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*Jonathan Bradshaw & Yekaterina Chzhen*

## Child poverty policies across Europe

### Politiken europäischer Staaten gegen Kinderarmut

#### **Abstract:**

This article is in two parts. In the first part, we present the results of a comparative analysis of the *European Union Statistics on Income and Living Conditions (SILC)* to explore child poverty. Countries' child poverty rates are compared using the conventional income definition and deprivation and economic strain. The extent of overlap in these different measures is explored. Variations in child poverty rates by employment, child age, number of children, education level of the parents and family type are explored. Then logistic regression is used to explore how countries' child poverty varies having taken account of these characteristics.

In the second part we explore how policy affects child poverty, presenting child poverty rates before and after transfers; analysis of spending and its relationship to child poverty; and the analysis of child benefit packages using model family methods. Child poverty is increasing in most EU countries. The article argues that the data available on what policies work is not really good enough. The OECD *Benefits and Wages* series is too limited and the EU should invest in a framework that collects data on how tax and benefit policies are working to combat child poverty across the EU.

#### **Zusammenfassung:**

Im ersten der zwei Teile dieses Aufsatzes stellen wir die Ergebnisse einer vergleichenden Analyse der *European Union Statistics on Income and Living Conditions (SILC)* vor, um die Kinderarmut unter die Lupe zu nehmen. Die Kinderarmutsraten in den einzelnen Ländern werden mithilfe von einer konventionellen Einkommensdefinition, Mangelerscheinungen und wirtschaftlichen Zwängen miteinander verglichen. Dabei wird das Ausmaß der Überschneidungen der einzelnen Messungen und Variationen in der Kinderarmut aufgrund der Beschäftigungsverhältnisse, des Alters der Kinder, der Kinderzahl, des Bildungsniveaus der Eltern und des Familientyps untersucht. Danach kommt die logistische Regression zum Einsatz, um zu untersuchen, inwieweit die Kinderarmut in den jeweiligen Ländern variiert, wenn man all diese Ausprägungen berücksichtigt.

Im zweiten Teil untersuchen wir, welchen Einfluss familienpolitische Maßnahmen auf die Kinderarmut haben, indem wir Kinderarmutsraten vor und nach der Einbeziehung von Transferleistungen vorstellen, die Staatsausgaben und ihr Verhältnis zur Kinderarmut und – mithilfe von Methoden der Modellierung von Familien – Kinderunterstützungspakete analysieren. Die Kinderarmut nimmt in den meisten EU-Ländern zu. Im Beitrag wird dann argumentiert, dass die Daten darüber, welchen familienpolitischen Maßnahmen funktionieren, nicht wirklich gut genug sind. Die *Benefits and Wages*-Zeitreihen der OECD sind Beschränkungen unterworfen – die EU sollte in ein Rahmenprogramm investieren, in dem Daten darüber gesammelt werden, wie steuer- und leistungsbezogene familienpolitische Maßnahmen

dazu beitragen, die in den Ländern der EU zu bekämpfen.

**Key words:** child poverty, tax and benefit policy, EU comparisons

**Schlagwörter:** Kinderarmut, steuer- und leistungsbezogene familienpolitische Maßnahmen, Vergleiche innerhalb der EU

## Introduction

Until the Lisbon Summit in 2000, the child and the family were relatively absent from the European Union. The social inclusion strategy and the Open Method of Coordination allowed children to come in. Now tackling child poverty is high on the European Union's political agenda. It was a priority in the March 2006 European Council, a focus of many of the National Reports on Social Protection and Social Inclusion 2006-2008, the main work of the EU experts on the National Action Plans in 2007, and the subject of a report by the European Commission in 2008 (European Commission 2008), which reflected much work by the Indicators Sub-Committee of the Social Protection Committee. The Commission has recently commissioned a new study on child poverty and child well-being (based at TÁRKI Social Research Institute in Hungary).

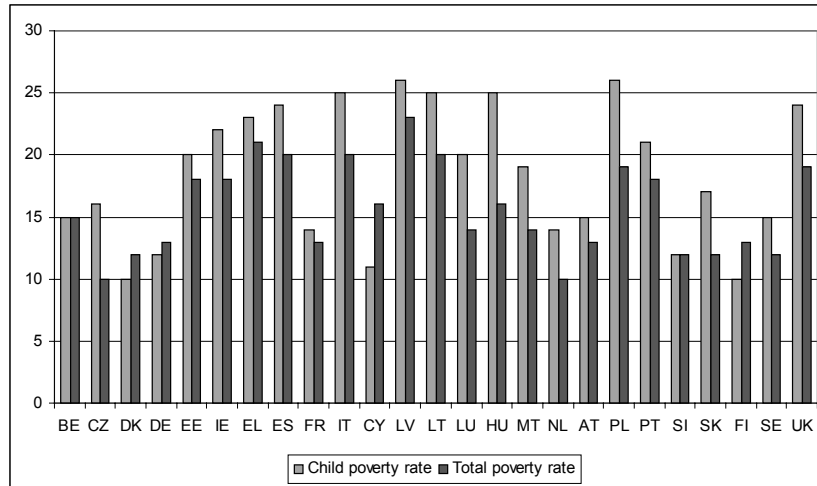
One objective of that new study is to discover what works. That is also a preoccupation of this article. It starts with a descriptive analysis of the household characteristics of poor children in Europe, because, in order to understand the challenge facing social policies, we need to understand what the underlying problem is. But the main purpose of the article is to make an assessment of the policies that exist to mitigate child poverty.

## What we know about child poverty in Europe

The EU Statistics on Income and Living Conditions (SILC) is a very good resource for comparative analysis of child poverty. At the moment we only have SILC data for most countries in the EU for 2005 and 2006. The European Household Panel Survey which preceded it is not comparable. But the OECD published a report in 2008 (OECD 2008a) which showed that child poverty increased between the mid 1990s and in the mid 2000s in most countries – the only exceptions in Europe were Belgium, Hungary, Italy and the UK. SILC will eventually provide a picture of change in child poverty over time and, because it is a quasi cohort study with a four year panel element, it will be possible to use it to explore the persistence of poverty comparatively.

In most European countries (see Figure 1) the child poverty rate is higher than the overall poverty rate (the only exceptions in 2006 were Denmark, Germany, Cyprus and Finland). In a number of countries the child (children age under 17) poverty rate is higher than the pensioner poverty rate including Czech Republic, Italy, Latvia, Luxembourg, Hungary, Netherlands Poland, Slovakia and Sweden.

Figure 1: Child poverty rate and total poverty rate. % living in households with income less than 60 per cent of the equivalent median

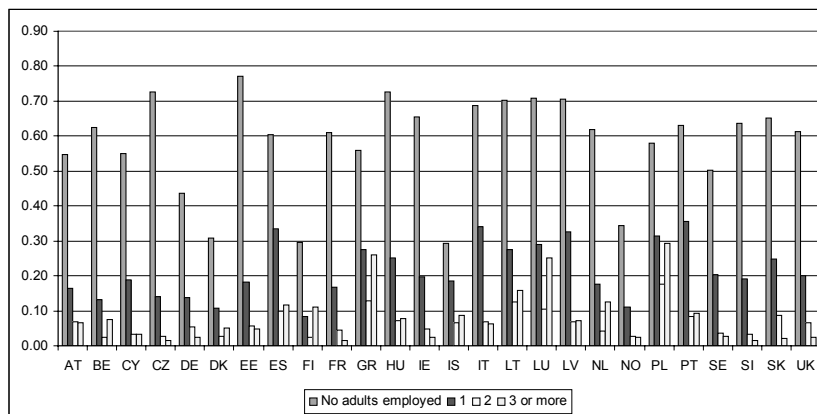


Source: Own analysis of SILC data for 2006.

