage of children (0-17) in families with disposable income below 'anchored' and floating' poverty lines.



Note: 1) 2008 in Germany, 2009 in Chile. The anchored poverty rates refer to 2006 income levels for Chile, Japan, Korea and Turkey; and to 2007 income levels for Austria and Spain.
Source: Estimations based on the OECD Income Distribution Database (as of June 2018) http://oe.cd/idd

[1] The year 2005 has been chosen to be consistent with the baseline used in OECD data series on anchored inequality and poverty measures (See the OECD Income Inequality Database).

20. Comparing recent trends in 'anchored' and 'floating' poverty rates leads to the following observations:

- In most countries, the relative income poverty rate based on a floating poverty line in 2015-16 is higher than the "anchored" rate estimated with the 2005 poverty line. This is because the median income used as a basis for calculating the relative poverty line in 2015-16 is higher than that of the 2005 poverty line. This is the case mostly in countries where median disposable income increased sharply after 2005, despite the 2008 crisis, such as for instance in Chile, Israel, Poland, Sweden and Turkey (see Figure B 1 in Annex B)[2].
- By contrast, poverty levels estimated with the anchored pre-crisis baseline are much higher than those based on the floating poverty line in countries hardest hit by the Great Recession, such as Greece, Spain, Ireland and Italy. In these countries, the rise in the child poverty rate since the Great Recession is much larger when using the 'anchored' poverty rate than those shown by the relative poverty rate with the floating baseline. For instance, in Greece the anchored child poverty rate increased from around 15% in 2008 to 40% in 2015, twice as high as the relative income child poverty rate. This happens because the median income used as a basis for calculating the "floating" poverty line decreased sharply in the aftermath of the Great recession, implying a drop in the standard of living of poor people. A significant proportion of children are therefore not identified as poor with a floating poverty line, even though their standard of living is below the 2005 poverty line. This points to the need to analyse the evolution of the standard of living of children in low-income families, beyond a categorization as poor, which remains arbitrary.

21. Using a common absolute poverty line also facilitates comparisons of long-term trends in poverty and standards of living (Box 2).

[2] Latvia is an exception here in that the estimated poverty rate with a floating poverty line is higher than the one obtained with the anchored threshold in 2005, even though the median disposable income (and therefore the poverty line) has strongly declined. This suggests, therefore, that the drop in median income has been particularly significant for families with children - something that is not captured here by the poverty line anchored in 2005.

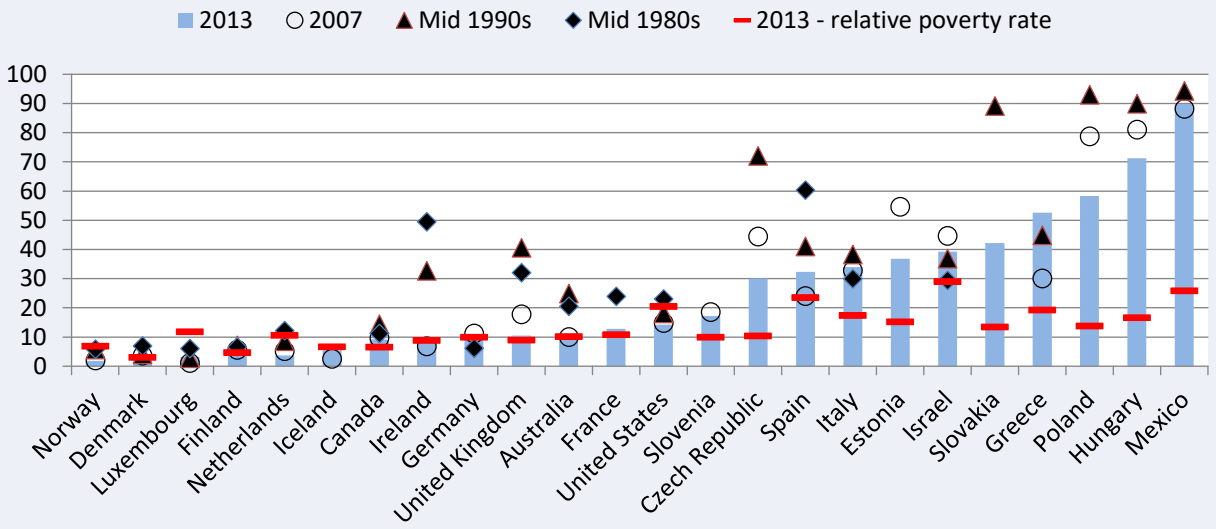
Box 2. Poverty and living standards of children since the early 1970s.

In order to compare long-term trends in child poverty and standards of living use can be made of a poverty line that is fixed common to the different countries involved. The use of common baseline for countries makes it possible to consider convergence or divergence of living standards between countries. The selection of the reference poverty baseline is necessarily arbitrary, but following (Scruggs and Allan, 2006[16]), the poverty line prevailing in the United States in 1974 (adjusted for price inflation) was taken as a pre-oil shock benchmark to measure absolute progress in the living standards of low-income families. The results suggest that:

- Child poverty rates obtained with the US mid-1970s poverty line are often much higher when compared to the poverty rates obtained with the standard 'floating' poverty line, for example in Hungary and Mexico the 'anchored' poverty line (after adjustments for differences in purchasing power and inflation) is lower than the 'floating' relative poverty line in 2013 (Figure B1).
- Nevertheless, sharp declines in child 'absolute/anchored' poverty rates occurred for example in the Czech and Slovak Republics which experienced a steep increase in household living standards after their transition to market economies (Figure Box.2.1). A sharp decrease in 'absolute' child poverty also occurred in Ireland and the United Kingdom.

Figure Box.2.1. Child 'absolute' poverty rates

Percentage of children in families with income below the US mid-1970s poverty line.



Note: Child poverty headcount ratios are calculated on the basis of the poverty line prevailing in the United States in 1974 with adjustments for price inflation. For each country, the data closest to respectively 1985,1995, 2007 and 2013 are used.

Source: OECD estimates based on Luxembourg Income Surveys.

2.3. Diverging trends in living standards since 2007

22. Children's living standards have evolved extremely differently from country to country, and according to the intensity of poverty. Figure 6 shows that the standard of living of children in the first quarter of the income distribution of families with two parents fell in about ten countries, with the most severe decline (-50%) occurring in Greece. This decline was more marked for children from very low-income families (the 10th percentile), as is also the case in Spain and Italy in particular.

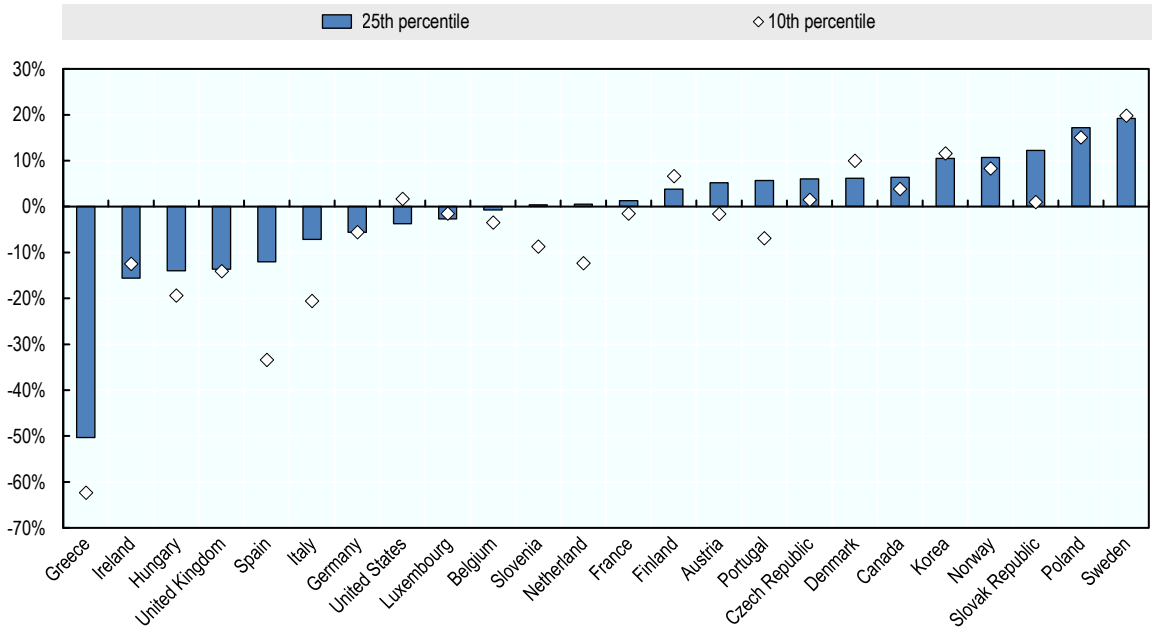
23. On the contrary, the standard of living of children from low-income families has increased particularly in Sweden (+20%) or Poland (+17%), even for children from very low-income families (i.e. the 10th percentile).

24. In some countries, the relative decline in living standards has been greater for children from single-parent families than for others (Figure 6, Panel B). In Italy and Hungary, the standard of living fell by 26% and 20% respectively at the median level, and the decline in disposable income was even greater for lower-income single-parent families (the 25th percentile). Moreover, in Austria, France and the Slovak Republic, the standard of living of single-parent families has declined, albeit moderately but in contrast to the relative stability or income growth experienced by children in two-parent families.

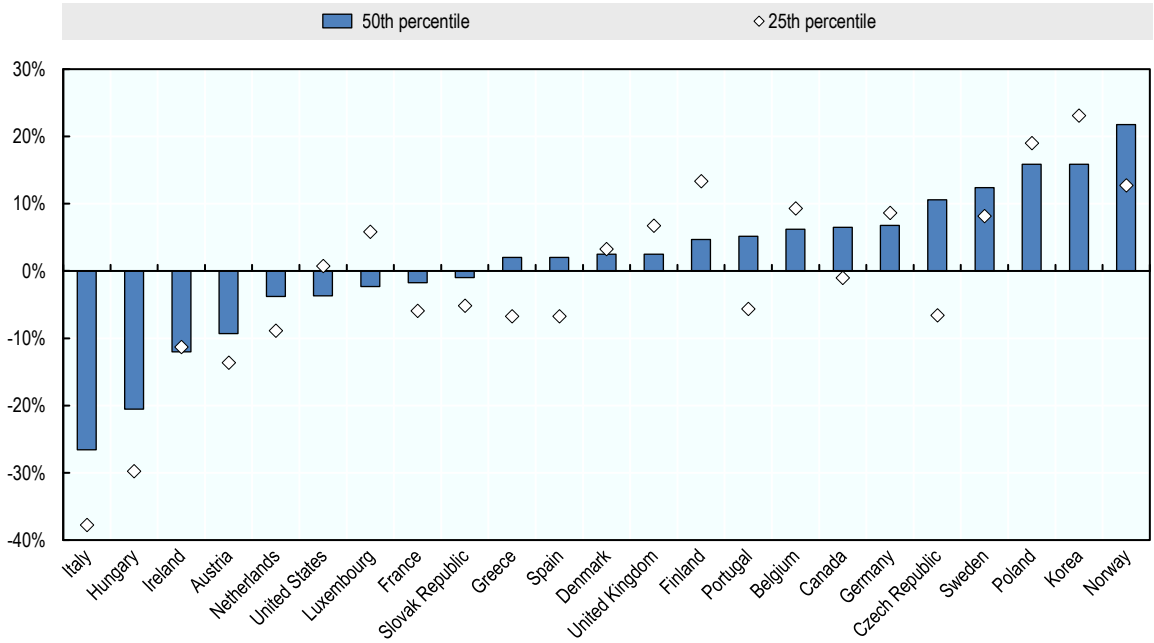
Figure 6. Changes in children's living standard 2007-2014

Percentage change in equivalised disposable income by income percentiles

Panel A. Children in two-parent families



Panel B. Children in single parent families



Note: The chart shows the percentage change in the household income for children in the 25 and 10 percentile at the bottom of the income distribution in two parent families, and for the 50 and 25 percentiles for children in single-parent families. The income is equivalised and corrected for the purchasing power parities. 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 Survey for Germany and Korea.

2.4. Poor children: who are they?

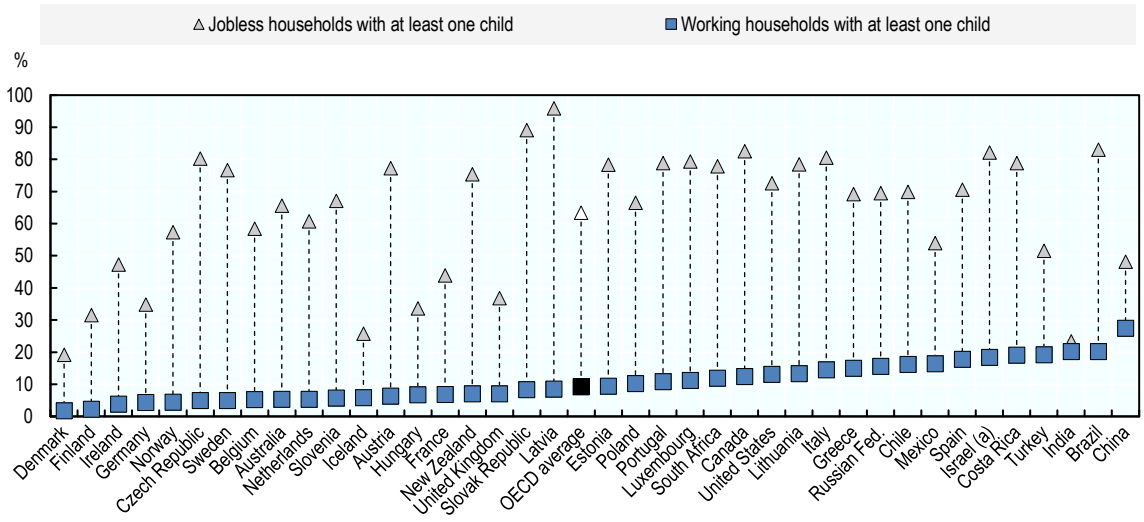
25. The risk of child poverty varies with the employment status and social background of their parents, and with family structure.

2.4.1. Parental joblessness increases child poverty

26. The most significant factor in determining child poverty at the household level is the employment status of the parents. On average across the OECD, more than 6 in 10 jobless households with children are income-poor while the proportion is below 1 in 10 when at least one household member is working (Figure 7).

Figure 7. Poverty risk is 6 times higher in jobless than in working families

Relative income poverty rates (%), individuals in working-age households with at least one child, by household employment status, 2015-16.



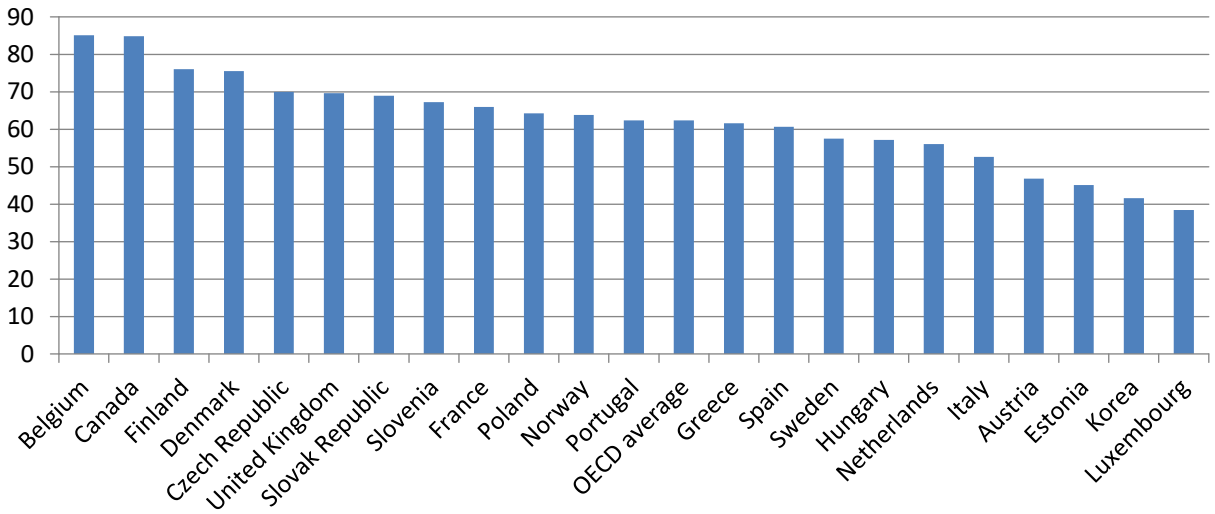
Note: Data are based on equivalised household disposable income, i.e. income after taxes and transfers adjusted for household size. The poverty threshold is set at 50% of median disposable income in each country. Working-age adults are defined as 18-64 year-olds. Children are defined as 0-17 year-olds. Data for China, India and the Russian Federation refer to 2011, for Brazil to 2013, and for Australia, Hungary, Iceland, Mexico and New Zealand to 2014.
Source: OECD Income Distribution Database (as of June 2018) http://oe.cd/idd.

27. The likelihood of children from poor families to be with unemployed parents depends on the family situation (Figure 8). Just over 6 out of 10 poor children in a single-parent family lived with a parent who does not work, and this concerned 7 out of 10 or more children in Belgium, Canada, Denmark, the Czech Republic, Finland and the United Kingdom (Figure 8 Panel A). Yet, the labour force participation of a single parent offers protection against poverty for children. On average, across the OECD, less than a quarter of children with a single parent in employment were income poor in 2014. By contrast, in single-parent households where the parent was not in paid work, almost two-thirds of children were income poor. In Canada, Italy, New Zealand, Slovenia and the Slovak Republic the poverty risk of children with a non-working single parent is even higher – with more than 9 in 10 children living in income poverty.

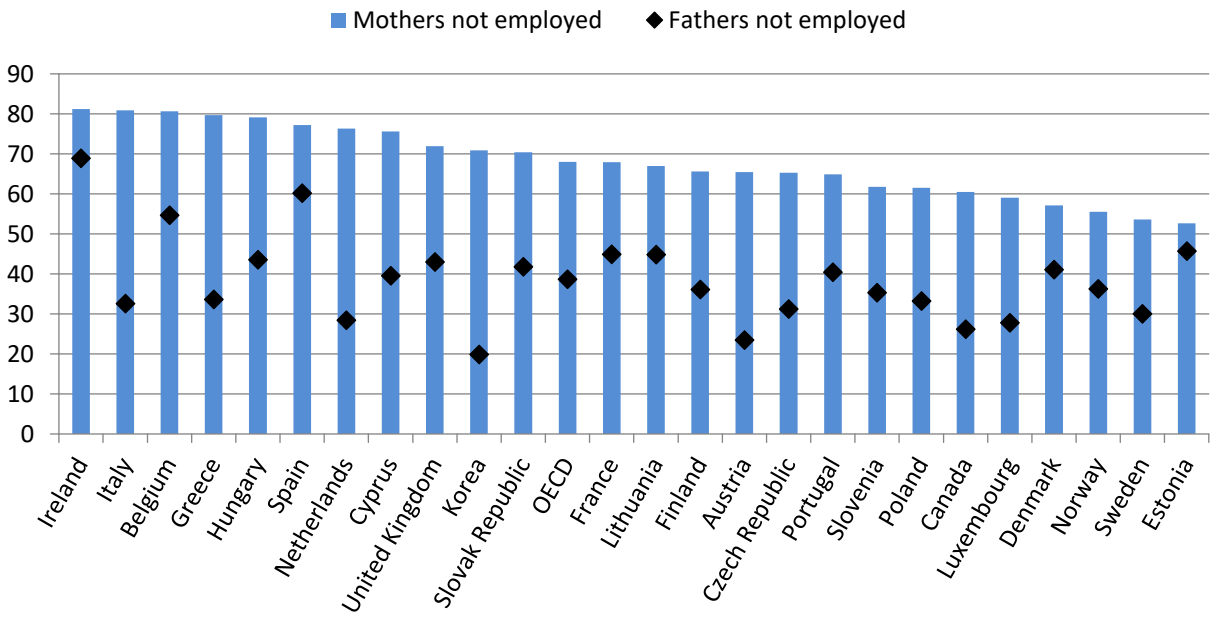
28. Almost 7 in 10 poor children on average have a mother who does not work regularly, but this proportion is lower in the Nordic countries where child poverty rates are also low (Figure 8 Panel B). This proportion is also lower in Estonia, where the child poverty rate is much higher: mothers' employment does not seem to play the same protective role against the risk of poverty. In addition, around 4 in 10 children in a poor two-parent family have a jobless father, but this proportion is much higher in Belgium, Spain and especially in Ireland where it reached 7 in 10 children.

Figure 8. Most poor children have a non-working parent

Panel A: Proportion of children in poor single-parent families with a non-working parent.



Panel B: Proportion of children in poor two-parent families with a non-working mother or father.

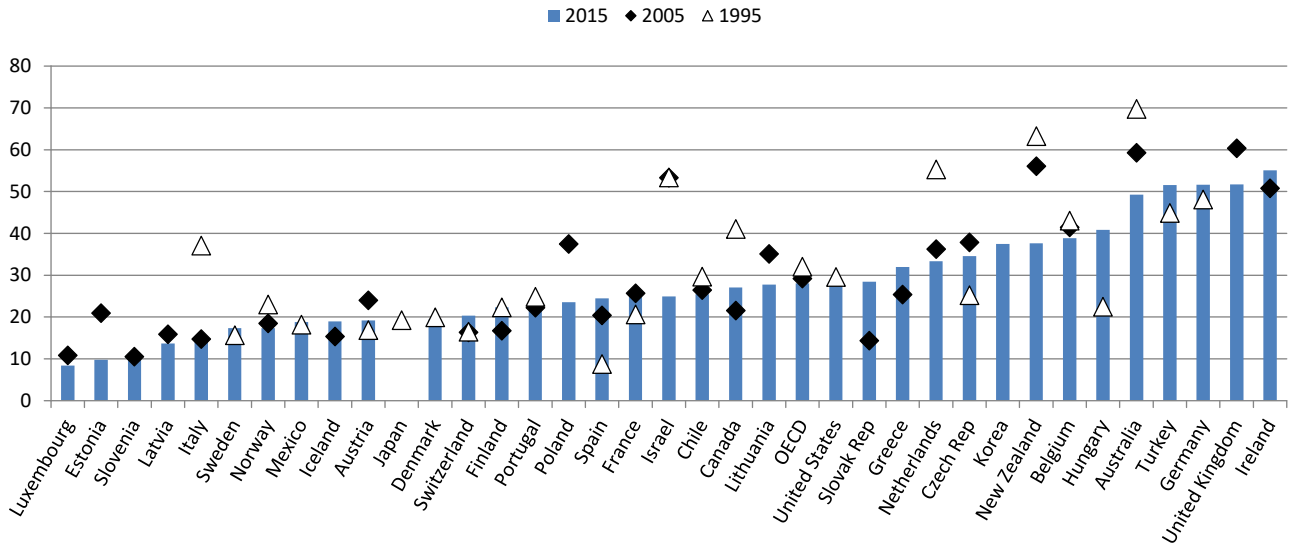


Source: 2014 Canadian Income Survey; EU Survey on Income and Living Conditions for European countries; Luxembourg Income Survey for Korea.

29. In all countries, the risk of poverty is greatest when none of the parents work. Thus, about two-thirds of single-parent families without a job are poor, compared to less than one in four families where the parent has a job. Similarly, 6 out of 10 families with two parents are poor when the proportion of working parents is 1 in 20. The proportion of jobless families is therefore a priori an important determinant of the risk of poverty. However, this proportion varies greatly from one country to another, and its evolution over time has not been homogeneous (Figure 9): the proportion of jobless families is, for example, very high (more than one in two families with children) in Australia, Germany, Turkey, the United Kingdom and Ireland, but it has fallen sharply since 1995 in Australia. A majority of other countries experienced a smaller decline in the proportion of jobless families in 2005. On the contrary, the latter has increased in 7 countries in a proportion that is often limited (less than 5 percentage points).

Figure 9. Three in ten single parent families are jobless

Proportion of jobless families among families with children



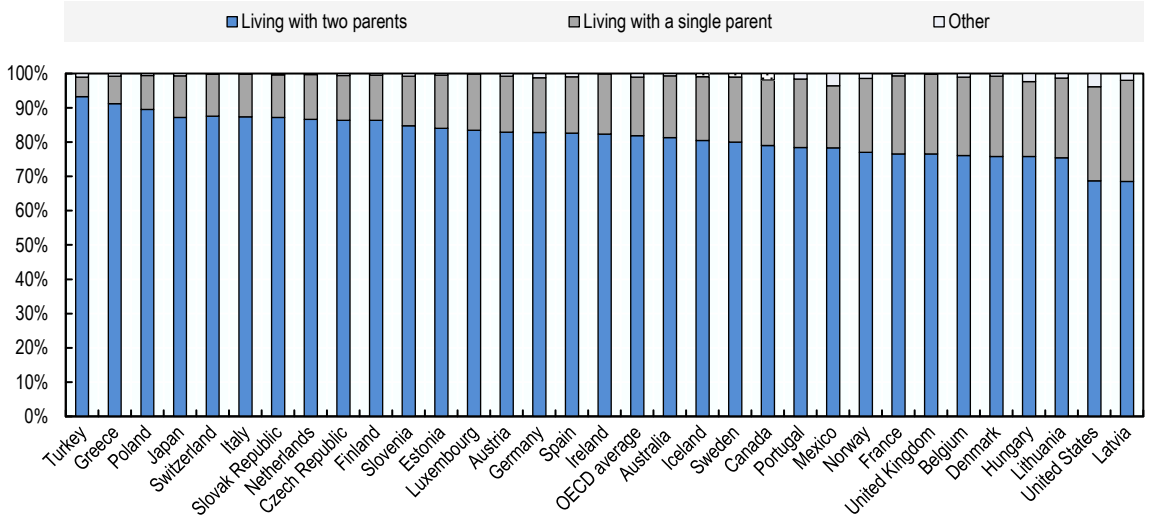
Source: OECD Income Distribution Database, http://oe.cd/idd.

2.4.2. Family structures and child poverty

30. Family structure is another factor that influences the risk of child poverty. While the vast majority of children live with two parents, slightly less than 1 in 5 children on average live with a single parent (Figure 10). However, the proportion varies greatly between countries, with more than 1 in 5 children living in lone-parent families in the United States (27%) and Latvia (29%) but less than 1 in 10 children in Greece, Poland and Turkey.

Figure 10. 8 out of 10 children live with their two parents

Distribution (%) of children (aged 0-17b) by presence and marital status of parents in the household, 2016.

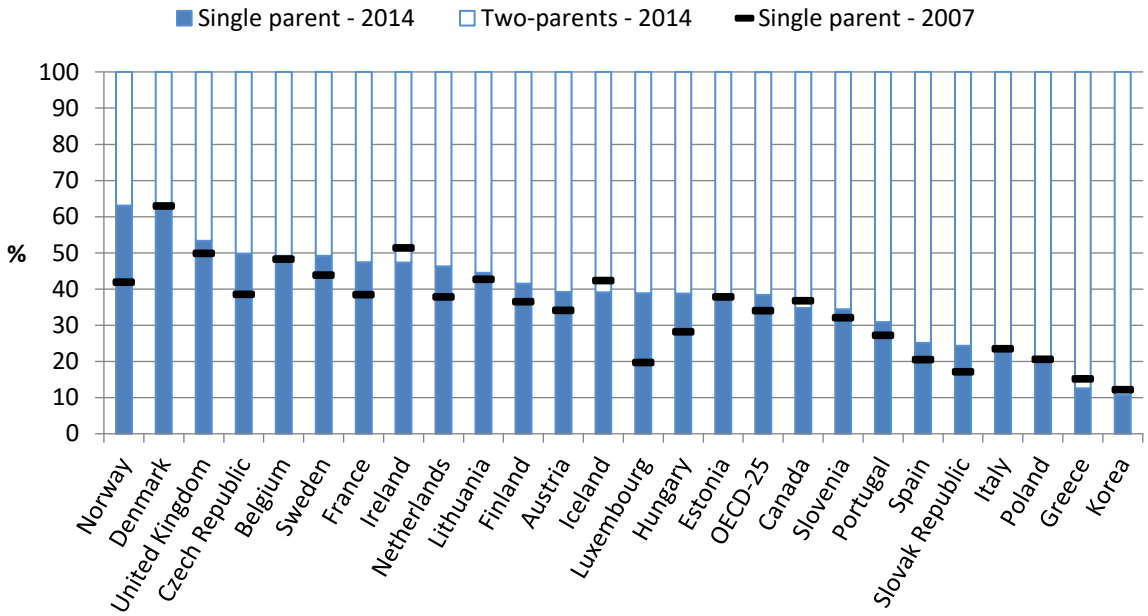


Note: 'Parents' generally refers to both biological parents and step-, adoptive parents. 'Living with two married parents' refers to situations where a child lives in a household with two adults that are considered parents and these parents are married to each other. 'Living with two cohabiting parents' refers to situations where a child lives in a household with two adults that are considered parents and these parents are not married to each other. 'Living with a single parent' refers to situations where a child lives in a household with only one adult that is considered a parent. 'Other' refers to a situation where the child lives in a household where no adult is considered a parent. .
Source: OECD Family Database, SF1.2 Children in families.

31. Children in single-parent families are over-represented among poor children since on average nearly 4 in 10 poor children are with a single parent (a proportion more than twice as high as the total share of poor or non-parent children) (Figure 11). In some countries (Belgium, Sweden, the Czech Republic, the United Kingdom, Denmark and Sweden) half or more of the total poor children live in a single-parent family. Moreover, the proportion of poor children living in a single-parent family has increased significantly since 2007 in Luxembourg and Norway, as well as in the Czech Republic, France, Hungary and the Slovak Republic.

Figure 11. Six in ten income poor children live in two-parent families

Percentage of children in relative income poverty by family type.

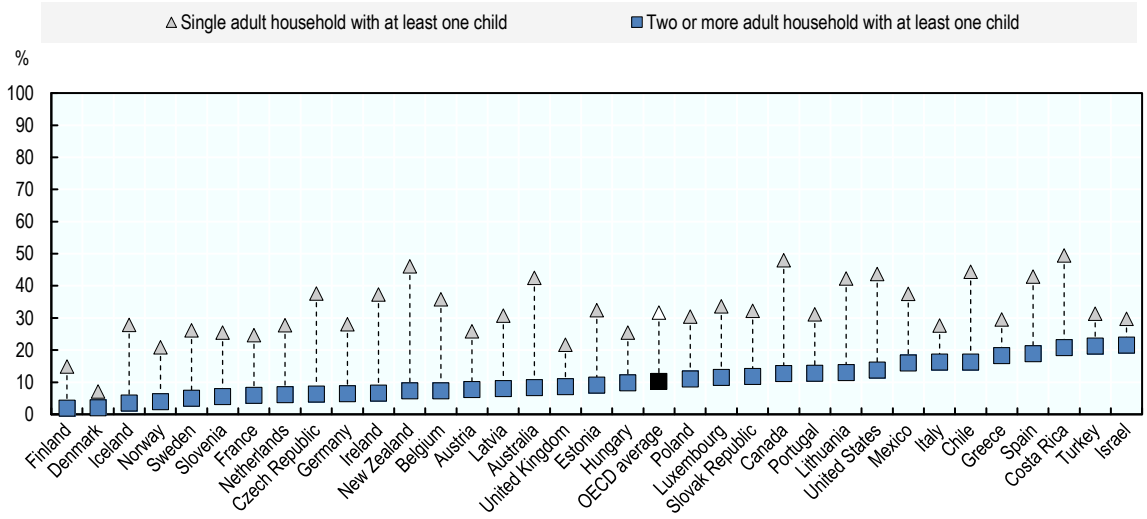


Source: 2014 Canadian Income Survey; EU Survey on Income and Living Conditions for European countries; Luxembourg Income Survey for Korea.

32. This large proportion of children in lone-parent families among poor children reflects the higher risk of poverty of single-parent families compared to households with children and at least two adults (Figure 12). Single-parent families have an average risk three times higher than families with children and at least two adults, and this ratio is higher than 5 in Australia, Czech Republic, Finland, Iceland and New Zealand. Moreover, this risk depends strongly on the employment status of the parent since on average, more than two-thirds of jobless single-parent families are poor income and the proportion is three times less than their lone parent works (Figure B 2 in Annex B).

Figure 12. Poverty risk is three time higher for single parent than for two-adult families

Relative income poverty rates (%), individuals in working-age households with at least one child, by type of household, 2015-16.

