CHILD POVERTY AND FAMILY POLICIES IN THE OECD

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1. INTRODUCTION

In 2011/12, one in seven children in the OECD lived in income-poor conditions. For the children who live in these conditions child poverty is unfair; for their families, communities, and societies it has a high social cost; and for governments and the economy, the level of poverty is proving to be unsustainable.

Considering the wealth of OECD countries, the size of their social protection systems, the knowledge that early investment produces the longest term public and private returns, the social and public costs associated with intergenerational transmission of poverty and/or low education, and the best interests of children: child poverty in OECD countries is simply too high.

The purpose of this paper is therefore to review child poverty in OECD countries, and the policies designed to affect changes in poverty, before discussing what might increase the effectiveness of public systems designed to ensure children are protected from income poverty.

The paper is organised as follows: Section 2 looks at the rates and evolution of child poverty, and the poverty of youth, relative to the rest of the population before and after the onset of the Great Recession (2004 to 2012). Section 3 reviews the main family policies in OECD countries, and explores how these have changed over the same period. Section 4 analyses the effects of family policies in OECD countries to assess what works for combatting child income poverty. Section 5 summarises key findings of the paper in a discussion of the main opportunities and challenges.

2. THE RATES AND EVOLUTION OF CHILD POVERTY IN OECD COUNTRIES

The first substantive section of this paper looks at child income-poverty rates and poverty rates in the population as a whole, in order to understand how OECD

(1) The views in this paper are the responsibility of the author only, and do not represent those of UNICEF, or the UNICEF Office of Research-Innocenti.

countries compare in terms of children being at a heightened or lessened risk of poverty overall. It goes on to explore whether changes in the trends of poverty risk have been the same for different age groups in the OECD, by comparing changes in relative poverty risks over almost a decade, spanning 4 years either side of the Great Recession. Finally, this section will explore how child poverty risks have evolved in each country over the same period.

2.1. CHILDREN LIVE AT A HEIGHTENED POVERTY RISK

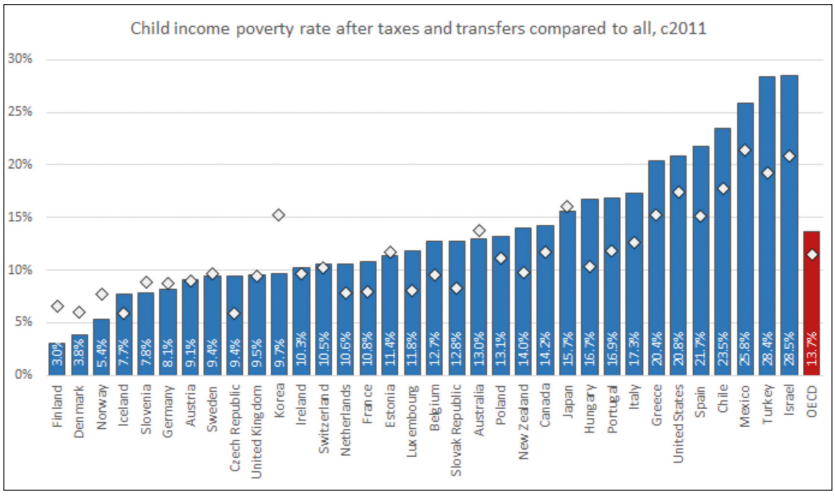
Children in the OECD live at a heightened poverty risk. Across the OECD 14% of children are living in poverty compared to around 12% of the overall population (see Figure 1).[2] Children in only seven OECD countries are more protected from relative income poverty than the total population. These countries, with the exception of Australia, are also countries that have the lowest poverty risks overall. In the majority of OECD countries (20 in total), children have a higher risk of poverty than the total population. With the exception of Japan, all countries with child poverty rates above thr OECD average have notably higher rates of poverty amongst their children compared to their population as a whole (in Canada, Hungary and New Zealand, the poverty rate for the total population is actually below the OECD average).

Differences between a child's poverty risk, and the poverty risk in adulthood more generally, point to broad and important messages for policy. Although higher child poverty risks might be expected due to families having larger households than pensioners or childless persons, relatively high child poverty risks:

- highlight lower relative support for child rearing, which influences fertility decisions, and in turn welfare sustainability;
- will affect poverty risks in adulthood to varying degrees due to intergenerational transmission of earnings (see for instance, OECD, 2009), through various mechanisms – such as sub optimal investment in human capital – and represent future social costs;
- represent a failure of family policies (or at the very least an imbalance in welfare provision – see Bradshaw and Chzhen in this issue), and should lead countries to reflect on the effectiveness and efficiency of their family policy efforts compared to welfare efforts in general.

(2) The OECD child income poverty rate is the proportion of all children (0-17) living in households with an equivalised disposable income (using the square root of the household size) of less than 50% of the median for the total population.

FIGURE 1: CHILDREN ARE MORE OFTEN AT A HIGHER RISK OF POVERTY THAN THE POPULATION AS A WHOLE



Source: OECD Income Distribution database, 2015.

Note: Child poverty rates are represented using the bars, poverty rates in the population as a whole are represented using diamonds. Child income poverty and income poverty in the total population are calculated using incomes equivalised by SQRT of household N. The poverty threshold is set at 50% of median income in the total population.

