

Paper presented at the WELLCHI Network Conference 2

**Well-being of children and labour markets in Europe
Different kinds of risks resulting from various structures and changes in the labour
markets**

*Centre for Globalisation and Governance, University of Hamburg
March 31 – April 1, 2006*

Combating child poverty in OECD countries: Is work the answer?

Peter Whiteford and Willem Adema, *OECD Paris*

Please do not cite or quote without permission of the author

1. INTRODUCTION¹

In recent decades, public policies in many OECD countries have focused on the challenge of reducing child poverty. In Australia, in 1987 the Prime Minister promised to “end the need for child poverty” by 1990. In Canada, in 1989 the House of Commons unanimously resolved to “seek to achieve the goal of eliminating poverty among Canadian children by the year 2000.” In the United Kingdom, a target was set to reduce the number of children living in low-income households by one quarter by 2004-05, as a contribution to a broader target of halving child poverty by 2010 and eradicating it by 2020. Among other EU countries, the setting of targets for child poverty is explicit in National Action Plan of Greece, while other countries (e.g. Germany) have set targets in related areas (such as cutting by half the number of youth without vocational qualifications by 2010). In France, recent studies have expressed concern about the extent of child poverty and proposed detailed reform strategies (CERC, 2004). In the 1997 *National Anti-Poverty Strategy*, the Irish Government committed itself to reduce the number of children in consistent poverty to below 2% and, if possible, to end child poverty completely by 2007. In New Zealand, the Agenda for Children (June 2002) embodies a commitment to eliminate child poverty as the Government’s top social priority.

¹ This paper draws on the work of colleagues at the OECD, particularly Michael Förster, Herwig Immervoll, and Marco Mira D’Ercole. The interpretations are our own, and we are responsible for any errors. The views expressed are not those of the OECD or Member countries.

The importance of developing policies to combat child poverty was also stressed at the meeting of OECD Social Policy Ministers in Paris on March 31-April 1, 2005. The Ministers concluded:

“Social and family policies must help give children and young people the best possible start to their lives and help them to develop and achieve through their childhood into adulthood. ... All institutions of society and government should consider the impact of their policies on children. ... Special effort should be targeted on the families that are struggling to give their children the resources, both financial and time, that they need. It is necessary to ensure that employment leads to an improved financial situation for families, that appropriate child care and educational support is available, and that cash and other benefits are designed in such a way that they effectively reduce child poverty.” (OECD, 2005)

Child poverty has many dimensions, but in this paper we concentrate on the financial aspects, and look at alternative or complementary strategies to increase the incomes of poor families with children. While virtually all countries with policies to reduce child poverty have developed broad strategies, encompassing, for example, child development, social exclusion, and early childhood education and care, the income dimensions of child poverty remain a central concern; indeed, in many countries, public perceptions of the effectiveness of strategies are based on changes in the number of children in families with incomes below defined poverty lines.

In seeking to reduce the number of children in families below the poverty line (however defined) a central issue is how much can be achieved through income redistribution through the benefit and taxation systems (the benefits strategy) and how much can be achieved by increasing the level of labour force participation and the hours of work of poor parents (the work strategy). Views differ about the respective roles of work and welfare, but a central strand of opinion in recent years has been that increasing work effort is of key importance in reducing child poverty (Rector and Hederman, 2003). A number of Government documents, however, while stressing the importance of paid employment, also indicate that adequate social protection is an integral part of combating child poverty (Department of Work and Pensions, 2004). From this perspective, the challenge for policy is not one of choosing between the work strategy and the benefits strategy, but finding the optimum combination of the two approaches.

The paper is structured as follows. The next section discusses the data and methodology used. This is followed by an analysis of the main factors associated with child poverty, including the role of household composition and the impact of paid work. Part Four of the paper surveys the mix of policies for families in OECD countries and looks at the effectiveness of the taxation and transfer systems in reducing child poverty. Part Five provides a discussion of possible policy responses to further reduce child poverty.

2. DATA AND METHODS

Most international comparisons of poverty and inequality have been based on the Luxembourg Income Study (LIS), a cooperative research project with a membership that includes 30 countries. The analysis of poverty here, however, is based on data collected as part of the OECD Income Distribution Study. Because of concerns about confidentiality, a number of OECD countries are not members of LIS – Japan, New Zealand, Portugal and Turkey - but these countries provide data to the OECD; in addition, the OECD has access to more up-to-date information on Australia, Denmark and France.²

The OECD data are collected through a standard questionnaire, which uses common assumptions and definitions to increase cross-country comparability. The data are based on the concept of equivalised disposable income of individuals (*i.e.* the disposable income of households, adjusted for household size) broken down by gross income components and presented for a variety of socio-demographic characteristics. The data are provided to the OECD as detailed cross-tabulations, and the OECD does not have access to the original microdata. Information is presented for various breakdowns: age of individuals, age of the household head (below and above 65), presence of children (persons aged below 18), presence of other adults, and work status of household members.