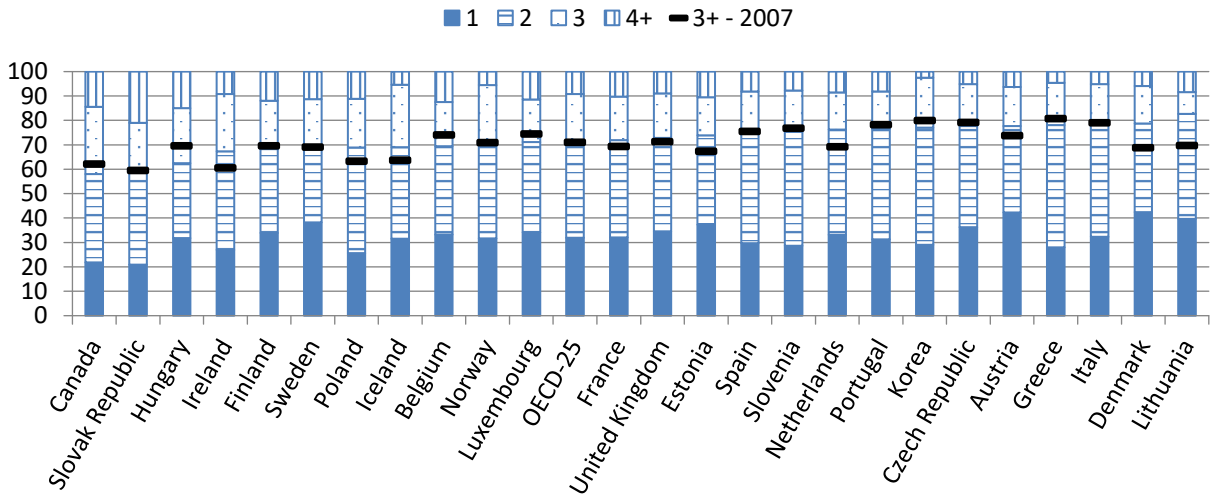


Source: OECD Income Distribution Database (as of June 2018).

33. The majority of poor children live in families with up to two children, and more than 20% of poor children live in families with three or more children (Figure 13). The proportion of poor children in a large family (3 or more children) has increased since 2007 in in ten countries including especially Canada (+4 percentage points), Belgium (+4.6 pp), Hungary (+7 pp) and Luxembourg (+3.3 pp).

Figure 13. Seven in ten poor children live in a family with two children

Distribution of income poor children by family size

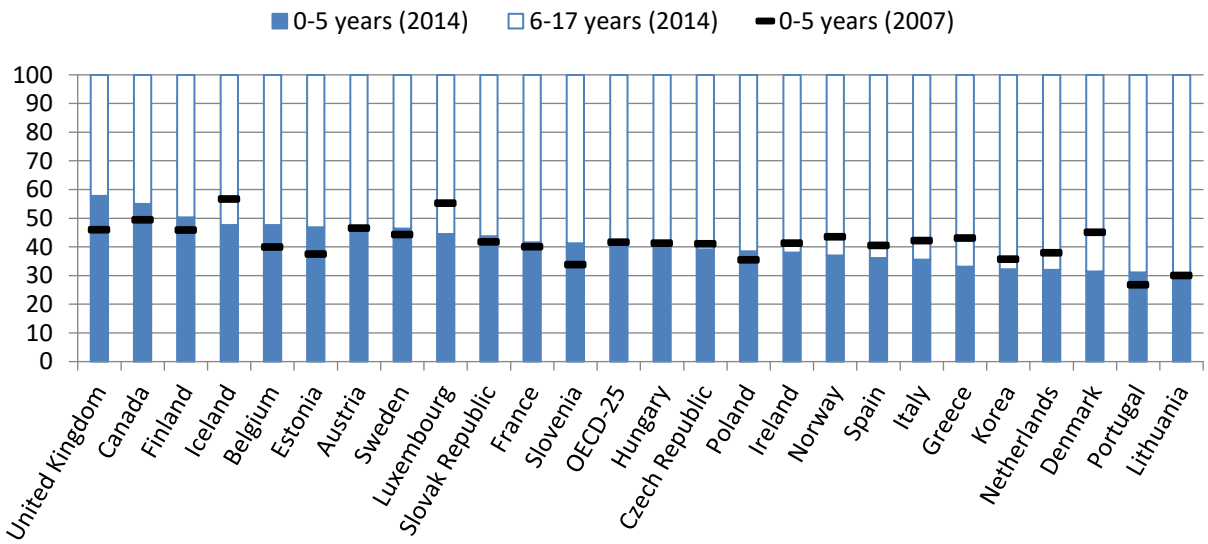


Countries are ranked by share of 3+ children families
Source: 2014 Canadian Income Survey; EU Survey on Income and Living Conditions for European countries; Luxembourg Income Survey for Korea.

34. On average, in 6 out of 10 cases in the OECD, child poverty affects school-age children (Figure 14. However, the age distribution of poor children varies considerably from country to country. Also, unlike the average, more than half of poor children under the age of 6 in Canada, Finland and the United Kingdom. Changes over time are also heterogeneous since the proportion of poor pre-school-age children has increased in Belgium, Canada, Finland, Estonia and the United Kingdom, while it is on the opposite the proportion of children of scary age that has significantly increased in Denmark, Greece, Luxembourg and Iceland.

Figure 14. A majority of poor children are of school age

Distribution (%) of income-poor children by age.

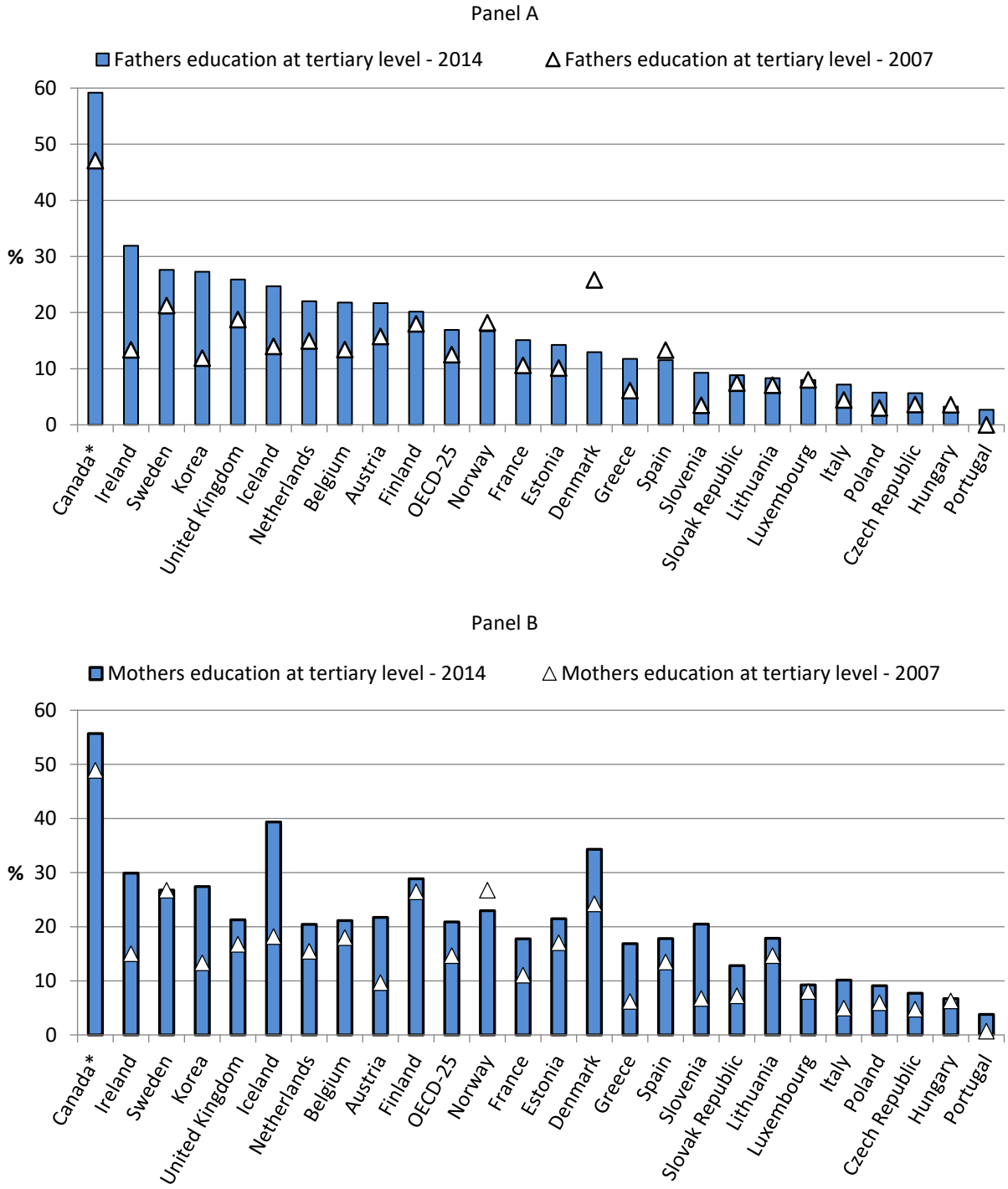


Countries are ranked by decreasing share of preschool children.
Source: 2014 Canadian Income Survey; EU Survey on Income and Living Conditions for European countries; Luxembourg Income Survey for Korea.

35. Most children in poverty have a father and/or mother with at most a secondary education diploma (Figure 15). However, the proportion of poor children with at least one parent with a higher qualification has increased since 2007 in many countries, especially Ireland and Korea.

Figure 15. The proportion of poor children with tertiary educated parent increases

Percentage of poor children with fathers (Panel A) or mothers(Panel B) with at most an intermediate level of education



* Data from Statistics Canada on tertiary education do not distinguish between some adult education and occupational preparation programmes, so international comparisons of tertiary education systems should be handled with some caution.

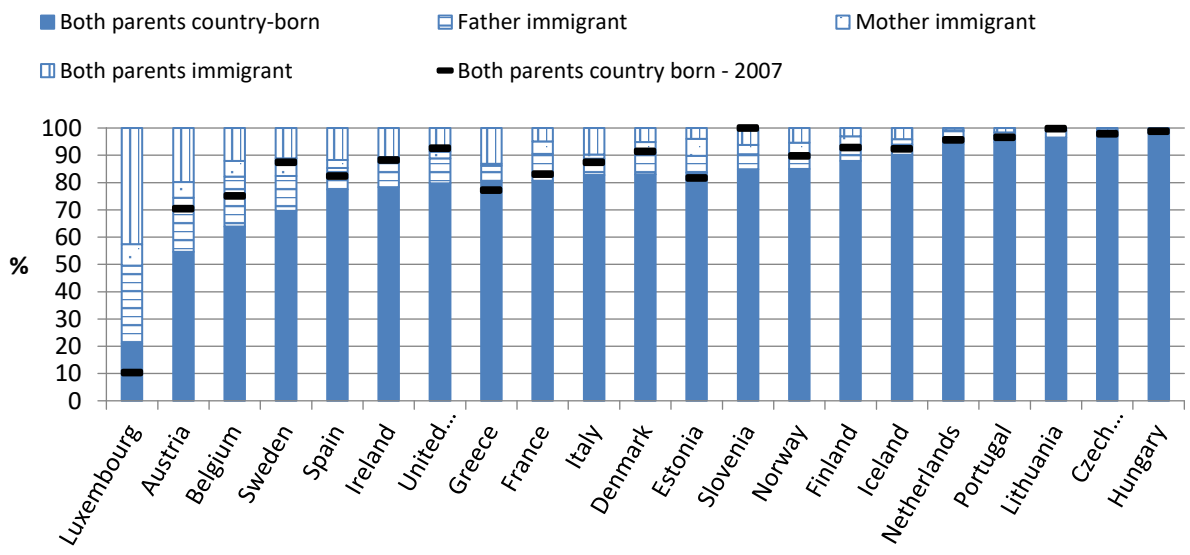
Source: 2014 Canadian Income Survey; EU Survey on Income and Living Conditions for European countries; Luxembourg Income Survey for Korea.

36. Most income-poor children have two parents born in the country of residence (Figure 16), but 20% or more have one immigrant parent in France, Greece, the United Kingdom, Ireland, Spain, Belgium, Sweden, Austria and Luxembourg. Moreover, the proportion of poor children with at least one immigrant parent is rising sharply in many countries, particularly Austria, Belgium, Sweden, Spain, Ireland, the United Kingdom, Italy, Denmark and Slovenia.

37. On average across the OECD, in 2014, just over half of the poor children lived in a dwelling owned by their parents (Figure 17). However, this share has declined significantly in most countries as since the crisis low-income households have difficulty getting on the property ladder, and a growing proportion of poor families are in rental accommodation. However, the reasons and consequences of this trend are not obvious. On one hand, income poverty prevents access to many potential housing options, including home ownership, or make them hard to sustain. By contrast, the housing system, with in particular social housing and housing benefits, make the rental market more affordable and flexible solution to poor families. The housing system also acts as a buffer against the effects of poverty, so that although people living in poverty have a higher risk of bad housing conditions, they generally avoid them (Stephens and Leishman, 2017[17]) (Thevenon, Clarke and de Franclieu, 2018[18]).

Figure 16. Most income-poor children live with two country-born parents[1]

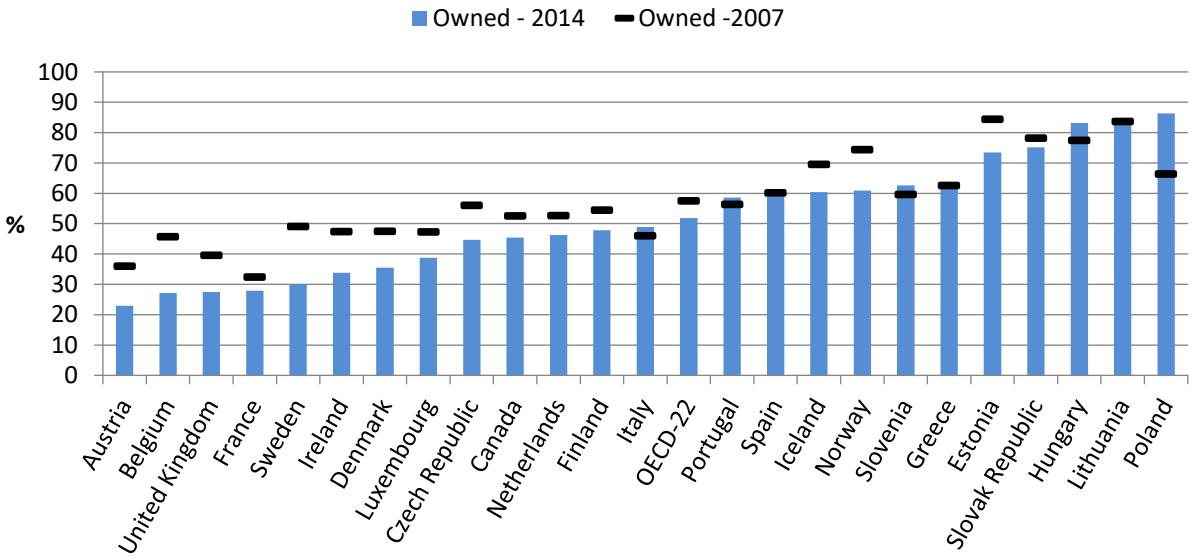
Percentage of income poor children by origin of parents, 2014.



1) An immigrant parent is defined as a foreign-born person who lives usually in the residence country, who self-defined as immigrant and/or who is citizen or national from another country.
Source: EU Survey on Income and Living Conditions for European countries.

Figure 17. Just over half of the poor children live in a dwelling owned by their parents

Distribution of income poor children by dwelling status.



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

3. Understanding drivers of child poverty

38. Poverty is a result of a large number of interrelated factors which all needs to be taken into account to design well-suited policies. Understanding the influence of demographic, economic and policy factors on poverty trends is then essential to build an effective strategy to combat child poverty. After summarising the conceptual framework, this section presents the main findings of an analysis of such factors on child poverty since the mid-1990s at OECD level, with particular focus on the role of different cash transfers.

3.1. The conceptual framework

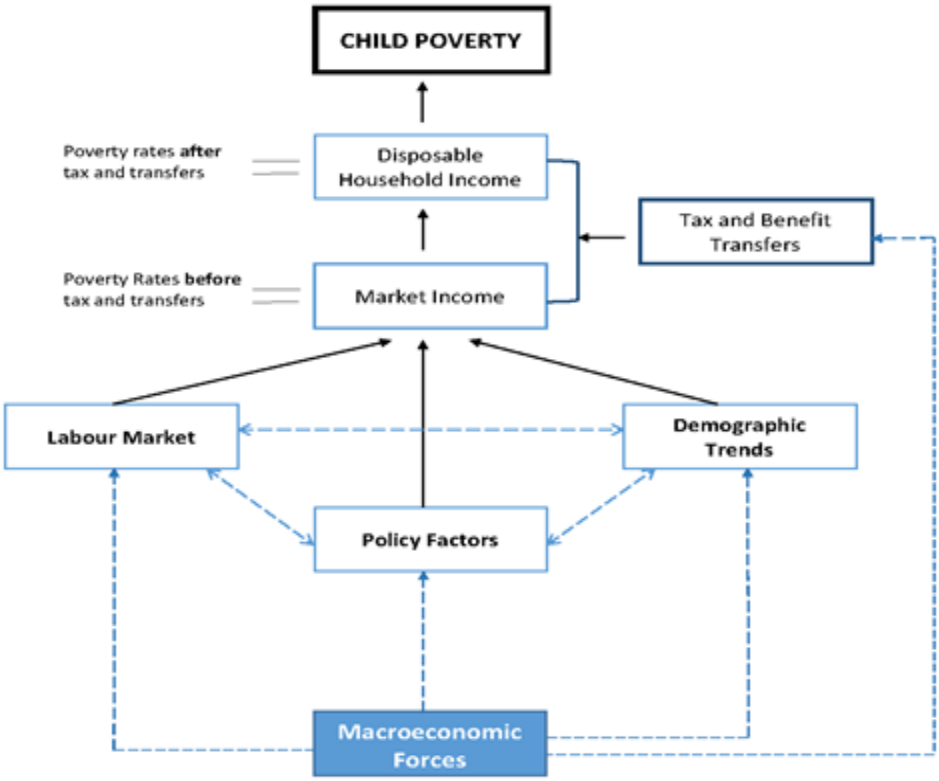
39. The roadmap summarised in Figure 18 provides a framework for analysing how demographic, economic and political factors influence child poverty - separating the analysis of child poverty into two streams. First, child poverty is related to inequalities in market income. Demographic, policy and labour market factors influence household income and are therefore important determinants of pre-transfer poverty. All these factors in turn depend on the macroeconomic environment that affects people's labour market and fertility decisions, as well as policy choices with potentially contrasting effects on the risk of child poverty.[3]

40. Social policies play a role in the evolution of child poverty by mitigating the effects of demographic and economic changes. The impact can be indirect (and often difficult to measure) through the influence of family supports on family and employment behaviours; but poverty rates also depend on the redistribution through taxes and transfers which generally help reduce child- and family poverty.

41. Given this overall structure, the analysis follows a two-step approach. The first step attempts to unravel the interconnected factors which determine the trends in child poverty and focuses on the main demographic and economic factors that may explain child poverty rates *after* taxes and transfers. The influence of social spending on child poverty trend is also examined. The second step evaluates the effect of broad categories of cash transfers on poverty rates.

[3] The macro-economic environment exerts an influence through different channels. For instance, it influences the labour market conditions of parents, which in turn affect the poverty risk of their children. In addition, economic advancement provides better standards of living, as well as the development of infrastructure, transportation services and of health and sanitary systems. Family planning policies and the availability of contraceptives provide households with more control over their fertility decisions which can also help reduce poverty risks.

Figure 18. The determinants of child poverty



3.2. What does time series analysis of child poverty tell us?

42. The assessment of key drivers of child poverty is based on a time series analysis of pooled cross-section data for 29 OECD countries for the mid-1990s to 2013/14 period for the first stage, and for 22 countries for which data for the second-stage analysis are available for the same period.

3.2.1. Data issues and definitions

43. The data on child poverty are taken from the OECD Income Distribution Database. The data series are based on the definition of disposable income that was used until 2013 to obtain longer time series – see Annex A for details about data issues. For years earlier than 2005, information on poverty rates is available on a less-than-annual basis, and the time period between observations varies from country to country, which limits the possibility of testing for causal relationships. For this reason, significant results should be interpreted with caution and should not necessarily be taken to represent causal relationship. Here, we use the term "association" when a relationship is observed between the poverty rate and one of its "determinants".

44. Child poverty measures are based on the concept of "equivalised household disposable income", i.e. total market income received by all household members (gross earnings, self-employment income, capital income) plus the current cash transfers they receive, less income and wealth taxes, social security contributions and current transfers that they pay to other households. Household income is adjusted with an equivalence scale that divides total household income by the square root of household size.

45. The selection of the explanatory factors to be tested is constrained at several levels:

- the availability of data for a maximum number of countries for the period covered;
- the interrelationships between explanatory factors, which require limiting the potential problems of endogeneity and collinearity;
- the policy relevance of explanatory factors.

46. For these reasons, the analysis includes a limited number of demographic variables:

(i) the average household size[4];

(ii) the proportion of single parent families;

(iii) the proportion of adolescent pregnancies (which is the number of births per 1000 women aged 15-19); By affecting opportunities for higher education, and increasing the risk of leaving the school system, giving birth early in life in itself is a factor that may increase the risk of poverty. Nonetheless, this variable may more broadly reflect trends in unplanned birth trends, which may decrease notably with the increased use of contraceptives. To test this hypothesis, the same model is tested but with information on prevalence of contraceptive use instead of that on adolescent pregnancies. The results are then very similar, but since the estimates lose precision, we present here the results of the estimates including the variables on teenage pregnancies (Table C 3in Annex B)[5].

(iv), the proportion of households which live in a rural area. Prima facie, the impact of the latter factor may not be clear-cut, but the other factors may be expected to increase child poverty risks.

[4] This variable reflects changes in fertility behaviour that affect the risk of poverty. The average household size is strongly influenced by the educational attainment of parents (and especially mothers), and therefore the model specification did not include variables on female educational attainment levels. The average household size is also highly correlated with the youth dependency ratio – the number of young people under 15 years of age relative to the population of working age. The youth dependency ratio reflects changes in demographic structure, but is less relevant than the average household size for the assessment of the poverty risk at household level. For this reason and to limit collinearity problems, only the average household size variable is included in the selected model specifications.

[5] Similarly, the postponement of childbirths across generations may mean more control over the timing of births. To test this hypothesis, the influence of the average age of mothers at birth of children was also tested in another version of the models, without conclusive results. For this reason, only results including adolescent birth frequency are present here.

47. Two variables on the employment status of parents are included: (i) the percentage of jobless families with children; and (ii), a variable to approximate the employment rate of mothers (maternal employment rates not being available in many countries for the period under consideration) which is calculated as the sum of the proportion of two-earner households in couple families + the proportion of working single parents (the vast majority of single-parent households are headed by a mother). These two variables are expected to reduce child poverty.

48. Differences in economic development are captured by GDP per capita at constant prices and constant PPP. The relation of child poverty with GDP per capita is *a priori* ambiguous as a higher GDP can reflect greater economic development with better infrastructures and lower poverty. However, the evidence suggests that the relationships between GDP growth and income inequality are not linear. In low-income countries, economic growth appear to be boosted by greater income inequality, while in high-income countries, inequality has a significant negative effect on transitional growth (Brueckner and Lederman, 2018[19]). In addition, what matters most in OECD high income countries is the gap between low income households and the rest of the population, suggesting that poverty reduction goes hand in hand with economic growth (Cingano, 2014[20]). The level of GDP per capita is also linked to the level of social expenditures per capita across countries, which can be expected to have a direct and reducing effect on the child poverty rate.

49. The role of social spending on child poverty is examined through three types of information:

- Information on public and mandatory private social spending on cash transfers and services, which is used to estimate the influence of per capita social spending on the poverty rate after taxes and transfers (data taken from the OECD Social Expenditure Database). The model specification also considers the proportion of social expenditure received by the poorest 10% of households.
- Information on the level of per capita cash expenditure, differentiated by expenditure category (family, housing, social assistance, incapacity, pension, etc.)6. For each expenditure category, the per capita expenditure ratio is calculated to account for differences in the demographic structure of countries. These expenditure ratios depend on the population covered by the different benefits, their take up rates and the payment rates of each type of benefit.
- Information on the payment rate of the different types of benefits (social assistance, child supplement, housing benefit) for two parent families, considered as a percentage of the average wage. Data on these amounts were taken from the Social Assistance and Minimum Income Protection Dataset (SAMIP) maintained by the University of Stockholm (SaMip, 2018[21]).

[6] Housing and social assistance benefits are often income- and/or means-tested, which underlies the rationale for expressing social spending on these programmes per poor households. Incapacity-related expenditure refers to social spending on sickness, disability and occupational injury benefits, and thus has been expressed per working age population. Spending on pensions has been related to the population over 65 years of age while spending on parental leave benefits were related to the number of births. Similarly, since public spending on family benefits are normally targeted towards families based on the number of children they have, it has related to the population not yet 14 years of age. Series were interpolated when information on expenditures or on the target population was missing in order to minimize the loss of observations.

3.2.2. The empirical setting

50. The analysis aims to identify the main factors that influence child poverty changes within countries over time. To do so requires disentangling as neatly as possible the factors driving changes over time from those explaining the persistent differences in child poverty between countries. However, the relatively small T size of the panel (10 observations per country on average) limits the ability to separate the temporal and the cross-country effects, but several model specifications are tested to separate these two dimensions.

51. The influence of demographic, labour market and policy characteristics on child poverty is captured by regressing the following equation:

$$[1]\ CP_{it} = \alpha_0 + \alpha D_{it} + \beta LM_{it} + \mu P_{it} + \varphi X_{it} + (c_i) + \lambda_t + \varepsilon_{it}$$

Where D_{it} and LM_{it} reflect time-varying demographic factors and labour market characteristics respectively in each country i; P_{it} refers to the changes in parameters of policy measures; X_{it} captures other control factors,

c_i and λ_t are country and time dummies and ε_{it} represents the error term. c_i represents a country fixed effect which captures the possible effect of country-level unobserved factors that may bias the estimates. It is not included in the ordinary least squares regression and is therefore put in parentheses.

52. Two different model specifications are used to identify the relationships between key demographic, economic and policy characteristics and child poverty at national level.

- First, estimations based on pooled 'cross-section' time series which account for the 'global' effect of each variable – that is, the association between each variable and levels of relative child poverty across and within countries, with no distinction between these two dimensions. The estimation of standard errors is adjusted to deal with potential cross-sectional correlation across observation units and serial correlation over time (Beck and Katz, 1995[22]); (Colin Cameron and Miller, 2015[23])).
- Second, fixed effect estimations are used to focus on within-country changes, that is, on associations between changes over time in each variable and changes within countries over time in the relative child poverty rate. Country and time dummies are included in the model to control for possible unobservable factors which may correlate with explanatory variables and thus bias estimates. The standard error correction procedure proposed by (Driscoll and Kraay, 1998[24]) is used here as it best fits with our unbalanced and relatively short panel dataset.

3.2.3. Results

53. In line with the conceptual framework presented above, Tables 1 and 2 show results from a time series analysis of pooled cross-section data for 27 OECD countries from the mid-1990s to 2013/14 period. The aim of the analysis is to identify the main factors that influence levels of relative child poverty and how relative child poverty changes within countries over time. The analysis is conducted in two steps:

- First, Table 2 examines associations between relative child poverty rates and a range of economic and demographic factors. The influence of social expenditure per capita is also analysed, taking into account public and mandatory private expenditures.
- Second, Table 3 focuses on the influence of changes in social cash transfers on child poverty. It examines associations between within-country changes in various

different types of social cash transfers and within-country changes in the relative child poverty rate, conditional on the pre-transfer child poverty rate. Several types of cash transfers are covered: housing benefits, unemployment and incapacity benefits, family and parental leave benefits, and pension benefits. Two different sets of measures are used to capture social cash transfers – a series of measures of aggregate social spending per capita on each type of cash transfer, and a series of measures of social cash transfer payment rates, measured as the average payment rate for a two-parent family. Results for the two sets of measures are shown separately, in Table 3 panel A and Table 3 panel B.

54. Moreover, the estimates are based on two indicators of child poverty: the relative poverty rate calculated on the basis of a "floating"poverty line, i. e. which changes annually but therefore ignores the upward or downward variations in living standards that are absorbed by the annual variations of the poverty line. To take this into account, the estimates are also made using a poverty rate obtained with the 2005 poverty line and kept constant over the years (after adjusting for changes in price levels). However, these child poverty data are available for fewer countries and for a shorter period of time than those based on the conventional floating poverty line (for most countries the 2005 “anchored” poverty rates are available from year 2005 onwards).

55. Results cast some light on some of the characteristics of social transfers that are associated with within-country reductions in child poverty over time. In particular, the analysis provides information on:

- The types of benefits which are most associated with within-country changes in child poverty rates.
- The association between child poverty trends, the volume of social spending by broad categories and payment rates.
- The association between child poverty trends and the extent to which countries target social expenditures towards the poorest groups of the population.

Drivers of Child Poverty

56. Table 2 shows the results of the OLS estimation obtained with the pooled cross-section data series for 29 OECD countries (with an average of 10 observations per country over the 25 years period). The first three columns show the effect of the different factors on the relative poverty rate, calculated as a function of a poverty line that changes annually with the evolution of the income distribution; the next three columns show the results obtained when the poverty rate is calculated with the 2005 poverty line (adjusted to take account of changes in prices and purchasing power parities) so that it takes into account the proportion of children whose standard of living is below the 2005 poverty line, and makes it possible to examine the factors that contribute to evolution of child “absolute” poverty levels. For most countries, these data on trends in the anchored poverty rate have been available since 2005 or a year later, but some countries (Canada, France and the United Kingdom) have longer data series. Variations in anchored poverty rates are more heterogeneous across countries and for many countries larger than for the relative poverty rate (Figure 5).

57. Table 2 Column 1 shows results based on pooled cross-national time series and account for the 'global' effect of each variable – that is, the association between each variable and levels of relative child poverty across and within countries, with no distinction between these two dimensions. Columns 2 and 3, however, focus on just *within-country change*, that is, on associations between changes over time in each variable and changes within countries over time in the relative child poverty rate. The proportion of families without employment and the employment rate of mothers are two highly correlated variables, and for this reason they were not introduced simultaneously in the model specifications (except in columns 3 and 6 for a final robustness check).[7]

58. The most immediate finding emerging from Table 2 is that some demographic variables associated with the relative child poverty rate level (Columns 1-3) do not show the same association with the "anchored" poverty level or its evolution (Columns 4-6). This is due to the fact that the greater heterogeneity of trends in "anchored" poverty rates since the mid-2000s appears unrelated to certain demographic trends such as changes in household size and trends in teenage fertility. Conversely, these changes in anchored poverty are more closely and strongly associated with changes in the proportion of single parents. Moreover, only a limited number of clear associations appear to link within countries changes in family and work characteristics and changes in relative child poverty at national level. Nevertheless, some important associations emerge.

59. Table 2, Column 1 suggests that several different demographic, economic and policy measures play a role in influencing global differences in levels of relative child poverty. For example, child poverty rates are higher when both the average household size and the adolescent fertility rate are higher, while the share of the population living in rural areas is negatively associated with relative child poverty. Having said that, only changes in the adolescent fertility rate share a negative association with within country trends in child poverty rates, which suggests that the decline in teenage pregnancies observed across the OECD in recent decades has contributed to reducing child poverty. However, there is no link between teenage fertility and the "absolute" poverty rate, suggesting that the large variations in "absolute" poverty observed since the mid-2000s are not directly related to trends in teen births but rather driven by other factors. It is also likely that some of the effect of adolescent fertility is captured here by the proportion of single-parent families (non-partnered teenagers with a child falling into this category).

60. The share of single-parent families seems to share no association with the relative child poverty rate, although this may be because at least part of its effect is captured by the average household size. However, a 1% larger proportion of single-parent households is associated with a 0.3% higher absolute poverty rate (Column 5), which is a pretty strong association and which dominates the relationship between the levels of absolute poverty and the demographic characteristics of the population. The increase in the proportion of single parent families thus seems to be an important determinant of the growth in the proportion of children living in a household whose standard of living is below the mid-2000s poverty line but who are not counted as poor on the basis of a floating poverty line due to the drop in median income that followed the great recession in a large number of countries.

61. In terms of the economic environment, the share of families with a working mother – proxied here by the proportion of couples with two earners and the employment rate for

[7] A more complete set of estimates is shown in Annex C Table C 1 and Table C 2 where demographic variables are included sequentially and the results from the different steps are reported to best identify how the different explanatory factors are linked to each other.

single-parent households – shares a negative association with both the child poverty rates estimated with a floating or a 2005 fixed poverty line (Columns 1 and 4), implying child poverty rates are lower when maternal employment is higher. This effect is stronger when considering the poverty rate with an anchored poverty line in 2005 and holds also when focusing on within country trends (column 4), which suggests that in many countries the relative stability or even the increase in mothers' employment despite the great recession has been an important safeguard against the increase in child poverty[8], while it has increased significantly in countries where maternal employment has declined (e. g. Spain, Estonia, Greece, Ireland or the Slovak Republic). Note that the effect is also robust no matter the chosen model specification (see Annex C Table C 1 and Table C 2).