So even before the recession, child poverty in most European countries was getting worse and, if we consider generational equity is a test of the UN Charter on the Right of a Child not to live in poverty, then there are many countries in Europe that need to look to their laurels.

A key determinant of whether a child lives in poverty is the employment status of the parent(s). In all countries poverty rates are much higher when no parent is employed (see Figure 2).

Figure 2: Child poverty rates by the number of workers

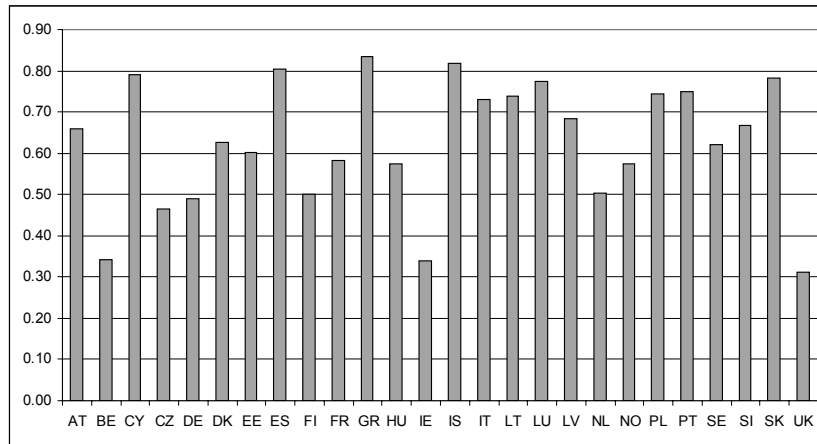


Source: Own analysis of SILC data of 2006.

However, it is also the case that having one parent in employment is not enough to lift many families above the income poverty threshold – either earnings are too low or the child benefit package is not a big enough supplement. Figure 3 gives the proportion of

children in poverty that have a parent in full-time work in the European countries. In some countries over 80 per cent of children in poverty have a parent in full-time employment, though in Ireland Belgium and the UK it only about 30 per cent.

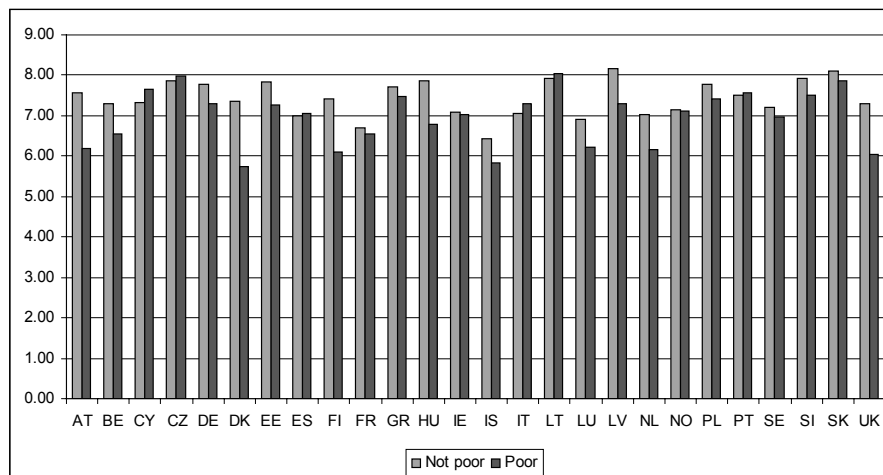
Figure 3: Proportion of children in poverty who have a parent in full-time employment



Source: Own analysis of SILC data of 2006.

Figure 4 shows that generally the age of the child is lower in families in poverty. Exceptions to this are Cyprus, the Czech Republic, Spain, Italy, Latvia and Portugal. This is probably associated with labour supply. Working is more difficult for mothers with a young child. In this regard, family size may also play a role, since large families tend to have younger children.

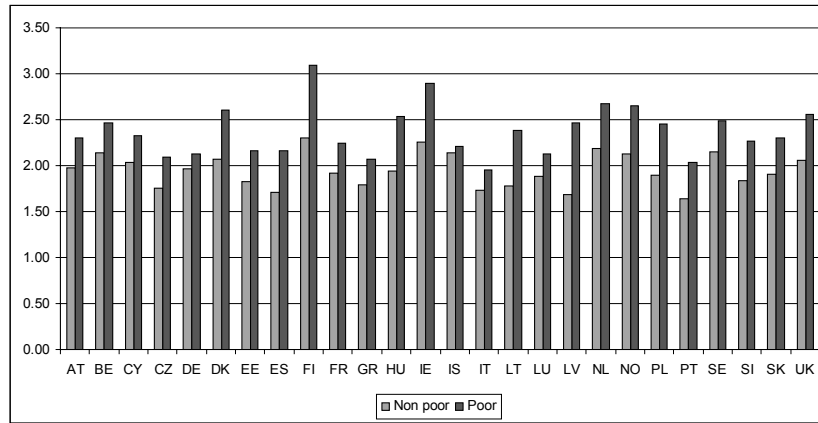
Figure 4: Average age child by poverty



Source: Own analysis of SILC data of 2006.

Figure 5 shows that in all countries the average number of children is higher in poor families. The risks of a child being poor are higher if it is born third or more in a family. However, the majority of families with poor children still only have one or two children (Bradshaw/Finch/Mayhew/Ritakallio/Skinner 2006).

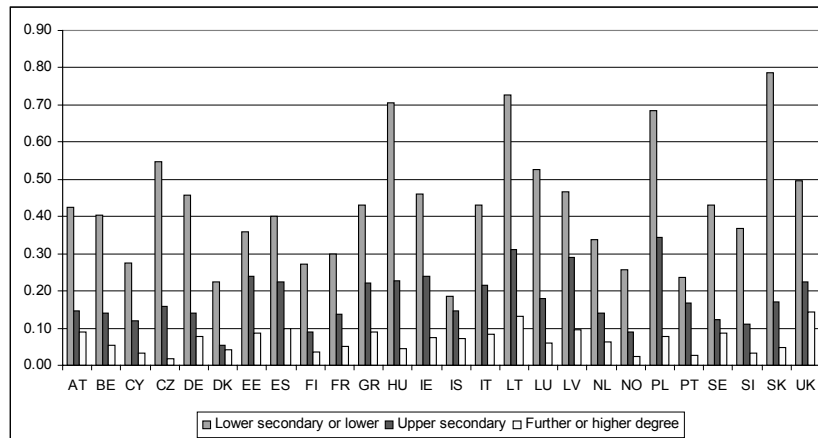
Figure 5: Average number of children by poverty



Source: Own analysis of SILC data of 2006.