In this paper, we use data on poverty rates for individuals, including children aged less than 18 years, and for people in households with children. Households are classified by the presence of children and the number of adults in the household and their employment status, giving five groups – one employed adult with children, one non-employed adult with children, two or more adults with children and no adult employed, or with one adult employed, or with two or more adults employed.³

To account for scale economies in consumption, household income is "equivalised" using the square root of household size. This is a common equivalence scale used in many studies using LIS. One limitation is that an additional household member has the same effect on equivalent income, irrespective of whether the person is an adult or a child.

Poverty is defined as living in a household with an equivalised disposable income less than 50% of the population median. We have no direct measure of "poverty gaps" for households with children, the income difference between the actual income of a household and a defined poverty line. This is a limitation of our analysis, since for some purposes (e.g.

² The Slovak Republic provides data to LIS but not the OECD; Iceland and Korea provide data to neither LIS nor the OECD; LIS also includes data on some countries that are not members of the OECD.

³ This means that we cannot identify lone parent families sharing households with other adults (their own grown-up children, their own parents or other unrelated persons). Thus, this is a restrictive measure of lone parenthood, so in some countries our estimates of the share of lone parents are lower than if we had a measure based on family composition.

assessing the impact of the taxation and transfer systems on poverty), the poverty gap would be the preferred basis for assessment.⁴

There are some significant differences between LIS and OECD results, despite the fact that the poverty line used and the equivalence scales are identical. For example, excluding countries not represented in both data sets, child poverty was higher in the 1980s using OECD data, but lower in the 1990s and around 2000, by around half a percentage point on average. For some countries the difference is more than 3 percentage points (Australia, Austria, Belgium, Denmark, Hungary and Italy). Many surveys are common to both LIS and the OECD, but there are differences; in addition, the survey years are not all identical. It is not possible to determine the full reasons for these differences, but they should be borne in mind when assessing our results. Of course, there is also the general caveat applying to estimates based on survey data; sample sizes range between around two thousand and 50 thousand households, and response rates between 30% and 95%, with some countries basing income data on population registers (Förster and Mira D'Ercole, 2005).

It is also important to note that the poverty line is a standard one used in international comparisons, but may differ from those used in specific countries, so that some results of our analysis differ significantly from national studies. For example, using a 50% of median income poverty line we estimate that around 22% of American children were in poverty around 2000. Using the official US poverty line, child poverty was much lower – around 16% (Rector and Hederman, 2003). This is because the official US poverty line is below the 50% standard. Moreover, because the estimated poverty level is lower, the composition of the poor population is also different, with child poverty more concentrated among families where no adult is employed, compared to our findings. In contrast, using the widely quoted low income cut-offs (LICOs) for Canada, child poverty is estimated at around 18%, compared to our estimate of 13.6%, because the LICOs are above 50% of median income; but as a result fewer working families are classified as poor using our standard than if we had used the higher line. Such disparities between national standards emphasise the importance of choosing a common international measure, but it also points to the importance of being conscious that results and policy conclusions would differ if a different approach were used.

A further point to bear in mind is that our results refer to the period around 2000, and in a number of countries there have been significant policy developments likely to have affected poverty estimates. These include, for example, increases in tax credits for low income families and reductions in joblessness in the United Kingdom, significant increases in assistance for families in the United States, and projected increases in in-work benefits in New Zealand. The effects of these initiatives will only be captured in future waves of the OECD Study.

⁴ However, poverty gap measures are highly dependent on the reliability of data on low incomes, and there are concerns in some countries about reported incomes at this level.

3. FAMILY AND CHILD POVERTY – TRENDS, RISKS AND COMPOSITION

Poverty trends

Table 1 shows trends in poverty “before” and “after” taxes and transfers in the 1980s, the 1990s and 2000. Over the longer term, poverty after taxes and transfers has fallen in Australia, Canada, Denmark, Spain and the United States, and in Greece and Norway, but only to a minor extent. Since the 1980s, there have been large increases in child poverty in Austria, West Germany, Italy, Ireland, Japan, the Netherlands, New Zealand, and the United Kingdom. Other countries show small increases.