62. Changes in the share of families with a working mother show also a significant association with changes in the relative child poverty rate obtained with a floating poverty line, but the coefficient is much smaller and weakly significant (Table 2, Columns 2): a 1% increase in the share of families with a working mother, *ceteris paribus*, is estimated to lead to a 0,4% decrease in child relative poverty rates while its effect on the "absolute" poverty rate (measured by reference to the 2005 poverty line) is twice as large. One likely explanation for such weaker effect is that, as a consequence of the economic crisis, the "floating" poverty line fell between 2007 and 2014 in about half of the OECD countries. As a result, some of the families with a working mother counted as poor on the basis of a poverty line defined in 2005, are no longer considered as being poor when poverty rates are estimated with a floating poverty threshold in which case the association between maternal employment and child poverty is logically smaller when the poverty rate is estimated according to a floating threshold and not anchored at its pre-crisis level.

63. The weaker effect of maternal employment on child "relative" poverty may also be explained by the fact that this effect decreases as the employment rate of mothers increases.[9] Another explanation may be that since the Great Recession, maternal employment held up or increased among high-skilled mothers in many countries but fell among low-skilled workers, so that the overall poverty reducing effect of maternal employment on child poverty weakened. Declining real minimum wage levels or wage moderation in some countries may also have contributed to a weakening of the protection against poverty previously provided by the employment of mothers. However, the results shown here suggest that maternal employment continues to play an important role in reducing child poverty and the decline in

[8] In line with this argument, there is some evidence suggesting that female employment has been an important factor in limiting economic hardship in families in the aftermath of the Great recession (OECD, 2014[61]). Between 2007 and 2011 job losses and reduced working time among partnered men lowered total working hours of couples. Although women's unemployment rates also rose, their total working hours fell less than men's – and often went up – in many countries. Partnered women were more likely to work more (or less likely to see their hours reduced) than single women.

[9] In support of this argument, (Nieuwenhuis et al., 2016[119]) found a very small but negative association between the increase in female employment rates and child poverty. With data for 15 OECD countries spanning 1971 to 2010, they estimated that an increase of 10 percentage points in the female labour force participation rate was associated with a reduction of 1 percentage point in child poverty. However, no such effect was found for the Nordic countries, as these countries had high and relatively stable female employment rates throughout the sample period. In countries that initially showed a marked increase in female employment, such as the Netherlands, Germany, Spain, Canada and the United States, these increases were typically followed by a period in which these trends levelled off. These findings suggest that there is a limit to the poverty reducing effect that female employment can generate.

the standard of living of poor children in some countries, reflected in the gap between the relative poverty rate and its "absolute" level (measured by reference to a 2005 poverty line).

64. The share of jobless households appears to have no influence on child relative poverty rate *ceteris paribus* (Column 1). This is likely to be related to the presence of the maternal employment indicator in the model specification, since an increase in maternal employment as proxied here links to a reduction in the number of jobless families. If the maternal employment variable is not included in the model, the association between the share of jobless households and the relative child poverty rate is positive and significant. In addition, Table 2 column 8 reports a significant association between within country variations in the proportion of children living below the 2005 poverty line and the share of jobless families which is consistent with their simultaneous and comparatively sharp decrease since 2005 as especially in Estonia, Poland, Latvia and Lithuania, while at the same time both series increased strongly in Greece, Italy, and Spain in the aftermath of the economic crisis.

65. Table 2 also suggests that, other things being equal, *within* country increases in GDP per capita shares a negative association with the relative child poverty rate, implying that child poverty is lower when GDP per capita increases (Table 2, columns 1)[10]. This result therefore confirms the important role of economic development in combating poverty in general and child poverty in particular (Ravallion, 2016).

66. Social spending also plays an important role in explaining differences in the evolution of the child poverty rates. Not only does the level of social spending matter, but also the way in which it is targeted more or less specifically at the poorest populations. Therefore, both the level of social expenditure per capita and the share of social spending directed at the poorest 10% of households share negative associations with the relative child poverty rate, and this relation applies to all specifications. This suggests that relative child poverty is lower when social spending per head is higher, and also that, at given expenditure levels, child poverty is lower when the poorest fraction of the population receives a higher proportion of social spending.

67. Changes in social spending per capita share a negative association with changes in the child poverty rate, reinforcing the global association found between the two in column 1. This suggests that an increase in social spending within a given country reduces relative child poverty, *ceteris paribus*, and the estimated effect is large: according to the estimate reported in Table 2, a 1% increase in social expenditure per capita is associated with roughly a 1% reduction in the relative child poverty rate, all other things being equal.

68. There is also a negative association between the share of social spending directed at the poorest 10% of households and the child poverty rate, implying this reduction is greater when a larger share of expenditure is directed towards the poorest. This result finds some support in the existing literature despite some mixed results (Box 3).

[10] One should note that column 1 in Table 1 report a positive association between GDP per capita shares and the relative child poverty rate, meaning that child poverty is higher when GDP per capita is higher when we no longer focus on within country variations over time. However, this association only appears once measures of social spending *and* the share of social spending targeted at the 10% poorest households are included in the model specification, with GDP per capita sharing no clear association with the child poverty rate if these measures are omitted (Annex C). This suggest that the association between GDP per capita and child poverty depends on the level of social expenditure per capita and the level of targeting present in social spending. However, the existence of an effect on the marginally declining poverty rate by working mothers could not be confirmed with the data used here.

Table 2. Effect of population characteristics and social service spending on child poverty

	Poverty rate				Anchored poverty rate			
	Pooled OLS	Within country effect			Pooled OLS	Within country effect		
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
% single parents households	0.001 (0.046)	0.017 (0.052)	-0.0506 (0.045)	-0.044 (0.050)	0.316** (0.130)	0.272** (0.106)	0.109 (0.070)	0.107 (0.071)
% households in rural areas	-0.132*** (0.033)	0.045 (0.117)	0.079 (0.115)	0.066 (0.119)	-0.049 (0.081)	0.241 (0.456)	0.118 (0.352)	0.117 (0.352)
Adolescent fertility rate	0.306*** (0.025)	0.325*** (0.095)	0.328*** (0.079)	0.332** (0.080)	-0.152 (0.098)	0.016 (0.224)	0.029 (0.201)	0.030 (0.199)
Average size of households	1.515*** (0.232)	0.973* (0.534)	0.777 (0.564)	0.800 (0.605)	0.667 (0.594)	-0.377 (0.536)	-0.973 (0.647)	-0.980 (0.671)
% jobless households	-	-	0.146*** (0.046)	0.125 (0.076)	-	-	0.309*** (0.052)	0.321*** (0.105)
Maternal employment[1]	-0.832*** (0.106)	-0.437* (0.237)	..	-0.103 (0.338)	-1.030*** (0.337)	- 0.981*** (0.208)	..	0.082 (0.453)
Per capita GDP	11.70*** (1.893)	-11.29** (4.650)	-10.14** (4.272)	-10.07** (4.276)	17.74*** (5.778)	-18.00** (8.687)	-11.68 (10.47)	-11.45 (10.35)
Per capita GDP (squared term)	-0.514*** (0.086)	0.584** (0.224)	0.531** (0.208)	0.528** (0.207)	-0.748*** (0.273)	0.894* (0.469)	0.594 (0.550)	0.583 (0.540)
Per capita social spending (total public and mandatory private spending)	-0.722*** (0.089)	- 0.950*** (0.165)	-0.901*** (0.125)	-0.928*** (0.168)	-1.307*** (0.266)	- 1.860*** (0.637)	- 1.959*** (0.680)	- 1.947*** (0.632)
% of social spending for the 10% poorest households	-0.762*** (0.064)	-0.336** (0.147)	-0.302** (0.140)	-0.312** (0.143)	-1.413*** (0.141)	-1.888** (0.735)	-1.820** (0.708)	-1.819** (0.705)
Number of observations Number of countries	282 29	282 29	282 29	282 29	183 27	183 27	183 27	183 27

Note: The dependent and independent variables are expressed in logs. A positive/negative sign indicates a positive/negative association with child poverty. Standard errors in parentheses. Models include year dummies. Columns 1 and 4 show results estimated using Ordinary Least Squares with panel-corrected standard errors to account for possible cross-country and time correlations. Columns 2, 3, 5 and 6 show result from a fixed-effect model, with Driscoll-Kray standard errors to account for possible biases due to small panels.
*** Statistically significant at 1%, ** at 5%, * at 10%
Maternal employment is approximated by the share of two-earners within couple families, plus the proportion of single parents who work in the total of single parent.
Source: Time series analysis of pooled cross-section data for respectively 29 and 27 OECD countries.

Box 3. Is 'pro-poorness' targeting more effective in reducing poverty?

The literature on the effectiveness of targeting social transfers to the poorest to reduce family poverty rates generates some contradictory results. (Korpi and Palme, 1998[25]) suggested the existence of a paradox in that benefits targeted at the poor achieve less redistribution than universal benefits, the main reason being that universal benefits receive wider popular support so that their payment rate can be set at a higher level than the targeted ones. Recent evidence suggests, however, that targeting is no longer necessarily associated with lower levels of redistribution (Kenworthy, 2011[26]), (Marx, Salanauskaite and Verbist, 2013[27]); (Jacques and Noël, 2018[28])).

From a child perspective, (Van Lancker and Van Mechelen, 2015[29]) pointed out, on the basis of cross-section data for 26 European countries, that targeting child benefits and child-related tax allowances towards lower incomes is associated with higher levels of child poverty reduction. Similarly, with short time series data from 2004 to 2011, (Diris, Vandenbroucke and Verbist, 2017[30]) found that increased pro-poorness leads often to lower poverty rates, but that the effect sizes are quite modest, and strongly dependent on how targeting is defined. In practice, countries very often have a family support system that is neither totally universal nor totally targeted towards the poor (Morissens, 2018[31]). Many countries are "targeting within universalism" when, for example, there is a universal family allowance supplemented by specific assistance for specific groups, particularly single-parent families.

But time series analyses do not always lead to the same result. Some evidence suggests instead that *within* countries the reduction of income inequality and the incidence of poverty are generally lower during periods when net cash transfers – considering the whole of the tax and benefit system – have been more closely targeted on lower income households ((Mcknight, 2015[32])).

The Influence of Social Cash Transfers on Child Poverty

69. Table 3 summarises preliminary results from the second step of the analysis, on the influence of within-country changes in social cash transfers on the relative child poverty rate. The table is separated into two panels, each using different measures to capture social cash transfers. Panel A uses measures of *social expenditure* on a range of social cash transfers – housing benefits, unemployment benefits, incapacity benefit, pension benefit, a range of family benefits – plus also a measure of the proportion of social spending directed to the poorest 10% of households. Panel B uses measures of social cash transfers *payment rates*, covering housing benefit, social assistance and child supplements, all measured as the average payment rate for a two-parent family as a percent of the average wage. In all cases, estimates are conditional on the pre-transfer child poverty rate (i.e. the pre-transfer relative child poverty rate is included in all models as an independent variable), to account for all other possible time-varying determinants of child poverty. Table 2 shows result based on *within-country change*.

70. Concentrating first on associations with changes in expenditure on social cash transfers, results from Table 3, Panel A suggest that, *ceteris paribus*, many social cash transfers frequently share no real clear and systematic association with changes in relative child poverty rates over time. Given a certain level of pre-transfer child poverty produced by market earnings, changes in per head spending on unemployment benefits, on parental leave benefits, on family allowances, on social assistance, and on other cash benefits share no clear and significant association with changes in the relative child poverty rates. All of these benefits are not specifically targeted at the poor.[11]

71. Only three social expenditure programmes share an association with changes in child poverty rates (Table 3, Panel A). The first is the amount spent per-poor-household on housing benefits, which shares a moderate and negative association with changes in the relative child poverty rate, all else equal. This makes sense, given that housing benefits are often tightly targeted at low-income households. The second is the spending on social assistance benefits, which is also a benefit for a disadvantaged population with no labour market income. The allowance received by families living in this situation appears to reduce the exposure of children living in these families to poverty. Finally, spending per person receiving pension benefits shares a strong and negative association with within-country changes in the relatively child poverty rates. The role of pensions in child poverty reduction, which may not seem immediately intuitive, could be related to the significant proportion of children living in multigenerational households with retirees in some countries (Diris, Vandenbroucke and Verbist, 2017[30])).[12] However, further testing is required to validate the interpretation of this result.

72. Associations between within-country changes in certain social cash transfer *payment rates* and the post-transfer child poverty rate are less ambiguous. Table 2, panel B shows that changes in the payment rates of social assistance, child supplements – which includes child-related payments outside social assistance – and housing benefit all share a negative association with within-country changes in the child poverty rate, all else equal. The estimated effect is quite substantial, since a one-percentage-point change in the rate of payment of each benefit as a percentage of average earnings is estimated to produce a reduction of about one-percentage-point in the poverty rate.

73. Taken together, results from Table 3 panel A and B suggest that eligibility, coverage and payment rates are all key parameters to help benefits reducing child poverty.

[11] In most cases, eligibility for child benefits is not restricted to poor families, even though the amount of child benefit may sometimes be higher; the benefits are not targeted at poor families (OECD Family database, Indicator IN1.2), and are not included in the tax calculation.

[12] Recent data on the number of children in multigenerational households for OECD countries are not available but (Iacovou and Skew, 2011[106]) estimate that 5.4% of children 0-17 on average across the European Union lived in such households in 2007; their proportion is particularly high in Latvia (24%), Poland (22%), and also in Portugal (11%), Hungary (11%), Estonia (12%), Lithuania (14%), Slovenia (13%) and the Slovak Republic (17%).

Table 3. Summary of the effects of within-country changes in social cash transfers on relative child poverty

Panel A. Summary of effects of within-country changes in expenditure on social cash transfers on relative post-taxes and transfers child poverty rates

	Within-country change over time
Poverty before tax and transfers	0.408*** (0.067)
Social spending on housing benefits (per poor household)	-0.088*** (0.028)
Social spending on unemployment benefits (per unemployed person)	0.035 (0.042)
Social spending on incapacity benefits (per adult age 15-64)	-0.233 (0.152)
Social spending on parental leave benefits (per birth)	0.018 (0.015)
Social spending on pension benefits (per old age person)	-0.346** (0.114)
Social spending on Family allowances (per child under age 15)	0.008 (0.014)
Social spending on social assistance (per poor households)	-0.142** (0.054)
Social spending on other cash benefits (per child under age 15)	0.007 (0.011)

Panel B. Summary of effects of within-country changes in social assistance cash transfer payment rates on relative post-transfers child poverty rates

	Within-country change over time
Social assistance payment rate for a two parent family (% of AW)	-0.004** (0.001)
Child supplement payment rate for a two parent family (% of AW)	-0.026** (0.005)
Housing benefit payment rate for a two parent family (% of AW)	-0.005** (0.002)

Note: A positive/negative sign indicates a positive/negative association with within-country changes in the child poverty rate, as estimated from a fixed effect model with Driscoll-Kray standard errors. *** Statistically significant at 1%, ** at 5%, * at 10%.
Data on Spending are from the OECD Social Expenditures (SOCX). Data to calculate payment rates are from the Social Assistance and Minimum Income Protection Dataset (SAMIP) in the Social Policy Indicators available from the University of Stockholm. Child supplement in Panel B covers support which granted to low income families outside the social assistance. In so far as these additional benefits do not reduce the social assistance amount in full, they are included together with social assistance in minimum income protection. This may, for example, concern child and housing benefits as well as refundable tax-credits. If child benefits do not reduce social assistance, they are counted separately as child supplements.

74. A more detailed analysis of changes in the poverty rate by family type suggests that higher rates of social assistance payments were particularly efficient in reducing the poverty rate for families with one or two parents (Table D 3). Housing benefits were performant to reduce poverty among one-parent families and families with two jobless parents. Nevertheless, the poverty rate of jobless single-parent families does not appear to be affected by the level of payment rates for assistance and housing allowances, probably because their standard of living before tax and transfers is so low that increases in the rate of payment of housing allowances have been not high enough to lift these families out of poverty. In other words, although they are important levers for reducing the poverty of certain categories of vulnerable families, social assistance benefits (whether they are paid in the form of social assistance or housing benefits) are nonetheless insufficient to lift the most economically disadvantaged families, namely single-parent jobless families. Sections 5 and 6 will further explore the extent increases in employment and/or reallocation of family and/or housing benefits can help reduce the poverty rate.

3.3. What factors drive changes in living standard of low income families?

75. Section 2 has highlighted considerable heterogeneity in trends in child poverty across the OECD. Some countries have managed to stabilize its evolution, while others have succeeded in significantly reducing the risk of child poverty. Among the factors associated with a decline, the preceding econometric analysis pointed to the important role of maternal employment (resp. household joblessness) as a key factor underlying an increase or decline of the household poverty risk - in particular the risk of incomes falling below the 2005 poverty line. Family structure also plays a role. Even though the majority of poor children live with two parents, the risk of poverty (with a given family situation) is higher for single-parent families, and the growth in prevalence of single-parent families is an aggravating factor in children's risk of living in a household with an income below the 2005 poverty line.

76. The Great Recession halted some positive developments by inducing an increase in child poverty, which affects nearly two thirds of OECD countries. However, trends since 2007 have been mixed, not only in terms of the evolution of child poverty rates and standards of living, but also with regards to the demographic structure of the poor population and the employment situation of parents.

77. The present sub-section reports on this heterogeneity through a detailed analysis of changes in children's living standards since 2007 and their determinants. The analysis is done separately for children with two parents and those living in single-parent families. In most countries, children from very poor families have not experienced the same evolution as children whose family income is close to the poverty line.

78. To understand these disparities, the evolution of income is broken down into two components: the part that can be explained by a change in the characteristics of the poor child population between 2007 and 2014, which therefore reflects a structural evolution; the other part, not explained by these structural changes, reflects the changes in the relationship between household characteristics and the position of children in the income distribution, plus the possible effect of unobserved characteristics. The methodological details are presented in Annex E.

79. Figure 19 displays information on the factors that contributed to the change in the incomes of low-income two-parent families for a Canada, Denmark, France, Korea, Spain, the United Kingdom and the Unites States, all chosen because of their sharp contrast (results for other countries are shown in Annex D). The total evolution of family income in percentage from the 2007 to 2014 is denoted by a marker in red in Figure 19, and the figure shows how the evolution of children's households' characteristics has influenced these evolutions. It separates the influence of changing family structures, changes in educational attainment and labour market statuses of parents. In many countries, a significant proportion of the total income evolution (illustrated by the red marker) is not explained by the sum of the contributions of changes in family characteristics.

80. Positive values indicate an increase in income quantiles and therefore reflect a change in family characteristics contributed to raise the family income of the percentile in question. For instance, the disposable income of the 25th percentile of children in two parent families have increased by around 10% in Korea, and it increased also by around 6% in Canada and Denmark while remaining rather stable in France. By contrast, the disposable income decreased moderately in the United States but sharply in Spain (-12%) and the United Kingdom (-13%).

81. Changes in family characteristics partly explain[13] these differences in income evolution. For example, in Denmark, and more moderately in France, the improvement in the employment situation of mothers has contributed significantly to increasing market income and disposable income: the proportion of children with a mother who does not work has declined; and the proportion of children with a mother who works full-time has also increased and contributed to an increase in disposable income. Moreover, in Denmark, the increase in the proportion of children with a father working full time full year also contributed to the improvement in the standard of living. The rise in the level of education of parents also played a role in increasing income in France. By contrast, the proportion of jobless fathers increased in both countries and contributed to the drop in family income. Consequently, these opposing trends explain the relative stability of disposable income.

82. In Canada and Korea, the increase in parental educational attainment has been one of the main factor pulling up the evolution of disposable income, which is still explained by factors other than changes in population characteristics.

83. The decline in disposable income in the United States, the United Kingdom and Spain is explained by different factors depending on the country. In Spain, the proportion of poor children whose fathers do not work full time full-year increased from 34 to 60% between 2007 and 2014, which was the main factor pulling down the 25 percentile of disposable income. However, other factors played in the opposite direction. In particular, the proportion of children with at least one immigrant parent increased by 4%, and this has contributed to an increase in the standard of living because "immigrant" fathers have a higher employment rate (44%) than "poor" children with fathers born in Spain.

84. In the United Kingdom, the proportion of children in low income families with a working father and/or a working mother increased and it contributed to raise family income, but this was not enough to offset the effect of other factors driving income down. One of the factors contributing to the decline in income is the decline in the proportion of children in the

[13] The term "explain" here refers to an association between changes in the characteristics of families with children and changes in income level, but should not be interpreted as a causal link from household characteristics to income level. In some aces, a reverse causality cannot be ruled out.

25th percentile with' native' parents. While this trend contributed to raise family income children in Spain (because the employment rate of fathers is higher for migrants), it is the opposite in the United Kingdom, where the employment rate of' immigrant' fathers is lower than that of the native-born.

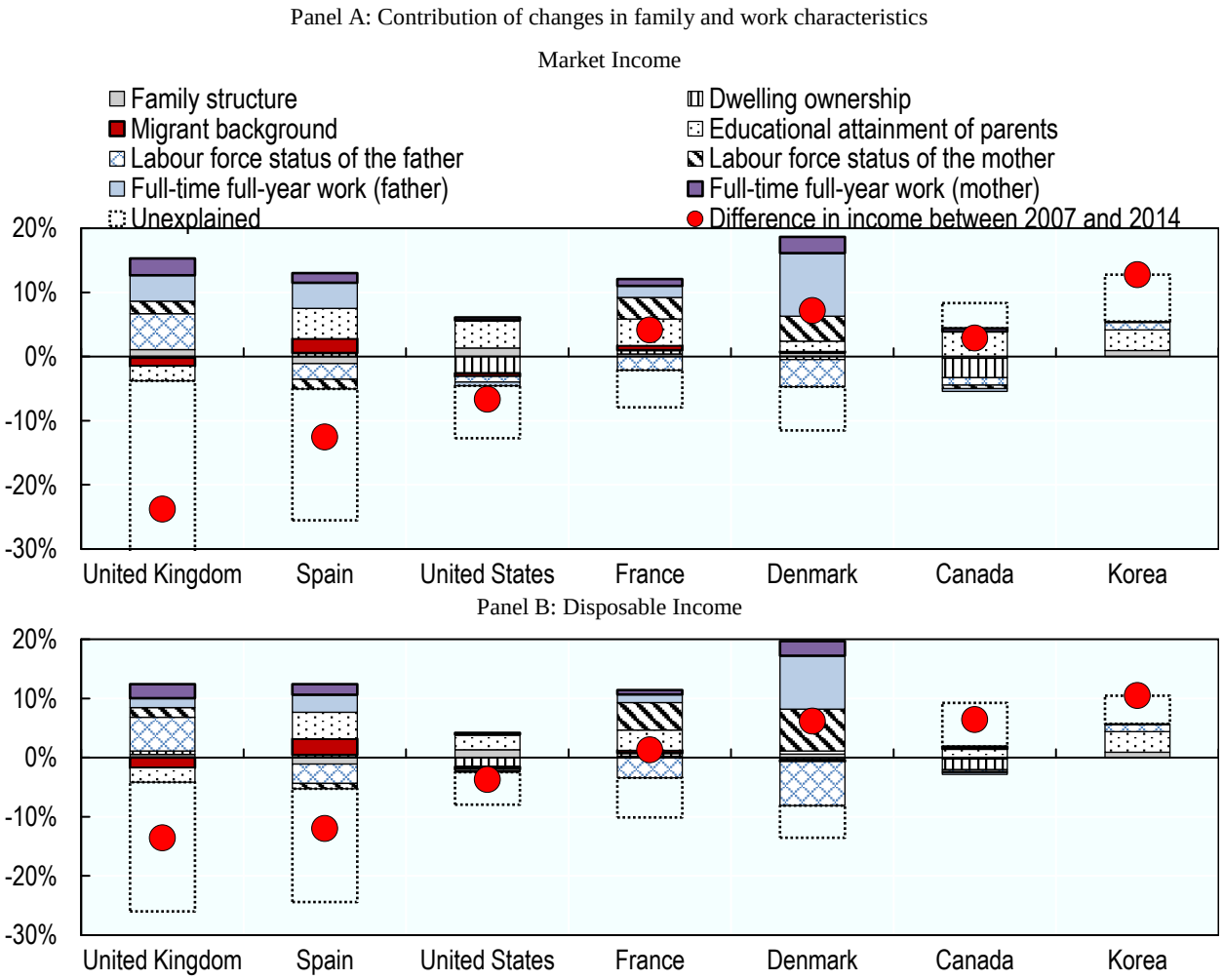
85. Most of the decline in income in Spain and the United Kingdom is not explained by changes in family characteristics but refers to its “unexplained” share which largely reflects a change in conditional income “returns” for a family with given characteristics. As shown in Figure 19 Panel B, this negative “unexplained” contribution in Panel A is largely associated in Spain with a decline in disposable income of the non-employed fathers – other characteristics being the same – and with a decline in the income obtained by full-time full-year workers. By contrast, the disposable income of children with a working father remained stable, despite an increase in market income in the bottom of the income distribution which suggests the transfers received were reduced over this period for low income families with a working father.

86. In the United Kingdom, the decline in disposable income for families with given characteristics is dominated by a drop in income associated with the mother's activity status (Figure 19 Panel B). The drop is stronger when the mother has a job (-38%), but is also significant (-26%) when the mother has no job. The drop in primary income linked to employment reflects a decline in the quality of employment for mothers of relatively poor families. Disposable income declined also which suggests that transfers were not sufficient to compensate for the loss of market income. Figure 19 panel B also suggests that homeowners were disproportionately affected by the loss of income, all other things being equal. By contrast, the income before and after tax and transfers both increased when fathers are employed, suggesting that the quality of their jobs has improved.

87. In Canada, the increase in primary and disposable income is explained by two factors adding their effects to those of changes in family characteristics. First, the income earned by fathers in employment increased, which, as in France or the United Kingdom, indicates an improvement in the quality of their employees; In addition, the income of residential property owners increased relative to that of tenants, which contributed to an increase in the standard of living contrary to the trend observed in the United Kingdom.

88. In Korea, the incomes of families with one and especially two children have all increased equally, contributing to the improvement in the standard of living of the 25th percentile of children.

Figure 19. Changes in living standard of children in two-parent low income families, 2007-2014.



Note: The red markers show the total percentage change in the household income quantiles from 2007 to 2014 for the 25 percentile of children at the bottom of the income distribution in two parent families. This 'net' evolution is then decomposed in contributions of changes in family and work characteristics, plus the 'unexplained', which all can be positive if the change was associated with a relative increase in income, and negative if associated with a decrease in income, all other characteristics remaining the same.

Market income is the sum of: wages and salaries, net self-employment net income, interest and investment income, private pension and registered retirement savings plan income, and includes alimony or support income received, and other income; Disposable income is total income less: income tax, employment insurance contributions, public and private pension plan contributions, union dues (incl. professional membership dues, and malpractice liability insurance premiums), child care expenses incurred in order to hold a paid job, alimony or support payments paid, and public health insurance premiums. Household income is equivalised using the square root scale and adjusted for price inflation. The term 'standard of living' refers to the equivalised disposable income.

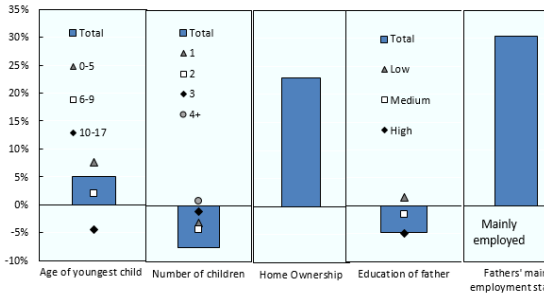
Family structure includes information on the number of children, age of children and parents, and possible presence of other adults.

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

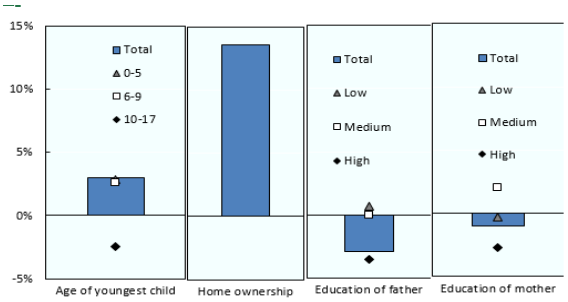
Panel B: Changes in the income returns of family characteristics

Canada

Market Income

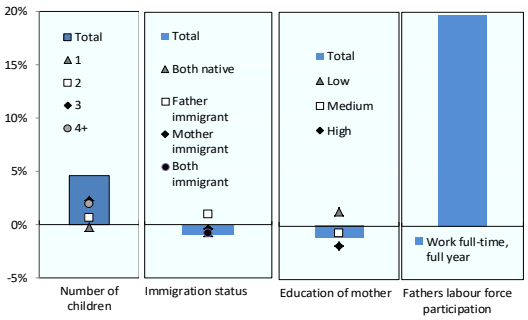


Disposable Income

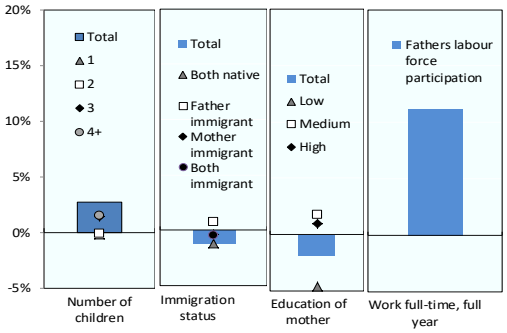


France

Market Income

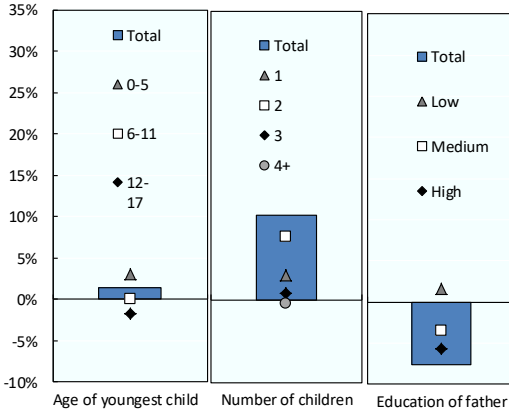


Disposable Income

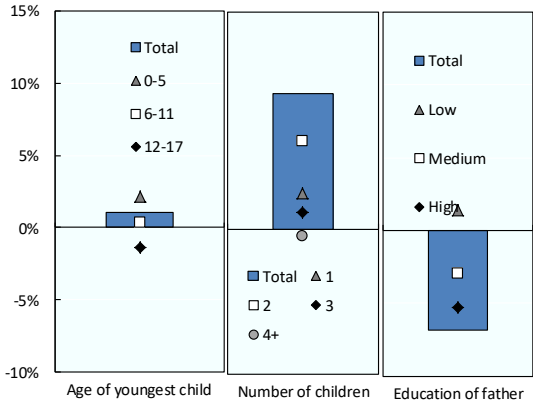


Korea

Market Income



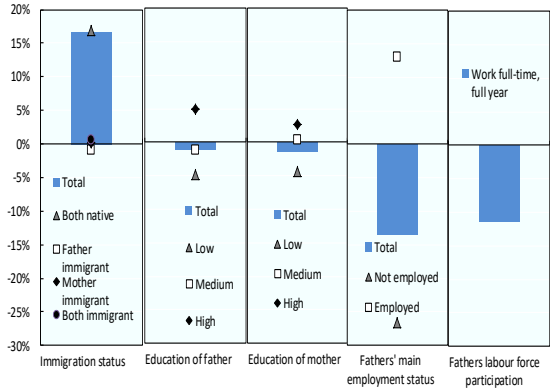
Disposable Income



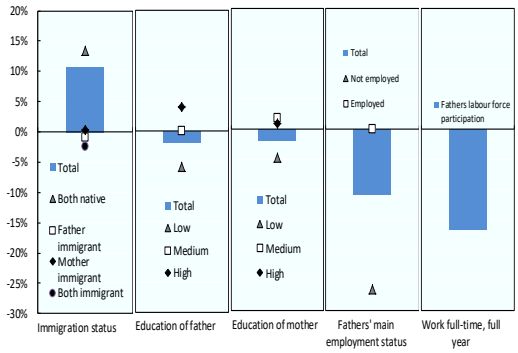
Note: The Figures show how changes in the effect of each family characteristic have affected the equivalised market or disposable income for the 25th first percentile. A positive (negative) sign shows a gain (a loss) in income associated with the characteristic between 2007 and 2014. Only statistically significant changes are reported.