Educational level is also an important determinant of child poverty. Figure 6 shows the child poverty rate by the mother's educational level and it can be seen that it is in every country considerably higher if the mother has education at lower secondary education level or lower.

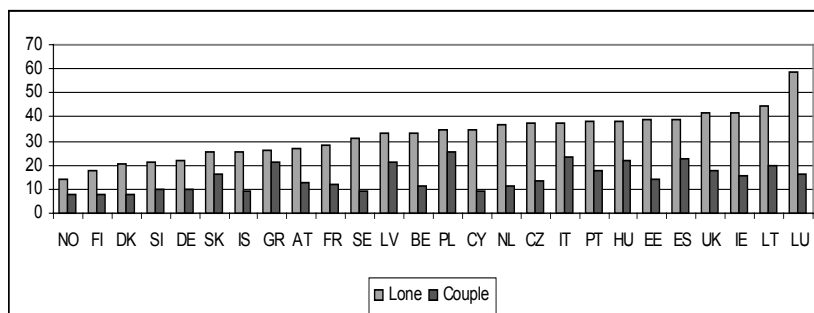
Figure 6: Child poverty rate by educational level of the mother



Source: Own analysis of SILC data of 2006.

Figure 7 compares the child poverty rates in lone parent<sup>1</sup> and couple families. In all countries the relative risk of a child being poor is higher in lone parent families – it is 3.7 times higher in Cyprus and Luxembourg, and 3.5 times higher in Sweden. This compares with much smaller differences in Greece (1.3) and Poland (1.35).

Figure 7: Child poverty rates for lone parents and couples



Source: Own analysis of SILC data of 2006.

All the analysis so far has been based on bivariate comparisons. However, the characteristics overlap and so Table 1 shows the odds of a child being poor when all the characteristics are taken into account together. In each element of the table the impact of a characteristic is compared with a base case set at 1.00. So the odds of a child being poor if there is one worker in the family is only 23 per cent of what it is when there are no workers, having controlled for the other characteristics. The odds of a child being poor are lower the better educated the mother, and higher the more siblings there are, and the younger the youngest child, having controlled for the other factors. The family type is not included because it would interact with the number of workers.

In the regression the country has been controlled for, with the UK as the base case. The results show that having controlled for the characteristics of the family the odds of a child being poor are higher than the UK in Spain, Greece, Italy, Latvia, Lithuania, Luxembourg and Poland. A number of the other countries including Austria are not significantly different from the UK, having taken into account the family characteristics. These country coefficients are interesting because they are an indication of the impact of policy. Some countries are doing much better than others in their child poverty rates, with the same family characteristics and parental employment. So if it is not family characteristics and parental employment that is generating the variation in child poverty it must be differences in something else at a national level. That “something” could be policy.

1 Using combined measure of single unit and multiple unit lone parent households

Table 1: Logistic odds of a child being poor

	Odds Ratio	P>z	Sig
<b>Number of employed adults (ref: none)</b>			
1 adult	0.23	0	***
2 adults	0.07	0	***
3 or more adults	0.07	0	***
<b>Highest education level (ref: lower secondary or below)</b>			
Upper secondary	0.49	0	***
Further or higher degree	0.24	0	***
<b>Number of children under 18 (ref: one)</b>			
2	1.25	0	***
3	1.96	0	***
4 or more	3.30	0	***
<b>Age of the youngest child</b>	1.01	0.002	**
<b>Country (ref: UK)</b>			
AT	0.84	0.123	
BE	0.58	0	***
CY	0.64	0.001	**
CZ	0.72	0.002	**
DE	0.71	0.001	**
DK	0.33	0	***
EE	1.12	0.277	
ES	1.48	0	***
FI	0.33	0	***
FR	0.72	0.001	**
GR	1.54	0	***
HU	1.16	0.131	
IE	0.81	0.092	
IS	0.71	0.03	*
IT	1.39	0	***
LT	2.12	0	***
LU	1.49	0.002	**
LV	1.61	0	***
NL	0.70	0.005	**
NO	0.36	0	***
PL	1.98	0	***
PT	0.97	0.805	
SE	0.77	0.027	*
SI	0.69	0.001	**
SK	1.14	0.24	

Significant at \* p<0.05, \*\* p<0.01, \*\*\* p<0.001

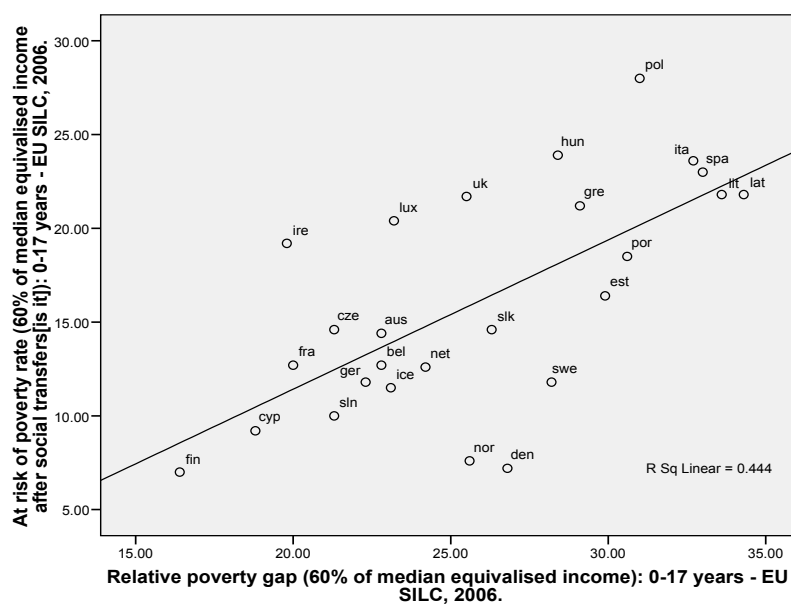
Source: Own analysis of the SILC data of 2006.

All the analysis so far has used the conventional income poverty measure. Figure 8 shows the relationship between the child poverty rates (the percentage of children living below the poverty threshold) and the poverty gaps (how far on average they are below the poverty threshold). There is only a weak relationship between the two indicators. Countries like Norway and Denmark have low rates and large gaps and countries like Ireland and Luxembourg have high rates but low gaps. Clearly there is a trade-off for policy here.



Countries can use the same resources to either tackle rates or gaps. It is arguable whether a country is doing better with a few children a long way below the poverty threshold, or many children a little way below the poverty threshold. Child poverty analysis needs to take account of both rates and gaps and, indeed, also the persistence of poverty over time. The latter will only be possible as SILC ages over time.

Figure 8: Child poverty rate by child poverty gaps



Source: Own analysis of SILC data of 2006.