Table 1 about here

Across OECD countries as a whole, poverty before taxes and transfers rose significantly between the 1980s and the 1990s – with very large increases in this vulnerability to poverty in Australia, Finland, Italy, New Zealand, Sweden and the United Kingdom – but disposable income poverty rose by much less. The rise in vulnerability to poverty is likely to be associated with increasing numbers of lone parent families and higher joblessness,⁵ as well as with widening wage inequalities in some countries. In the period between the mid-1990s and 2000, vulnerability to poverty has generally fallen - very strongly in Ireland and Spain - but disposable income poverty rose to a small extent on average (although Austria and New Zealand saw large increases), while disposable income poverty fell in Italy, Luxembourg, the Netherlands, Norway, Spain, Sweden, Switzerland, the United Kingdom and the United States.

Poverty and household composition – poverty risks and composition

Child poverty trends are thus quite diverse across countries – both by period and income measure. Table 2 shows, however, that many countries share aspects of child poverty in common. In nearly all countries the percentage of children in poverty is higher than the percentage of households with children in poverty, implying that poverty rates are higher among larger families. Mexico, the United States and Turkey have the highest rates of child poverty, which is also high in New Zealand, the United Kingdom, Portugal and Italy. The Nordic countries and Belgium have the lowest poverty rates.

Poverty rates vary significantly across household types, but the employment status of parents is of crucial significance (Table 2). In nearly all countries poverty rates among non-employed lone parents are at least twice as high as among those in paid work, and in some

⁵ Joblessness among families with children varies widely, being 3% or less in Austria, Greece, Japan, Luxembourg, Mexico, and Portugal, but more than 10% of households with children in Australia, Germany, Hungary, Poland, and the United Kingdom, and close to 10% in the Netherlands and New Zealand.

countries by more than five to one. Poverty rates among couples with children where neither parent is employed, on average, are three times higher than where one parent is employed, and nearly ten times higher than where both parents are employed. Jobless families can have poverty rates 40 times higher than families where both parents are in paid employment.

Table 2 about here

Another way of describing relative poverty risks is to compare the representation of household types in the poor population with their representation in the general population. On this basis, single parents are represented three times as often in the poor population as in the working-age population as a whole; jobless households are over-represented by a factor of more than five to one, and jobless lone parents by more than six to one (Table 3).

A first conclusion therefore is that in most OECD countries joblessness is strongly associated with a higher risk of child poverty. Having said this, employment *per se* is not the complete solution to child poverty. Working lone parents have poverty rates exceeding 20% in 12 countries, and poverty rates among single income couples are over 20% in five, and are even substantial for two-earner families in Japan, Mexico and Turkey.

Table 3 about here

In fact, on average, only around one-third of poor families with children are jobless in OECD countries, but this share ranges from under 10 per cent in Greece, Japan, Luxembourg, Mexico, Portugal and Turkey to more than 50 per cent in Australia, the Czech Republic, France, Germany, the Netherlands and Norway (Table 4). Other countries with an above average share of jobless poor households include Denmark, Ireland, New Zealand, Poland and the United Kingdom. Around half of all poor families with children in OECD countries live in single income families, but this share ranges from 20 per cent in Australia to more than 70 per cent in Greece, Italy and Luxembourg. Only 20 per cent of poor families with children have both parents employed, on average; poverty among two income families is negligible in Germany and Norway, but accounts for nearly half of all child poverty in Japan.

Table 4 about here

4. TAX AND BENEFIT POLICIES AND THEIR IMPACTS

Tax and benefit systems mainly redistribute income towards families either by providing a minimum level of income for those without paid employment, or by supplementing the incomes of employed families with children. Other government policies also affect disposable incomes of the employed, notably the minimum wage.

Assistance for families – levels and distribution

Families with children have always been an important client group for social policies in OECD societies, but gross public spending on families tends to be low compared to other types of social spending: on average, it accounts for less than 2% of GDP — and for around 3% or more in Australia, Austria, Denmark, Finland, France, Luxemburg, Norway and Sweden. Cash transfers represent the dominant component of gross public spending (around 70%), although in-kind services represent more than half of these outlays in Finland, Iceland, Japan, Korea, Mexico and the United States (but very small absolute amounts in the latter four countries). In absolute levels, spending on services is highest (exceeding 1% of GDP) in Denmark, Finland, France, Iceland, Norway and Sweden.