Spain

Market Income

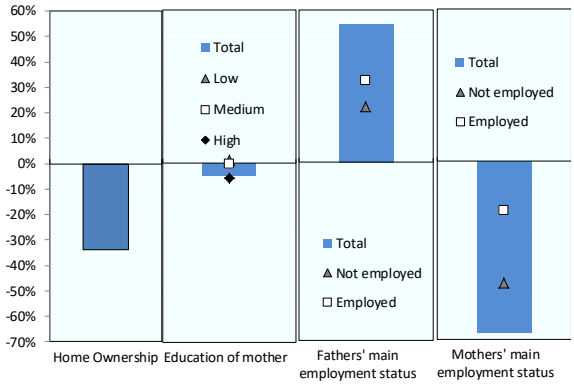


Disposable Income

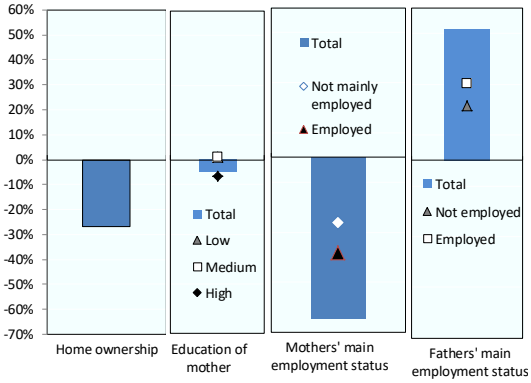


United Kingdom

Market Income

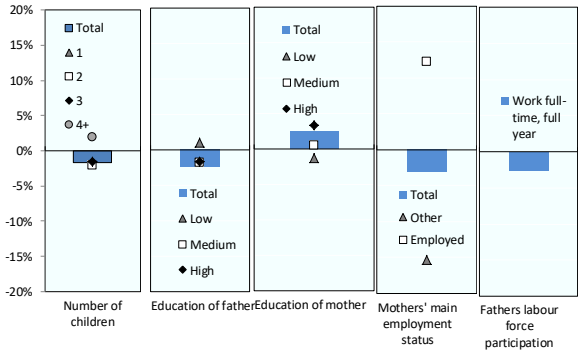


Disposable Income

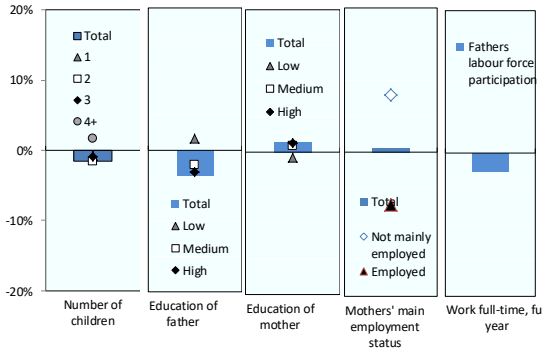


United States

Market Income



Disposable Income



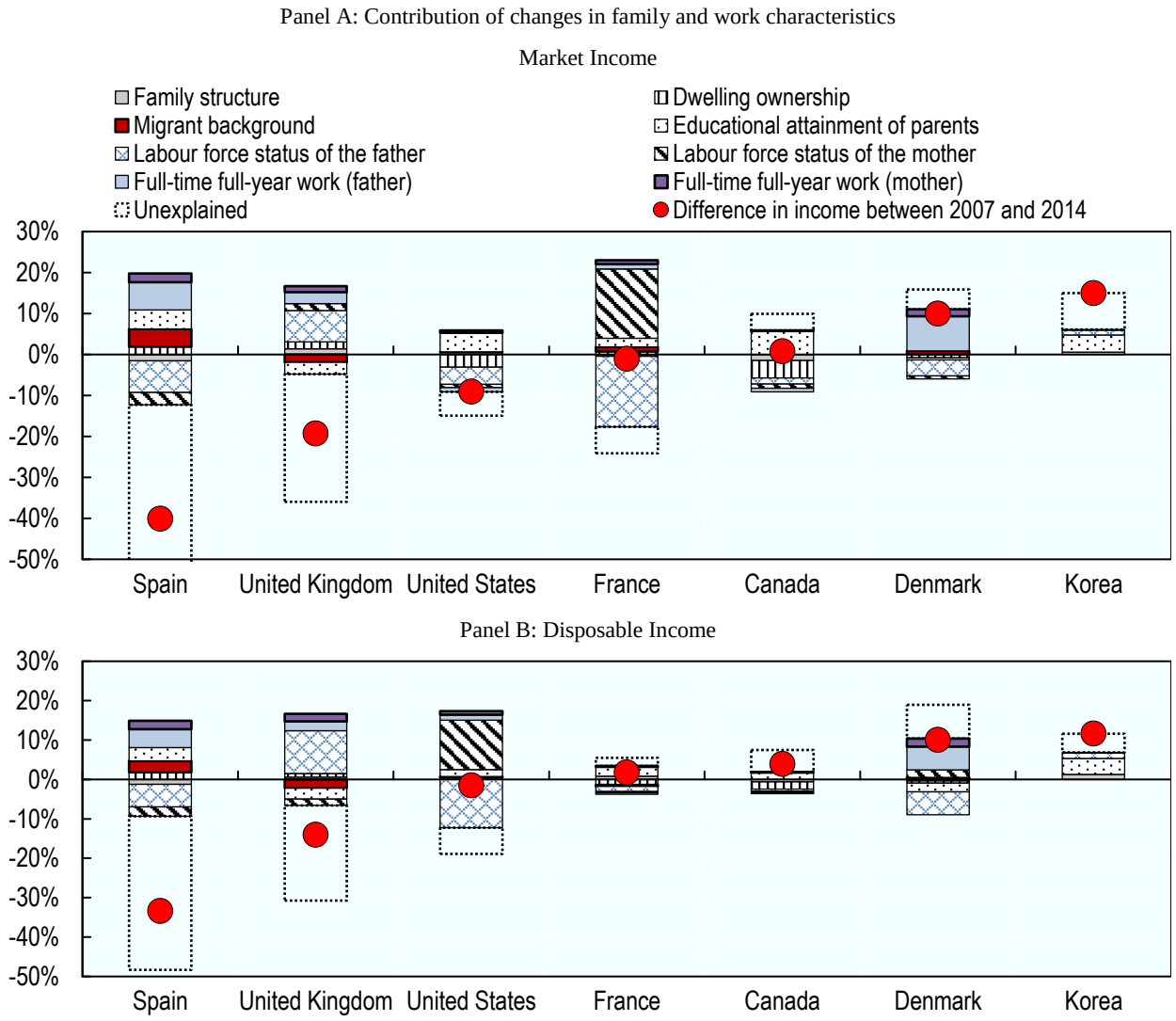
3.3.1. How are children in very low-income families coping?

89. An important difference between these countries also concerns the way in which the incomes of very low-income families have evolved over this period compared to the trends experienced by families with slightly higher incomes. In Spain, the drop in income was sharper for children from poorer families (-33% for children from the first decile of income of families with two parents, compared to -14% for children from the 25th percentile) (Figure 20). The same factors with a larger effect explain this stronger fall.

90. In contrast, in the United Kingdom, the decline in disposable income was relatively smaller for the poorest 10 per cent of children than for families with higher incomes. The evolution is again different in the United States where a drop in market income is observed for the 10th first percentile but not for 10th percentile of disposable income remained stable, suggesting that the tax and transfer system helped cushion the effects of the crisis on earnings at the bottom end of the income distribution (Wimer and Smeeding, 2017[33]).

91. In France, the deterioration in the employment situation was more pronounced for fathers in the 10th percentile, while at the same time it was offset by an improvement in that of mothers. As a result, the disposable income of the poorest families have remained fairly stable. The trend is the opposite in Denmark, where at the 25th percentile of the changes in the situation with regard to fathers' employment is stronger and more contrasted than at the 10th percentile. This, changes in activity status have a more negative impact for the 25th percentile but at the same time the proportion of children with a father working full time increased and offset the first trend.

Figure 20. Changes in living standard of children in two-parent very low income families, 2007-2014.



Note: The red markers show the total percentage change in the household income quantiles from 2007 to 2014 for children in the 10th percentile at the bottom of the income distribution in two parent families. This 'net' evolution is then decomposed in contributions of changes in family and work characteristics, plus the 'unexplained', which all can be positive if the change was associated with a relative increase in income, and negative if associated with a decrease in income, all other characteristics remaining the same.

Market income is the sum of: wages and salaries, net self-employment net income, interest and investment income, private pension and registered retirement savings plan income, and includes alimony or support income received, and other income; Disposable income is total income less: income tax, employment insurance contributions, public and private pension plan contributions, union dues (incl. professional membership dues, and malpractice liability insurance premiums), child care expenses incurred in order to hold a paid job, alimony or support payments paid, and public health insurance premiums. Household income is equivalised using the square root scale and adjusted for price inflation. The term 'standard of living' refers to the equivalised disposable income.

Family structure includes information on the number of children, age of children and parents, and possible presence of other adults.

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

3.3.2. How do children in single-parent families fare?

92. The situation of children in single-parent families shows mixed trends (Figure 21). In Spain and France, the standard of living has dropped for children in the 25th percentile of single-parent families, but not for those with higher incomes. In France, this decline is not explained by changes in family characteristics, but by a drop in income associated with full-time, full-year employment, all other things being equal. In Spain, the decrease in disposable income is mainly explained by a drop in income attached to parents' labour market situation, but changes in family structure and the increase in the proportion of children with a single parent born in Spain also contributed to this drop in income.

93. In contrast to the two previous countries, the standard of living for children in the bottom 25th percentile of single-parent families remained more or less stable or even slightly higher in the United Kingdom and the United States, while that of wealthier single-parent families declined. In the United States, this decline is strongly linked to a drop in market and disposable income for a family with given family structure, number of children or origin. The number of single parents working full time full-time all year has also declined, pulling down market and disposable income.

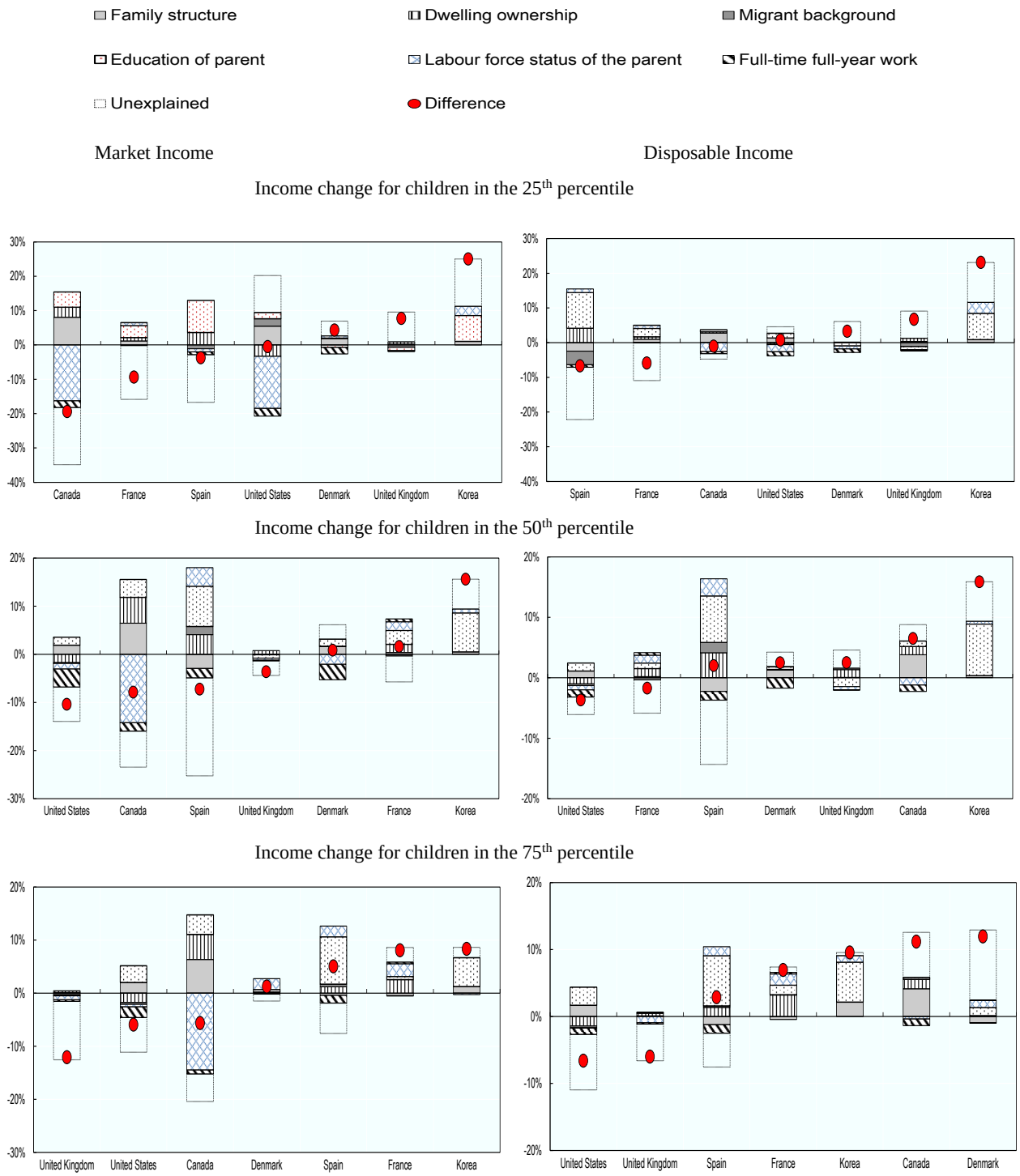
94. In Canada, children in single-parent families at the bottom of the income distribution experienced a decline in market income (largely driven by a decline in the proportion of children with a working parent), but the disposable income of the first 25th percentile remained stable, suggesting that cash benefits played a significant role in offsetting the erosion of market income (OECD, 2018[34]). However, the rise in these children's standard of living was lower than that observed for children in more affluent single-parent families, who also experienced an erosion of market incomes but whose disposable income rose relatively more.

95. In Denmark, the standard of living for children in single-parent families has risen, particularly for those in wealthier families. Changes in family characteristics have contributed relatively little to this evolution, while the disposable income of families with a given number of children have increased.

96. Finally, in Korea, only about 10% of poor children live in a single-parent household (compared to almost 40% on average in the OECD). From 2006 to 2013, both primary and disposable incomes of single-parent families increased at all income levels, largely driven by an increase in the educational attainment of single parents.

Figure 21. Changes in living standard of children in single parent families, 2007-2014

Panel A: Contribution of changes in family and work characteristics

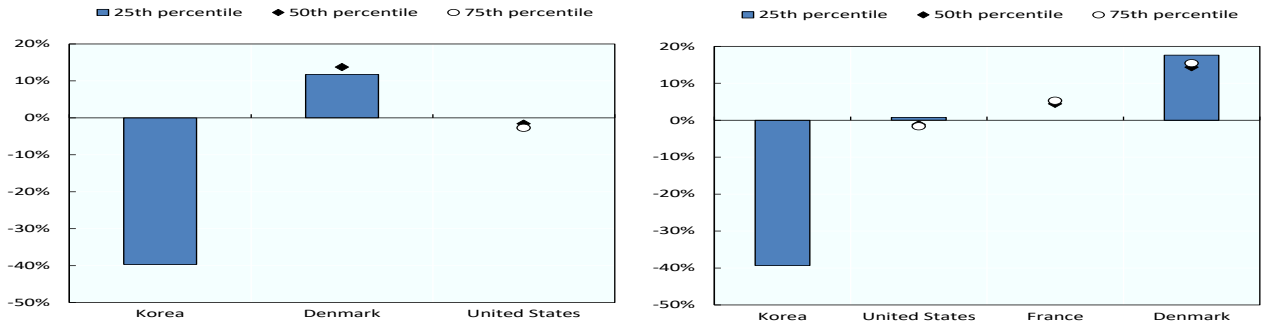


Note: See notes in Figure 16 Panel A.
Source: 2014 Canadian Income Survey; EU Survey on Income and Living Conditions for European countries; Luxembourg Income Survey for Korea.

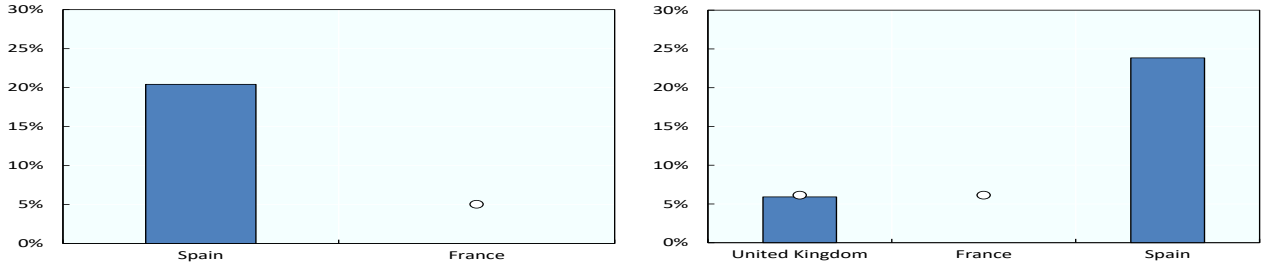
Panel B: Changes in the income returns of family characteristics

Market Income | Disposable Income

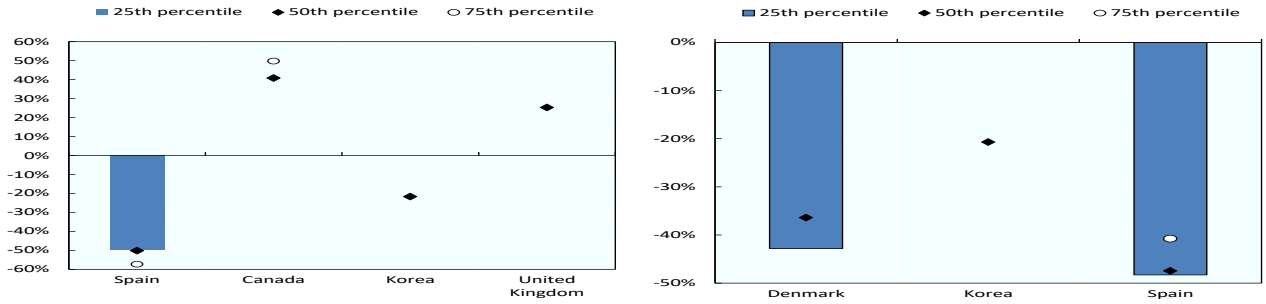
Number of children



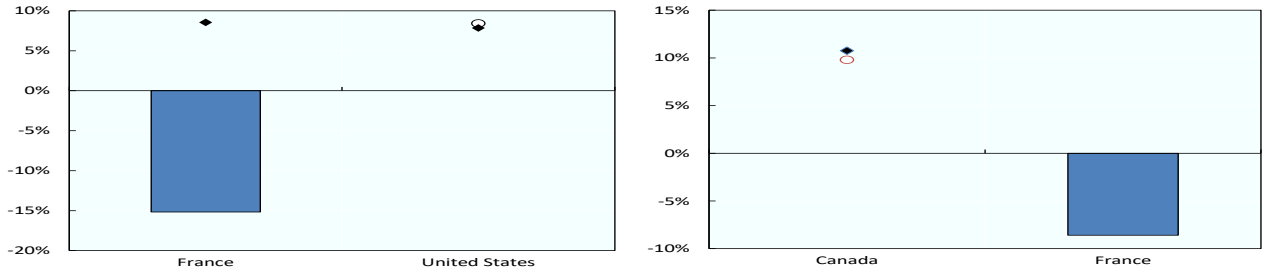
Dwelling ownership



Labour Force Status of the parent



Full-time full year work



Note: *Note*: See notes in Figure 16 Panel B.

3.4. Conclusion

97. Trends in the evolution of incomes of families with children have been diverged since 2007 as the underlying drivers of child poverty vary in importance across countries. Among all factors, differences in trends regarding paternal and maternal employment rates and job quality are the most important factors explaining cross-national differences in the evolution of income for low-income families.

98. For instance, the income growth provided by the increase in the employment rate of mothers in Denmark or Sweden suggests that mothers' employment-friendly policies are paving pave the way for significant reductions in the child poverty rate.

99. By contrast, the decline in the proportion of children with a working father contributed to a sharp drop in income in Spain; however, the largest contribution to the negative trend in income comes from the drop in income workers get from employment, and from full-time full-year employment in particular. This reflects a decline in the quality of fathers' employment, which can be explained by various factors (shorter working hours, lower real minimum wage) (Ayllón, 2017[35]). By contrast, the income associated with fathers' employment for families with same characteristics has increased from 2007 to 2014 in Canada, France and the United Kingdom, suggesting instead here that the "quality" of employment for fathers from low-income families has increased relatively.

100. In the United Kingdom, the sharp decline in the income of low-income families is primarily linked to a decline in income associated with the employment situation of mothers with given family characteristics. This trend again reflects a decline in the job quality of mothers rather than a decline in the proportion of children with a working mother.

101. For children of single parents, changes in parental employment are also important markers of differences between countries. In particular, the fall in the income of the poorest single-parent families in France and Spain seems to be largely due to a lower quality of the jobs held by parents and in France also to lower earnings stemming from full-time employment.

102. This analysis highlights the need, in order to counteract the effects of the crisis and reduce child poverty, to implement policies that not only increase access to employment for parents from low-income families, but also promote greater mobility towards better quality and better paid jobs. It also shows that the socio-demographic composition of poor families is changing and that policies must adapt to these changes:

- Children born to low-income families are increasingly likely to spend time in a single-parent household (Bernardi and Mortelmans, 2018[36]), and the above analysis has shown that children in these families have often experienced a steeper decline in living standards than others.
- Family size is decreasing, with a number of siblings that is smaller today than even a few years ago; it is then important that these families receive adequate support, although larger families are often at greater risk of poverty and for this reason, they receive more support in many countries.
- The proportion of low-income families with school-aged children is increasing in some countries, which in particular underlines the need not to limit both financial and work-life balance supports to families with pre-school children.

103. Finally, the decline in disposable income experienced in many countries by low- and very low-income families suggests that social benefits have played a rather limited role in mitigating the effects of the crisis. There is, however, some indication that transfers may have cushioned the effects the Great recession had on the income of the poorest families in the United Kingdom and the United States (as shown also by (Bradshaw, Chzhen and Main, 2017[37]) and (Wimer and Smeeding, 2017[33]). In Canada, transfers appear to have offset the loss of market income induced by the deterioration in the employment situation of sole parents. Therefore, an important challenge for redistribution policies is to ensure that the entire population of poor children is covered by benefits and for this that eligibility criteria are adapted to the changing composition of poor families.

104. To assess the scope of policies that would successfully promote the employment of poor parents, the next section presents some simulations of the expected effects on the child poverty rate under different employment growth scenarios.

4. How to combat child poverty?

105. Anti-poverty policies span a wide range of policy domains, including employment related policies, education and training, cash transfers, housing support, food security, family planning, etc. (Lawrence M. Berger, Maria Cancian and Katherine Magnuson, 2018[38]). These different components aim to address the particular circumstances, which vary in nature, leading some types of families more than others to poverty. An anti-poverty strategy can therefore be more or less comprehensive depending on whether it addresses all the factors that make a situation of poverty more likely, seeks to prevent its causes or to repair its effects. The implementation of such policies involves choices between different types of interventions that differ according to the intended purpose and desired effectiveness.

4.1. Policy approaches against poverty

106. There are essentially two types of such interventions against poverty. The first uses redistributive transfers in cash or kind, generally targeted to households who are deemed poor based on observable criteria. This policy can be rationalized as either ethically defensible redistribution or as an effort to compensate for the market failures that contributed create poverty – to make the economy both more efficient and more equitable despite the market failures (Ravallion,(n.d.)[39])). The second type of policy tends to work more directly at the market and institutional failures, essentially by making the key factor markets (labour, credit, and land) work better from the perspective of poor people, and giving them better legal protection.

107. Two goals for these policies can be distinguished, namely protection and promotion (applying a distinction made by (Drèze and Sen, 1991[40]) (Ravallion, 2017[41]). The former is about helping people deal with uninsured risks and avoid transient poverty; protection policies aim to provide short-term palliatives to help assure that current consumptions do not fall below some crucial level, even when some people are trapped in poverty. The promotion role is about permanently escaping poverty. Promotion policies aim to allow poor people to break out of the trap, by permitting a sufficiently large wealth gain to put them on a path to reach a higher and stable level of productivity and wealth.

108. A good balance between protection and promotion is hard to find, since there may be a trade-off between them. A perfectly targeted set of transfers to poor families - meaning that the transfers exactly fill the poverty gaps and so bring everyone up to the desired minimum income – would impose a 100 per cent marginal tax rate on recipients, which would destroy incentives to work among the poor and for that reason is unlikely to be optimal from the point of view of poverty reduction in the long-run. For this reason, in many countries anti-poverty and related social welfare benefits have largely shifted from a system of guaranteed income support to a work-based safety net to encourage welfare recipients to take up work opportunities when available without too much loss of benefits (Ravallion, 2017[41]). However, such a shift when too pronounced leave families increasingly vulnerable to periodic unemployment. Moreover, the shift to work-conditioned benefits questions equity, since the poorest no longer are necessarily the primary beneficiaries. The policy maker therefore faces an efficiency-equity trade-off. As a result, there are limits to the extent to which redistributive taxes and transfers can be used

to reduce poverty, and the use of this instrument must be accompanied by more structural policies that act on risk factors in a more sustainable way.

109. How to achieve better coverage of poor families and their needs through the support system is a central issue for effective poverty reduction. The aim is to obtain better targeting of aid, in the sense that all poor children are covered and that the amount of aid is sufficient to maximise the relief from poverty. Advocates of targeting in many countries (both rich and poor) have tended to focus on reducing “inclusion” errors, i.e. the fact that "non-poor" families receive support that could be used more effectively. By contrast, concerns about the low coverage of the poor – exclusion errors – have tended to be downplayed and should get a higher weight when the policy objective is to minimize poverty (Ravallion,(n.d.)[39]) (Ravallion, 2017[41]). Such a consideration involves several questions.

110. High costs of untargeted transfers naturally encourage efforts at targeting in favour of poor people to try to assure a greater impact on poverty for a given budget outlay. However, fine targeting it is not necessarily the best instrument for this purpose given the (sometimes hidden) costs and incentive effects. One question is then to define the relevant population group to be targeted and the criteria to be used to delimit it. The ethical argument is strong for giving priority to the poorest. However, when there are productivity effects, such as arising from the existence of labour market or credit-market failures, the poorest are not necessarily the people with higher returns to transfers. means-test are then commonly used to define the poor population to receive benefits up to some point, above which the net benefit can be progressively reduced to keep work incentives as income rises. Income means-testing may not be sufficient, however, since it does not capture the differences which can exist in particular according to the composition of the family and the place of residence. Readily measurable proxies for poverty are then widely used for targeting in such an imperfect information environment. Efficiency considerations point to the need for using indicators that are not easily manipulated by actual or potential beneficiaries, although this is rarely very clear in practice. Criteria such as family size, age of children, work status, geographical location of residence, housing conditions or lifetime limits on program participation are often used for delimit population groups, result in a considerable segment of the poor population having little access to cash income. Moreover, the political economy response to targeting is also a concern, whereby finely-targeted programmes can undermine the political support for social policies (De Donder and Hindriks, 1998[42]); (Gelbach and Pritchett, 2001[43]).

111. The two subsections that follow examine the gains in terms of child poverty reduction that would be achieved by putting in place policies that would significantly increase the employment rate of parents or share a redistribution of child benefit and/or by redistributing child and/or housing benefits to ensure better coverage of children in relative poverty.

4.2. Raising parental employment: what effect on child poverty?

112. This section examines the potential impact on family poverty rates of a reduction in the number of jobless parents, and the family poverty rates that could be achieved in the absence of a child-related standard of living penalty, i. e. if the poverty rate of families with children was equal to that of households without children, conditional to adult employment status.

4.2.1. The employment scenarios

113. Different scenarios are considered, and the impact on family poverty rates is shown in Table 4 Column 1 shows the current proportion of families under the poverty line amongst households with children, i.e. a weighted poverty rate for families. Column 2 describes the poverty rate if there were no single-parent jobless households.

114. The following columns consider different scenarios regarding the situation of families with two parents.

- Column 3 shows the poverty rate that would be obtained if all two-parent jobless households became one-parent earner households, assuming that the poverty rate of this latter is not changed.
- Column 4 shows the poverty rate that would be observed if all two-parent households were no longer jobless and if half of these households became one-parent earner families and the other half became two-parent earner families.
- Column 5 show what would happen if all two-parent jobless households moved to two-earner families.
- Column 6 assumes there is no longer any jobless family and that all two-parent families are with two earners.

115. The last two columns show the poverty rates obtained in the absence of additional penalties in poverty rates related with children:

- Column 7 shows the family poverty rate if the single parent poverty rate was the same as that of a childless single person,
- Column 8 simulates the family poverty rate obtained if the two-parent poverty rate was the same as a childless couple's poverty rate (conditionally to the employment status of partners). This scenario indicates that poverty reduction would occur if working parents were not penalized for job quality or received benefits to compensate for this penalty.

116. In Table 4, the order of magnitude of the reduction in child poverty rates induced by the different scenarios depends on the proportion of the population represented by each family category. To complement this information, the reduction in poverty rates that can be expected within each category is presented in Table 5 (for single-parent families) and Table 6 (for two-parent families).

117. Across all scenarios, the poverty line is unchanged at its current level, which makes it possible to estimate the benefit of a change in the employment status of parents. However, lower joblessness would increase the median income and therefore might change the 'floating' poverty line. Moreover, it is a strong assumption that the poverty rate of households moving to employment will be the same as the actual rate observed today, since

households moving to employment may be lower educated and lower skilled compared to those who are already in employment. The in-work poverty rate is therefore likely to be higher for the population moving to employment, which is ignored in the scenarios considered here, as are any possible effects in the socio-fiscal system.

4.2.2. Effects on family poverty

118. Overall the maximum decreases in the family poverty rate across the various scenarios are highest in countries including Chile, Greece, Israel, Italy, Lithuania, Portugal, the Slovak Republic, and Turkey, where the reduction from the current family poverty rate varies from 6.2 percentage points in Lithuania to 16.1 percentage points in Turkey (Table 4). Amongst all these countries the scenario associated with the lowest family poverty rate is when the two-parent poverty rate is the same as for a childless couple (Table 4 Column 8), suggesting that these countries have a large gap between poverty rates amongst couples with children and those without and therefore, a large cost of having children. This reduction in the family poverty rate is much greater than a reduction associated with zero joblessness among single or two-parent families, and for example in Turkey, no jobless two-parent households (Table 4 Column 5) means a reduction of 2.5 percentage points in the family poverty rate, compared to a reduction of 16.1 percentage points when there is no additional cost of children (Table 4 Column 8). Therefore, a reduction of the cost associated with children would result in large decreases in the family poverty rate for these countries. On the other hand there are much smaller decreases in countries including Denmark, Finland, and Norway, which all have reductions in the family poverty rate which are below 1 percentage point. These countries all have relatively low initial family poverty rates (from 2.4% in Denmark to 6.2% in Norway), as well as below average joblessness, and low differences in poverty rates between households with children and those without.

119. The majority of all countries (Austria, Belgium, Canada, Chili, the Czech Republic, Estonia, Greece, Iceland, Israel, Italy, Lithuania, Luxembourg, Latvia, Mexico, the Netherlands, Norway, Poland, Portugal, Slovakia, Slovenia, Spain, Sweden, Turkey and the United States) have their lowest child poverty rates when the poverty rate of two-parent households is at the level of the poverty rates of two-person childless households with the same employment situation (Table 4 Column 8). This shows the high income penalty for families with children in these countries compared to childless households, meaning that a large reduction in the poverty rate can then be expected from a lower cost of raising children. In other words, a broad reduction in child poverty is to be expected here, not so much from an increase in the employment rate, but from an improvement in the quality of the jobs occupied by parents and/or better compensation by the redistributive system for the penalty weighing on the poverty rate.

120. A sharp decrease in poverty rates can also be expected from a reduction in the child penalty born by single-parents in many countries (Austria, Belgium, Chili, the Czech Republic, Estonia, France, Iceland, Italy, Japan, Lithuania, Luxembourg, Mexico, Portugal, Sweden, Tukey and the United States) where the lowest poverty rates among single parents occur when the poverty rate for single parents is the same for childless singles (Table 5). In fact, for France and Japan the lowest overall family poverty rate occurs when the poverty rate for single parents and childless singles are the same (Table 4 Column 6). This suggests that helping single-parents get better jobs and/or ensuring better compensation for the cost of children for single parent households is likely to significantly reduce the poverty rate in these countries.