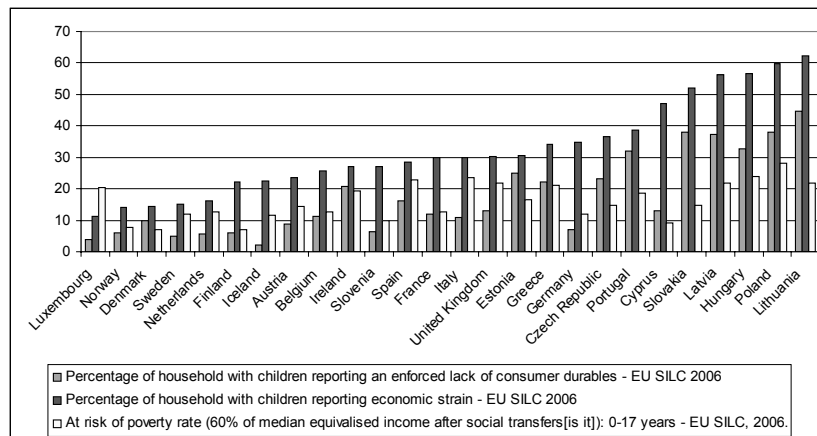
Some (Heikkila/Moisio/Ritakallio/Bradshaw/Kuivalainen/Hellsten/Kajoja 2006) have been critical of the reliance on income poverty measures in the EU – the use of the modified OECD equivalence scale which has no basis in science (which even the OECD no longer uses), and particularly the relative poverty threshold, which is not only arbitrary, but also represents very different levels of living in different countries. For example the 60 per cent of median poverty threshold in 2006 was 1738 Euros per year in Romania and 27,397 Euros per year in Luxembourg. Using these thresholds like is hardly being compared with like. However, both the OECD and EU have begun to recognise these problems. New (and overdue) research is just about to be commissioned by the EU which may result in the development of a more absolute indicator of child poverty, possibly based on a common basket of goods and services or minimum income standards.

In addition, the EU has begun to publish data on enforced lack of durables (deprivation)<sup>2</sup> and economic strain<sup>3</sup> alongside the income poverty rate. In its 2008 report (Euro-

2 An enforced lack of consumer durables refers to people who cannot afford to have a washing machine, colour TV, telephone a personal computer or a personal car (a similar indicator is used by European

pean Commission 2008) it published child poverty rates for 2005 using each of these indicators side by side. Figure 9 replicates that analysis for 2006 and it shows that countries vary considerably according to which indicator is used. The richer countries (in terms of GDP) have lower deprivation rates than income poverty rates and the poorer countries have higher deprivation and economic strain than income poverty.

Figure 9: Child poverty rates in EU 29 (deprivation, economic strain and relative income poverty) 2006. Ranked by economic strain



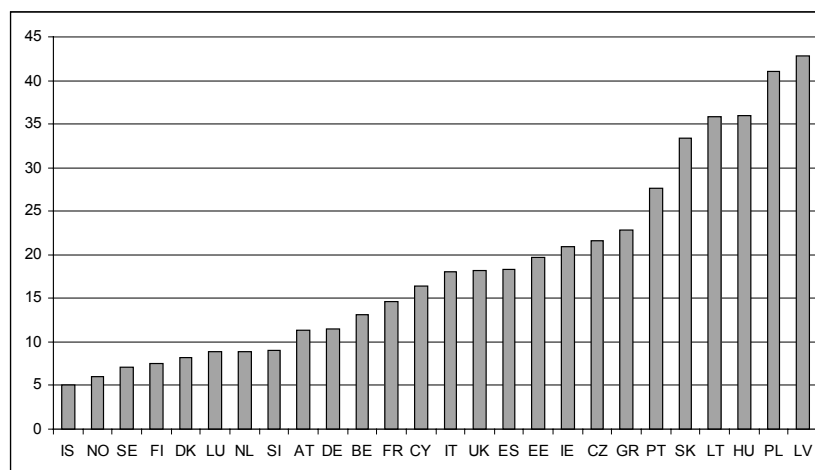
Source: Own analysis of SILC data of 2006.

We have argued that analysis should go one stage further than merely putting countries side by side on these measures and produce an “overlaps analysis” (Bradshaw/Finch 2003). A much more reliable picture of real poverty is produced if children are living in families with a relatively low income *and* deprived *and* under economic strain. Indeed, it is approaching a more absolute measure. The league table in Figure 10 ranks countries by the proportion of children living in families who are poor by two or more of these indicators and seems to resonate more with a common understanding of countries’ relative living standards.

Commission, 2008 : 51 – we include a personal computer). The indicator is one or more of these items missing. Households with children are households with any number of residents aged 0-17.

- 3 Economic strain refers to households who could not afford to: face unexpected expenses, one week’s annual holiday away from home, to pay for arrears (mortgage or rent, utility bills or hire purchase instalments), a meal with meat or chicken, fish every second day, to keep their home adequately warm (European Commission, 2008: 51). The indicator is missing two or more of these items. Households with children are households with any number of residents aged 0-17.

Figure 10: Proportion of children living in families with two of a relatively low income, deprived or under economic strain



Source: Own analysis of SILC data of 2006.

Table 2 repeats the multivariate analysis of the logistic odds of a child being poor but this time using the lack of two or more dimensions of poverty as the threshold. This time, we include family type instead of employment as an independent variable. The odds are much higher in lone parent families and lower in the better educated, small families and families with older children. Having controlled for these characteristics, compared with the UK poverty is higher in Cyprus, the Czech Republic, Estonia, Greece, Hungary, Latvia, Poland, Lithuania and the Slovak Republic.

Table 2: Logistic odds of a child living in a family lacking two or more dimensions.

	Odds Ratio	P>z	Sig
<b>Lone parent family</b>	4.94	0	***
<b>Highest education level (ref: lower secondary or below)</b>			
Upper secondary	0.28	0	***
Further or higher degree	0.08	0	***
<b>Number of children under 18 (ref: one)</b>			
2	0.94	0.139	
3	1.41	0	***
4 or more	2.54	0	***
<b>Age of the youngest child</b>	0.96	0	***
<b>Country (ref: UK)</b>			
AT	0.73	0.011	*
BE	0.77	0.026	*
CY	1.48	0.001	**
CZ	1.75	0	***
DE	0.90	0.327	
DK	0.36	0	***

	Odds Ratio	P>z	Sig
EE	1.72	0	***
ES	1.07	0.495	
FI	0.44	0	***
FR	0.93	0.422	
GR	1.95	0	***
HU	3.31	0	***
IE	1.20	0.157	
IS	0.18	0	***
IT	1.01	0.908	
LT	6.12	0	***
LU	0.44	0	***
LV	6.28	0	***
NL	0.48	0	***
NO	0.27	0	***
PL	5.47	0	***
PT	1.09	0.428	
SE	0.38	0	***
SI	0.63	0	***
SK	3.98	0	***

Significant at \*  $p < 0.05$ , \*\*  $p < 0.01$ , \*\*\*  $p < 0.001$

Source: Own analysis of SILC data of 2006.