However, an important component of family assistance in some countries is delivered through the tax system, and many countries combine tax support with direct family assistance. The addition of tax expenditures for families significantly increases spending in France, Germany, Belgium, the Czech and the Slovak Republics, the Netherlands, the United States and Japan (Adema and Ladaïque, 2005). As a result, for example, while gross public spending on families is about one-third higher in Denmark than in France, net spending is actually higher in France. In the case of the United States it has been estimated that tax credits and exemptions are the largest single component of support for children. In addition to spending and tax support that is earmarked as being for families, assistance can also be provided to low income families through other forms of income support, such as unemployment benefits and social assistance.

Family cash benefits comprise a relatively small share of the disposable income of working-age households – only around 2% on average (Table 5), but as high as 4% in Sweden and Luxembourg and 5% in France.⁶ For the lowest decile, these benefits are considerably more significant, exceeding 10% of household disposable income in eight countries. On average the poorest 20% of the working-age population receive around 30% of family cash benefits, while the richest quintile receive around 10%. The degree of targeting of these benefits – measured either by the ratio of the benefits received by the poorest quintile to the benefits received by the richest quintile or by the Gini coefficient for family transfers – is highest in the United States, the United Kingdom, New Zealand and Australia, where the poorest quintile receive between 40 and 60% of family cash benefits (the Czech Republic, Ireland and Hungary also have above average targeting). The redistributive impact of different systems, however, is a product both of how much is spent as well as how it is targeted; for example, while in France only around one quarter of family cash benefits are received by the poorest quintile compared to nearly two-thirds in the United States, measured spending in France is about ten times higher than in the United States, so that in absolute

⁶ The definition of family cash benefits in income surveys may not be the same as in OECD expenditure statistics and that these figures do not include assistance for families through the tax system.

terms (i.e. as a percentage of the total household disposable income of the working age population), the amount received by the poorest quintile in France is more than four times higher than in the United States.

Table 5 about here

Overall, public transfers and tax advantages towards families with children play a significant role in reducing child poverty at a point in time (Table 6). On average, across 23 OECD countries, public transfers and taxes lift out of relative poverty around 40% of all households with children whose market income is below the poverty threshold. The extent of this reduction ranges from around 70% or more in the Nordic countries, Belgium, the Czech Republic and France, around 60% in Australia and Poland to being negligible in Italy and Portugal, and the tax and benefit systems apparently increase child poverty in Japan and Switzerland.

Table 6 about here

Adequacy of benefits and other support for families

How adequate are benefits for people who are not employed and are receiving social assistance? Table 7 shows the net incomes of families receiving social assistance benefits before and after taking account of housing benefits, for lone parents with two children and couples with two children, expressed as a percentage of median disposable income. On average, basic benefit entitlements are around one-third of median income in OECD countries, both for lone parents and couples with children, so that on average, social assistance benefits would have to be increased by one half to reach the 50% poverty line. However, in some countries benefits are already above the poverty line, while in others they are practically non-existent.

Table 7 about here

Lone parent social assistance recipients receiving their full benefit entitlements will have incomes at or above the poverty line in Australia, Belgium and Japan, and will be very close to the poverty line in the Czech Republic, Denmark and Poland. Benefit entitlements are a long way from the poverty line in Spain, the United States, Hungary, Greece and Italy. Housing benefits boost recipients closer to the poverty line or above it in a considerable number of countries, so long as they do not require considerable out-of-pocket spending on housing.⁷

⁷ Interpretation of differences in benefit entitlements across countries is complicated by the different role of housing benefits (Bradshaw and Finch, 2002). There are no direct cash housing benefits included in some countries – Belgium, Canada, the Czech Republic, Greece, Italy, Japan, Poland, Portugal and Spain – while in Hungary and the United States these benefits have a minimal impact. Housing benefits are substantial in Austria, Finland, France, Germany, Ireland, Sweden, Switzerland and the United Kingdom. Receipt of housing benefits may require substantial out-of-pocket expenditure on rental housing, however, for example in Australia and New Zealand, while in the United Kingdom housing benefits can

Broadly similar results are found for couples with children, with Australia, the Czech Republic and Poland having basic entitlements above the 50% poverty line and Denmark, Japan and New Zealand being close to this level. Receipt of housing benefits boosts a considerable number of countries above the line, but Greece and Italy have negligible benefits and Spain and the United States provide very low levels of assistance.