121. By contrast, Denmark and Finland have higher child poverty rates when both the single parent poverty rate is the same as a single without children, and when the two-parent poverty rate is the same as for childless couples, while Ireland and Norway just have higher poverty rates in the former case, and New Zealand just in the latter case. This suggests that these countries already effectively compensate parents for the cost of having children, meaning the poverty rates of those with children were originally close to those of childless households.

122. A move of jobless two-parent families to two-earner families, is a scenario that paves the way for the largest reduction in poverty rates, in Australia, Denmark, Germany, Hungary, Ireland, and the United Kingdom, ranging from a reduction of 4.2 percentage points in Hungary to 0.5 percentage points in Denmark (Table 4, Column 5). All these countries, except Denmark, have above average shares of two-parent jobless households in the population, suggesting that this is an important group to target.

123. A reduction in the proportion of jobless households, but for single-parent families also results in the largest reduction in poverty rates in Finland and New Zealand, with a reduction of 2.4 percentage points in New Zealand and 0.6 percentage points in Finland (Table 4, Column 2). New Zealand has an above average share of jobless single-parents, as well as a large "poverty" gap between households with and without children which both explain the rather large reduction in poverty rates to be expected from closing the poverty gap faced by single parents.

124. The benefits to be expected in terms of reducing poverty from raising employment rates of single parent families is large in many other countries, as shown in table 2 focusing on changes in poverty rates of single parent families. A decline in joblessness would result in a substantial drop in poverty rates for single-parent families in eighteen countries (Australia, Canada, Denmark, Finland, Germany, Greece, Hungary, Ireland, Israel, Latvia, the Netherlands, New Zealand, Norway, Poland, the Slovak Republic, Slovenia, Sweden, and the United Kingdom) would achieve their lowest poverty rates among single-parents by eliminating joblessness among single parents (Table 5, Column 2); For the other sixteen countries, the greatest reduction in poverty among single-parent families would be achieved by removing the child penalty, i. e. if the poverty rate for single-parent families were not higher than the poverty rate for single childless adults (Table 5, Column 3). In all, the combination of a high level of joblessness among single-parent families and a rather large poverty gap between single parent families and childless single adult household indicate that a policy to promote employment and better compensate for the child penalty among single parents, is likely to have the greatest impact in reducing poverty.

125. By comparison, only eight countries have their lowest poverty rates among two-parent households when no two-parent households are jobless (Table 6 column 3), while the vast majority would achieve lowest rates by ensuring that the poverty rate of two-parent families with children is not higher than that of two-adult households. Gains in the reduction of poverty rates are generally larger when countries move from the current situation (Table 4 Column 1) to the situation where all two-parent families move to a situation with one earner (Table 4 Column 3), suggesting that one earner is enough to lift many families out of poverty. Nevertheless, additional reduction of poverty can be obtained with a second earner, as shown here by comparing the child poverty rate between the scenario where jobless two-parent households move to one-earner families (Table 4, Column 3) to where jobless two-parent households move to two-earner households (Table 4, Column 5). Israel shows the largest difference between the two values at 1.8 percentage point.

126. In conclusion, these scenarios show possible policy avenues and groups that can be targeted to reduce the number of households with children in poverty. In a majority of countries, the poverty rate of families with children is much higher than that of households without children, which indicates the presence of a child penalty that is only partially compensated by tax and benefit systems. The "child penalty" is comparatively large for two-parent families in many countries and due to a lower employment rate of parents compared to childless adults, to their employment in lower paid jobs or to transfers that only partially offset the earnings penalty. The different employment scenarios considered above further suggest that the reduction in joblessness due to an increase in one-earner families may lead to the most substantial reduction in the poverty rates of two-parent families in a majority of countries, but the presence of an additional worker may also further reduces the risk of poverty in also many countries. For single-parent families, the largest gains are likely to come, in a majority of countries, from the reduction of joblessness among sole parents, but the gap in poverty rates between working sole parents and childless working adults suggests that substantial improvement may also come from improving the quality of employment held by single parents.

127. In all, large reductions in child poverty can be expected from a combination of a reduction in joblessness, an increased presence of a second earner, and the elimination of the "child penalty" which presumes that parents get better quality jobs (and higher earnings). The respective contribution of each element to poverty reduction varies from country to country due to differences in the initial situation regarding the prevalence of joblessness and magnitude of the child penalty.

128. The next section examines the extent to which changes in the redistribution achieved through social benefits can also contribute to reducing child poverty.

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

Family poverty rates estimated in each scenario (% of all families with children)

Country	Current (1)	No single jobless households (2)	No two-parent jobless households (A) (3)	No two-parent jobless households (B) (4)	No two-parent jobless households (C) (5)	No jobless families (D) (6)	Single-parent poverty rate at childless poverty rate (7)	Two-parent poverty rate at childless couple poverty rate (8)
Australia	11.3	9.1	8.4	8.0	7.7	2.8	10.8	9.7
Austria	9.0	8.6	7.2	7.0	6.8	3.9	8.6	6.0
Belgium	9.7	8.3	7.5	7.1	6.8	2.9	8.3	5.9
Canada	14.7	13.9	13.9	13.6	13.3	7.6	14.0	10.7
Chile	18.6	17.8	17.7	17.3	17.0	7.4	16.7	12.0
Czech Republic	8.4	7.1	6.6	6.5	6.4	2.6	7.1	4.6
Denmark	2.4	2.2	2.1	2.0	1.9	1.0	3.0	4.1
Estonia	10.9	10.6	10.0	9.8	9.7	5.7	10.3	8.1
Finland	3.2	2.6	3.1	3.0	3.0	1.6	3.8	3.8
France	9.2	7.9	8.7	8.5	8.4	4.9	7.5	8.2
Germany	8.4	6.3	6.6	6.4	6.2	2.9	8.2	7.7
Greece	18.6	18.1	16.1	15.5	15.0	6.7	18.3	11.2
Hungary	10.7	10.4	7.9	7.2	6.5	3.2	10.5	7.5
Iceland	6.3	6.3	6.4	6.3	6.3	5.0	5.6	5.2
Ireland	8.2	6.3	6.1	5.8	5.4	1.7	8.6	8.0
Israel	20.1	19.8	18.7	17.8	16.9	5.6	19.9	8.7
Italy	17.6	17.1	16.5	16.3	16.1	7.6	16.4	10.1
Japan	15.1	15.1	14.7	14.7	14.7	14.1	13.3	14.6
Latvia	10.0	9.2	9.5	9.5	9.4	5.5	9.9	8.0
Lithuania	16.0	15.0	15.0	14.9	14.7	8.6	14.9	9.8
Luxembourg	9.7	9.6	9.2	9.0	8.9	4.8	8.2	5.7
Mexico	17.1	16.9	16.8	16.8	16.7	10.9	16.1	12.0
Netherlands	8.3	7.2	7.1	6.9	6.7	3.3	7.9	5.6
New Zealand	11.3	8.9	10.1	9.9	9.8	5.1	10.4	11.8
Norway	6.2	5.4	5.7	5.5	5.4	3.0	6.8	5.3
Poland	11.5	11.3	10.7	10.6	10.4	5.1	11.3	5.9
Portugal	14.1	13.5	12.2	11.7	11.2	4.6	13.2	7.4
Slovak Republic	12.4	11.8	9.7	9.2	8.7	3.8	12.0	3.7
Slovenia	6.7	6.3	6.4	6.3	6.2	2.8	6.7	4.5
Spain	20.2	19.7	19.2	18.7	18.2	11.4	19.2	12.8
Sweden	7.5	6.4	6.5	6.4	6.2	3.5	7.0	5.1
Turkey	21.4	21.2	19.7	19.3	18.9	13.4	21.2	5.3
United Kingdom	10.5	8.7	9.4	9.1	8.7	3.4	10.9	8.8
United States	17.2	15.8	15.5	15.1	14.6	7.8	15.2	13.6
OECD average	11.8	11.0	10.6	10.4	10.1	5.4	11.2	8.0

Note: Scenario (A) refers to when the former two-parent jobless move to one-earner families; (B) when half move to one-earner families, and half to two-earner parents; and (C) when they all move to two-earner families; (D) assumes no jobless single parents and all two-parent families with two earners
Sources: Simulations based on data from the OECD Income Distribution Database.

Table 5. Effect of raising parental employment on poverty among single-parent families

Poverty rates estimated in each scenario (% of single parent families)

Country	Current	No single jobless households	Single-parent poverty rate at childless poverty rate
Australia	42.5	17.7	36.4
Austria	25.9	20.0	19.1
Belgium	35.8	19.4	18.9
Canada	48.0	33.1	35.5
Chile	44.4	34.3	21.1
Czech Republic	37.7	18.7	18.4
Denmark	7.6	4.3	19.2
Estonia	32.5	28.3	24.6
Finland	14.9	8.6	21.0
France	24.7	17.0	14.9
Germany	28.8	13.9	27.4
Greece	29.6	11.5	18.4
Hungary	25.5	21.0	22.3
Iceland	27.9	27.9	21.7
Ireland	33.0	11.2	36.9
Israel	31.8	22.8	24.4
Italy	38.0	29.9	18.5
Japan	54.7	56.0	25.7
Latvia	30.7	21.4	29.1
Lithuania	42.3	32.5	31.6
Luxembourg	38.9	37.0	15.4
Mexico	37.5	34.3	18.1
Netherlands	26.9	15.9	22.6
New Zealand	46.1	22.9	37.3
Norway	21.0	14.5	25.4
Poland	30.5	20.5	21.1
Portugal	31.1	22.6	18.0
Slovak Republic	32.3	11.2	16.1
Slovenia	25.5	17.6	25.3
Spain	42.9	32.9	23.4
Sweden	26.2	16.5	22.0
Turkey	31.4	15.7	13.2
United Kingdom	21.7	8.8	24.2
United States	43.7	31.1	25.7

Sources: Simulations based on data from the OECD Income Distribution Database.

Table 6. Effect of raising parental employment on poverty among two-parent families

Country code	Current	No two-parent jobless households (A)	No two-parent jobless households (B)	No two-parent jobless households (C)	Two-parent poverty rate at childless couple poverty rate
Australia	8.3	5.1	4.7	4.3	6.6
Austria	7.8	5.8	5.6	5.4	4.6
Belgium	7.4	5.0	4.6	4.2	3.2
Canada	12.8	12.0	11.7	11.3	8.5
Chile	16.4	15.4	15.1	14.7	9.3
Czech Republic	6.3	4.4	4.3	4.2	2.2
Denmark	2.1	1.8	1.7	1.6	3.9
Estonia	9.2	8.2	8.0	7.8	6.1
Finland	2.0	1.8	1.7	1.7	2.6
France	6.0	5.4	5.2	5.0	4.8
Germany	5.1	2.9	2.7	2.5	4.2
Greece	18.3	15.8	15.2	14.6	10.7
Hungary	9.8	6.9	6.2	5.4	6.5
Iceland	3.6	3.7	3.6	3.5	2.4
Ireland	5.8	3.4	3.1	2.8	5.5
Israel	19.7	18.3	17.3	16.4	7.9
Italy	16.3	15.2	14.9	14.7	8.3
Japan	12.5	12.1	12.1	12.1	11.9
Latvia	8.1	7.5	7.5	7.4	5.9
Lithuania	13.0	12.0	11.8	11.6	6.1
Luxembourg	7.7	7.1	6.9	6.8	3.4
Mexico	16.0	15.7	15.6	15.6	10.6
Netherlands	6.1	4.7	4.5	4.3	3.0
New Zealand	7.3	6.0	5.8	5.7	7.9
Norway	4.0	3.4	3.2	3.1	3.0
Poland	11.1	10.3	10.1	9.9	5.3
Portugal	12.9	10.9	10.4	9.8	5.8
Slovak Republic	11.8	9.0	8.5	8.0	2.9
Slovenia	5.6	5.3	5.2	5.0	3.3
Spain	19.0	17.9	17.4	16.9	11.1
Sweden	5.0	4.0	3.8	3.6	2.3
Turkey	21.3	19.5	19.1	18.8	4.9
United Kingdom	8.7	7.4	7.0	6.5	6.7
United States	13.8	11.9	11.4	10.9	9.7

Note: Scenario (A) refers to when the former two-parent jobless move to one-earner families; (B) when half move to one-earner families, and half to two-earner parents; and (C) when they all move to two-earner families.
Sources: Simulations based on data from the OECD Income Distribution Database.

4.3. Allocating family benefits differently: what effects on child poverty?

129. This section examines the effect of different redistribution strategies on reducing poverty rates. First, the scene is set by showing what the family poverty rate –i.e. the poverty rates of households with children[14] – could be if the socio-fiscal system made it possible in all countries to reduce the poverty rate in the same proportions as what is observed in the best performing countries.

4.3.1. What if all countries align to the best performer countries?

130. Table 7 shows two relatively straightforward scenarios:

- Scenario 1 hypothesises the family poverty rate if all countries achieved a poverty reduction of the mean of the poverty reduction of the best performing countries (i.e. those countries that have a poverty reduction that is greater than the mean poverty reduction by 0.5 of a standard deviation).
- Scenario 2 hypothesises the family poverty rate if the poverty reduction before and after taxes and transfers was the same as Denmark's, which at 77.3% has the greatest reduction in child poverty before and after taxes and transfers.

131. These scenarios seem to be extremely effective to reduce poverty, especially scenario 2 when the child poverty reduction is at the same level as Denmark's (Table 7). Under this scenario, all child poverty rates are below 8%, with the highest being the United Kingdom at 7.8%. Scenario 1 is a bit less ambitious as it takes the mean poverty reduction of top performing countries (here, the mean reduction is 61.6%), and it shows more muted reductions in the child poverty rate. Even so, the highest child poverty rate is still relatively low at 11.2% for the United Kingdom.

132. The mean reduction of 61.6% is still far above the current poverty reductions of most other countries, and may require a considerable increase in the amounts spent by governments on families. Such expenditure growth is certainly not feasible for many countries and therefore different scenarios of redistribution at constant total expenditure are considered in the rest of the section.

[14] Family poverty rate is calculated at household level while child poverty rates are calculated among the child population. These rates are not the same since the child poverty rate depends on the distribution of children across the household population.

Table 7. Family poverty rates if countries align to best performers

	Before	After	Reduction	Scenario A	Scenario B
Australia*	25.1	13.0	48.2%	9.7	5.7
Austria*	18.8	9.6	48.9%	7.2	4.3
Belgium	19.3	11.0	43.3%	7.4	4.4
Canada	24.9	17.1	31.1%	9.6	5.6
Chile	21.2	21.1	0.5%	8.1	4.8
Czech Republic	16.4	10.5	36.1%	6.3	3.7
Denmark*	12.8	2.9	77.3%	(2.9)	2.9
Estonia	21.2	12.1	42.6%	8.1	4.8
Finland*	16.0	3.7	76.8%	(3.7)	3.6
France*	27.1	11.3	58.3%	10.4	6.1
Germany*	23.0	9.5	58.8%	8.9	5.2
Greece	19.6	18.9	3.4%	7.5	4.4
Hungary*	28.3	11.8	58.4%	10.9	6.4
Iceland	13.4	7.2	46.4%	5.2	3.0
Ireland*	33.9	9.2	73.0%	(9.2)	7.7
Israel	25.5	23.2	9.1%	9.8	5.8
Italy	21.7	19.3	10.9%	8.3	4.9
Japan	18.1	16.3	9.9%	7.0	4.1
Korea	7.5	7.1	5.0%	2.9	1.7
Latvia	20.6	12.2	40.8%	7.9	4.7
Lithuania	26.5	19.1	27.8%	10.2	6.0
Luxembourg	20.2	11.3	44.2%	7.8	4.6
Mexico	24.2	19.7	18.2%	9.3	5.5
Netherlands*	19.8	10.2	48.5%	7.6	4.5
New Zealand	25.1	14.1	43.8%	9.6	5.7
Norway	13.4	7.3	45.1%	5.1	3.0
Poland	19.3	13.4	30.5%	7.4	4.4
Portugal	19.5	15.5	20.6%	7.5	4.4
Slovak Republic	18.1	14.8	18.2%	7.0	4.1
Slovenia	13.1	7.0	46.1%	5.0	3.0
Spain	28.2	22.1	21.5%	10.8	6.4
Sweden	16.1	9.1	43.5%	6.2	3.6
Switzerland	12.2	9.9	19.0%	4.7	2.8
Turkey	25.8	25.3	2.2%	9.9	5.9
United Kingdom*	34.6	11.2	67.6%	(11.2)	7.8
United States	27.2	19.9	26.9%	10.5	6.2

Note: Shows actual poverty rates before and after taxes and transfers. Scenario A shows the simulated rates if all countries had the same reduction in child poverty as the mean of the top performing countries. Scenario B simulates if all countries had the same reduction as the best-performing country (Denmark). The top performing countries are marked with an asterisk. Countries that perform better than the benchmark are assumed to be unchanged, and are shown in brackets.
Source: Simulation based on data from the OECD Income Distribution Database

4.3.2. Changing the distribution of family and housing benefits: effects on child poverty

133. In order to keep the envisaged scenarios within reasonable limits, it is assumed that the revenue that countries spend on family and housing benefits is constant and analysing how different allocations of benefits across the income distribution change the child (see Box 4 for a definition of family and housing transfers). Then two main scenarios are compared :

- on one hand, the effect of equal benefit payments at all income levels that are received universally;
- and, on the other hand, the effect of more directly targeted benefit payments to poor families.

Box 4. Definition of family and housing transfers

Family transfers include all kinds of family related transfers, specified as it follows. They refer to benefits that provide financial support to households for bringing up children; provide financial assistance to people who support relatives other than children. They include income maintenance benefit in the event of childbirth: flat-rate or earnings-related payments intended to compensate the parent for loss of earnings due to absence from work in connection with childbirth for the period before and/or after confinement or in connection with adoption; birth grant normally paid as a lump sum or by instalments in case of childbirth or adoption; parental leave benefit paid to either mother or father in case of interruption of work or reduction of working time in order to bring up a child, normally of a young age; family or child allowance: periodical payments to a member of a household with dependent children to help with the costs of raising children; alimonies or supports paid by government (central or local) if the spouse for some reason does not pay the alimony/child support; other cash benefits: benefits paid independently of family allowances to support households and help them meet specific costs, such as costs arising from the specific needs of lone parent families or families with handicapped children. These benefits may be paid periodically or as a lump-sum. Family and education transfers exclude payments made by employers to an employee in lieu of wages and salaries through a social insurance scheme when unable to work through maternity leave where such payment cannot be separately and clearly identified as social benefits; additional payments made by employers to an employee to supplement the maternity leave pay entitlement from a social insurance schemes, where such payments cannot be separately and clearly identified as social benefits.

Housing transfers include all kinds of housing related transfers, specified as it follows. They refer to interventions by public authorities to help households meet the cost of housing. An essential criterion for defining the scope of a housing allowance is the existence of a qualifying means-test for the benefit. They includes rent benefit, a current means-tested transfer granted by a public authority to tenants, temporarily or on a long-term basis, to help with rent costs; benefit to owner-occupiers: a means-tested transfer by a public authority to owner-occupiers to alleviate their current housing costs: in practice often help with paying mortgages and/or interest. They exclude social housing policy organised through the fiscal system (that is, tax benefits) and all capital transfers (in particular investment grants).

134. These simulations have certain limitations that should be kept in mind when reviewing the results. One limit is that behavioural impacts of alternative redistribution scenarios are not taken into account, especially on working patterns or the labour supply of parents. Yet, a perfectly targeted set of transfers to poor families – meaning that the transfers exactly fill the poverty gaps and so bring everyone up to the desired minimum income – would impose a 100 per cent marginal tax rate on recipients, so that the transfer received by a poor household will fall $-for-$ as the household's income from other sources rises. This could well destroy incentives to work among the poor, and is unlikely to be optimal from the point of view of poverty reduction in the long--run[15].

135. Neither, do the different scenarios account for potential interaction between social benefits or change the amount of tax paid following a reallocation of benefits[16]. Therefore, they should only be seen as the initial effect that would arise from certain redistributions of transfers, with the understanding that in the longer term, other factors may change the overall impact.

136. Table 8 shows the various redistribution scenarios of family[17] and housing benefits considered for OECD countries and what the associated child poverty rates would be for these countries. The child poverty rate refers to the proportion of children who fall below the poverty line, which is unchanged among all scenarios and calculated as half the median of disposable household income across the total population, equivalised for the number of household members.

137. Table 8 Column (1) shows to the proportion of children in each country who have a current equivalised disposable household income, which is less than the poverty line with the current transfers.

138. The remaining columns correspond to scenarios that detail hypothetical ways of redistributing transfers within countries. Each scenario redistributes the total of the respective transfer, in each country, either to all children or to poor children. When the amount is redistributed among all children, this means that the total transfer amount, of all the children that currently receive the respective transfer in that country, is equally divided by every child in that country, and redistribution to poor children, means that the total transfer amount is equally divided among only the children in families with a disposable incomes that is lower than the poverty line. When redistributing the respective transfer to all children, it infers that 100% of children now receive the transfer, whereas before the coverage rate of the transfer may have been far below one hundred percent. Similarly, when

[15] Labour market supply responses are likely to be limited. Poor men and women cannot be expected to stop working in response to a transfer that covers nor more than twenty per cent of their consumption. The bulk of the evidence for developed countries does not support the view that there is typically a large work disincentive associated with a targeted anti-poverty programme; indeed, some studies have been hard pressed to find anything more than a small response (Moffitt,(n.d.)[114]) (Moffitt, 2002[115]) (Saez, 2006[116]).

[16] (Bradshaw, Keung and Chzhen,(n.d.)[113]) point to the great complexity and diversity in the interactions between benefits and taxes. For example, in some countries, higher family benefits resul in reductions in housing benefit entitlements (as for instance in Austria, Finland, Germany, Hungary, Iceland, Luxembourg, Norway and the United States. In some countries, family and/or housing benefits are also taxable so that for certain families it may reduce the gain (or overestimate the loss) associated with benefit reallocation.

[17] For Australia, Canada, Germany, Israel, Mexico, Russia, South Korea and the United States, education transfers are included in family transfers

redistributing the transfer to poor children, it infers that all children in families below the poverty line now receive the transfer, and zero percent of children in families above the poverty line now receive the transfer. When redistributing benefits to poor children, the coverage rates of poor children will always increase, while the coverage rates of non-poor children will always decrease. Further, as said already all scenarios are revenue-neutral, meaning that the total amount each country spends on a respective transfer does not vary by scenario.

- Scenario (2) hypothesises the child poverty rate if total family transfers were redistributed to all children (column 2a) or to poor children (column 2b). In this scenario all other transfers, including housing transfers are the same as they were before.
- Scenario (3) describes the child poverty rate in each country if only total housing transfers were redistributed to all children (column 3a), or to poor children (column 3b). Similarly, other transfers are kept constant in this scenario.
- Scenario (4) details the child poverty rates, if the total amount of family and housing transfers were redistributed to all children (column 4a) or to poor children (column 4b).

139. Table 8 shows the associated poverty rates for the different redistribution scenarios. Table 9, Table 10 and Table 11 show the associated redistribution amounts in 2010 US international dollars, which children would receive in these scenarios, and are numbered by the same scenarios in Table 8. Table 9 shows redistribution of family transfers, while table 5 shows redistribution of housing transfers, and table 6 shows the redistribution of both family and housing transfers. All children, or all poor children would receive the same transfer amount within countries, in scenarios (2), (3), and (4), in tables Table 9,Table 10, andTable 11.

Table 8 Child poverty rates after redistribution of family and housing transfers

Percentage of children aged 0-17

	Scenario (1)	Scenario (2)		Scenario (3)		Scenario (4)	
Country	Current redistribution (1)	Equal family transfer to all children (2a)	Family transfers targeting only poor children (2b)	Equal housing transfers to all children (3a)	Housing transfers targeting only poor children (3b)	Equal family and housing transfers to all children (4a)	Family and housing transfers targeting only poor children (4b)
Australia	14.4	18.4	14.0	14.6	**11.0**	18.9	14.3
Austria	10.9	8.9	11.3	10.3	**8.0**	9.0	12.0
Belgium	10.2	10.0	**9.0**	10.4	10.0	10.1	9.1
Canada	14.4	14.8	**10.4**	n.a	n.a	n.a	n.a
Czech Republic	10.4	11.3	**4.4**	10.8	5.5	11.3	4.8
Denmark	6.3	6.8	3.5	6.7	**1.4**	7.8	5.3
Estonia	15.0	14.4	**6.0**	14.9	14.6	14.5	6.1
Finland	3.5	5.7	10.1	5.8	**2.4**	6.4	12.1
France	9.3	10.0	9.3	10.5	**5.1**	11.6	12.6
Germany	10.3	9.0	12.0	10.6	**8.1**	9.3	12.7
Greece	19.2	20.5	**16.0**	19.2	19.0	20.5	16.2
Hungary	13.3	13.8	18.7	13.4	**11.1**	14.0	18.9
Iceland	7.4	9.3	4.6	7.4	**2.1**	9.3	6.4
Ireland	9.3	11.5	16.1	9.7	**4.2**	11.1	18.4
Israel	26.6	26.8	**15.8**	n.a	n.a	n.a	n.a
Italy	18.6	18.8	11.5	18.5	17.5	18.9	**10.7**
Lithuania	20.9	21.8	**10.4**	20.6	20.4	21.3	10.5
Luxembourg	11.0	9.0	13.8	10.7	**4.5**	9.3	14.2
Mexico	24.6	24.3	**23.2**	n.a.	**n.a.**	24.3	23.2
Netherlands	5.9	7.7	5.2	6.9	**2.7**	8.5	6.8
Norway	7.3	8.1	**4.9**	7.8	5.9	7.9	5.0
Poland	13.1	14.8	**7.4**	13.7	12.9	15.0	7.6
Portugal	18.2	18.1	11.7	17.9	17.5	18.2	**10.8**
Slovak Republic	14.6	14.5	**8.1**	14.6	14.6	14.5	**8.1**
Slovenia	9.0	10.3	8.1	9.1	**7.9**	10.3	8.1
Korea	**9.1**	n.a	n.a	n.a	n.a	n.a	n.a
Spain	22.4	21.9	20.0	22.3	21.7	21.9	**19.1**
Sweden	8.0	8.1	6.1	8.5	**3.6**	8.7	7.4
Switzerland	7.9	6.7	**5.7**	7.7	6.1	6.8	6.1
United Kingdom	10.4	16.4	18.6	10.6	**7.8**	17.4	23.4
United States	20.1	23.1	14.5	20.0	18.8	23.1	**14.0**
OECD average	13.0	13.4	11.5	11.8	**9.5**	13.5	12.0

Note: Lowest poverty rates across all scenarios are in bold. All data is from 2015 except data from Australia and Canada which is from 2010, and Israel, Mexico, and South Korea which is from 2012, and Germany, Switzerland and the United States which is from 2013. For Australia, Canada, Germany, Israel, Mexico, Korea and the United States, education transfers are included in family transfers.
Source: Estimates based on 2014 Canadian Income Survey; EU Survey on Income and Living Conditions for European countries (except for Germany); Luxembourg Income Survey for Australia, Germany, Korea, Mexico, and the United States.

140. A full understanding of the results shown in Table 8 requires the information reported in table 3,4 and 5 on how the transfer amount changes between the different scenarios, as well as how the proportion of children receiving a transfer changes among poor and non-poor children. For example, in scenarios where the transfer is given to all children, it is clear that the proportion of children receiving the transfer will increase, but it is also clear that the original transfer amount may decrease, now that it is spread amongst all children. Therefore, the current proportion receiving the transfer and the current transfer amount (columns 1b (Table 9) & 1g (Table 10), respectively) must both be examined to see the effect on child poverty. Similarly, when looking at transfers to the poor, it is clear that for poor children the proportion receiving transfers will increase while the proportion for non-poor children will decrease, and for the poor, the transfer amount will also increase as it is more targeted, but the transfer amount will decrease to zero for the non-poor. Examining, the coverage rates among the poor and non-poor and the difference between the transfer amounts, allow us to see whether the positive effect in coverage and a higher transfer amount to poor children outweigh the negative effects of no coverage and no benefits for non-poor children.

141. Fifteen countries (Australia, Austria, Denmark, Finland, France, Germany, Hungary, Iceland, Ireland, Luxembourg, the Netherlands, Slovenia, Sweden, the United Kingdom) have their lowest child poverty rates in Table 8 column (3b) when only housing transfers are redistributed to poor children. Under this scenario, the largest drops in child poverty rates are in Luxembourg (-6.5 percentage points) and in Denmark, Iceland and Ireland (all around -5 percentage points). This lowest poverty rates is achieved because the targeted nature of housing transfers, combined to the low mean amount, are such that withdrawing the transfer from children above the poverty line does not substantially increase the risk of families just above the poverty line falling into poverty. By contrast, when targeted to the poor the take-up rate among poor children will increase dramatically, and an increase of the transfer amount means that income poor children move out of poverty.

142. Housing transfers are usually much lower than family transfers, for example in Austria, the housing transfer is $81 (Table 4, column 1) compared to the mean family transfer at $4620 (Table 9 column 1). The proportion which receives benefits is also much lower, for Austria it is 21% of poor children and 4.6% of the non-poor, while the proportions for family benefits are 75% and 97% respectively. In these circumstances, the increase in housing benefit take-up rate to all poor families makes a large difference which dominates the changes that can result from a redistribution of family benefits[18]. Conversely,

[18] These countries don't have their lowest child poverty rates when family transfers are targeted to the poor (column 3b), even though these transfers are larger, because their family transfers are generous and their coverage rates are high. Therefore, when these countries target family benefits to the poor, although previously poor children have almost certainly left poverty after receiving large redistributions, children that were above the poverty line initially, now stop receiving, a previously large family benefit, which pushes some of them below the poverty line. The impact for the children who were above the poverty line is large, which is shown by the high coverage rates these benefits had among non-poor children. Among the European countries the coverage of non-poor children ranged from 75.7% for Iceland to 99.9% in Ireland, and often the coverage rates for non-poor children were higher than the coverage rates for poor children, showing a large effect of withdrawing these transfers from those initially above the poverty line. Ultimately, the impact of children above the poverty line not receiving any benefits is larger than the effect of children below the poverty line, receiving more generous family payment, in these 15 countries. Similarly, this is why column

only 4.6% of non-poor children will no longer receive housing benefits, which is not enough to shift a significant proportion of children into poverty.

143. Targeting family benefits to poor families would not improve child poverty rates in the same group of countries because a significant proportion of "non-poor" children would cease to receive the respective benefit and fall into poverty, but this would not be compensated for by the improved standard of living of poor children. The current distribution of family benefits is thus more effective in reducing the poverty rate both than greater targeting towards poor households or than giving benefits universally[19]. This suggests that totally untargeted transfers are also not effective, but it can be the case that a reallocation of benefits between these two extreme cases help further reduce child poverty.

144. Twelve countries (Belgium, Canada[20], Czech Republic, Estonia, Greece, Israel, Lithuania, Mexico, Norway, Poland, the Slovak Republic and Switzerland) have their lowest child poverty rates in Table 8 column (2b) when family benefits are targeted towards poor children. The largest decline in child poverty rates, by about 10 percentage points, occurred in Israel and Lithuania. All these countries mostly have either low current mean family transfers with a low proportion of children receiving them, or they have rather unequal distributions, where lower income children are less likely to receive family benefits than higher income families. For example, in Poland the mean family transfer is $799 and the proportion who receives it is 39%. A targeting of this transfer to poor children would greatly increase the take-up rate among poor children as well as the amount per poor child to $2969.9, helping to raise these children out of poverty while having a minimal adverse impact on children above the poverty line, as the proportion receiving the benefit was already low, as was the amount. Similarly, the proportion receiving family benefits is comparatively low in Canada (48%), Czech Republic (47%), Greece (48.8%), Lithuania (45%), and especially Mexico (6.2%).

145. Although the other countries in this category have higher coverage rates, the distribution of family transfers is slightly higher as income increases[21], meaning that any impact on removing family benefits from the non-poor will be on richer families who are not at risk of falling below the poverty line, while there will be a large impact of greater benefits for poor children. For example, in Norway the proportion of poor children receiving family transfers is 81.9%, whereas among non-poor children it is 98.9%, which means there could be a large reduction in the child poverty rate, once family benefits are targeted towards the poor in these countries. Similarly, in Belgium, Estonia, and the Slovak

(5b), redistributing both family and housing transfers is not the most effective at reducing child poverty rates, for these countries, as family transfers would be the largest component to redistribute.

[19] No country has the lowest poverty rates associated with redistribution to all children in any scenario.

[20] Canada, Israel and Mexico are missing data for housing transfers, which means that this is the best outcome for these countries, only between Scenario (1) and Scenario (2). Perhaps a different scenario may have been associated with a lower child poverty rate if these countries had full data available.