## What do we know about policy?

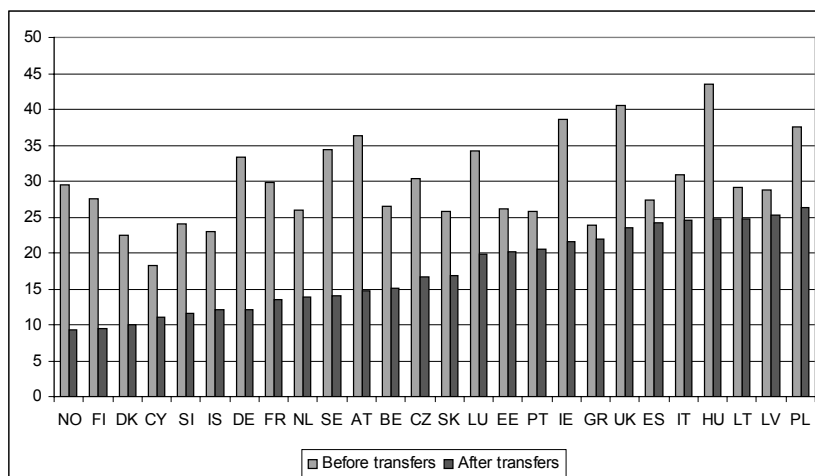
While progress has been made in describing child poverty in Europe, less progress has been made on finding out what works – on policy analysis. At present we study policy effectiveness in three main ways. By comparing poverty before and after transfers; by comparing expenditure; and by comparing benefit packages.

### Poverty before and after transfers

Comparisons of child poverty before and after transfers is possible using EU-SILC data as in Figure 11. There is big variation in the extent to which countries reduce their market driven child poverty by transfers. Pre-transfer poverty rates are higher in some Nordic countries than they are in some Southern and Eastern European countries. However Nordic countries have much lower post-transfer poverty rates, because they make much more effort.

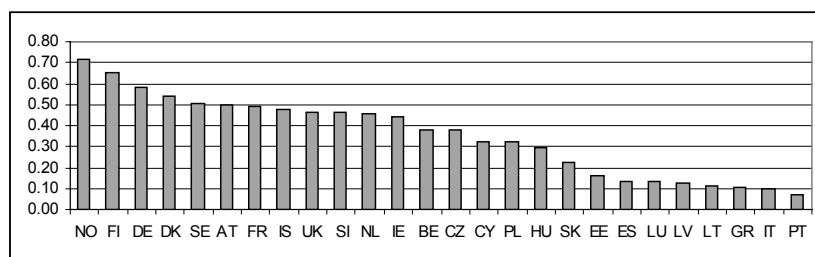
For example, Figure 12 shows the reduction in lone parent child poverty achieved by transfers. Transfers are most effective in Finland and Norway, reducing child poverty rates by 65 and 71 per cent, respectively. In contrast, transfers have very little impact in Portugal, Italy, Greece and most of the Eastern European countries.

Figure 11: Child poverty rates before and after transfers



Source: Own analysis of SILC data of 2006.

Figure 12: Effectiveness of transfers: % reduction in lone parent child poverty rates.

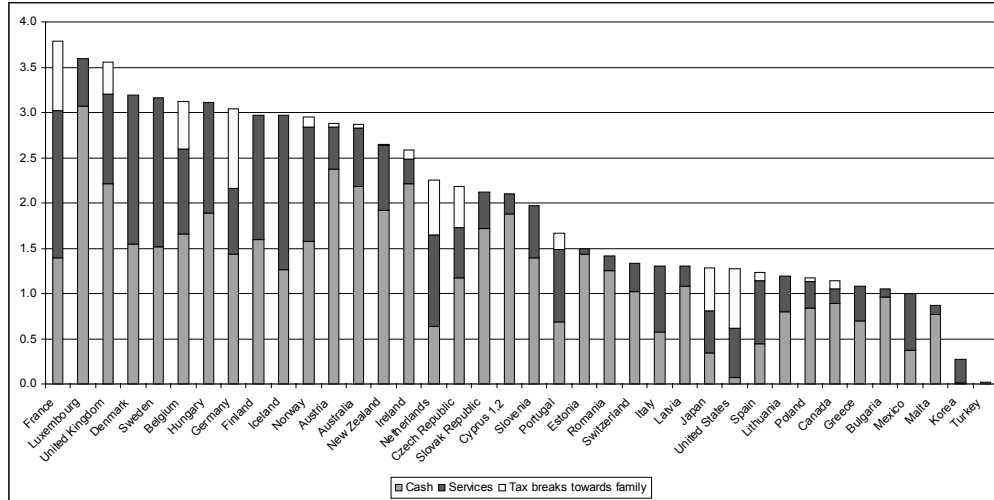


Source: Own analysis of SILC data of 2006.

### Analysis of spending

Effort can also be compared by using national accounts data. The EU publishes the ESSPROS series which includes cash and kind benefits but does not take account of tax expenditures on behalf of children, which are becoming an increasingly important part of the child benefit package in some countries. The OECD has produced an analysis of spending on families with children which does take account of tax expenditures. The most recent data for 2005 is presented in Figure 13. It can be seen that there is very substantial variation in spending on families between countries. Some European countries are perhaps not where you might expect them to be including Ireland and the Netherlands. There are also different mixes in the spending between cash, services and tax measures. In general, the Nordic countries commit a bigger share of their spending to services than other countries. Tax expenditures are an important component in France, Germany, the Netherlands, Belgium, the UK and the Czech Republic among the European countries.

Figure 13: Family spending in cash, services and tax measures, in percentage of GDP, in 2005

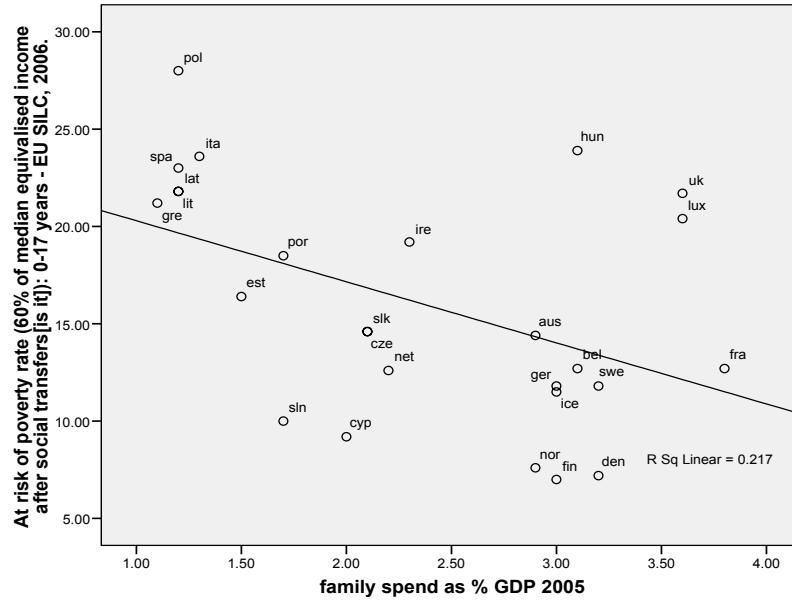


Source: OECD Family Data Base, <http://www.oecd.org/dataoecd/55/58/38968865.xls>

What is the relationship between spending and child poverty? Figure 14 shows that those countries that spend more tend to have lower income poverty rates. However there are outliers – The UK, Hungary and Luxembourg are not getting the poverty rates you would expect given the level of their spending and Slovenia and Cyprus are both doing better on child poverty than you would expect given the level of their spending. Hungary and the UK are both countries with very high pre-transfer, market-driven child poverty rates and their spending therefore has more to do. Cyprus and Slovenia have much lower pre-transfer child poverty rates.