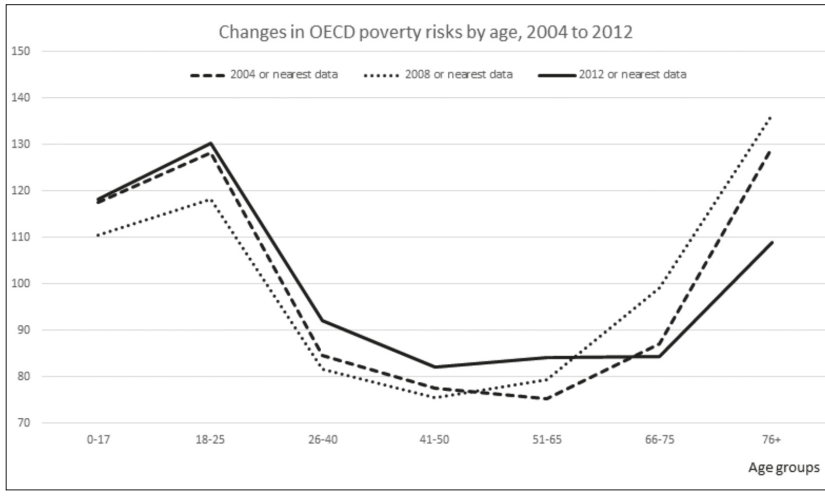
Yet, simple comparisons of children's poverty risks compared to the total population hide variation in poverty risks in the adult population. Differences in poverty risks in the adult population provide more detail for understanding how poverty risks for children might develop in the future. For instance, if poverty risks are low in the young working-age population, this being the next generation of parents, the poverty risks for future families may be lower. If poverty risks are higher in the youth population, this represents a problem for new families as well as future economic productivity, and welfare sustainability (all of which can directly influence income poverty risks in the next generation).

2.2. POST-CRISIS RISKS ARE SHIFTING TO THE YOUNG

To look at how poverty risks evolve across the lifecycle, Figure 2 plots changes to poverty risks by age groups, across the OECD population, in 2004, 2008 and around 2012. The results for each year are standardised to a score of 100 for poverty risks in the total population. The inverted U-shape shows that poverty risks are lowest in the working-age population – due to earned-income premiums – and generally higher in the dependent populations of children and pensioners.

A closer look at the chart shows an interesting change in the age-related poverty risks over the period. First, on average, countries across the OECD have been most successful in reducing pensioner poverty risks, which have fallen most sharply since the onset of the Great Recession (this is likely to be due to pension rights being protected in many countries as overall poverty risk increased, rather than increases in pensioner welfare efforts in absolute terms). Second, pre-crisis efforts to reduce poverty risks in the child population prior to the Great Recession were successful, although since then – and on average – gains here have not been sustained. Third, and possibly the most important point for anti-poverty policies, the burden of poverty risks has shifted from the elderly to young people aged 18-25.

FIGURE 2: IN THE LAST DECADE, RELATIVE POVERTY RISKS HAVE SHIFTED FROM THE OLD TO THE YOUNG



Source: Author's calculations of data form the OECD Income Distribution database, 2015.
Note: Age-related poverty is standardized to a score of 100 for poverty in the total population. Income poverty in the total population is calculated using incomes equivalised by SQRT of household N. The poverty threshold is set at 50% of median income in the total population. Scores represent OECD average (unweighted) for countries with available data in all three waves of the income distribution questionnaire.

Evidence therefore, from this and other sources (OECD, 2014), shows how the crisis has hit families and youth harder than older groups in the population (the working-age group did lose ground, but are still relatively well-off compared to younger cohorts). Youth in particular, should be independent, able to earn or encouraged to study (which would be facilitated by access to resources), and a group which will be

expected to be the next generation of parents. What this means for poverty risks to future families is yet to unfold.

2.3. ACROSS THE OECD CHILD POVERTY IS STAGNATING

To look at the evolution of child poverty risk by country, Figure 3 below shows the trends in child income poverty by year between 2004 and 2012 (trends run between the first and last annually-reported data points). In the eight years spanning each side of the Great Recession, only Estonia, Poland and Hungary saw meaningful downward trends in poverty risks. Where previously Polish poverty rates were high in 2004 and Estonian and Hungarian rates were mid-range.

Worryingly, more countries have shown notable increase in poverty rates over the period, including as well as countries with pre-existing high rates of poverty, such as Mexico and Turkey, countries with mid-range poverty rates such as Belgium, and even countries with relatively low earlier rates of poverty, such as Sweden.

However, most countries have not seen any real change in the relative poverty risk in the past decade. This is problematic not only because it shows that almost a decade of social welfare interventions have not served to reduce overall poverty risks, but they have failed to make an impact even though, across the OECD on average, family spending has been increasing and services supports to families have been expanded (such as childcare, and the accumulated public investment here which is also an important and often unobserved factor in service spending).

The important question for policy in these countries now is, why have efforts to reduce poverty not been successful despite innovation in family interventions (both expansions, and in some cases austerity following the early crisis period)? And, what factors might be moderating the effect of family policies in these instances? Section 2.4 looks at market income poverty as a possible explanatory factor.