[21] In Austria, Belgium, Estonia, Germany, Luxembourg, Mexico, Portugal, the Slovak Republic, Spain and Switzerland, the current distribution of family benefits may not adequately target poor or low-to-middle income families. In these countries, redistributing family transfers to all children (Table 9 column 2a) are associated with lower child poverty rates than the child poverty rates associated with current transfers, and as these scenarios are revenue-neutral, it infers that these countries current transfers are not effective in reducing child poverty.

Republic, family benefits tend to be higher as income increases, meaning the largest impacts of removing the family transfer for those above the poverty line, will be on the rich who will not be greatly affected once benefits are withdrawn. Switzerland also has very high coverage rates for family transfers (99.9%). The fact that Switzerland's poverty rates are higher with its current transfers (7.9%), rather than when its family transfers are distributed to all children (6.7%), suggests that their current family transfers may also favour richer families, or at least not effectively target poor or low-to-middle income families.

146. Four countries (Italy, Portugal, Spain, and the United States) have their lowest child poverty rates when their total housing and family transfers are targeted to poor children (Table 11column 4b). These countries have low current mean transfer amounts, and a low proportion of children receiving these benefits. Spain is the most extreme example, with a mean family transfer per child being $206.6, of which only 9% of children receive, and a mean housing transfer of $13.3 that 1.2% of children receive. In these countries, targeting poor children raises the take-up rate among poor children significantly, as well as the transfer amount, so some poor children leave the poverty line, while having a minimal effect on those children above the poverty line. For example, in Spain, when targeting poor children, the family transfer rises to $1333.6 per poor child and the housing benefit to $198.6 per poor child. The United States is an exception, where 79.9% of children receive family benefits. However, the proportion that receives housing benefits is still very low (5.6%).

147. In conclusion, as a result of the simulation exercise that keeps government revenue neutral, the largest reductions in the child poverty rates are associated with scenarios that involve redistributing transfers to target poor children. This is due to low current take-up rates of benefits among poor children, meaning a large impact on the child poverty rate if benefits can reach all poor children. A fundamental challenge is therefore to improve the benefit take-up rates of poor families.

148. Some countries seem to have an interest in redistributing family allowances, while for others the wider reduction in child poverty is induced by a redistribution of housing benefits. This depends on the gains for poor families but also the potential losses for families initially above the poverty line but receiving different types of benefits.

149. •The lowest child poverty rate is achieved when housing benefits are redistributed to cover all poor children, especially in countries where the current level of family benefits is high and covers a comparatively high proportion of children so that where a redistribution of family allowances would result in a small reduction in the poverty rate, or even an increase due to the loss of income generated for families with an initial income slightly above the poverty line.

150. •By contrast, countries with lower proportions of children receiving family transfers or with family transfers that are targeted towards richer families could most significantly reduce child poverty by at the same time raising the number of poor children covered and increasing the amount of benefits received.

151. •Finally, countries with comparatively low current family and housing benefit amounts, and with a low number of children receiving these transfers, could best reduce their child poverty rates with a more effective targeting of both family and housing transfers towards poor children.

152. To reduce poverty effectively, a redistribution of benefits also involves correcting the "losses" of income that can be induced by interactions between different benefits and/or with tax rules – and which are not taken into account in the scenarios reviewed here.

Table 9. Transfer per child after redistribution of Family Transfers

	Scenario (1)				Scenario (2)		
	Mean current family transfers per child (amongst all children) (1a)	Mean current family transfers per child (amongst those that receive it) (1b)	Proportion of children receiving family transfers (1c)	Proportion of non-poor children receiving family transfers (1d)	Proportion of poor children receiving family transfers (1e)	Per-child value of family transfers when given to all children (2a)	Per-child value of family transfers when given to poor children (2b)
Australia	2,909	No details	72.2	No details	No details	3,363	18,927
Austria	4,620	5,372	95.0	97.3	76.2	5,114	52,389
Belgium	3,373	3,841	97.5	97.7	95.2	3,747	32,715
Canada	310	No details	47.7	No details	No details	282	2,302
Czech Republic	1,433	3,098	46.9	42.9	81.2	1,380	16,535
Denmark	2,040	2,030	98.3	98.6	93.0	1,999	87,639
Estonia	1,979	1,931	97.4	97.4	97.6	1,891	12,314
Finland	3,378	3,215	98.6	98.9	90.3	3,180	118,926
France	2,641	2,952	91.4	91.0	95.4	2,718	28,224
Germany	3,421	No details	98.8	No details	No details	3,766	35,879
Greece	577	1,291	48.8	44.8	65.6	565	2,879
Hungary	2,748	2,639	99.8	99.9	99.3	2,636	17,042
Iceland	1,573	2,013	75.9	75.7	77.6	1,483	26,816
Ireland	4,346	5,151	99.9	99.9	99.8	5,144	49,789
Israel	630	No details	98.4	No details	No details	634	2,641
Italy	814	1,564	59.8	63.0	45.6	918	6,064
Lithuania	1,248	2,355	45.5	41.3	61.4	885	4,398
Luxembourg	6,273	6,815	97.5	97.4	97.8	6,638	61,581
Mexico	21	No details	6.2	No details	No details	32	112
Netherlands	1,542	1,515	99.2	99.4	95.4	1,506	60,955
Norway	3,546	3,458	97.7	98.9	81.9	3,413	89,868
Poland	779	2,137	39.0	34.6	67.9	863	5,332
Portugal	525	1,230	48.8	43.8	71.4	617	2,970
Slovak Republic	1,533	1,832	96.9	97.2	95.4	1,778	12,860
Slovenia	2,416	3,415	77.3	76.0	90.4	2,659	36,606
Korea	No details	No details	No details	No details	No details	No details	No details
Spain	207	2,663	9.0	9.0	9.3	234	1,134
Sweden	3,127	3,213	92.7	93.4	85.1	3,008	48,177
Switzerland	2,710	No details	99.9	No details	No details	3,374	62,551
United Kingdom	3,113	3,895	87.4	87.4	87.9	3,461	32,508
United States	1,185	No details	79.9	No details	No details	1,208	6,359
OECD	1,914	2,812	76.8	77.6	80.9	2,146	30,741

Notes: Amounts in 2010 USD PPP. All data is from 2015 except data from Australia and Canada which is from 2010, and Israel, Mexico, and Korea which is from 2012, and Germany, Switzerland and the United States which is from 2013.
Source: see Table 8.

Table 10. Transfer per child after redistribution of housing transfers

	Scenario (1)					Scenario (3)	
	Mean current housing transfers per child (amongst all children) (1f)	Mean current family transfers per child (amongst those that receive it) (1g)	Proportion of children receiving housing transfers (1h)	Proportion of non-poor children receiving housing benefit (1i)	Proportion of poor children receiving housing benefit (1j)	Per-child value of housing transfers when given to all children (3a)	Per-child value of housing transfers when given to poor children (3b)
Australia	121	No details	13.9	No details	No details	282	1,586
Austria	81	3482	6.4	4.6	21.3	211	2,166
Belgium	17	1926	1.5	1.2	4.6	31	267
Canada	No details	No details	No details	No details	No details	No details	No details
Czech Republic	173	3455	9.8	5.0	50.9	263	3,153
Denmark	266	12202	13.1	11.5	36.8	748	32,792
Estonia	21	1129	2.2	0.7	10.6	35	228
Finland	323	6197	13.9	12.1	62.8	650	24,312
France	619	4436	29.9	25.2	75.5	1,320	13,705
Germany	82	No details	7.5	No details	No details	131	1,245
Greece	2	2944	0.3	0.3	0.1	5	24
Hungary	38	329	17.3	13.6	41.6	82	530
Iceland	650	2537	42.6	41.7	54.8	1,019	18,416
Ireland	369	4510	18.9	15.8	49.3	851	8,238
Israel	No details	No details	No details	No details	No details	No details	No details
Italy	25	1669	3.3	2.7	5.8	65	430
Lithuania	8	1054	2.8	1.6	7.5	33	163
Luxembourg	313	1775	28.1	29.6	16.6	501	4,647
Mexico	No details	No details	No details	No details	No details	No details	No details
Netherlands	209	9506	10.3	7.2	59.4	526	21,283
Norway	70	4418	4.4	2.6	27.2	87	2,289
Poland	31	1263	4.0	3.3	9.1	52	321
Portugal	22	450	12.4	13.4	7.9	56	268
Slovak Republic	1	2853	0.1	0.1	0.0	3	22
Slovenia	20	2081	1.3	0.5	10.3	35	476
Korea	No details	No details	No details	No details	No details	No details	No details
Spain	13	2816	1.2	0.7	2.8	41	199
Sweden	195	5369	10.0	6.9	45.8	487	7,795
Switzerland	21	No details	1.0	No details	No details	58	1,072
United Kingdom	1,097	9072	24	21.6	45.2	2,369	22,252
United States	40	No details	5.6	No details	No details	78	410
OECD	178	3,716	10.6	9.6	28.1	327	6,233

Notes: Amounts in 2010 USD PPP.
Source: see Table 8.

Table 11. Transfer per child after redistribution of family and housing transfers

	Scenario (4)	
	Per-child value of family and housing transfers when given to all children (4a)	Per-child value of family and housing transfers when given to poor children (4b)
Australia	3,645	20,513
Austria	5,326	54,555
Belgium	3,778	32,982
Canada	No details	No details
Czech Republic	1,643	19,687
Denmark	2,747	120,431
Estonia	1,926	12,542
Finland	3,830	143,238
France	4,037	41,929
Germany	3,897	37,124
Greece	570	2,904
Hungary	2,718	17,572
Iceland	2,502	45,232
Ireland	5,995	58,027
Israel	No details	No details
Italy	983	6,494
Lithuania	918	4,561
Luxembourg	7,139	66,228
Mexico	32	112
Netherlands	2,031	82,238
Norway	3,500	92,157
Poland	914	5,653
Portugal	673	3,238
Slovak Republic	1,781	12,882
Slovenia	2,693	37,082
South Korea	No details	No details
Spain	275	1,332
Sweden	3,495	55,972
Switzerland	3,432	63,623
United Kingdom	5,830	54,760
United States	1,286	6,769
OECD average	2,337	37,518

Note: Amounts in 2010 USD PPP.
Source: see Table 8.

5. Policy conclusions

153. The diversity of factors driving the evolution of family income suggest that only a range of policies addressing all these factors can significantly and durably improve children's standard of living and reduce their exposure to poverty. Labour market-oriented policies can and should play a crucial role in reducing poverty, but adequate income protection schemes and family-oriented benefits remain also important instruments for improving the effectiveness of poverty alleviation. It involves measures with different objectives and means to either ***prevent*** poverty (by in particular raising parental employment and/or raising income gains from employment) or ***protect*** children and families (by ensuring that the assistance provided by financial aid covers all poor children and that it responds to the changing characteristics of poor families).

154. Some countries tend to focus on prevention, particularly through activation policies aimed at reducing poverty by empowering parents to return to stable employment. In this case, a protective component may be missing for families whose jobs do not pay enough to get out of poverty or for whom there are many obstacles before they can work. Conversely, some countries provide a relatively generous package of financial transfers to reduce poverty without, however, developing enough support for parents to get a job and reconcile work and family life. These two pillars are therefore important to develop simultaneously. Finally, another set of policies will focus more on **mitigating** the impact of income poverty on children's development and well-being.

155. Another question is in what form, in cash or in kind, is aid most effective. There are several arguments in favour of in-kind supports, including that these are automatically indexed for inflation (while nominal cash transfers need to be adjusted), which encourages a more rapid responsiveness to the needs of families. Advocates of in-kind transfers, such as for instance food stamps, argue also that this will assure a better distribution within the household, favouring women and children. However, delivering aid to poor people in the commodity form is likely to be more expensive than delivering as cash. Other critics argue that this is paternalistic – that it would be better to make a direct cash transfer and let the family decide its priorities – and unnecessarily costly, since public resources are required for monitoring and enforcement (Currie and Gahvari, 2008[44]).

5.1. Policy levers to combat poverty through work

156. Several findings in this paper highlight the crucial role of parental employment in reducing child poverty rates. While 9% of families on average across the OECD are poor when at least one parent has a job, the poverty rate rises to 60% when the family is jobless. Moreover, the analysis of long-term trend has highlighted the negative association between the growth in the employment rate of mothers, the reduction in family joblessness, and the child poverty rate. The simulations in the former section suggested that employment of all parents could halve the poverty rate of families with children (from an OECD average of 11% to 5.4%). The reduction in the poverty rate would be greatest for single-parent families, from 33% currently to 22% if joblessness were to be eliminated.

157. The poverty rate of families with at least one working parent is high, particularly in Chile, Greece, Italy, Mexico, Spain and Turkey where more than 1 in 7 working families is income poor. The poverty rate is also higher among working families than childless households, with parents having lower quality jobs than childless adults. Eliminating the excess risk of poverty linked to the presence of children would reduce the poverty rate of single-parent families by about a third (from 32 to 23% on average in the OECD), and the poverty rate of families with two parents by almost half, from 10 to 6%.

158. Several developments since 2007 indicate that the quality of employment held by parents from low-income families has worsened in many countries. First, the proportion of children from poor families whose fathers do not have full-time, full-year jobs has increased in Belgium, the Czech Republic, Estonia, France and particularly in Canada, where a little over 36% in 2007 and nearly 52% in 2014 of poor children had fathers without full-time, full-year jobs. And in a larger number of countries (including Belgium, Canada, Czech Republic, Denmark, Estonia, France, Lithuania, Slovak Republic and Slovenia), the proportion of income-poor children whose mothers do not work full time all year has increased.

159. Second, in countries such as for instance the United Kingdom or Spain and France, the income returns of employment declined after 2007 for low income single-parent families. This decline may reflect various factors such as a decrease in weekly work intensity or a decrease in the level of real minimum wages, as has been observed in Czech Republic, Greece, Ireland, Israel and the United Kingdom.

160. Several policy levers have a role to play in addressing all kind of barriers to employment fathers and mothers in poor and often jobless families face (Fernandez et al., 2016[45]) (OECD, 2018[1]). It involves:

- 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 in part by means of profiling tools for giving hard-to-place unemployed better opportunities to participate in the labour market and to move up (OECD, 2015[46]).

- Making transitions pay on the labour market for all parents, whether in two-parent or in single parent families. Policies aimed at combating poverty of children and families need to consider the bridges between the different statuses on the labour market and make sure that transitions happen and pay (Schmid, 2015[47]). For families with children, this implies in particular that low-income households do not lose income when one of the parents (mother or father) takes a leave when a child is born (OECD, 2011[48]). Earnings-related leave payment (up to a certain income threshold) is a way to limit the loss of family income when the mother where the father is on leave. It also means ensuring that the employment of the second earner in a two-parent family or that of a single parent pays off, including after the costs of childcare have been paid and even if being employment results in the withdrawal of certain assistance benefits..
- Enhancing access to affordable all-day childcare after parental leave to ensure low income parents can work full year and full-time and increase their earnings. However, in many countries, children from low-income families have a much lower access to formal child care than wealthier families (OECD, 2016[49]). Children in single-parent families are also not more likely than their counterparts in two-parent families to be covered by childcare services although they lack the time partners spend on childcare. After-school care services are also needed by parents with school-aged children and to cope with in some OECD countries the growing number of poor families with school age children. Access to childcare services that are compatible with irregular or atypical hours is also necessary for parents working outside standard schedules.
- Granting learning and training opportunities to low-skilled parents. In order to combat chronic poverty and ensure upward mobility opportunities, parents from low-income families must be provided with opportunities to improve their skills and get access to better paid jobs (OECD, 2018[1]). Countries can encourage the vocational training market to develop a supply adapted to the needs of the least qualified and affordable for low-income families. In a longer term perspective, promoting high quality education system (including initial education and vocational training) is needed to prevent the risk of falling into chronic poverty22..

[22] Increasing the minimum wage may also be an option for reducing families' risk of extreme poverty in the short term but its long-run impact on child poverty is likely to be limited due to the possible adverse effect of raising minimum wage on the employment rate of low skilled workers (OECD, 2015[48]); (Bradbury, Jäntti and Lindahl, 2017[7]). The effect of raising minimum wage on poverty depends on whether wage income is above or below the poverty line prior to the increase, as well as the incomes of other family members. Most US studies show that minimum wage increases would only have a small impact on poverty rates – though they nonetheless would tend to help families in the lower part of the income distribution (Bernstein and Shierholz, 2014[109]), (Dube, 2017[110]), (Sabia, 2014[111]), (Moffitt, 2015[112]).

5.2. Improve benefit coverage of poor families

161. Social benefits have an important role to play in reducing child poverty. This statement is first supported by the time series which showed that the growth in per capita social spending since the mid-1990s has been associated, all things being equal, with a reduction in child poverty rates, and that the effect appears to be stronger when the share of spending for low-income households increases. On average, a 1% increase in social expenditure per capita is associated with roughly a 1% reduction in the relative child poverty rate. The analysis also showed that a number of transfers (social assistance, housing, pensions) contribute to reducing child poverty, although this is not their primary objective.

162. Growth in social benefits reduces the overall child poverty rate, however it appears to have had no significant effect on the poverty risk of families with incomes far below the poverty line, such as in particularly single-parent jobless families. The main reason is that the income of these families is often far below the poverty line and that the cash transfers they receive are not high enough to lift them out of poverty.

163. In addition, benefits seem to have played a rather limited role in mitigating the effects of the crisis in countries where the family disposable income has declined between 2007 and 2014. There are exceptions, however, as for instance in Canada, the United Kingdom and the United States where disposable income losses have been relatively low or non-existent despite significant reductions in pre-tax and transfer income.

164. For many countries, this rather limited role of cash transfers to compensate for pre-transfer income losses is explained by the weakening protection against poverty offered by social benefits stemming from that they are indexed to prices that increase less rapidly than wages. Moreover, the minimum wage often increases less rapidly than the median wage (and thus than the poverty line), thus creating an increasing gap that both promotes growth in poverty rates and increases the level of financial benefits needed to lift households receiving the minimum wage out of poverty (Cantillon, Collado and Van Mechelen,(n.d.)[50]).

165. Preventing the erosion of the social floor is therefore an important challenge to combat child poverty. This can be achieved by ensuring that social benefits grow at the same rate as wages but one critical issue is to combine sufficient financial assistance to eliminate family poverty with reasonable incentives to work. Then, closing the poverty gap implies increasing social transfers for working and non-working households, while maintaining average financial participation incentives at the bottom of the income distribution which would require a significant increase in public spending (Collado et al., 2016[51]); (Cantillon, Collado and Van Mechelen,(n.d.)[50]).

166. Before considering this option, a significant reduction in child poverty can be achieved through better coverage and targeting of benefits towards poor children. The results of the household survey analysis used for the simulations in Section 4 show that this weak role of transfers in reducing poverty is also due to the fact that the rate of non-take-up of family or housing benefits is often high among poor families. A more effective targeting of benefits then can contribute reducing child poverty if and only if it involves a better coverage of poor children and an increased amount paid to the poorest families.

167. As suggested in the section 4, substantial progress in reducing child poverty may be achievable at constant expenditure levels and through better benefit coverage of poor children. 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, for various reasons, the take-up rate of family benefits among poor families is lower than for wealthier families, or even very low. For these reasons, lower child poverty rates than they are now can be achieved in most countries by alternative distributions of family and/or housing benefits to the current situation, provided they effectively reach poor families.

168. Simulations from section 4 showed that the scenario with the best results varies across countries. Some countries achieve lower child poverty rates by redistributing family allowances, while for others the greater reduction in child poverty is obtained with a redistribution of housing benefits. This depends on the gains for poor families but also the potential losses for families initially above the poverty line but receiving different types of benefits.

169. In the first group of countries, the lowest child poverty rate is achieved when housing benefits are redistributed to cover all poor children. This scenario holds the largest drops in child poverty rates in Denmark, Iceland, Ireland and Luxembourg. This result is achieved because the initial average housing payment rate is relatively small, so that withdrawing the transfer from children above the poverty line does not substantially increase the risk of such families falling into poverty. While the relativley high payment-rate of the targeted housing transfers (pooled among a smaller group of children) will move many poor children out of poverty.

170. By contrast, twelve countries (Belgium, Canada, the Czech Republic, Estonia, Greece, Israel, Lithuania, Mexico, Norway, Poland, the Slovak Republic and Switzerland) achieve their lowest child poverty rates when family benefits are targeted towards poor children. These countries have either low current mean family transfers with a low proportion of children receiving them, or they have rather unequal distributions, where higher income children receive larger family benefits.

171. Finally, four countries (Italy, Portugal, Spain, and the United States) would have their lowest child poverty rates if both their housing and family transfers were targeted to poor children.

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

173. To reduce poverty effectively, a redistribution of benefits also involves correcting the "losses" of income that can be induced by interactions between different benefits and/or with tax rules (Bradshaw et al., 2018). In addition, while a redistribution of child benefit and/or housing benefit may provide a greater income to the poorest children, it should be accompanied by a reinforcement of measures enabling parents to take up a job and reconcile work and family life in the more or less short term so that such a redistribution is not a factor discouraging work.

5.3. Better help for groups at risk

174. Not all families share an equal risk of poverty. Having a child in the teen years, and therefore before completing school and entering the labour market, is a factor raising the risk of poverty that is still relatively high in several countries. In these countries, preventing teenage pregnancy and supporting teenage mothers is an important component of the fight against poverty (Box 5).

Box 5. Teenage motherhood and poverty

Teenage fertility has declined considerably in recent decades, from about 27 births per 1000 young women aged 15-19 in 1990 to an average of about 9.4 births across the OECD in 2015. Nevertheless, it remains high, particularly in Mexico (74 births per 1000 young women), Hungary (23), New Zealand, the Slovak Republic (24), Turkey (25) and the United States (27).

There are many reasons for the decline in teen fertility, including better integration of girls from disadvantaged backgrounds into the school system, better sexual education, better access to family planning measures and contraceptives, and better prevention of the social isolation of young people from disadvantaged backgrounds (Bradshaw, 2006[52]); (Furstenberg and Family Professor,(n.d.)[53]); (DCSF /DoH, 2010[54]). However, having a baby during the teenage years increases the risk of school drop-out, and makes it difficult to enter the labour market and subsequently make career progression. Therefore, the decline in teenage fertility has been accompanied by a decline in child poverty rates. The relationship is likely to work both ways: the decline in the adolescent birth rate reduces the risk of falling into poverty, while the reduced likelihood of living in a poor family reduces the likelihood of an early birth. Measures to increase access to family planning and social support and to keep teenage mothers in the school system are therefore key elements of a strategy to combat child poverty in countries with high teenage fertility rates (OECD, 2017[55]).

175. Family dissolution is also a life event that increases the risk of poverty in all countries. Parental separation often results in a loss of income that is not always offset by the child alimony paid by the other parent to the custodial parent (Box 6). Child custody is often provided by the mother who, in addition, has a lower personal income than her partner. Single-parent families then face a much higher risk of poverty than families with two parents in every country: while 1 in 10 families with two parents is income poor on average across the OECD, the poverty risk is three times higher (33%) for single-parent families. Across the OECD, this poverty risk affects about 1 in 6 children living in single-parent families. Children in this family situation nevertheless represent a growing share of the poor child population: around 39% of poor children are with in single-parent in 2014 on average in the OECD while their proportion was more than 4 percentage points lower in 2007.

176. The lack of labour income is one of the factors explaining the relatively high poverty rate among single-parent families. Nearly 6 in 10 children from poor single-parent families live with a parent (most often the mother) who does not have a job. The poverty rate of single-parent families where the parent is employed is nevertheless high, which shows the vulnerability to poverty of this group without adequate financial support.

Box 6. Child maintenance systems

The payment of child support by the non-custodial parent is a legal obligation in most OECD countries, but despite a sharp increase since the mid-1990s, the proportion of lone parents receiving child alimony varies greatly between countries (OECD, 2011[56]); (Beaumont, Mason and Schulze, 2014[57]).

Non-payment (or delayed payment) of alimony is frequent. For France, 30 to 40% of alimonies were not or only partially paid in the early 2000s (Haut Conseil de la Famille, 2014[58]). National responses to the non-payment of child maintenance by the non-custodial parent can range from enforced payment, salary deductions, seizure of assets and bank accounts and, in some countries, imprisonment. Child support can be guaranteed in some countries by the State (in Austria, Estonia, Germany, Hungary, Italy and Sweden); by local authorities (in Czech Republic, Denmark and Finland); by special funds (in Latvia, Lithuania, Luxembourg, Poland and Portugal); or by a special administrative agency (in the Netherlands and the UK, France). Several countries, including Australia, New Zealand, the United Kingdom and more recently France, have strengthened their systems to assist parents in their claims.

Another limit of child maintenance systems stems from the complex interactions between the benefit of a child alimony, eligibility for other assistance allowances (at national and local levels) which often result in reducing the anti-poverty effectiveness of child maintenance (Skinner et al., 2017[59]). One challenge in reducing poverty among single-parent families is therefore to take better account of these interactions through the social and fiscal system.

5.4. Towards a comprehensive child poverty reduction strategy

177. The above discussion shows the range of levers that can be mobilized to significantly reduce family and child poverty. It also shows the substantial reduction in poverty rates that in some countries can be achieved through a different allocation of family and housing benefits, without increasing public spending in this area. However, halving child poverty, as targeted by the SDGs, requires investing in a comprehensive inclusive growth strategy. For many countries it may requires additional budgetary efforts in addition to the reallocation of resources already committed. Such a strategy is certainly not without short or medium-term gains since it appears that reducing inequalities at the bottom of the income distribution can bring additional economic growth (Cingano, 2014[60]).

178. First, one of the conditions necessary for the success of the anti-child poverty policies is the creation of stable, high-quality jobs that are both sufficient and accessible to the lower skilled parents. Nevertheless, to effectively meet its demand, this job creation must be accompanied by training to enable the low-skilled to access it and childcare services to enable parents to reconcile their job and their family life.

179. Finally, a successful anti-poverty strategy for children requires policies not only to reduce the incidence of income poverty or to prevent it, but also to mitigate many of the consequences income poverty has on child outcomes. This includes combating the material deprivations and barriers that poor children experience in meeting their basic needs, including health, housing and education (Thevenon, Clarke and de Franclieu, 2018[18]). Various policies help reduce the lack of opportunities for children from low-income families and break the intergenerational transmission of disadvantages (OECD, 2018[1]).

180. Health issues can act as an obstacle to education and result in poor physical and/or educational achievements, adding to the challenges faced by children and their families. Promoting universal access to health care and public health policies that benefit poor children can ensure that children's basic needs in nutrition, medical supervision and health care are met although they live in a low income family (OECD, 2009[61]). Such a provision is especially important for the poorest segments of children are most at risk of experiencing deprivation in nutrition (Thevenon, Clarke and de Franclieu, 2018[18]) and because poorer families are more likely to alter food purchases during difficult times. (OECD, 2014[62]) showed that on average across the OECD 13% of people reported that they did not have enough money to buy the food that they or their families needed, and this share increased during the economic downturn in Europe and the United States.

181. Combating food insecurity is important for children since it can lead to serious physical growth problems and influence children's school attendance and performance as well as the development of social skills (Faught et al., 2017[63]) (Ames et al.,(n.d.)[64]) (Tamiru and Belachew, 2017[65]) (Jyoti, Frongillo and Jones, 2005[66]). In the United States, the US food subsidy programme, popularly known as 'Food Stamps' and now as the Supplemental Nutrition Assistance Program (SNAP) has played an important role to cushion the effect of the great recession on poverty (Wimer and Smeeding, 2017[33]). National school meal programmes are also used in several countries as a practical means of reaching food-insecure school-age children directly so as to offset hunger and insufficient nutrition. In the United. States, during the years in the aftermath of the economic crisis, almost one-half (47%) of the day's energy intake was provided by the two school meals and that these contributed 40% of vegetables and 77% of milk (Cullen and Chen, 2016[67]). Evaluation of the Healthy Start programme in England suggests that food vouchers can provide an important nutritional safety net and potentially improve nutrition for pregnant women and young children living on low incomes (McFadden et al., 2014[68]). Nutrition assistance should also help direct practices towards healthy diets to combat the high risk of overweight and obesity in children from low-income families (Inchley, 2016[69]) (OECD, 2017[70]) ((n.a.), 2018[71]).

182. Early interventions in childcare and education are effective policy tools to create level playing fields and to reduce gaps among children. The evidence suggests that the benefits of high quality childcare programmes on child and young adult outcomes are positive and often stronger for children from disadvantaged families than for those of wealth families (Ruhm and Waldfogel, 2012[72]) (Havnes and Mogstad, 2011[73]) (Van Huizen and Plantenga,(n.d.)[74]) (Dietrichson, Kristiansen and Nielsen,(n.d.)[75]) (Shuey and Kankaras, 2018[76]). Yet, children from disadvantaged backgrounds are disproportionately likely to miss out on formal ECEC (OECD, 2016[49]). Childcare places availability, affordability and perceptions of service quality are key parameters to foster the use of childcare services by low-income families and reduce inequalities across children (OECD, 2011[48]) (Van Lancker and Ghysels, 2016[77]).

183. Beyond early childcare and preschool, what happens at home can make a difference for children's cognitive and non-cognitive skills (Kalil, 2015[78]) (Shuey and Kankaras, 2018[76]). This underlines the importance of early childhood home education programmes that aim to improve the parenting skills and children's socio-emotional skills among disadvantaged groups. Economically advantaged parents display more optimal parenting behaviours across a range of domains, including more time spent with children, authoritative parenting, more sensitive and responsive mother-child interactions, greater language stimulation and better parent management (Kalil, 2015[78]) (Clarke and Younas, 2017[79]). Programmes such as the "Thirty Million Words" project in the United States or "Parler Bambin" in France increased conversations and resulted in increased language development (Leffel, Suskind and Rowe,(n.d.)[80]) (Zorman et al., 2011[81]).

184. Last but not least, children from poor families have a higher risk than others of living in poor quality housing and/or in an environment with noise, pollution, vandalism or crime problems (Thevenon, Clarke and de Franclieu, 2018[18]). This risk reflects the existence of strong spatial segregations that are more or less directly linked to the income level. Low-income families tend to live in less affluent areas with lower quality housing, transport infrastructure, medical and childcare services, schools and sports and leisure facilities (Chetty and Hendren, 2018[82]) (OECD, 2018[1]). Addressing spatial segregation is then particularly important to increase opportunities for children from disadvantaged backgrounds. This requires a range of well-coordinated local development and urban planning policies, including measures for housing and transport (OECD, 2018[1]).

185. Two major approaches can be taken towards increasing the quality of neighbourhood of low income families. First, policies may focus on improving the situation in disadvantaged areas. According to the results of the 2016 OECD Regional Outlook Survey (OECD, 2016[83]), boosting social inclusion and productivity at local level requires public investment drawing on subnational governments as well as regional, urban and rural development policies and good quality governance to enable the most disadvantaged regions to catch up with the most privileged regions. Second, initiatives may focus on helping lower-income households to move to higher-income neighbourhoods. The four main types of housing policy instruments that the OECD QuASH (Questionnaire on Social and Affordable Housing) surveyed at national level are homeownership subsidies, housing allowances, social rental housing and rental support and regulations (Salvi del Pero et al., 2016[84]) (Box 7).

Box 7. Housing policies for low-income families

Support for homeownership including for low-income households through grants and financial assistance receives considerable public backing (Salvi del Pero et al., 2016). However, a major pitfall of homeownership support in cities and regions is that it tends to discourage residential and labour mobility (OECD, 2016[80]). Well-targeted housing allowances can help low-income households to stay inside the cities and promote mixed-income urban neighbourhoods. They can also be used to promote residential and labour mobility areas with higher labour demand (Eyméoud and Wasmer, 2016[81]). Nevertheless, housing allowances also have limitations, as they cannot guarantee good housing quality and may adversely affect rent prices (Salvi del Pero et al., 2016[82]).

Social rental housing policies help low-income families. However, in practice social rental housing often concentrates low-income households in deprived urban neighbourhoods that offer low-quality public services and little access to job opportunities, which exacerbates urban social exclusion. National legal frameworks sometimes impose a minimum target of social housing on local authorities, but this is not always respected: for instance, in France, where the law requires a minimum of 25% of social housing in each municipality, some areas escape their obligations and pay a fine instead of meeting the target. On the other side, municipalities with a large share of low-income households and a high share of unemployment may not have the financial and organisational capacity to supply and maintain social housing. Further, this type of housing is often awarded at the municipal level. Fear of losing the entitlement to social housing might prevent people from being geographically mobile and result in spatial mismatches (Salvi del Pero et al., 2016[80]).