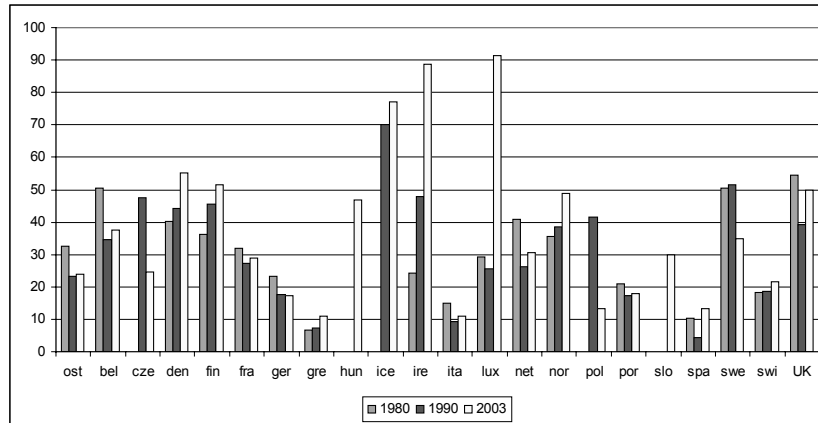
It is also possible to use OECD national accounts data to compare spending on children with spending on the elderly. Figure 15 shows spending per child as a proportion of spending per old person. There are big variations – with Italy, for example, spending 11 per cent of what it spends on each old person on each child while Ireland spends 89 per cent of what it spends on each old person on each child in 2003. The Figure also shows the change in relative spending between 1980 and 2003 and there is not much evidence here that spending has shifted in favour of old people as the populations have aged. Certainly spending on children compared with the elderly has fallen in the Czech Republic, Poland and Sweden, but in a number of countries it has increased, and in Luxembourg and Ireland quite dramatically.

Figure 14: Child income poverty rates 2006 by family spending as a proportion of GDP 2005



Source: Child poverty data from SILC (2006) and data on family spending from OECD (same source as Figure 12).

Figure 15: Spending per old person as a % of spending per child:



Source: Own analysis of OECD social expenditure data.

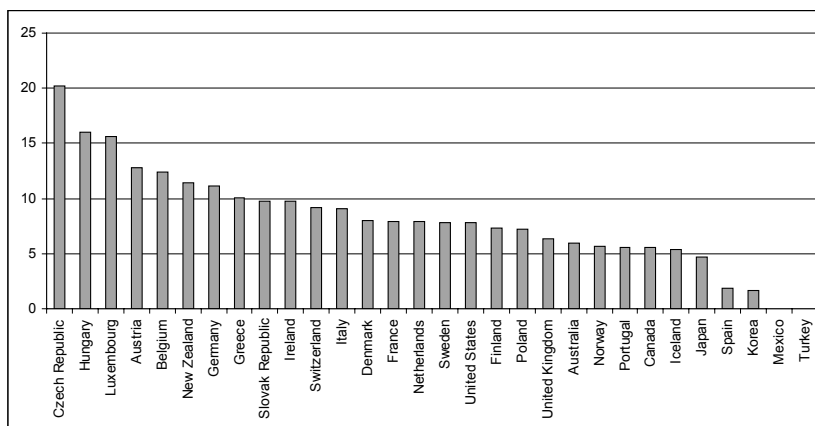
### Child benefit packages

It is possible to compare the structure and level of child benefit packages using model family methods. The OECD *Taxing Wages* series (OECD 2008b) does this, as have academic projects (Bradshaw/Finch 2002; Bradshaw 2006; Bradshaw/Mayhew 2006). Unfortunately, the EU does not support such comparisons. However, there is light at the end of the tunnel – the EUROMOD micro-simulation project is being updated and extended and in three years' time it will be possible to compare family tax/benefit packages in a great deal more detail.

The OECD has had the Taxing Wages series since at least 1972 and a report is produced annually (the latest OECD 2008b). The data on which it is based is published on line<sup>4</sup>.

At the time of writing, the most up-to-date comparisons of the child benefit package are derived from the OECD Taxing Wages series for 2007. Figure 16 compares the overall level of the package for a couple with two children with two earners (one on average earnings and the other on a third of average earnings). The vertical axis shows the percentage extra that this family gets over what a childless couple on the same earnings would get. It varies from nothing in Turkey to 20 per cent extra in the Czech Republic and 16 per cent extra in Hungary. To find these countries at the top of the league may be quite unexpected – also the fact that Sweden and France are in the middle.

Figure 16: Child benefit package Couple plus 2 (average and third average earnings) 2007. Percentage more than a childless couple on the same earnings



Source: Own analysis of OECD Taxing Wages 2007.

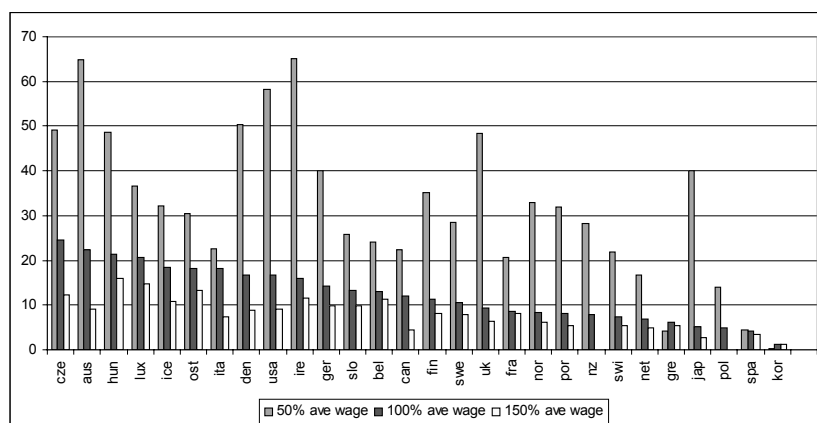
This is a standard two-earner family in 2007. However, it can be seen in Figure 17 that the rankings of countries changes considerably with the level of earnings assumed for the model family. At low earnings Ireland, Denmark, and the UK have the most generous child benefit package in 2005. All countries in Europe except Greece have progressive

4 [http://www.oecd.org/document/29/0,3343,en\\_2649\\_34637\\_39618653\\_1\\_1\\_1\\_1,00.html](http://www.oecd.org/document/29/0,3343,en_2649_34637_39618653_1_1_1_1,00.html)



child benefit packages – that is they are more generous to low paid families. But some are more progressive than others.