At this point it should also be noted that the poverty trends in Figure 3 are not anchored to an absolute income standard at a given point in time, and what constitutes poverty risks in any given year in these trends is dependent on the distribution of income in that year. During the crisis, in a number of countries, most people suffered a fall in their income, which resulted in a fall in median incomes, and lower poverty thresholds. This phenomena can lead to *declines* in relative poverty risks, even as living standards worsen, because when populations are poorer, the relatively income poor become less poor compared to the majority. If trends in child poverty were to be measured relative to income pre-crisis (anchored to a level of acceptable income in 2008 for instance) trends in relative child income poverty risks would look very different – and often a lot worse – in a number of countries (see UNICEF, 2014).

FIGURE 3: CHILD POVERTY RISK IS GENERALLY STAGNATING IN OECD COUNTRIES

Source: OECD Income Distribution database, 2015.
Note: Income poverty equivalised by SQRT of household N. Threshold set at 50% of median income in the total population.

2.4. LINKING MARKET INCOME POVERTY AND DISPOSABLE INCOME POVERTY

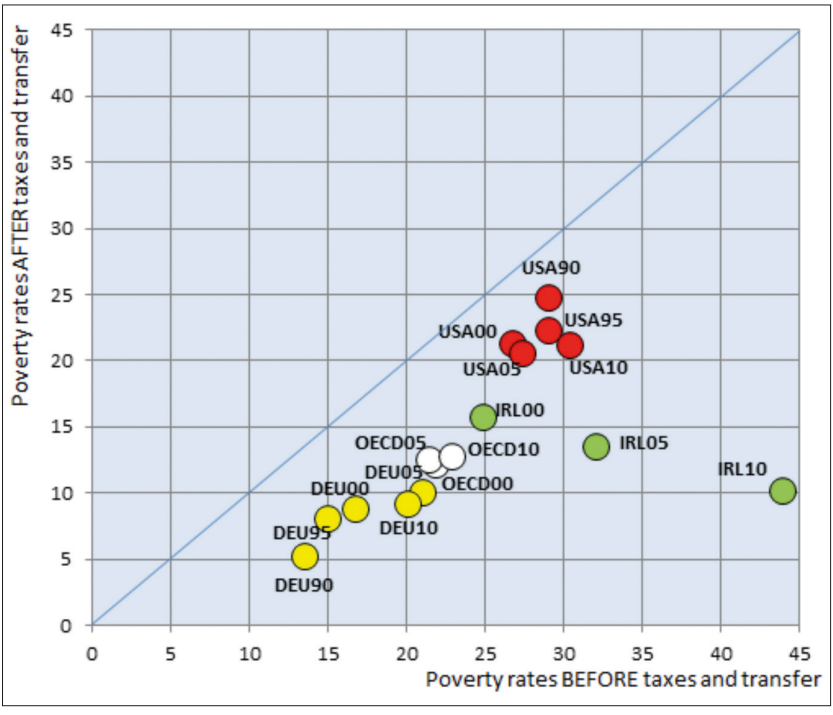
One factor that explains how family policies can record significant child poverty reduction effects, but year-on-year see no sustained improvement in relative poverty rates – despite reported increases in spending and reforms to family policy – is market income poverty. Market income poverty is a term used to describe the level of poverty that would be experienced in a country before tax and transfer redistribution by the state. Figure 4 show the relationship between market income poverty and

poverty rates after taxes and transfers (disposable) for a selection of OECD countries from 1990 onwards.

Interpreting the plot using the German data (DEU) shows that over the years the plots move to the right and upwards (market income poverty increases over the period, as does poverty after taxes and transfers). The plots do however run left to right at a shallower angle than the 45 degree line, suggesting that the German welfare system is becoming more effective at reducing poverty – in terms of absolute percentage points – over the period. In short, poverty increases in Germany despite more effective policy responses, due to market inequalities.

FIGURE 4: IN MOST CASES, ANTI-POVERTY POLICIES ARE BECOMING MORE EFFICIENT, BUT LESS EFFECTIVE

Selected countries, total population income poverty estimates, 1990 onwards



Source: Author's calculations of the OECD Income Distribution database, 2015.
Note: Selected OECD countries. Data is for poverty rates in the total population. Income poverty equivalised by SQRT of household N. Threshold set at 50% of median income in the total population.

The OECD data shows a similar pattern on a much smaller scale than the German pattern. Between 2005 and 2010, market income poverty increased across OECD faster than income poverty after taxes and transfers. A striking 'reverse' pattern is seen for Ireland, where over a decade market income poverty has almost doubled, but poverty after taxes and transfers has fallen. The Irish cash benefit system, characterized by targeting (by income, and to lone parents) and high spending, is acting as an automatic stabilizer in response to the Irish financial crisis. Although how sustainable this situation is for Ireland's budget (whose family policy costs have moved from around average to one of the highest in the OECD [see OECD, 2015a]), both now and into the future, is an important question to address.

3. FAMILY POLICIES IN OECD COUNTRIES

This section will map family policies in OECD countries from 2004 to 2012. These will broadly cover pre-crisis policy development, and post-crisis policy development (which itself experienced a stimulus and austerity period). Also, because it is easier to document changes to policy than it is to document changes in poverty (which lags by years due to data reporting and collection issues), a section will be included here on policy changes since 2012 to broadly assess whether more recent changes are likely to result in increasing or lowering poverty risks. First, however, the section will give a broad overview of family policies in OECD countries to highlight the complexity and complementarity of interventions across the child lifecycle (or the period of child rearing).