The fact that benefit entitlements are calculated as being above the poverty line in some countries raises the obvious question of why there is any child poverty among jobless families in these countries (particularly Australia where all measures of benefit entitlements are above the poverty line). Among these countries, Belgium has the lowest disposable income poverty rates, but even there around 15-25% of jobless families are estimated to be in poverty (Table 6). There are a number of possible explanations; the first being that the income surveys understate the incomes of benefit recipients, and a second that take-up is a problem and not all benefit entitlements are actually claimed (see Mood Roman (2005) and Hernanz et al., (2004)). It is also likely that a simple comparison of benefit entitlements does not capture all the criteria that individuals have to satisfy to receive payments, including obligations to look for work, the age of qualifying children and asset limits.⁸ This is a subject requiring further research. Nevertheless, the safest conclusion is that in these countries - and others with benefits close to the poverty line - the poverty gap is likely to be much less than in countries with relatively low benefit levels.

5. POLICY DIRECTIONS – DOES WORK WORK?

Explaining differences in poverty levels

Why do some countries have very low levels of child poverty while others have much higher levels? Belgium, Finland, Denmark and Sweden have below average levels of child poverty “before taxes and transfers” and their tax and benefit systems appear to reduce these levels significantly, so that they end with very low levels of child poverty after taxes and transfers (below 5%). France and Australia have tax and benefit systems that are very effective in reducing child poverty, but because they have high or very high levels of poverty before redistribution, their levels of child poverty after taxes and transfers are higher than in the first group of countries. Poland is able to reduce child poverty more (in percentage points)

cover all rental expenditures. Indirect benefits through reduced rents for tenants are also important in some countries, but are not captured in this income measure. In fact, even if recipients of cash housing benefits have to pay significant out-of-pocket costs, their incomes as measured in surveys may still be above the poverty line in a technical sense, but since we do not have a measure of after-housing poverty, it may not be correct to conclude that they are not in poverty.

⁸ A further factor is that the poverty lines have been projected to 2003 values using the consumer price index, whereas median incomes could have increased at a faster rate. In the case of Belgium the original data refer to 1995, so that the projection methodology could lead to a widening divergence over time.

than any other country, but because it starts with a level of poverty that is the highest in the OECD it ends with a level of poverty that is still above average. New Zealand and the United Kingdom have tax and transfer systems that are more effective than average, but as their levels of poverty before taxes and transfers are high, so are their post-tax transfer levels of poverty. Mexico, Italy, Portugal, Spain, Japan and Switzerland have systems that reduce child poverty only to a limited extent if at all, so that poverty in terms of disposable income is similar to market income poverty. Thus, for example, Mexico has very high poverty, but Switzerland rather low. The remaining countries are more effective than this group in reducing poverty, but are not as effective as New Zealand, the United Kingdom or the Nordic countries.

To generalise, all countries with very low levels of child poverty (under 5%) also have relatively low levels of joblessness (except Norway, where joblessness is just above the OECD average) and relatively low market income poverty, together with tax and transfer systems that are very effective at further reducing child poverty, mainly through high levels of spending rather than through targeting. But not all countries with low joblessness have low poverty. Countries that have relatively high levels of child poverty appear mainly to have very high levels of poverty among working families, and tax and benefit systems that are not effective in reducing it.

As noted above, jobless households have very much higher poverty rates in nearly all OECD countries than do households with at least one earner. What then would be the impact of increasing employment among parents on child poverty? Not unexpectedly, reforms to reduce joblessness would have widely differing impacts on child poverty in different OECD countries. Table 8 simulates changes in poverty rates, first if the number of jobless households was reduced to the level of the third best performing OECD country (Portugal), and second if the share of two-income couples was increased to the share of the third best performing country (Denmark); and third, if both effects were achieved simultaneously. The new poverty rates are calculated with within-group poverty rates held constant, so the results simply show the impact of changes in the composition of the population in terms of work status of parents.

Table 8 about here

Overall, if it were possible in all OECD countries to reduce joblessness to the level of the third best-performing country and current within-group poverty rates were unchanged, then child poverty would fall from 10.2% to 9.0%, on average. In some countries the effects would be small – for example, in the United States, poverty would only fall from 18.4% to 17.8%. In contrast, child poverty would fall by between two and 4.5 percentage points in Australia, the Czech Republic, France, Germany, Ireland, New Zealand and the United Kingdom. This suggests that in these countries reforms to reduce joblessness among families with children should be a priority.