*Figure 17:* Child benefit package couple with two children one earner by level of earnings 2005. Ranked by average earnings: % extra over a childless couple on the same earnings

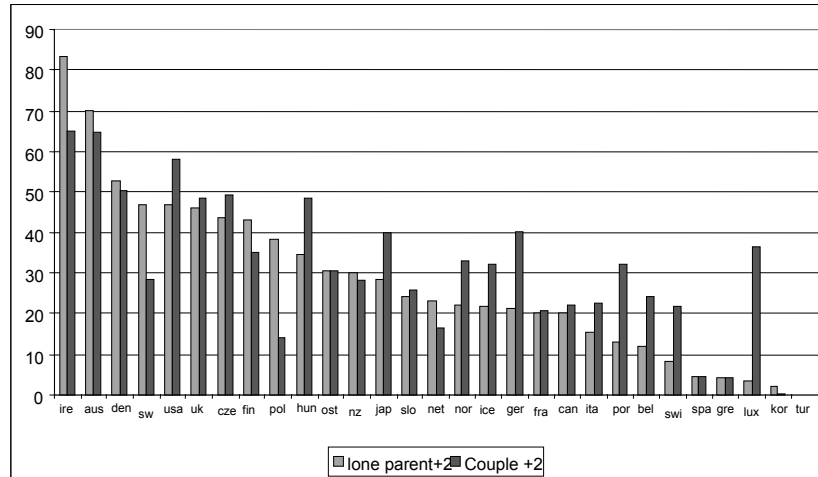


Source: Own analysis of OECD Taxing Wages 2005.

So the level of the child benefit package varies with the level of earnings. It also varies by family type. Figure 18 shows the level of the package paid to couples and lone parents with the same number of children and the same earnings. There is a very mixed picture – some countries pay a higher package to lone parents – much higher in Sweden and Poland. Other countries pay higher child benefits to couples – much higher in Luxembourg and Germany. Other countries pay the same, or roughly the same, including Denmark, the UK, Austria and France.

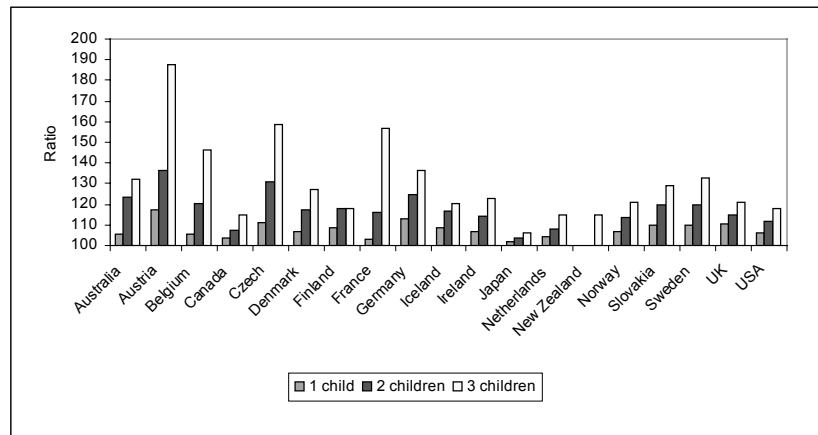
The OECD only collects data for lone parents and couples with two children, and childless couples and singles. However in the York studies, we have collected data on a wider range of families with children. This data enables us to compare how the child benefit package varies with family size. It can be seen in Figure 19, where we compare the variation in the child benefit package for a one earner couple on average earnings by family size, that in the European countries Belgium and the Czech Republic were more generous to the second and subsequent child. France and Austria were much more generous to the third child. The other countries provided more or less equal amounts per child. The UK is unique in having a higher child benefit package for the first child in the family. This reflects the priority given to poverty relief in its package – most poor families are small families, though larger families have a higher risk of poverty (Bradshaw/Finch/Mayhew/Ritakallio/Skinner 2006).

Figure 18: Child benefit package at half average earnings, lone parents and couples with two children. Percentage more than a childless couple on the same earnings. 2005



Source: Own analysis of OECD Taxing Wages 2005.

Figure 19: Child benefit package for a couple by number of children, one earner average earnings. January 2004. Childless couple =100

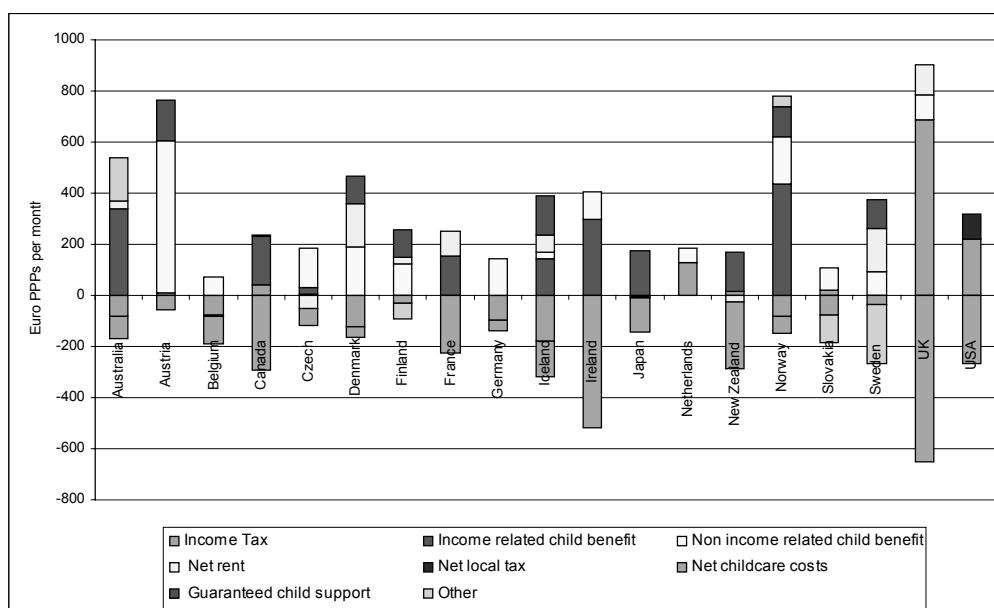


Source: Bradshaw 2006, extended to more countries.

It is also possible to use the York data to explore variations in the structure of the child benefit package between countries. Figure 20 compares the structure of the package for a low earning lone parent with one child. The bars above the line are what she would receive per month more than a childless couple on the same earnings, and the amounts below the line are what she would have to pay more than a childless couple (in childcare costs, income tax and net rent). So, for example, in the UK a lone parent would receive

Child Benefit, Child Tax Credit and Housing Benefit and together they are the most generous of any country in the comparisons. However in the UK, the lone parent would have to pay childcare costs<sup>5</sup> which effectively would wipe out most of the value of the package. Overall the figure shows the importance of direct and indirect subsidies for childcare costs in the child benefit package.

Figure 20: Structure of the child benefit package for a lone parent with one preschool aged child on half average earnings in January 2004 in Euros purchasing power parities per month

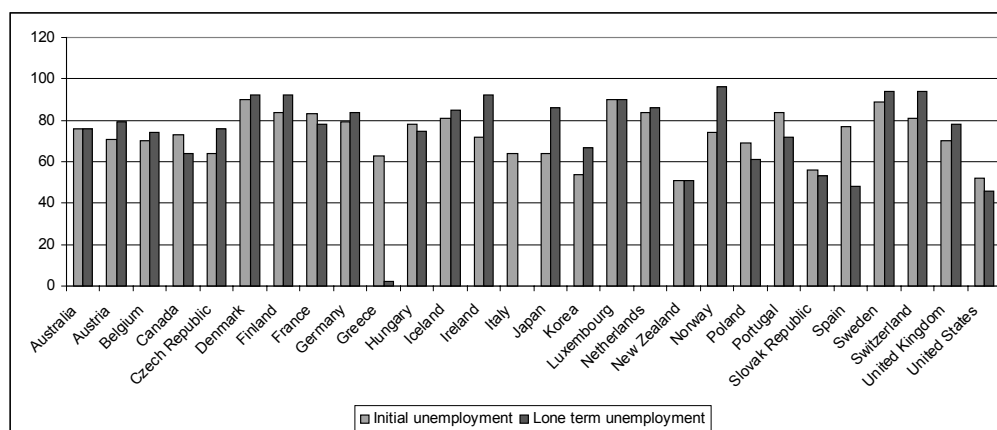


Source: Bradshaw 2006, extended to more countries.