3.1. MAPPING FAMILY POLICIES AND THEIR PURPOSE

Family and child policies in the OECD are mapped in Table 1 by age, and by type. The main purpose of family polices is to help families have their desired number of children, support those families as they raise and invest in their children throughout childhood (income and education), with more intensive interventions during critical lifecycle transitions (birth, early child raising, school to work transition), and to protect families from excessive risks of poverty and ill health.

Unsurprisingly, the complexity in the policy picture comes in the early years, where age-related support, related to pregnancy, childbirth, child health, parental leave and care supports, plays a strong role. As children make the transition from preschool to primary-school age, family allowances (including cash benefits, tax breaks, and working tax credits), and compulsory education and health cover/insurance, are the main policies used to support families in their day-to-day needs. Not mapped are active labour market policies for youth that can come into force as early as 15/16 years old (for early school drop-outs, see the cases of Australia and New Zealand [OECD, 2011]) and continue throughout a young person's twenties.

TABLE 1: MAINSTREAM OECD FAMILY AND CHILD POLICIES BY AGE, IN CASH AND IN-KIND

Child age	Cash benefits			Education and care		Human services	Health	
	General allowances	Age-related support		Age-related support		General services	General services	Age-related support
Age -1		*Maternity*						*Pre-natal checks*
0	*Family allowances*		*Birth grant*	*Childcare*		*Human services*	*Primary and secondary*	*Post natal check*
1		*Parental leave*						*Immunisations*
2		*Child raising allowance*						
3								
4					*Primary*			
5								
6								
7								
8								
9								
10								
11					*Secondary*			
Age 12								
End age	13-27	...	...	...	14-18	18/18<	18<	...

Source: Author, with reference to OECD 2009, 2011, and OECD forthcoming (2015).
Note: Human services refer to services such as accommodation for families (not housing benefits), child protection spending, subsidies for transport, food subsidies for families. See OECD, SOCX database, (2014a) for more details of these types of interventions under 'other family benefits in kind'.

Table 1 covers the basics of family policy in OECD countries, but does not address the detail of the policies in terms of more universal or targeted approaches, private or public provision of services, socio-demographic targeting (eligibility by age and family types), insurance versus tax-based funded provision of welfare (which can include either minimum contribution or residency-type eligibility criteria) or payment or earnings-replacement levels of the benefits.

Policy details of this type are available from a number of sources (OECD, 2015e, MISSOC, 2015; SPPTW, 2015), and include many innovative integrated examples of family policy across the OECD (such conditional cash transfers in Chile, Finland, Hungary and Mexico; or specific policies to support school children, such as in Portugal or Luxembourg – see Richardson & Bradshaw, 2012). The following section will not revisit these discussions, but instead review macro-level policies salient to poverty reduction.

3.2. CHANGES TO FAMILY SPENDING AND FAMILY POLICY DURING THE CRISIS

This section maps changes to family policy spending during the crisis, and introduces the present rates of spending, before the providing detail on reforms since the onset of the crisis. A third subsection reviews the changes since 2012 (reported child poverty data to map these changes are not available) and discusses how these changes might impact on child poverty rates.

3.2.1. Changes to family spending during the crisis

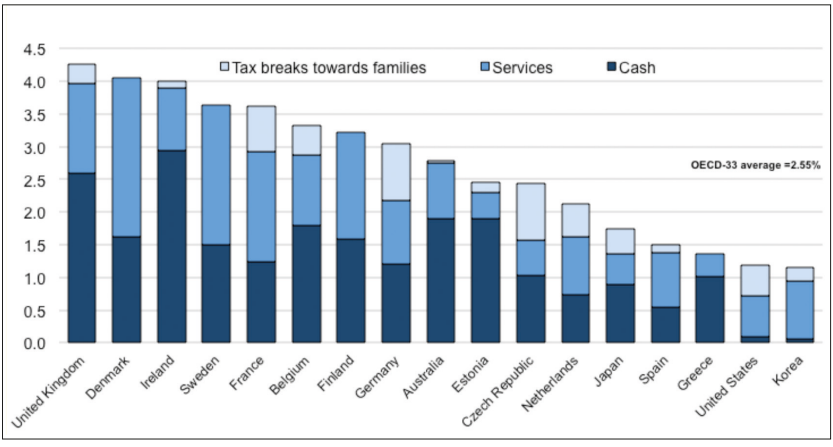
In the two decades leading up to the Great Recession, spending on family policies increased to levels never seen before in OECD countries, mainly due to increases in early years' service spending (see Figure 2.3 in OECD, 2011). At the same time, family policies had expanded so that relatively new policies such as birth grants, childcare policies, and tax credits were becoming more commonplace in OECD countries.

Prior to the crisis, in both 2003 and 2007, rates of average family spending across the OECD were at around 2.3% of GDP (see OECD, 2011). Following the onset of the recession, country spending was expected to increase as the first stage response – stimulus benefits – increased the welfare burden in many countries (see Richardson, 2010). After stimulus packages, austerity efforts followed, and family benefits were not spared (Ibid.). Despite the expectation (and rationale for cuts) that austerity would reduce the family welfare burden, the automatic stabiliser effect of many family benefits (due to means-tests) balanced-out the austerity efforts in countries such as Ireland and the United Kingdom.