Reforms that encouraged an increase in the number of two income families would have diverse impacts. On average, if it were possible to increase the share of two-income families to the level of the third best-performing country, then child poverty would fall from 10.2% to 8.7%, or by slightly more than the reduction associated with reduced joblessness. In many countries, the effect of such a reform would be negligible, but the impacts on child poverty would be large in Greece, Italy, Mexico, Poland, Portugal and Spain (falls of between two and six percentage points). This suggests that in these six countries reforms to encourage employment among partners in single income families should be particularly encouraged.

A reform that combined both effects would have stronger impacts overall, and child poverty on average would fall to 7%, or by around 30%. In some countries, the effects would not be particularly strong – for example, Sweden, reflecting the fact that it already has very low poverty and very high employment levels in both dimensions. In other countries such as Japan the effects would not be very strong, again because employment levels are already very high, but because within group poverty rates are high, child poverty would become nearly twice the OECD average. The impact of these changes would be strongest in Italy, where poverty would fall by close to 10 percentage points, followed by Poland, Spain, Portugal, the United Kingdom, Australia, Germany and Greece.

A number of obvious caveats should be attached to these estimates. The poverty line has been held constant before and after the simulated changes, even though an increase in employment would increase the median income and therefore increase the poverty line itself. This is defensible if one thinks of poverty in fixed terms in the short run, but it does imply that from a purely relative perspective these results over-estimate the impact on poverty. A related factor is that by holding the poverty rates constant within groups, we are assuming that the average incomes of those who get jobs is the same as those currently with jobs. It is likely, however, that the current jobless would be less well educated and less qualified than the currently employed, so that their wage rates if they were able to find jobs would be below the currently employed.

A further factor is that in some cases the changes required to achieve these outcomes are very large. For example, the employment rate of lone parents in Portugal is 80%, so that the employment rates of lone parents in Australia, Ireland, and the Netherlands would have to increase by 30 percentage points, and in New Zealand and the United Kingdom by more than 20 percentage points to reach this level. Correspondingly, for the share of two income couple to rise to the Swedish level, it would be necessary in Greece, Italy and Spain for the employment rates of partnered mothers to rise by close to 40 percentage points.

The strategy of redistribution

How effective is the alternative strategy of redistribution in reducing child poverty? If tax and benefit systems could be made as effective as the third best performing country in terms of the proportional reduction in child poverty (Sweden, with a reduction of around 78%), then it is estimated that child poverty in OECD countries would be more than halved from 10.2 to 4.3 %, and no OECD country would have a child poverty rate above 7%.

At first glance this suggests that the strategy of redistribution is likely to be significantly more effective in reducing child poverty than the work strategy; however the situation is much more complicated than this suggests. This is because Sweden starts with a very low level of joblessness and a level of market income poverty that is about 80% of the OECD average. This means that most countries wishing to be as effective as Sweden would actually have to spend considerably more than Sweden, or spend more and target it better. As a percentage of total disposable income, Swedish family benefits are already twice the OECD average (Table 5).

However, it is also possible to measure effectiveness in terms of the percentage point reduction in child poverty, rather than the proportional reduction; using this criterion Australia is the third most effective country in reducing poverty (by 15 percentage points). In contrast to Sweden, Australia appears to spend below the OECD average, but targets it considerably more, with the Gini coefficient for family cash benefits being about twice the OECD average.

This discussion suggests that there are alternative approaches to redistribution. But most importantly, it should be noted that all the countries with very low levels of child poverty combine low levels of joblessness with effective redistribution, suggesting that it is not sufficient to rely on only one strategy.

6. CONCLUSIONS AND POLICY DIRECTIONS

Overall, these findings show that while encouraging employment of the jobless and increasing the share of two earner families is likely to be an essential part of any effective policy to reduce child poverty, complementary strategies are required. That is, as well as effectively encouraging employment, policies are needed to reduce poverty among working families.

Perhaps the starting point for thinking about these issues is first to determine what policies are needed to ensure that families are not poor when they are in paid work, to develop and structure policies to support families in earning more than the poverty line, and

then to consider reforms to out of work benefits that are consistent with the goal of supporting work effort.