The most common way to define eligibility for the allocation of a social dwelling is the use of income tests. Several countries have adjusted the eligibility criteria for social housing in order to avoid segregation. The maximum income is set high enough to permit income mixing in some countries including France, Austria and Germany, while it is set at significantly low levels for instance in Italy. Access criteria can also be defined according to criteria based on need (e.g. homelessness, unhealthy accommodation, over-occupation, forced cohabitation, etc.) and even criteria relating to the beneficiaries and target groups (youth, elderly or disabled persons, families with many children, mentally disabled persons, employees of certain undertakings, etc.). Criteria can also vary according to local needs and gaps in local housing markets, for instance, the need to attract certain types of key workers or professionals, to provide housing for students, etc. In Sweden, no income ceilings are used in the allocation of dwellings from public housing companies. This is a consequence of the principle of avoiding social segregation by providing access to public dwellings to all segments of society.

Other ways to avoid segregation include policies that help promote the development of the rental market through financial support and regulations. Around one-third of the countries reporting in QuASH use construction subsidies to promote the production of rental housing (most prominently France and the United States). Rent controls in the housing market are used in over half of the reporting countries, and other forms of support for private rental housing, such as the provision of guarantees and rent tax relief for tenants, are currently used by over one-fifth of the reporting countries.

186. Another consequence of inequalities between regions is that large groups of poor children accumulate deprivations in terms of poor housing conditions, low-quality nutrition, lack of educational resources, of leisure opportunities and low quality neighbourhood environment (Thevenon, Clarke and de Franclieu, 2018[18]). This accumulation of disadvantages calls for a comprehensive strategy to combat poverty in all its dimensions. Then, it is essential to design and implement policy packages that consider all needs and aspects of child deprivation and which exploit the complementarities between different policy areas. Policies for improving the supply of affordable housing, for example, need to be closely connected with childcare policies but also with social and health care services, as well as with employment services and transportation policies to cope with the multiple needs of children and their parents. This requires a range of well-coordinated local development and urban planning policies, and a greater integration of social services delivery which is crucial to get an effective strategy against child poverty (OECD, 2015[85]).

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Annex .A. How do we measure child income poverty?

187. Child income poverty rate is usually defined as the proportion of children (0-17 year olds) that live in households with an equivalised income of less than a certain threshold below which all family members are considered to be poor. The focus is on the income situation of children relative to the average individual in the country, defined as the person with median income, not the median child (Corak, 2005[86]). The estimates obtained depend on the definition of the poverty threshold which can vary according to national or international conventions. The poverty line used in this paper is set at 50% of median "equivalised" disposable income.

188. Disposable household income includes both market earnings and income from capital, adjusting for tax and monetary transfers. However, its scope and definition can vary with the sources of income taken into account and whose importance varies from country to country (Box 8). For instance, emerging economies have fewer formal fiscal transfers and taxes and a greater reliance on informal transfers such as remittances and inter-household transfers.

189. Whether or not the goods produced by a household for its own consumption are taken into account in the calculation of household income also makes a difference in the appraisal of poverty, especially in countries where there is a great reliance on home production (Box 8). For this reason, the Canberra guidelines require countries to include the value of goods produced and consumed by households as an element of self-employed income. The poverty indicators used for the presentation of poverty trends in section 2 of this paper are based on such a definition of disposable income. In contrast, the time series analysis in section 3 is based on poverty rates estimated on disposable income excluding home production, as well as poverty rates estimated from national surveys and/or EU SILC used in sections 5 and 6.

190. There are limits in the extent to which measures of disposable income reflect households' wealth and/or standard of living. Home ownership, for instance, can bring a supplement of wealth that would modify the estimation of poverty rates if it were taken into account. Note also that poverty rates poverty rates calculated according to current disposable income current disposable income does not capture the impact of savings and debt, nor does it account for the irreducible expenses households may have to cover basic needs in terms of housing, electricity, heating, transports, childcare, etc.

Box 8. The OECD Income Distribution Database (IDD - at http://oe.cd/idd)

To benchmark and monitor income inequality and poverty across countries, the OECD relies on a database based on national sources (household surveys and administrative records) and on common definitions. Indicators are based on the concept of "equivalised household disposable income", i.e. the total market income received by all household members (gross earnings, self-employment income, capital income), plus the current cash transfers they receive, less income and wealth taxes, social security contributions and current transfers that they pay to other households. Household income is adjusted with an equivalence scale that divides total household income by the square root of household size. Standard concepts and definitions of household incomes are provided by the Canberra Group Handbook on Household Income Statistics (Group, 2011[87]).

In 2015, the OECD changed its standard definition of household income. The revision goes in the direction of bringing the OECD income definition closer to the "operational definition" recommended by the 2011 Canberra Group Handbook. Key changes in the new definition include: i) the inclusion of the value of goods produced by households for their own consumption, as an element of self-employed income; and ii) the deduction of current transfers paid by households to non-profit institutions and other households (e.g. alimonies). The new income definition implies a break in OECD historical series that makes it impossible to use for analyzing long term trends. For this reason, we used data available for at least one common year (typically either 2011 or 2012) based on both definitions to correct the most recent data so that they match the data series obtained with the old definition.

The inclusion of goods produced by households for their own consumption lowers the proportion of people falling below the poverty-threshold. For instance in Mexico, the share of people below the poverty line, from 21.4% to 18.9% (although these changes also reflect methodological changes introduced by the statistical office to measure income at the bottom of the income scale). The effect on poverty measures is smaller in all other countries.

In addition, a more detailed breakdown of current transfers received by households was implemented. This distinguishes among transfers received from: i) social security schemes; ii) employment-related occupational schemes; and iii) other households and non-profit institutions. This change allows more fine-grained measures of redistribution by distinguishing between "primary income" (income from work and capital and net transfers from other households), "market income"(primary income plus transfers received from employment-related schemes), "gross income" (market income, plus transfers received from social security schemes, less transfers paid to employment-related occupational schemes) and "disposable income" (gross income less taxes and other current transfers paid).

191. Similarly, in-kind transfers can be an important addition to household consumption which in some countries can contribute to reducing inequalities in standard of living across households (Verbist, Förster and Vaalavuo, 2012[88]). Both in-kind transfers and the provision of public good greatly impact the lives of children, but the challenges involved in assigning monetary values to those services and the diverse ways of doing so, does not allow for a consistent poverty indicator which takes these factors into account.

192. The analysis of child poverty trends over the past decades requires dealing with breaks in the time series that are due to the above-mentioned changes in the definition of the reference income used to calculate poverty rates. In order to yield a more complete dataset, data on poverty rates from wave 6 and wave 7 have been merged whenever possible. Since the most recent data (from 2011 or 2012) are based on the new definition of disposable income (wave 7), an adjustment is necessary to add them to the previous data wave 6 based on another definition of disposable income. To this aim, data from wave 7 were adjusted by adding to the new estimate the difference or the average of differences between the two waves when both data were available for different years, given that such differences were not large. For Canada, the Netherlands and the United Kingdom, the average over the various years is taken while for the other countries, the data is proportionately adjusted by the gap in the previous years. By contrast, in Israel the gap between the two waves is too large to enable any adjustment, and only the data available until 2011 were taken into account.

193. Data from few countries (Chile, Hungary, Japan, Mexico and Switzerland) were not included in the time series analysis because of other break in data time series. For the other countries the data were included for the longest break-free period in the time series. This implies data since 1993 for Italy, 1995 for Finland, 2002 for Czech Republic, 2004 for Austria, Belgium, Greece, Ireland, Luxembourg, Poland, Portugal and Spain, 2006 for Korea, and all years available for the other countries.

Accounting for household composition: "equivalised" income and the limits of equivalence scales

194. The household composition also plays a major role in determining whether a family is poor or not; and how family composition and family living arrangements are taken into account in the estimation of poverty rates can make a significant difference in poverty appraisal (Box 2). For the sake of simplicity, the standard approach collects information on income at household level, and it is then attributed to each member using an equivalence scale, assuming that all individual and collective resources of household members are pooled together. The equivalence scale is assumed to reflect the relative needs of the household members (including children) and the economies of scale generated by members sharing resources. Said differently the equivalence scale reflects that as a household grows in size, the needs of each additional member grows less than proportionally due to the presence of economies of scale. Housing cost, electricity and heating costs, for instance, would not increase significantly with an additional member in the household.

195. The choice of equivalence scales implies some implicit assumptions on the economies of scale generated within a household. Two extreme cases include on one hand the case of no economies of scale or adult-children equivalent costs (elasticity of 1) and on the other hand, full economies of scale or no additional cost of adult or children (elasticity of 0). The equivalence scales used in OECD cross-country comparisons lies in between these two extreme options. The OECD-modified scale considers that, due to economies of scale, 2 adults need a 1.5 higher income than a single person to achieve the same standard of living, and that each additional child requires 20% more income to keep stable households standard of living (in which case a couple with one child counts for 1+0.5+(0.20*1.5)= 1.8 equivalent adult). The Square Root scale instead do not make any difference between additional adults and children, and assumes gradual gains in economies of scale due to increases in family size.

196. Poverty estimates (and the derived country ranking) can be affected by the use of different equivalence scales (Deaton, 2003[89]). For sake of simplicity, the same equivalence

scale is used for all countries but, a comparison of well-being could allow variations to take different values for each country in order to capture more precisely each country's peculiarity in terms of household structure and within-household economies of scale (Figini, Figini and Paolo, 1998[90]).

197. The use of household-level equivalence scales is based on the assumption of equal sharing of resources within a household and by doing so disregards intra-household decisions regarding resource allocation. Assuming away the possibility of intra-household inequality yields the desirable feature that when a household is identified as being poor, all the members in the household are considered to be poor. From a child perspective, this assumption is often justified on the basis that assuming that children obtain an equal share of available household resources charts a middle road between the deprivation they may be subject to if parents consume a disproportionate share and the extra protection they might receive if parents make sacrifices to ensure children do not go without (Corak, 2005[86]). However, differences in parenting behaviour across households may lead to children living in poverty in non-poor households and vice-versa. If, for instance, intra-household allocation patterns are determined by bargaining between different parties, we would expect the income pooling restriction not to hold. Income allocated to children increases when the mother gets a higher share of the income as mothers normally attempt to protect their children by sacrificing their own consumption and well-being, invalidating the intra-household redistribution assumption (Browning, Chiappori and Weiss, 2014[91]). Additionally, gender-based inequality within the household leads to significantly different outcomes for the children in the household and hence, failure to account for the prevalence of girl child discrimination in developing countries likely underestimates child poverty.

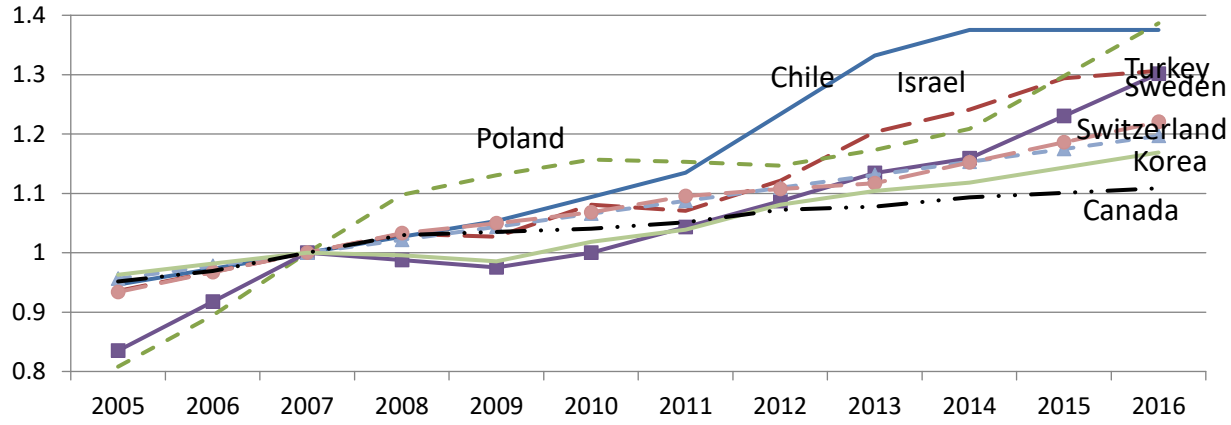
198. Another limit of taking the same equivalence scales for all families is that it assigns the same value to each additional child, irrespective of the age and health status of the child, and therefore it implicitly ignores the specific needs for instance children with disabilities have. Nevertheless, when comparing two households with otherwise identical in terms of composition and income, except that one of them includes a disabled member, the latter is expected to have a lower standard of living. The additional costs faced by that household may be in terms of treatment costs, higher costs due to specialized transportation, diet or equipment required. Hence, non-poor households having members suffering from disabilities may actually be poor in terms of resources left to spend on basic needs, after deducting medical expenditures. This factor should not be sidelined as disability and poverty are intricately linked as the cause and consequence of each other (Mitra, Posarac and Vick, 2011[92]).

199. Last but not least, the "equivalised" income approach disregards the differences in living arrangements across children, and, for instance, does not account for the cost differences between a child living in a single-parent family structure from one living with both parents or in shared custody. Thus, the same equivalence scale is applied for children living with two parents or with a single parent, while their cost varies greatly depending on the family living arrangement (Henman et al., 2007[93]). In addition, some parents share their lives between different households (in case of divorce or family re-composition) which has an impact on the shared income within the household. The poverty rate can then vary greatly depending on the assumptions regarding effective income sharing between different households. For instance, (Toulemon, 2012[94]) compares the effect of different assumptions on child poverty estimates in France based on the residential status of parents and children. With a poverty threshold fixed at 60% of median income, he found that child poverty rate equals 21% if all household members are assumed to pool their resources. It edges up to 24% if adult household members who also live elsewhere are assumed to share only half of their income with the household, and scale down to 14% if the consumption of adults and children commuting between homes count for half the weight of full-time household members.

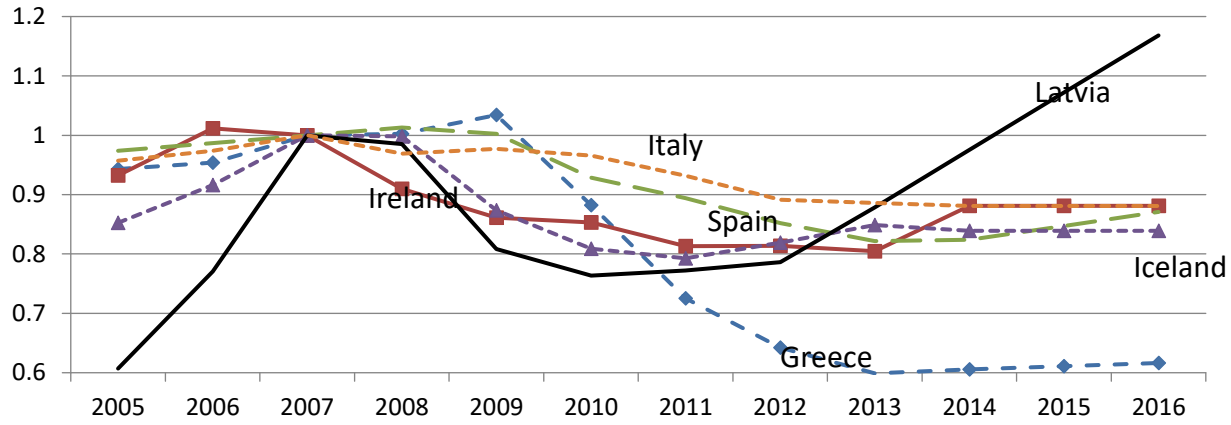
Annex .B. Additional Figures

Figure B 1. Trends in median disposable income in selected OECD countries

Panel A: Countries experiencing an increase in median disposable income.



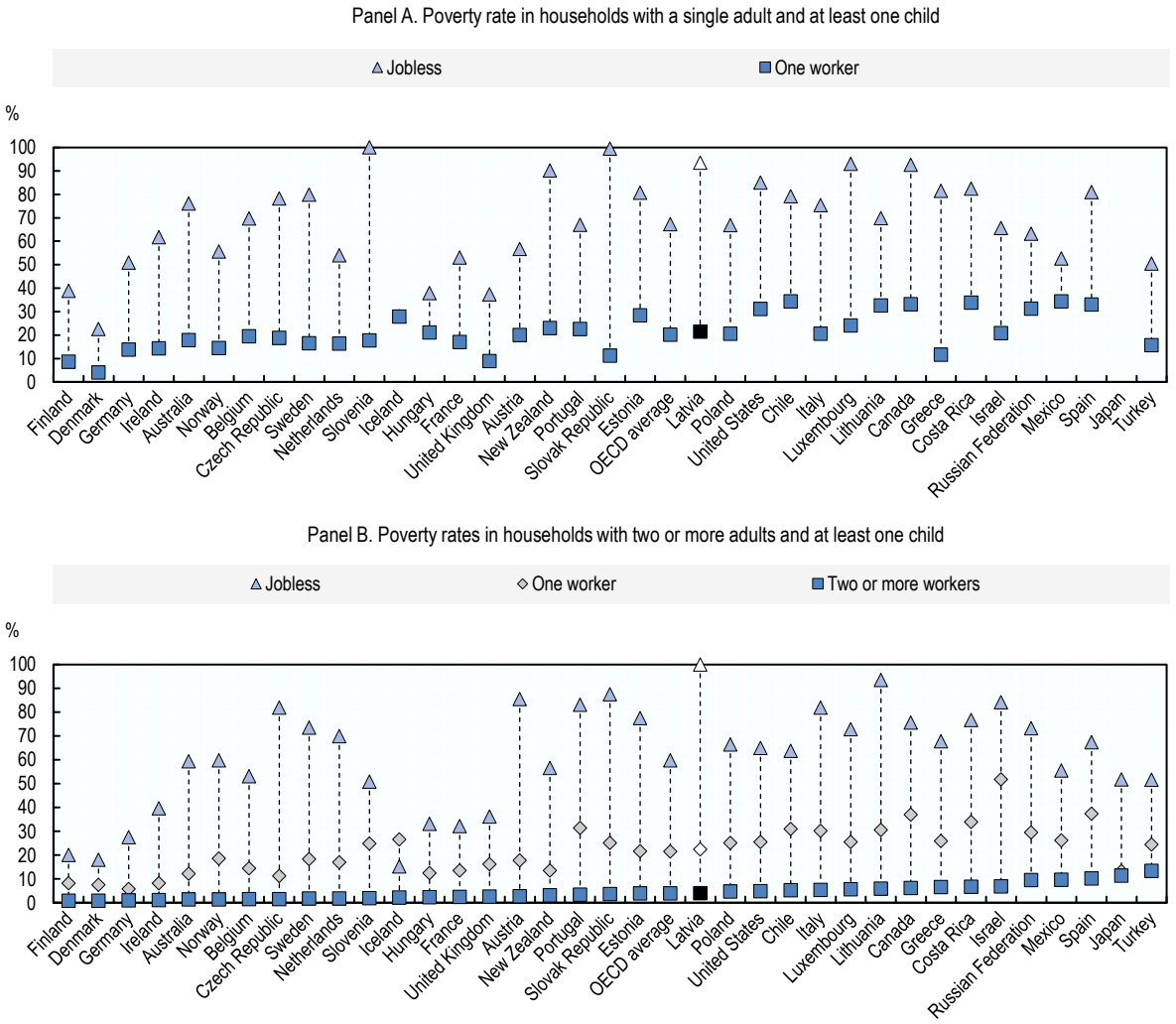
Panel B: Countries experiencing a decline in median disposable income.



Note: 2007 baseline equals to 1.
Source: Estimates based on data from the OECD Income Distribution Database.

Figure B 2. Poverty rates in households with children and a working age-head, by household type and household employment status, 2015-16 or nearest available year[a]

Proportion (%) of individuals in households with children[b] and a working-age head with an equivalised post-tax-and-transfer income of less than 50% of the national annual median equivalised post-tax-and-transfer income.



Note: Countries are ranked in ascending order according to the poverty rate in households with two or more adults, at least one child, and two or more workers.
a) Data for China, India and the Russian Federation refer to 2011, for Japan to 2012, for Brazil to 2013, and for Australia, Hungary, Iceland, Mexico and New Zealand to 2014.
b) Children are defined as 0-17 year-olds.
Source: OECD Income Distribution Database.

Annex .C. Influence of demographic, economic and policy factors on child poverty rates – additional results of the cross-national pooled time series analysis

200. Table C 1 shows the results of the OLS estimation obtained with the pooled cross-section data series for 29 OECD countries (with an average of 10 observations per country over the 25 years period). Demographic variables are included sequentially and the results from the different steps are reported in the different columns to best identify how the different explanatory factors are linked to each other. The proportion of jobless families and maternal the employment rates are two highly correlated variables, and for this reason they were introduced simultaneously in the model specifications (except in column 8 for a final robustness check).

201. Table C 1 suggests that several different demographic, economic and policy measures affect "global differences" in levels of relative child poverty. In terms of demography, child poverty rates are higher when the average household size is higher and this finding is robust across different model specifications. In many model specifications, the share of single-parent families seems to share no association with the relative child poverty rate, but this is because at least part of its effect is captured by the average household size.

202. The adolescent fertility rate shares a positive association with child poverty and this finding is robust across different model specifications. This suggests that child poverty is higher when adolescent fertility is higher, *ceteris paribus*. By contrast, the share of the population living in rural areas shows a negative association with relative child poverty only when taking into account information on the level of social expenditure and the share paid to the poorest 10% of households. This suggests that at a given level of social spending and targeting, a greater proportion of households living in rural areas tends to reduce child poverty risks.

203. In terms of the economic environment, the employment rate for mothers – proxied here by the proportion of couples with two earners and the employment rate for single-parent households – shares a negative association the child poverty rate (Columns 4 to 8), implying child poverty rates are lower when maternal employment is higher.

Table C 1. Effect of population characteristics and social service spending on child relative poverty rates

Results from Ordinary Least Squared regressions.

	1	2	3	4	5	6	7	8
Average family size	3.320*** (0.269)	3.051*** (0.247)	2.817*** (0.272)	2.363*** (0.291)	1.515*** (0.232)	1.520*** (0.196)	1.515*** (0.232)	1.531*** (0.243)
% single parent families	0.155*** (0.0545)	0.0370 (0.0556)	-0.0438 (0.0681)	-0.0679 (0.0615)	-0.00186 (0.0469)		-0.001 (0.047)	0.003 (0.053)
Adolescent fertility rate		0.236*** (0.0257)	0.214*** (0.0257)	0.247*** (0.0285)	0.306*** (0.0255)	0.306*** (0.0239)	0.306*** (0.025)	0.308*** (0.027)
% households in rural areas	0.0245 (0.0372)	-0.00523 (0.0346)	0.00755 (0.0354)	-0.00955 (0.0350)	-0.132*** (0.0327)	-0.132*** (0.0315)	-0.132*** (0.032)	-0.132*** (0.033)
% jobless families			0.106*** (0.0384)					-0.01 (0.057)
Maternal employment[1]				-0.768*** (0.111)	-0.832*** (0.106)	-0.830*** (0.104)	-0.832*** (0.106)	-0.807*** (0.181)
Per capita GDP	-0.618 (2.481)	2.897 (2.536)	2.087 (2.553)	2.637 (2.443)	11.70*** (1.893)	11.67*** (1.934)	11.70*** (1.893)	11.64*** (1.911)
Per capita GDP (squared term)	0.0302 (0.116)	-0.133 (0.119)	-0.0935 (0.119)	-0.112 (0.113)	-0.514*** (0.0866)	-0.513*** (0.0885)	-0.514*** (0.086)	-0.512*** (0.087)
Per capital Social expenditures				-0.146 (0.101)	-0.722*** (0.0893)	-0.721*** (0.0860)	-0.722*** (0.089)	-0.715*** (0.0948)
% of social spending for the 10% poorest households					-0.762*** (0.0646)	-0.763*** (0.0635)	-0.762*** (0.064)	-0.756*** (0.067)
Constant	-1.809 (13.36)	-21.38 (13.64)	-16.93 (13.77)	-19.38 (13.16)	-61.45*** (10.01)	-61.33*** (10.25)	-61.45*** (10.01)	-61.22*** (10.08)
Observations	288	288	286	284	282	282	282	282
R-squared	0.477	0.549	0.564	0.607	0.722	0.722	0.722	0.722
Number of cty	29	29	29	29	29	29	29	29

Note: Annual child poverty rate is estimated with a floating poverty line. The dependent and independent variables are expressed in log. All models include year dummies. Models are estimated using Ordinary Least Squares with panel-corrected errors to account for possible cross-country and serial correlations. All models include year dummies.
*** p<0.01, ** p<0.05, * p<0.1. Standard errors in parentheses.
1) Maternal employment is approximated by the share of two-earners within couple families, plus the proportion of single parents who work in the total of single parent.

204. By contrast, the share of jobless households appears to have a strong positive influence on child poverty, but only when the variable on maternal employment is not included in the model specification (column 3). This is likely to be related to the strong

correlation between these two variables since an increase in maternal employment as proxied here is directly related to a reduction in the number of jobless families.

205. Table C 1 also suggests that GDP per capita shares a positive and significant association with the relative child poverty rate, implying that child poverty is higher when GDP per capita is higher (Table C 1 columns 5 to 8). However, this association only appears once measures of social spending *and* the share of social spending targeted at the 10% poorest households are included in the model specification, with GDP per capita sharing no clear association with the child poverty rate if these measures are omitted. This suggests that the association between GDP per capita and child poverty depends on the level of social expenditure per capita and the level of targeting present in social protection systems.

206. Both the level of social expenditure per capita and the share of social spending directed at the poorest 10% of households share negative associations with the relative child poverty rate (Table C 1, columns 5 to 8). This suggests that relative child poverty is lower when social spending per head is higher and also that, at given expenditure levels, child poverty is lower when the poorest fraction of the population receives a higher proportion of social spending.

Table C 2. Effect of population characteristics and social service spending on "anchored" child poverty rates

	Ordinary Least Squared					Fixed Effect		
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
Average family size	2.121***	2.093***	1.537**	0.667	-0.00589	-0.377	-0.973	-0.980
	(0.656)	(0.643)	(0.630)	(0.594)	(0.724)	(0.536)	(0.647)	(0.671)
% of single-parent families	0.132	0.125	-0.0744	0.316**	0.142	0.272**	0.109	0.107
	(0.130)	(0.156)	(0.164)	(0.130)	(0.116)	(0.106)	(0.0707)	(0.0715)
Adolescent Fertility rate		0.0147	-0.174	-0.152	-0.307**	0.0161	0.0298	0.0300
		(0.119)	(0.120)	(0.0981)	(0.132)	(0.224)	(0.201)	(0.199)
% households in rural areas	0.114	0.114	0.122*	-0.0491	-0.0291	0.241	0.118	0.117
	(0.0752)	(0.0753)	(0.0707)	(0.0818)	(0.0820)	(0.456)	(0.352)	(0.352)
% jobless families			0.286***		0.537***		0.309***	0.321***
			(0.0640)		(0.198)		(0.0525)	(0.105)
Maternal employment[1]				-1.030***	0.639	-0.981***		0.0820
				(0.337)	(0.818)	(0.208)		(0.453)
Per capita GDP	5.325	5.488	2.867	17.74***	17.52***	-18.00**	-11.68	-11.45
	(6.355)	(6.824)	(6.433)	(5.778)	(5.354)	(8.687)	(10.47)	(10.35)
Per capita GDP (squared term)	-0.216	-0.224	-0.101	-0.748***	-0.721***	0.894*	0.594	0.583
	(0.301)	(0.322)	(0.304)	(0.273)	(0.255)	(0.469)	(0.550)	(0.540)
Per capital Social expenditures				-1.307***	-1.640***	-1.860***	-1.959***	-1.947***
				(0.266)	(0.316)	(0.637)	(0.680)	(0.632)
% of social spending for the 10% poorest households				-1.413***	-1.642***	-1.888**	-1.820**	-1.819**
				(0.141)	(0.159)	(0.735)	(0.708)	(0.705)
Constant	-35.91	-36.85	-21.23	-88.46***	-83.56***	110.6**	79.19	77.95
	(33.94)	(36.68)	(34.56)	(29.96)	(28.19)	(44.98)	(53.67)	(52.86)
Observations	186	186	186	183	183	183	183	183
R-squared	0.170	0.170	0.209	0.375	0.409			
Number of cty	27	27	27	27	27	27	27	27

Note: The anchored poverty rate uses the 2005 poverty line as a fixed threshold (after adjusting for price inflation).

207. Table C 2 provides detailed results of regressions applied to anchored child poverty rates. The proportion of jobless families appears to be one of the main determinants of the evolution of "absolute" poverty, measured by reference to its level in 2005. Increased per capita social spending also appears to play a particularly important role in reducing the level of "absolute" child poverty.

208. Table C 3 substitutes information about adolescent fertility with information about contraceptive prevalence rate, which is the percentage of women aged 15 to 49 who are practicing, or whose sexual partners are practicing, any form of contraception. The results indicate that an increase in the proportion of women using a contraceptive method goes hand in hand with a reduction in child poverty. This finding thus seems to support the idea that the risk of poverty is reduced when unforeseen births are lower.

Table C 3. Effect of contraceptive use on child poverty rate

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	OLS	FIXED EFFECT			
Average family size	2.115***	0.882*	0.909	0.666	0.687
	(0.277)	(0.433)	(0.551)	(0.456)	(0.507)
% single parent families	..	0.0464	0.0113	-0.0189	-0.0127
	....	(0.0598)	(0.0586)	(0.0513)	(0.0651)
Contraceptive use	-0.590*	-0.681*	-0.405	-0.561*	-0.566*
	(0.310)	(0.334)	(0.385)	(0.321)	(0.313)
% households in rural areas	-0.117***	0.101	0.0881	0.122	0.113
	(0.0356)	(0.127)	(0.124)	(0.124)	(0.132)
Maternal employment[1]	-0.852***	-0.379	-0.436	..	-0.0741
	(0.128)	(0.238)	(0.256)	..	(0.373)
% jobless families	..	..	..	0.140**	0.123
	..	..	..	(0.0557)	(0.0973)
Per capita GDP	3.619	-11.60	-17.16**	-10.55	-10.50
	(4.825)	(7.145)	(6.990)	(6.589)	(6.672)
Per capita GDP (squared term)	-0.147	0.606*	0.876**	0.559*	0.556*
	(0.230)	(0.343)	(0.338)	(0.318)	(0.322)
Per capital Social expenditures	-0.374*	-0.850***	-0.966***	-0.827***	-0.844***
	(0.195)	(0.175)	(0.186)	(0.131)	(0.168)
% of social spending for the 10% poorest households	-0.540***	-0.351**	-0.364**	-0.310*	-0.319*
	(0.0882)	(0.158)	(0.163)	(0.155)	(0.158)
Constant	-18.10	62.83*	90.33**	56.63	56.50
	(24.77)	(36.24)	(35.08)	(33.43)	(33.57)
Observations	262	262	262	262	262
Number of groups	27	27	27	27	27

Note: *** p<0.01, ** p<0.05, * p<0.1. Standard errors in parentheses.
Annual child poverty rate is estimated with a floating poverty line. The dependent and independent variables are expressed in log. All models include year dummies. All models include year dummies.

Annex .D. Influence of cash transfers on child poverty – additional results

209. The second part of the analysis focuses on the influence of social cash transfers on child poverty (for the 21 countries for which detailed data on spending by categories is available). It examines associations between changes in various different types of social cash transfers and child poverty rates, conditional on the pre-transfer child poverty rate. This condition makes it possible to better identify the effect of social transfers, which are expected to reduce the level of child poverty relative to their level before transfers. To some extent, the inclusion of this term in the model specification also helps to control for unobserved factors that influence the level of child poverty.

210. Several types of cash transfers are covered: housing benefits, unemployment and incapacity benefits, family and parental leave benefits, and pension benefits. Measures of aggregate social spending per capita on each type of cash transfer are used first to analyse the association between levels of expenditures by broad categories and child poverty rates.

211. Table D 1 shows detailed results from pooled OLS estimations (columns 1 to 3) and from a fixed effect model which allows to focus on within country changes. Three estimations are reported for each specification depending on the controls included in the model specification.

212. The most immediate finding from Table D 1 is that while most types of social spending help explain global differences in levels of relative child poverty (columns 1 to 3), only a few seem to share clear associations with within country changes in child relative poverty rates (columns 4 to 6).

213. Pooled OLS estimates in Table D 1 columns 1 to 3 suggest that countries with, other thing being equal, higher per head spending on housing, incapacity, family allowances, social assistance benefits achieve lower rates of child poverty, and this holds also when controlling for differences in population characteristics (column 3). Higher per capita spending on unemployment benefits also goes hand in hand with lower child poverty rates, but this occurs only when the model specification controls for differences in population characteristics. Variations in per head spending in incapacity and social assistance benefits seem to have the stronger influence on child poverty rates. Expenditures on other cash benefits share a positive association with child poverty rates (columns 2 and 3), which suggests a reverse causality effect, that is countries with higher child poverty rates tend to spend higher amounts on other cash benefits, all else being equal.