In the first few years of the crisis (in 2009 and 2011) OECD family spending levels reached new heights of nearly 2.6% of GDP on average (OECD, 2015b and Figure 5). Yet poverty rates remained stubbornly high.

FIGURE 5: SPENDING ON FAMILIES VARIES BROADLY ACROSS THE OECD, BY LEVELS AND HOW THE MONEY IS BEING SPENT

Family spending in 2011, as a percentage of GDP



Source: OECD Family database, 2015.
Notes: See OECD Family database, 2015. For OECD average (unweighted) data missing for Turkey. Data on tax breaks towards families is not available for Greece.

Importantly, higher levels and increases in family spending do not immediately map to lower income poverty rates. In Figure 5 alone, differences in the position of the United Kingdom and Finland for instance, or the position of the Netherlands compared to that of Belgium, highlight the mismatch between annual family spending and child income-poverty rates reported in Figure 1.

3.2.2. Family policy reforms between 2008 and 2012

Changes to family policies from the start of the crisis to 2013 have been mapped in OECD's recent Society at a Glance publication (OECD, 2014). Table 2 summarises the crisis-related policy changes for family cash and tax-related benefits and in-kind benefits. It shows that, in response to the crisis, countries are making changes to mainstream cash benefits more often than changes to service benefits. Arguably, this may be because mainstream cash benefits outnumber mainstream services benefits (although a suite of family social protection services are available in every country, these are often focused on more vulnerable groups, and not always family focused). It might also reflect the greater flexibility and responsiveness to changes in cash interventions compared to service interventions.

Between 2008 and 2012, the introduction of new cash policies, and extensions to existing cash polices were more common than reductions or abolishment, but temporary measures were also more common. Extensions to wider-reaching policies of child and family benefits – income tax payments and tax credits – make up the bulk of cash changes, but these were sometimes reversed (Portugal, Spain and United Kingdom). Family-focused income tax adjustments are the only area where austerity measures have not been taken over the period. Age-related cash benefits changes (birth grants and maternity) have seen permanent expansions in Australia, Greece, Ireland and Japan, and restrictions in Canada, the Czech Republic, and the United Kingdom.

As part of service-related reforms in the 2008-2012 period, most countries expanded childcare provisions. Only the United Kingdom saw a cut-back in this area (a reduction in the payment threshold of the childcare tax credit). In France a one-off voucher in 2009 was followed-up with a programme to improve lone-parents' access to childcare benefits in 2012.

TABLE 2: SUMMARY OF CRISIS-RELATED CASH AND IN-KIND FAMILY BENEFIT CHANGES BETWEEN 2008 AND 2012, AND SINCE 2013

		Introduced or extended in scope	**Abolished or reduced in scope**
Cash benefits	*Birth grant*	Italy (t), Japan.	Czech Republic, Spain*, United Kingdom.
	Maternity leave	Australia, Greece (e), Ireland, Japan.	Canada (e), Czech Republic.
	Child or family benefit	Australia**, Austria (t), Estonia**, France (t), Greece, Hungary (t), Italy (t), Japan, Portugal*, Poland, Sweden, United Kingdom.	Australia, Czech Republic, Estonia, Greece (e), Hungary (t), Ireland, Portugal.
	Income tax adjustments	Czech Republic (t), France, Estonia.	
	Tax credits	Canada, United Kingdom, United States.	Estonia, United Kingdom.
In-kind benefits	*Childcare*	Austria, Ireland, France, Hungary, Luxembourg.	United Kingdom.
Changes since 2013	*Cash*	Germany.	Finland, Israel, United Kingdom.
	Childcare	Italy, Korea, United Kingdom.	The Netherlands.

Source: Adapted from OECD (2014).

Note: *Countries with policies that were introduced and then reversed or abolished before 2012. **Benefits specifically for school-aged children. (t) Temporary changes. Temporary changes to benefits in Table 5.1 were mostly undertaken in 2009, with the exception of the freeze to Hungarian family benefits uprating which happened in 2011. (e) Eligibility changes based on residency, employment or family structure (not income). Benefits changes in 2013 are not included in the table in detail as they are not yet reflected in the tax and benefit analysis. More details for all benefits are documented in OECD (2014).

3.2.3. Reforms since 2013: (anti-)poverty potential

Since 2013 there have been more efforts to extend childcare services and restrict cash benefits than the other way around (Table 2). The United Kingdom is the only country undertaking both approaches at the same time: the child benefit in the United Kingdom has been means-tested since April 2013, whereas childcare supports have been expanded to disadvantaged 2-year-olds. Finland and Israel have also restricted eligibility for family cash benefits by lowering payments (in the case of Finland this was done by postponing uprating) and lowering the income-eligibility ceiling limit. Childcare expansions are also underway in Italy and Korea, where vouchers for working mothers have been introduced, and income tests have been abolished, respectively. Contrary to broader trends, Germany has introduced a homecare payment, and the Netherlands has reduced support for, and eligibility to, childcare.

The length of each benefit and its payment levels (or costs associated with the take-up of childcare) can clearly result in differential poverty risks. For mainstream cash benefit cuts, as in Finland and Israel, it is likely that poverty risks will be higher in groups already at risk of poverty. In the case of reforms for the early years (for homecare cash benefits or childcare payments, as in Germany and the Netherlands), the effect on child poverty could be more complex. And might be seen immediately through lower take-up of home care in poorer groups (crowding-out earnings) and higher take-up of childcare supports in higher income groups (influencing unequal career progression, and stretching earnings inequality in the longer-term).