An obvious starting point is the level of the minimum wage. Working at the minimum wage – where it exists – and combined with relevant family benefits - should be sufficient for single income families to escape poverty in half the countries with a minimum wage (Table 9). Indeed, the combination of the minimum wage and tax and benefit policies is already sufficient in Australia, Belgium, Ireland, New Zealand and the United Kingdom to place sole parent income families above a 60% poverty line, and is also sufficient for couples in Australia and the United Kingdom. In contrast, families at the minimum wage are well below the 50% poverty line in Spain, Greece, Hungary, Portugal and the USA. If one chose to use a 40% of median income poverty line, however, some of these countries would be closer to achieving this standard, although Spain and Greece are still well below this lower level.⁹

Table 9 about here

It might be argued that increases in the minimum wage are not the most target efficient way of reducing child poverty, given that the minimum wage also benefits people without children and individuals in families already above the poverty line. This raises the role of in-work benefits and tax assistance. Bearing in mind the interactions of the taxation and benefits systems, lone parent families could fairly easily escape poverty (at the 60% of median income level) through additional work in Australia and New Zealand, and Germany, taking account of housing benefits (Table 10).¹⁰ This reflects the fact that in Australia and New Zealand the existing benefit systems for lone parents have very high cut-out points, and continue to supplement wages over extended income ranges, while in Germany housing benefits do the same.

Table 10 about here

In Finland, Ireland and the United Kingdom escaping poverty would also be possible with a part-time job or a job that paid less than half the average production worker's wage. In most other OECD countries families would require a job that paid at least two-thirds of the average production worker's wage, and in the Netherlands, Norway, Portugal, Greece, Sweden, Spain, the United States and Hungary, a wage over the APWW level would be required to escape poverty for a couple with two children, although couples have a greater likelihood of achieving this through the paid employment of both parents. One conclusion that might be drawn from this is that these countries may need to consider introducing new policy instruments or extending existing programmes of in-work benefits if they wish to reduce child poverty.

⁹ Countries without a statutory minimum wage are likely to have collective agreements that guarantee high effective wages for the low paid.

¹⁰ It is possible to justify a higher poverty line for employed families than for non-employed families because of the additional costs of working, particularly child care.

Of course, it could be argued that higher employment, including increased hours of work are in themselves the most appropriate solution to child poverty, and increased earnings should reduce the poverty gap, even if it does not have an apparent impact on child poverty rates. There are also concerns that in work-benefits such as an Earned Income Tax Credit may improve incentives for lone parents to participate in the paid labour market, but may worsen incentives for second earners because of the family income test, and that they may also reduce incentives for individuals to invest in training and education.

The discussion in the previous section has shown that in a significant number of OECD countries social assistance entitlements are already fairly close to the 50% poverty line. For groups judged not to be capable of taking up paid employment opportunities, there could be a case for improving these benefits where they are already close to the poverty line, since marginal changes may not be likely to have a significant impact on employment behaviour. Where benefit entitlements are much further away from the poverty line, the situation is more complex, both because the cost of initiatives would be higher and the implications of a dramatic expansion in assistance for incentives to work may be more problematic.

Two further issues relate to barriers to work. A concern expressed in many OECD countries is with high effective marginal tax rates facing low paid workers as they make the transition from receipt of benefits into paid work, or as potential second earners entering or re-entering the paid labour market. In nearly all OECD countries, average effective tax rates on the low paid can be higher than on average earners or the high paid, primarily through the interaction of direct taxes with the withdrawal of benefits. However, while this factor is likely to provide a disincentive to paid work, it does not appear to explain variations in joblessness among families with children. Some countries such as Australia and New Zealand with high levels of joblessness have relatively low effective tax rates in these circumstances, while others such as Denmark, which has very high effective tax rates has very low joblessness. The low level of employment for low-income parents in countries like Australia and New Zealand and also the United Kingdom and Ireland appears to be associated with the nature of their benefit systems - benefit levels are towards the upper end of the range of OECD countries, and the benefits are available without a work test until the youngest child is a teenager. These arrangements reinforce expectations that mothers should stay out of the labour force on a very long-term basis. In contrast, in countries with low levels of joblessness such as the Nordic countries, the public policy framework is based on encouraging and facilitating participation in paid work by mothers.

An important related issue is the cost of childcare when parents are in paid employment (Immervoll and Barber, 2005). Net childcare costs are high in many countries. Even after deducting all relevant types of government support, typical out-of-pocket expenses for two pre-school children can add to 20% and more of total family budgets. In some cases, typical net costs are found to consume more than a third of family resources. For most countries

results show that, before accounting for the costs of childcare, even low-wage employment brings significant income gains for lone parents and potential second earners in two-parent families. Yet, in several countries, tax burdens and the withdrawal of social benefits reduce gains from work to such an extent that even very limited childcare expenses can leave families with less money to spend than if they were to stay at home.