Table D 1. Influence of social cash benefits on relative child poverty

Influence of variables on child poverty rates *after* tax and social transfers

	Pooled OLS			Fixed effect		
	(1)	(2)	(3)	(4)	(5)	(6)
		With demographic controls[1]	With demog control +% of jobless families		With demographic controls	With demog control +% of jobless families
Poverty before tax and transfers	0.497***	0.648***	0.757***	0.288***	0.432***	0.408***
	(0.129)	(0.134)	(0.181)	(0.0677)	(0.0715)	(0.0674)
Housing benefits (per poor households)	-0.0639***	-0.0656***	-0.0673***	-0.0829***	-0.0992***	-0.0880***
	(0.0118)	(0.0212)	(0.0209)	(0.0274)	(0.0310)	(0.0288)
Unemployment benefits	-0.0268	-0.147**	-0.158**	-0.0634	-0.0456	-0.0358
	(0.0430)	(0.0615)	(0.0651)	(0.0499)	(0.0423)	(0.0427)
Incapacity benefits	-0.541***	-0.364***	-0.378***	-0.171	-0.150	-0.233
	(0.0508)	(0.0774)	(0.0756)	(0.113)	(0.137)	(0.152)
Parental leave benefits	-0.0498	-0.00681	-0.0114	0.0208	0.0184	0.0187
	(0.0499)	(0.0305)	(0.0300)	(0.0158)	(0.0151)	(0.0151)
Pension benefits	-0.160**	0.166**	0.143**	-0.310***	-0.366***	-0.346***
	(0.0571)	(0.0656)	(0.0567)	(0.0764)	(0.112)	(0.114)
Family allowances	-0.0753***	-0.0731***	-0.0767***	-0.0149	-0.0124	-0.00802
	(0.0200)	(0.0173)	(0.0197)	(0.0131)	(0.0140)	(0.0148)
Social assistance	-0.121*	-0.229***	-0.243***	-0.116**	-0.148**	-0.142**
	(0.0598)	(0.0395)	(0.0348)	(0.0530)	(0.0591)	(0.0544)
Other cash benefits	0.0124	0.0449**	0.0461**	0.0102	0.00772	0.00707
	(0.0145)	(0.0166)	(0.0192)	(0.0115)	(0.0104)	(0.0111)
Share of social spending for the 10% poorest households						
Observations	190	190	188	190	190	188
R-squared	0.772	0.846	0.850			
Number of groups	21	21	21	21	21	21

Note: All models include GDP and GDP squared term, and year dummies. Standard errors in parentheses; *** p<0.01, ** p<0.05, * p<0.1

1) Demographic controls include the average family size, adolescent fertility rate, the share of single parent families, and the percentage of household in rural areas.

214. Concentrating on associations with changes in expenditure on social cash transfers, columns 4 to 6 of Table D 1 suggest that, *ceteris paribus*, many social cash transfers frequently share no real clear and systematic association with changes in relative child poverty rates over time. Given a certain level of pre-transfer child poverty, changes in per head spending on unemployment benefits, on parental leave benefits, on family allowances, on incapacity, and on other cash benefits share no clear and significant association with changes in the relative child poverty rates. All of these benefits are not specifically targeted at the poor.[23]

215. Only three social expenditure programmes share an association with changes in child poverty rates (Table D 1). The first is the amount spent per-poor-household on housing benefits, which shares a moderate and negative association with changes in the relative child poverty rate, all else equal. This makes sense, given that housing benefits are often tightly targeted at low-income households. The second is the spending on social assistance benefits, which is also a benefit for a disadvantaged population with no labour market income. The allowance received by families living in this situation appears to reduce the exposure of children living in these families to poverty. Finally, spending per person receiving pension benefits shares a strong and negative association with within-country changes in the relatively child poverty rates. The role of pensions in child poverty reduction, which may not seem immediately intuitive, could be related to the significant proportion of children living in multigenerational households with retirees in some countries (Diris, Vandenbroucke and Verbist, 2017[30]).[24]

216. Table D 2 reports the results of the estimation obtained with data on social cash transfer payment rates, measured as the average payment rate for a two-parent family. The two first columns of Table D 2 suggest that countries with higher payment rates for housing and social assistance benefits achieve lower relative child poverty rates. By contrast, payment rates of child supplements share no clear association with child poverty rates since the positive relationship reported in the first column disappears when differences in demographic characteristics are controlled for.

217. Associations between within-country changes in certain social cash transfer *payment rates* and the post-transfer child poverty rate are less ambiguous. Table D 2 shows that changes in the payment rates of social assistance, child supplements – which includes child-related payments outside social assistance – and housing benefit all share a negative association with within-country changes in the child poverty rate, *ceteris paribus.* The estimated effect is quite substantial, since a one-percentage-point change in the rate of payment of each benefit as a percentage of average earnings is estimated to produce a reduction of about one-percentage-point in the poverty rate.

218. Taken together, results from Annexes C and D suggest that eligibility, coverage and payment rates are all key parameters to help benefits reducing child poverty.

[23] In most cases, eligibility for child benefits is not restricted to poor families, even though the amount of child benefit may sometimes be higher; the benefits are not targeted at poor families (OECD Family database, Indicator IN1.2), and are not included in the tax calculation.

[24] Recent data on the number of children in multigenerational households for OECD countries are not available but Iacovou and Skew (2010) estimate that 5.4% of children 0-17 on average across the European Union lived in such households in 2007; their proportion is particularly high in Latvia (24%), Poland (22%), and also in Portugal (11%), Hungary (11%), Estonia (12%), Lithuania (14%), Slovenia (13%) and the Slovak Republic (17%).

Table D 2. Effect of cash benefits payment rates on relative child poverty rates

	OLS		Fixed Effect	
	(1) No demographic controls	(2) With demog controls	(3) No demographic controls	(4) With demog controls
Child poverty rate before transfers	0.825***	0.821***	0.237*	0.187
	(0.0801)	(0.185)	(0.120)	(0.113)
Social assistance payment rate for a two parent family (% of AW)	-0.00890**	-0.0122***	-0.00476	-0.00571*
	(0.00414)	(0.00403)	(0.00350)	(0.00281)
Child supplement payment rate[1] for a two parent family (% of AW)	0.0116***	-0.00163	-0.0318***	-0.0290***
	(0.00321)	(0.00489)	(0.00967)	(0.00633)
Housing benefit payment rate for a two parent family (% of AW)	-0.0129**	-0.0127**	-0.00473**	-0.00468*
	(0.00491)	(0.00459)	(0.00222)	(0.00256)
Observations	232	215	232	
R-squared	0.698	0.754		
Number of countries	22	22	22	

Note: Standard errors in parentheses; *** p<0.01, ** p<0.05, * p<0.1
1) Child supplement covers support which granted to low income families outside the social assistance. In so far as these additional benefits do not reduce the social assistance amount in full, they are included together with social assistance in minimum income protection. This may, for example, concern child and housing benefits as well as refundable tax-credits. If child benefits do not reduce social assistance, they are counted separately as child supplements. Payment rates are expressed in % of the average wage.
Source: Data on social cash benefit payment rates are taken from the Social Assistance and Minimum Income Protection Dataset (SAMIP) in the Social Policy Indicators available from the University of Stockholm.

219. Table D 3 summarises the results from the influence of within-country changes in social cash transfers on the poverty rate of families with children, by family type and employment status. It uses measures of social cash transfer payment rates, covering social assistance, child supplements, and housing benefits, all measured as the average payment rate as a percent of the average wage. In all cases, estimates are conditional on the pre-transfer family poverty rate to account for all other possible time-varying determinants of family poverty.

220. Overall, there are relatively strong associations between changes in social cash transfer payment rates and the post-transfer family poverty rate. For all families an increase in payment rates of social assistance and in the potential child supplements are associated with decreases in the family poverty rate, and there is also a negative association between housing cash transfer payment rates and post-transfer poverty risk for jobless families. Taken together a one-percent increase in each payment rate of social transfers decreases the family poverty rate by more than half a percent.

221. There is a distinction between which types of benefits are more important to two parent or one-parent families. For two-parent families both increases in social assistance and child supplement payment rates are associated with a significant reduction in family poverty, while increases in housing benefit payment rate share a negative association with family poverty of two-parent jobless families only. This is likely because housing benefits

are most often targeted to poorer households and jobless two-parent families are usually poorer than families with at least one working parent.

222. Similarly, an increase in the housing benefits payment rate is associated with a reduction in the family poverty rate of one-parent families that is larger than for two-parent families, likely because single-parent families are usually poorer and for this reason receive a higher amount of benefit. By contrast, neither housing nor social assistance transfer payment rates seem to significantly contribute to reduce the poverty rate of jobless single-parent families. This is most likely due to single-parent jobless families starting off at a lower income, before benefits, than other families, in which case the benefits that single-parents receive are not large enough to move them above the poverty line – whereas two-parent families have incomes, before benefits, that are closer to the poverty line, meaning that benefits are large enough to move them above the poverty line. This could suggest that countries may need increase their payment rates towards single jobless parents or better target this group, for there to be a large effect on their poverty rates.

Table D 3. Effects of within-country changes in the payment rates of social cash transfers on relative family poverty

					Jobless families		
	All families	Two-parent families	Two-parent one-earner families	One-parent families	All families	Two-parent family	One-parent family
Social assistance payment rate (% of AW)	-0.005* (0.002)	-0.006** (0.002)	-0.004 (0.004)	-0.002 (0.002)	-0.007* (0.003)	-0.008* (-0.004)	-0.001 (0.002)
Child supplement payment rate (% of AW)	-0.047*** (0.009)	-0.0452*** (0.008)	-0.0317*** (0.010)	-0.0325** (0.012)	-0.0420*** (0.011)	-0.0508*** (0.009)	-0.0308* (0.016)
Housing benefit payment rate (% of AW)	-0.00031 (0.002)	0.000471 (0.002)	0.00153 (0.003)	-0.00368** (0.001)	-0.00694** (0.002)	-0.00793** (0.003)	-0.00205 (0.002)
Observations	254	256	267	258	257	259	258
Number of countries	27	27	28	27	27	27	27

Note: A positive/negative sign indicates a positive/negative association with within-country changes in the poverty rates of families with children, as estimates from a fixed effect model with Driscoll-Kray standard errors.
*** statistically significant at 1%, ** at 5%, * at 10%. 27 Countries included are Australia, Austria, Belgium, Canada, Czech Republic, Denmark, Estonia, Finland, France, Germany, Ireland, Iceland, Israel, Italyn Japan, Luxembourg, Netherlands, Norway, New Zealand, Poland, Portugal, Slovak Republic, Slovenia, Spain, Sweden, the United Kingdom, the United States, and Korea for column 2.

Annex .E. Methodology for the decomposition analysis of changes in children's income

223. The empirical analysis looks at factors explaining changes in children's family income within country across time from 2007 to 2014. It involves an analytical decomposition of the "contribution" of key socio-economic characteristics such as family structures, housing and migration status, parents' education and parental labour market situations. It also looks at changes in families' income which are not explained by changes in family and work characteristics but may be due to changes in the association between these characteristics and the place of children in the income distribution. These latter changes may reflect the evolution of the institutional contexts where children live and grow up. In other words, the decomposition helps to measure the portion of changes in family income due to changes in the characteristics of the child population and those due to changes in the association between these characteristics and the income level.

224. The decomposition is carried out for market incomes before taxes and transfers (they correspond to labour income in their vast majority, capital income being generally low for poor households), and for disposable income after social transfers. By comparing the changes in income before and after taxes and transfers, one can infer what role transfers have played in responding to changes in labour income and how this role has varied across the income distribution. Market and disposable income distributions are considered separately, so that children in the 25th percentile of the market income distribution are not exactly the same as those in the 25th percentile based on disposable income. The decomposition is carried out for different quantiles of the income distribution, so that the factors influencing the evolution of family income can be compared across the income distribution.

225. Recentered Influence Function (RIF)-regressions are used to decompose the role of differences in family characteristics and other labour market covariates on the evolution of income. The approach is similar to an Oaxaca-Blinder decomposition, but the decomposition here concerns distributional measures rather than focusing on means (Firpo, Fortin and Lemieux, 2009, see Box 9 for more technical details). These regressions are applied here to model the income distribution below the poverty line, i.e. up to the 25th first quantile of equivalised income of households with children, and above the poverty line for the 50th and the 75th percentiles.

226. For each country, changes in income are decomposed in two broad components to disentangle the contribution of changes in children's family characteristics and the "unexplained" part of the variation in child poverty that is not due to the identified changes in population characteristics. This decomposition, in practice, is formulated from the viewpoint of mid 2000s families and obtained by estimating the following equation:

$$Z_{gi} = \alpha_{g0} + \sum_{k=1}^{K} X_{ik}\beta_{gk} + \varepsilon_{gi} \qquad (1)$$

where g is an indicator of time, and X_{ik} is a vector of control variables, including family demographics (age of parents, number of children, age of youngest child, education attainment of parents, household type, marital status and immigration status of parents, housing ownership), labour market statuses of parents, the intensity of work of parents (number of hours worked) the quality of jobs (occupation and industry for countries where this information is available). Z_{gi} is a recentered influence function on the quantile of interest of the distribution of disposable equivalised income. Following the standard Oaxaca-Blinder decomposition, the estimated gap over time $\hat{\Delta}_0^{\mu} = \bar{Z}_t - \bar{\bar{Z}}_{t-n}$ can be decomposed as:

$$\hat{\Delta}_0^{\mu} = \hat{\Delta}_S^{\mu} + \hat{\Delta}_X^{\mu} = [\sum_{k=1}^{K}(\bar{X}_{tk} - \bar{X}_{t-nk})\hat{\beta}_{tk}] + [(\hat{\alpha}_{t0} - \hat{\alpha}_{t-n0}) + \sum_{k=1}^{K}\bar{X}_{tk}(\hat{\beta}_{tk} - \hat{\beta}_{t-nk})] \qquad (2)$$

where the first term of equation 1 predict income quantiles that would apply if, for instance, children were "transported" into families with mid-2000s characteristics , but retained the 2014 returns to those characteristics. The group differences in the predictors are weighted by the coefficients of families' characteristics in 2014 to determine the endowments effect, the so called explained component. In other words, this latter measures the expected change in 2014 income quantiles, if those families had mid-2000s predictor levels.

227. By contrast, the second term estimates the portion of the evolution of income that is due to changes in the association between poverty and household characteristics applied to 2014 predictor levels; and it measures the income difference resulting from variations in the "returns" that family and work characteristics from one period to the other, differences which are mainly due to changes in the distribution of market income and in the structure of social transfers.

228. In all, this decomposition helps explain the factors which influence in the standard of living children in relative poverty (or in other words which influence the 'anchored' child poverty rate). An increase in the predicted income quantiles ($\hat{\Delta}_0^{\mu}$ >0) (respectively a decrease, with ($\hat{\Delta}_0^{\mu}$ <0)) reflects a gain (resp. a decrease) in income at a given level of the income distribution, which can be interpreted either as a rise (resp. a decrease) in the standard of living or a decrease (resp. an increase) in anchored poverty.

229. Household (equivalised) income will increase or decrease, depending on the less/more favourable present family characteristics (as captured in the first term of equation 2) and on the evolution of the association between these characteristics and the position of children in household distribution. This second term of the equation will be positive if the "returns" to household characteristics improved as a consequence of better returns in the labour or capital market, or due to structural changes in transfers that overall make children better-off. It will be negative if the change in the effect of households' characteristics is such that for children with same characteristics and same position in the income distribution, their income decreased.

Box 9. Decomposing changes (or differences) with Recentered Influence Function regressions

Decomposition analysis has become popular in labour economics especially with Oaxaca-Blinder decomposition of the gap that exists between the mean wage or income values of two population groups. The decomposition postulates linear relations between the outcome and its observable determinants, so that with conditional independent errors, the estimated gap can be decomposed in two parts: i) a so called explained component, which captures the role of differences in characteristics in explaining the gap in the means; ii) and the unexplained part that is reflected in the differences in the regression coefficients obtained for the two groups of workers, and which relates to variations in how population' characteristics are rewarded or to the varying "income distribution" applying to different population groups.

The decomposition holds here because the coefficients (β) of the regression (Y= βX) can be interpreted as the effect of the characteristic X on the conditional mean [E (Y |X) = Xβ]; or the β can be interpreted as the effect of the change in the mean value of X on the unconditional mean value of Y. In other words, the law of iterated expectations applies here, that is, E(Y) is simply a weighted average of averages, i.e. of the the E(Y|X = Cj), where the weight pj is the probability that X takes on the value of Cj.

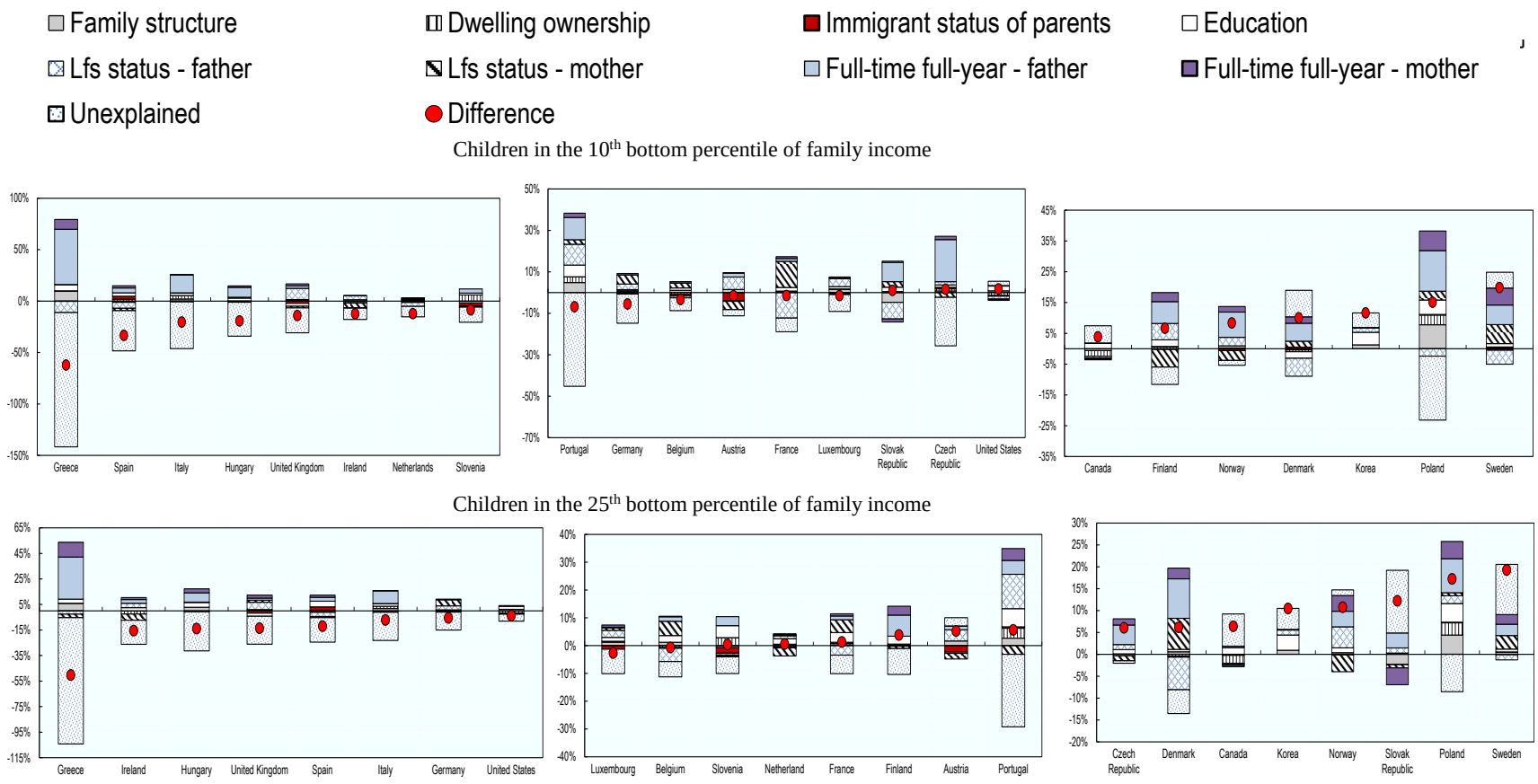
This latter property does not hold, however, when applying decomposition methods to distributional measures, such as quantile regressions, which enables to examine the difference in each percentile of the distribution of income (Fortin, Lemieux and Firpo, 2011[95])). Regression coefficients then reflect the effect of characteristics on the conditional quantile but cannot be read as the unconditional effects, in which case the interpretation is limited (unless one estimates quantiles regressions for all quantiles). It turns out then that one needs to know the entire conditional distribution of the outcome Y in each group g given X to compute the group-specific quantiles.

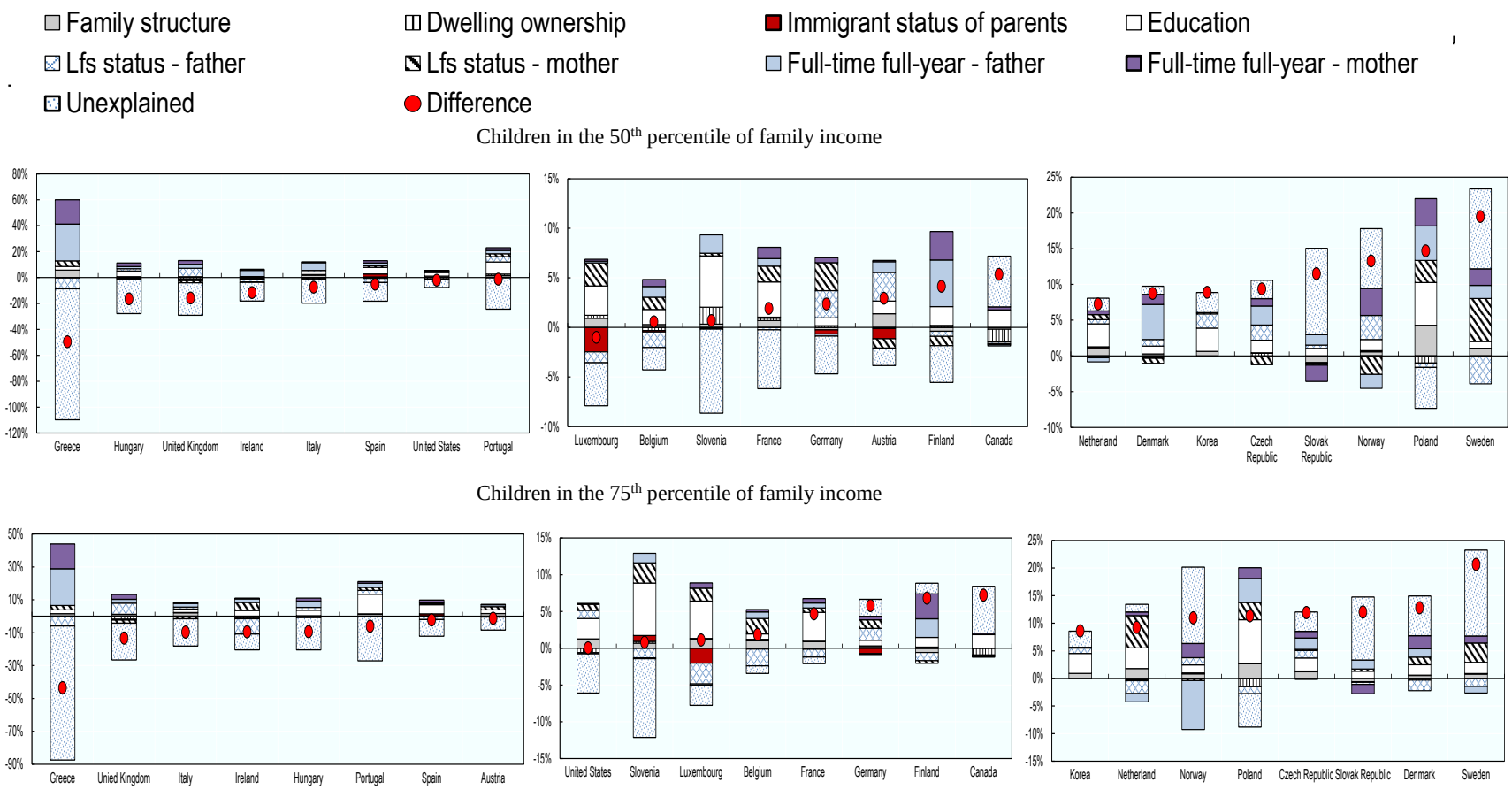
Estimating an entire conditional distribution function for each value of (Yg/X) is a difficult problem, however. One way to overcome this issue is to construct counterfactual distributions that integrate the conditional distribution of Y in a certain group given X over the distribution of X in the other group. Different approaches exist to estimate such counterfactual distributions but the simplest is to replace the distribution of population characteristics of a certain group by the distribution of X in the other group. This requires computing a reweighting factor which can be estimated using a simple logit or probit model for the probability of belonging to this latter group.

The decomposition for distributional measures then can be obtained by estimating counterfactual proportions with a linear model (or probit/logit model) for being below a given level of the dependent variable through counterfactual cumulative distributions which then can be inverted back to quantiles (Firpo, Fortin and Lemieux, 2009[96]); (Fortin, Lemieux and Firpo, 2011[95]). The inverting function is then defined as Recentered Influence Function (RIF) for which the law of Iterated Expectations holds so that a full Oaxaca-Blinder decomposition of the RIF for the quantile of interest can be performed.

Annex .F. Contribution of changes in family and work characteristics to the living standard of low-income families – additional results

Figure F 1. Change in family disposable income and its determinants between 2007 and 2014, children in two-parent families



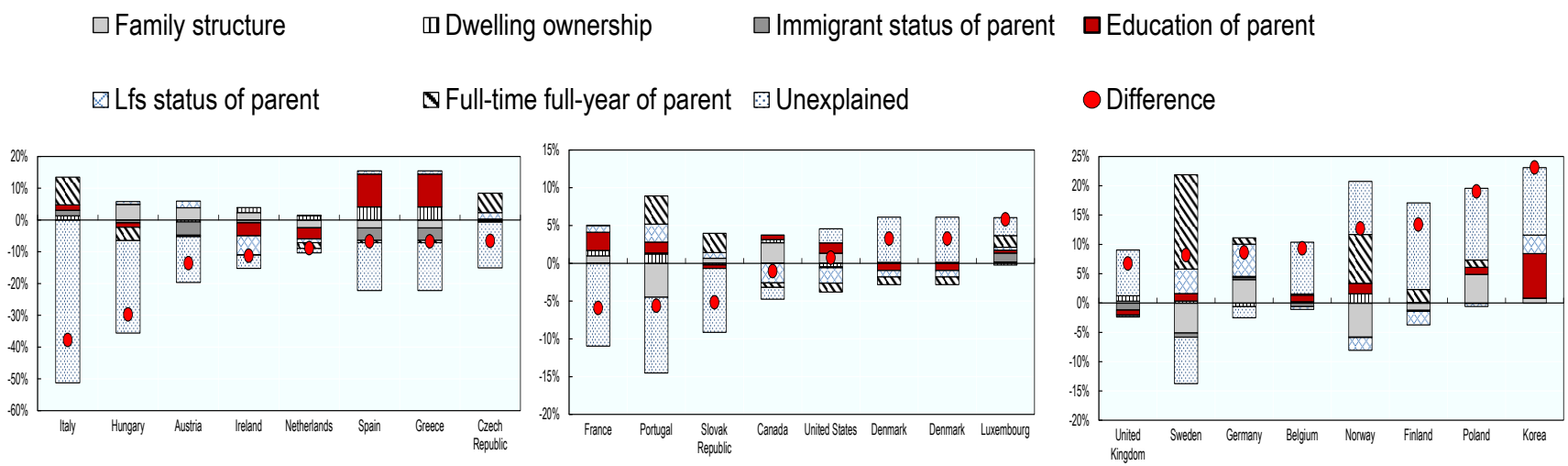


Note: The red markers show the total percentage change in the household income quantiles from 2007 to 2014 at different levels of the income distribution. This 'net' evolution is then decomposed in contributions of changes in family and work characteristics, plus the 'unexplained', which all can be positive if the change was associated with a relative increase in income, and negative if associated with a decrease in income, all other characteristics remaining the same.

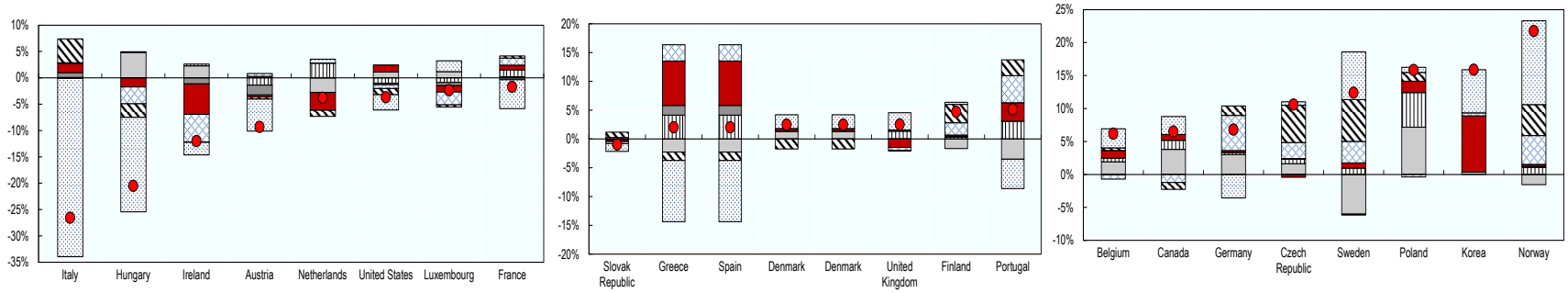
Source: Source: 2014 Canadian Income Survey; EU Survey on Income and Living Conditions for European countries; Luxembourg Income Survey for Germany and Korea.

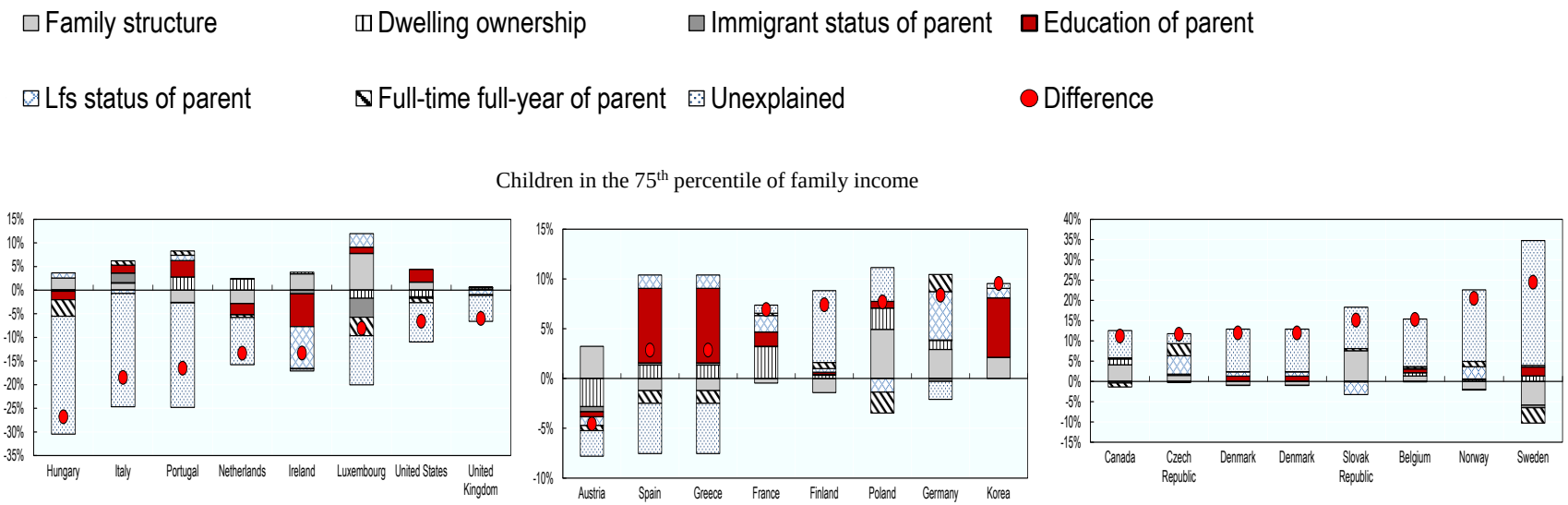
Figure F 2. Change in family disposable income and its determinants between 2007 and 2014, children in single-parent families

Children in the 25th percentile of family income



Children in the 50th percentile of family income





Note: The red markers show the total percentage change in the household income quantiles from 2007 to 2014 at different levels of the income distribution. This 'net' evolution is then decomposed in contributions of changes in family and work characteristics, plus the 'unexplained', which all can be positive if the change was associated with a relative increase in income, and negative if associated with a decrease in income, all other characteristics remaining the same.

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