4. WHAT WORKS IN REDUCING CHILD POVERTY?

This section discusses the interaction of family policies (in the various forms) to child poverty risks. It begins with a review of how spending amounts, by type and timing, link to various child outcomes including child poverty. The following subsections summarise key results from upcoming work assessing how family policies in cash and in-kind contribute to poverty reduction in OECD countries, before concluding by highlighting how the design of parental leave policies can actually result in increasing poverty risks.

4.1. SPENDING AMOUNTS

The first step in understanding how family policy might reduce child poverty is to look at spending levels. The perception that countries "get the child poverty rate they pay for" suggests that higher levels of social transfers is a straightforward solution to poverty risks.

Evidence from OECD studies, in recent years, has shown that higher total spending on family policies is associated with lower child poverty rates, as are levels of spending by type (cash and tax break spending, childcare and in-kind spending – in that order – see OECD, 2009 and 2011). However, these associations do not represent causality. Indeed, the structural aspects of a system should determine the levels of spending. Higher spending in targeted systems should occur when market poverty rates are high and should be low when market poverty rates are low; universal systems would not spend the same amount regardless of need. Moreover, poverty rates may be higher at certain points of the life cycle (when parents cannot work due to care responsibilities) or certain policies may be more effective under certain contributions (employment facilitating policies such as childcare may reduce poverty better when jobs are available, and earnings inequality is lower).

It is therefore not too hard to suppose that lower poverty rates are not only driven by spending amounts, but by the *timing* of the spending as well as *how* the money is spent (cash transfers versus human services). In Figure 6 family spending has been broken down by age and type in for 32 of 34 OECD countries in 2009 and associated with various child well-being outcomes. The results here, though only simple correlations, support the idea that timing and type of policy matter for different social goals, and that welfare systems are most attuned to anti-poverty functions.

FIGURE 6: SPENDING LEVELS ASSOCIATE MOST STRONGLY WITH LOWER INCOME-POVERTY RATES ACROSS ALL SPENDING TYPES

Associations between spending by type and timing and various child well-being outcomes, c2009.

		Child income poverty	Low birth weight rates	Infant mortality rate / 1000 live births	Neet rates (15-19)	PISA reading literacy	Labour participation rate, female	Fertility rate, births per woman
0-5 years	Cash	-.480**	.026	-.200*	-.358**	-.073	-.023	-.232**
	Childcare	-.417**	-.210*	-0.152	.014	-.047	0.136	.256**
	In-kind	-.575**	.009	-.295**	-.192*	.176	.231**	.007
	Total	-.556**	-.085	-.229*	-.264**	-.033	0.088	-.003
6-11 years	Cash	-.351**	.045	-.226*	-.381**	-.038	-.076	-.113
	Childcare	-.454**	-.242**	-.123	-.243*	.050	.184*	-.019
	In-kind	-.565**	.023	-.272**	-0.165	.163	.218*	.023
	Education	0.001	.340**	0.048	0.156	-.296*	-.117	.030
	Total	-.338**	0.179	-0.137	-0.152	-.170	-.033	-.033
12-17 years	Cash	-.324**	.060	-.204*	-.381**	-.064	-.122	-.126
	In-kind	-.472**	.048	-.303**	-0.121	.237	0.171	-.010
	Education	-.406**	.129	-.281**	-0.170	-.002	0.021	-.066
	Total	-.467**	.117	-.312**	-.290**	-.003	-0.011	-0.095

Source: Authors calculations of data available in the OECD Family Database.
Note: Colour codes highlight strength of associations. Significance is shown using asterisks (* = p<0.05, and ** = p<0.01) all data circa 2009 (to match most recently available age-related spending data).

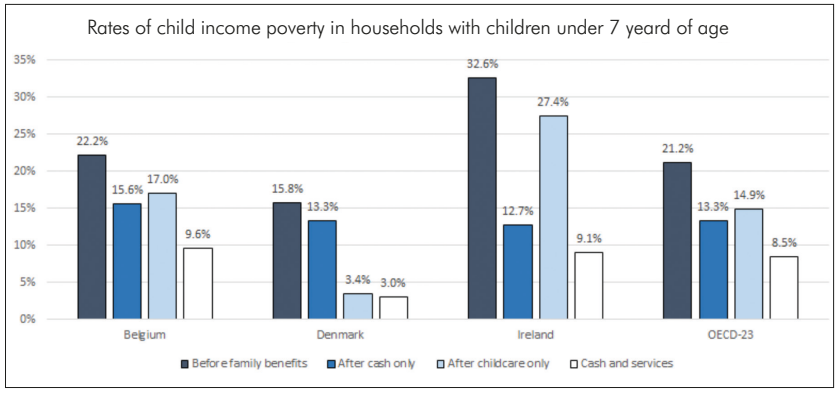
4.2. COMBINING CASH AND SERVICES

The independent effects of policies, measured in the section above in terms of spending levels only, do not account for combined efforts of the various interventions. To get an idea of how family policies work together, the independent and combined effects of cash and childcare services on child poverty in households with children under the age of 7 is explored.