Model family data can also be used to compare support for out-of-work families. The OECD publishes replacement rates (the proportion of net income in work that is replaced by out of work benefit income) for various stages of unemployment. Figure 21 provides comparisons of replacement rates for families with two children who have been out of work recently and for five years (no childcare taken into account) in 2006. For some countries short-term replacement rates are higher – in Europe notably Portugal and Spain. Most countries are more generous to the long-term unemployed families. Replacement rates tend to be higher in the Nordic countries than they are in most Anglophone and Southern European countries – probably because in these countries there is not so much anxiety about work incentives. Replacement rates are particularly low in the USA, and Greece and Italy do not have long-term out-of-work benefits.

5 The York model assumes childcare costs are what a parent with a child under 3 would have to pay in the most prevalent type of full-time formal childcare in the country.

Figure 21: Replacement rates for couples with two children who had been earning 67 per cent of average wage. Initial and long-term unemployment 2006.

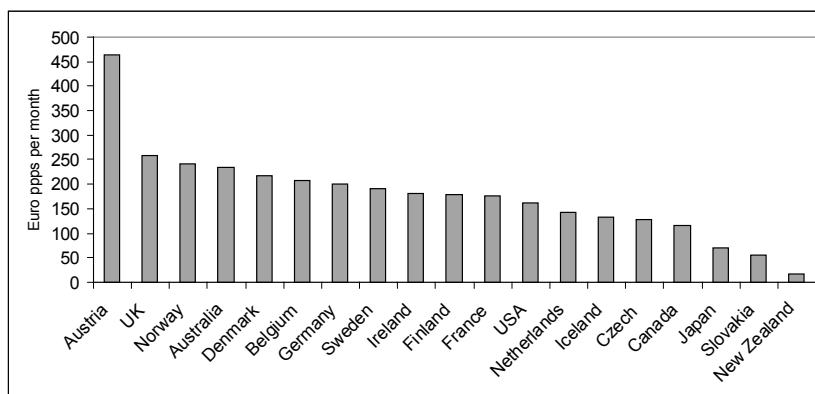


Source : OECD, <http://www.oecd.org/dataoecd/17/21/39720238.xls>

It is difficult to summarise the overall effort that welfare states are making on behalf of families with children using model family methods. The child benefit package varies by earnings, employment status, number of earners, and by family type, the number and ages of children, and whether child care, housing costs and the value of services are taken into account. In an attempt to take account of all that variation we have produced an average package for 32 different family types/earnings levels. The resulting league table is presented in figure 22 in purchasing power parity terms. Out of our nineteen countries, Austria is a clear outlier with an average package of 475 Euros per month more than a childless couple on the same earnings. It is interesting that Austria does not appear to be an outlier in the league table of spending on family benefits in Figure 13. Austria has a generous child benefit package across the board, but particularly for large families, lone parents and out-of-work families, and the package is universal – hardly varying with income. The position of the UK is quite surprising – this is a substantial improvement in the relative position from the previous York study, and reflects the impact of the improvements in the package made by the Labour Government, some time after it came to power. It is also reflected in the UK's improved position in the OECD expenditure league table in Figure 13.

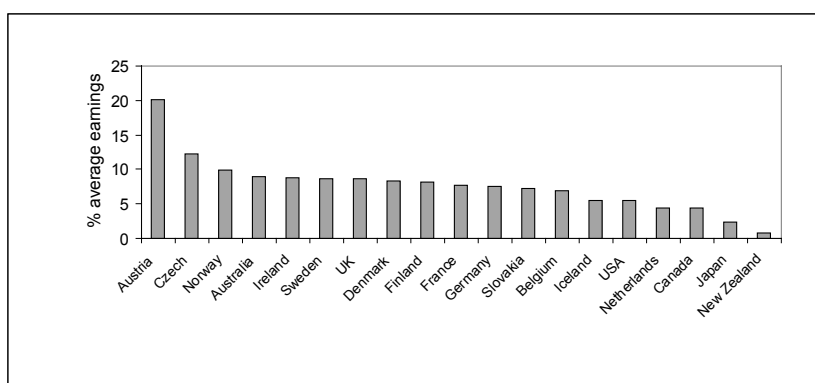
However, it makes a difference how the package is measured. In Figure 23 we present the same league table but with the average child benefit package expressed as a proportion of average earnings in each country. Austria is still an outlier at the top of the table but the Czech and Slovak Republics move up the league table using this more relative indicator.

Figure 22: Overall “average” child benefit package after taxes, benefits, childcare and housing costs (difference from childless couple) Euro purchasing power parities per month. January 2004.



Source: Bradshaw 2006, extended to more countries.

Figure 23: Overall “average” child benefit package after taxes, benefits, childcare and housing costs (difference from childless couple) Euro purchasing power parities per month. January 2004.



Source: Bradshaw 2006, extended to more countries.

## Conclusion

Child poverty has been increasing in most European countries in the last decade and we also know that in most European countries the child poverty rate is higher than the overall poverty rate.

Child poverty is not just a function of welfare state activity. It is determined by the labour market and the labour supply behaviour of parents and what they can earn in employment. That, in turn, is influenced by their educational level, their marital status, the

ages of their children, whether there are one or two parents and the number of children in the household. Of course, public policy can influence labour demand and the rewards of work. It can also enable labour supply and help to reconcile work and family life and to make work it worthwhile.

In many European countries parents cannot earn enough to lift family incomes above the poverty threshold and social policies are critical to child poverty reduction in the boosting of in-work incomes. For those families with no parents in employment they are also critical in compensating for the loss of income. So, if children have a higher risk of child poverty and child poverty is increasing, then it is a strong indication that welfare states are not investing enough in benefits and services for families with children.

At present, the existing evidence base is not really good enough. The OECD Benefits and Wages series is really rather limited given that it only models the package for two types of families – lone parents and couples with two children. The EU MISSOC series does not compare packages – only individual benefits. There has been a major investment in EUROMOD<sup>6</sup>, the micro-simulation project based at the University of Essex, and it is hoped that in three years' time it will be able to deliver better analysis of the effectiveness of transfer packages.

Meanwhile, child benefit packages are constantly changing. We need to be able to keep up-to-date with these changes and explore their consequences so that we can learn from other countries' experiences. There is a need for a new framework for assessing family policies in the EU and elsewhere, that could undertake model family studies on a regular basis.

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6 <http://www.iser.essex.ac.uk/research/euromod>

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