Childcare policies can impact on child income poverty through two mechanisms. First they can offset childcare costs and free-up more disposable income to families (extending income), and second, they can enable families to work more and earn more. Figure 7 summarises, for selected countries, work being undertaken for OECD (2015d, forthcoming) that compares the poverty reduction effects of family cash benefits effects to childcare (using the extended income method – see Forster and Verbist, 2012), with the combined effect of both policies.

Results show that across the OECD, cash reduces poverty more than services (likely due to a number of reasons including cash spending, in terms of GDP and on average, is almost twice as high as services). In Denmark however, where services spending is almost twice that of cash spending, services do the bulk of the job.

FIGURE 7: THE COMBINED EFFECTS OF CASH AND SERVICES ARE SUBSTANTIALLY LOWER THAN INDEPENDENT EFFECTS



Source: OECD forthcoming (2015).
Note: Preliminary data. For full description of the methods and results please see OECD (2015 forthcoming). This is a selection of countries. Ireland and Denmark have been selected as exemplars of countries with high poverty reduction effects in cash and in kind.

Importantly, these results do not account for the second mechanism by which childcare can reduce poverty: the employment effects (which are reported in the original OECD study, 2015d). Employment effects substantially increase the anti-poverty effects of childcare policies, and moreover show how the employment effect itself is mediated by the design of the childcare policy and the economic context. To expand, publicly available childcare (which encourages broad take-up) has large anti-poverty effects, which are stronger in systems where fees structures 'claw back' any advantages that higher-earning families might have from publically provided childcare (by increasing the level of progressivity compared to a 'flat rate' [no fee or flat fee] service).

4.3. POLICY STRUCTURES

Finally, to explore the independent effects of *how* benefits are spent, more sophisticated work has been ongoing at OECD to build pooled time series of spending by age and type to compare with series of child well-being outcomes, including relative child income poverty.

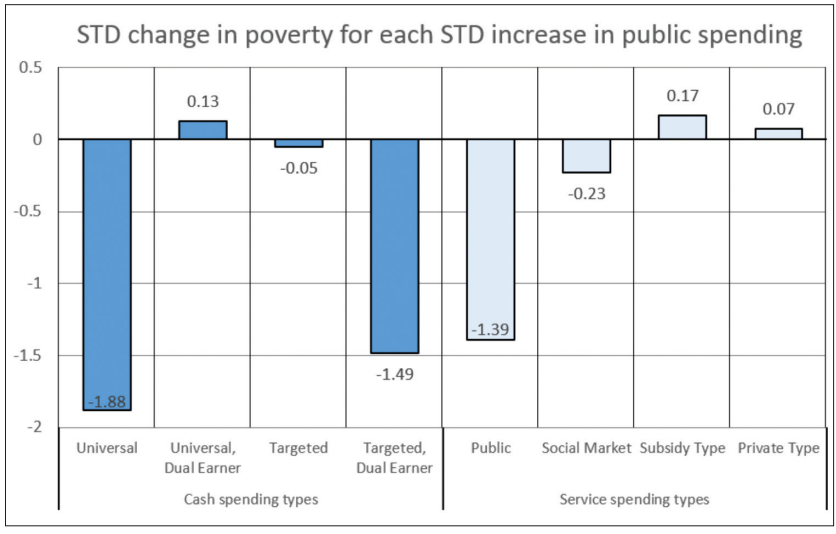
Figure 8 summarises results of a regression analysis of pooled times series of family cash and services spending in different policy settings (over 20 years, OECD countries are classified into family policy typologies ranging in cash terms from most universal to most targeted, and in services terms from most public to most private) on rates of relative child poverty. These data are used here to simply indicate how different spending levels associate with the reduction of poverty in different types of welfare states (for more detail see OECD, 2015d).

In the case of cash typologies, universal systems (those that have universal cash benefits *and* tax breaks *and* lone-parent payments *and* more extensive parental leaves) report lower poverty rates (after controls) than targeted systems (least comprehensive provision, and no universality) for every incremental increase in cash spending. Notably, countries in 'hybrid' classifications do not register declines in poverty when spending increases.

In service typologies, public systems (systems with at least 2 years of universal childcare before primary school, primary health care free at the point of access) also report the largest declines in poverty for incremental increases in service spending. The most private settings actually report marginally higher rates of poverty as spending levels increase (again, after controls).

The findings in Figure 8 provide justification for further evaluation of the effectiveness of spending structures independently of the levels of spending themselves. They suggest that countries might benefit more from not 'spending more' but 'spending better'. For instance, the difference between universal dual earner types and universal types is that the latter includes socio-demographic targeting in the form of a lone-parent benefit. According to these results, for universal dual earner typologies, the first step in improving their anti-poverty policies would be to consider structural policy reform before increasing spending amounts.

FIGURE 8: ANALYSIS OF SPENDING STRUCTURES SHOW CLEAR DIFFERENCES IN THE MODERATING EFFECT OF 'HOW' POLICY PACKAGES ARE ORGANISED



Source: OECD forthcoming (2015d).

Note: Preliminary data. Using conditional effects plots, these numbers represent incremental changes in child income poverty for every standard increase in spending across all countries in all years. Interactions between cash spending and cash typologies on income poverty are significant at the $p<0.05$ level, interaction between service spending and service typologies and child poverty are significant at the $p<0.1$ level. For full description of the methods, and country classifications, and results please see OECD (2015 forthcoming). Controls in the regression models include rates of GDP per capita, GDP growth, social expenditure levels (minus family spending) and rates of lone-parents families.

4.4. POLICES THAT CAN CONTRIBUTE TO POVERTY RISKS

Previous subsections have discussed the types of policies that may be effective in reducing poverty in OECD countries. This section discusses how parental leave policies can have a direct effect on increasing poverty risks in certain households under certain conditions.

As noted above (Section 3), parental leave policies refer to prenatal leave policies, birth grants, post-natal leaves for mother and fathers, parental leave for longer term home care of infants, and child raising allowances (these allowances can last until the preschool years). Parental leave policies are designed to facilitate parental care for their children at the time of birth. They can provide both the legal right to take time from work (and be protected from dismissal or change in conditions) and – where the continuation of earned income is not legislated for) – cash payments to make up for the loss of earnings during this time.

Parental leave policies are, however, shown to have an indirect effect on future poverty risk through a number of mechanisms, these include:

- First, because parents forego earned income to take up parental leave in most cases, where these policies don't fully compensate for the costs of child rearing during infancy (replacement rates are low) poverty risks can be established, and in some cases this will be exacerbated through debt accrual and depreciation of savings.
- Second, the amount of leave time itself, means time out of the labour market, and an actual (or perceived) depreciation of skills. Stunted career progression can increase the likelihood of benefit dependency in lower income groups.
- Third, and importantly, where leave rights are not gender equitable, these are likely to impact on gender equity in the labour market through employer's expectations / cost considerations. Increasing numbers of lone-parent households (see Richardson & Bradshaw, 2012) means more families will be susceptible to poverty risks in the future if gender-inequitable leave is not addressed.

5. IMPLEMENTING CHANGES: OPPORTUNITIES AND CHALLENGES

The final section of the paper briefly reviews some of the key messages of the work to highlight opportunities and challenges for family policy in the OECD in order to do a better job in addressing child poverty risks.

The important thing to note here is that more needs to be done with the resources available to policymakers: child poverty is too high, is stagnating in many cases and is creeping up in others. This is resulting in lost personal opportunities, and raises the public welfare burden (while lowering tax contributions). Perhaps most insidiously, the failure of the welfare system to address the increasing challenge of market inequality is resulting in a negative reflection of its cost-benefit, leaving it open to critique and risk of being 'rolled-back', which in turn might lead to further failure.

5.1. CONTEXTS MATTER FOR EFFECTIVE ANTI-POVERTY POLICIES

The work here and elsewhere has shown that context matters for the effectiveness of welfare policy in reducing child poverty risks. First, market poverty rates are increasing overall, which creates a greater challenge year-on-year for welfare states to address. Second, for certain welfare approaches, the labour market is extremely important. Sustainable and well paid work is necessary if highly targeted, or tax based approaches to poverty reduction policies are to work. For instance, anti-poverty policies that focus on employment solutions will fail (or at least be suboptimal) if earnings are not high enough to for workers to live out of poverty, or jobs are not sufficiently secure to encourage financial planning or savings and investments.

Third, in the case of service contributions to poverty reduction, the effect of child-care policies on poverty reduction will be dependent on the targeting of those services (or preferably the recuperation of costs through means-tested fees systems in full-access settings) to those whose earnings-levels would generally exclude them from private care options. Moreover, and more generally, economic contexts such as the market for second earners, gender equity in pay, and flexibility in the labour market will also influence the final impact of welfare policies designed to encourage dual-earner families.

5.2. CHOICES ARE THERE: SPENDING MORE AND/OR STRUCTURAL REFORM

In regards to the policies themselves, it is clear that amending spending levels alone do not amount to the most effective interventions in the majority of cases. The idea that countries 'get the poverty rates they pay for' is an oversimplification of the available options. In some cases, increasing spending will not result in the expected reduction in poverty because the policy structures are suboptimal (they may for instance, not cover – or encourage take-up – in the families most at risk of poverty – see Figure 8).

Reforms to the way money is spent may indeed be a more effective option to reducing child poverty risks. Analysis above suggests that for the same amount of investment a more universal system of cash welfare can increase the anti-poverty effects of public spending. This means including socio-demographic targeting in the cash welfare system, specifically providing lone-parent payments in the cash benefit system, and greater public provision (and therefore equitable access – not universal access) to human services which can be reinvested in the labour market to different degrees by different family types.

5.3. CONCLUDING REMARKS

The extent of child poverty, the stagnation of child income poverty risks, and the ineffectiveness of increasingly 'efficient' policies (in the face of creeping market inequality) does not provide much hope for the eradication of child poverty. Youth are now at the highest risk of poverty, and as future parents, workers and decisions makers, this represents a real problem for future generations.

At the same time, the nature of OECD families, and the populations they live in continue to evolve. There is more variation in family types than before, with fewer two-biological parent families surviving the entire lifecycle of childhood – this is likely to create further poverty risks. In comparison to the growing elderly dependent populations, families make up a declining proportion of the social dependency burden – which will create political economy challenges for implementing and evaluating anti-poverty family policies over sufficiently-long time periods.

What is clear is that if governments want to protect children from growing-up in poverty, public family policy needs revisiting in most OECD countries, and reform is necessary. In the context of the ongoing economic crisis, this does not mean finding more resources, but rather allocating the available resources more effectively. Comparative analysis of the type introduced here, goes some way to addressing this important challenge.

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