In a few countries, lone parents entering a low-wage job lose income even before accounting for any childcare-related expenses. Since non-employed lone parents are faced with extremely low incomes in some countries, and with considerable poverty risks everywhere, this highlights the need for work-friendly policies, including low effective tax burdens for low-wage earners and/or effective support for childcare. Once childcare costs are taken into account as work-related expenditures, low-wage second earners in about half the countries see more than 70% of their earnings consumed by childcare fees, taxes and reduced benefits. For lone parents, the payoff from employment can be lower still.

Two further points should be noted. It is likely that in some countries working families are poor because they are working insufficient hours, but our data do not allow us to identify part-time work. This issue can only be addressed by collecting data that can identify whether families are poor due to part-time work. The second caveat relates to the fact that the poverty line is set at the same level for single income and two-income couple families. There are strong reasons for arguing, however, that families at the same money income level but where different hours of work are required to produce those earnings are not in fact enjoying equal levels of welfare. Single earner families benefit from more home production, in that the parent at home can provide more household services, including child care; alternatively, households with two earners may incur higher costs of working, including child care, travel costs, additional clothing costs, and purchase of household services, so their effective incomes are likely to be lower than those with one earner and the same disposable money income.

To conclude, our analysis shows that while joblessness raises significant risks of child poverty, the factors associated with child poverty vary significantly across OECD countries. This means that simple policy prescriptions would not be sufficient for reducing child poverty. Instead, policy responses need to be multi-faceted and carefully tailored to the situation in each country.

REFERENCES

- Adema and Ladaique (2005), *Net Social Expenditure, 2005 Edition - More comprehensive measures of social support*, OECD Social, Employment and Migration Working Papers No. 29, Paris, OECD.
- Bradshaw J. and Finch N. (2002), *A Comparison of Child Benefit packages in 22 countries*, DWP Research Report No. 174, HMSO, London.
- Conseil de l'emploi, des revenus et de la cohésion sociale, CERC (2004), *Les enfants pauvres en France*, La documentation française, Paris.
- Department for Work and Pensions (2004), *Report on Child Poverty in the UK; Reply by the Government to the Second Report of the Work and Pensions Select Committee*, Session 2003-04, [HC 85-1], CM 6200, London.
- Förster, M. and M. Mira D'Ercole (2005), *Income Distribution and Poverty in OECD Countries in the Second Half of the 1990s*, *OECD Social, Employment and Migration Working Paper No. 22*, Paris, OECD.
- Immervoll, H. and D. Barber, (2005), *Can Parents Afford to Work? Childcare Costs, Tax-Benefit Policies and Work Incentives*, OECD Social, Employment and Migration Working Paper No. 31, Paris, OECD.
- Hernanz, V., F. Malherbet and M. Pellizzari (2004), *Take-up of Welfare Benefits in OECD countries: A Review of the Evidence*, OECD Social, Employment and Migration Working Papers No. 17, Paris.
- Mood Roman, C. (2005), "Take-up Down Under: Hits and Misses of Means-Tested Benefits in Australia", Paper presented at the HILDA Survey Research Conference, September, University of Melbourne.
- OECD (2004), *Benefits and Wages, OECD Indicators*, OECD, Paris.
- OECD (2005), *Meeting of OECD Social Affairs Ministers, 2005 - Extending Opportunities: How active social policy can benefit us all - Final Communiqué*, http://www.oecd.org/document/47/0,2340,en_2649_33933_34668207_1_1_1_1,00.html
- OECD (various years), *Babies and Bosses*, Volumes 1-4, Paris
- Rector, R. E. and R. S. Hederman, Jr. (2003), *The Role of Parental Work in Child Poverty*, Heritage Foundation, Centre for Data Analysis, Report CDA03-01 Washington D.C.

Table 1: Trends in child poverty, before and after taxes and transfers, 1980s to around 2000 (Source: Calculated from OECD Income Distribution Study.)

	1980s		Mid-1990s		Around 2000		Change 80's to 90s		Change 90s to 2000		Change 80's to 2000	
	Before	After	Before	After	Before	After	Before	After	Before	After	Before	After
Australia	20.6	15.5	29.9	10.9	26.6	11.6	9.3	-4.6	-3.3	0.7	6.0	-3.9
Austria	-	5.5	-	7.3	-	13.3	-	1.8	-	6.0	-	7.8
Belgium	-	-	14.9	4.1	-	-	-	-	-	-	-	-
Canada	20.7	15.8	23.0	12.8	21.1	13.6	2.4	-2.9	-1.9	0.8	0.5	-2.1
Czech Republic	-	-	15.8	5.5	21.4	7.2	-	-	5.6	1.7	-	-
Denmark	9.6	4.0	13.4	1.8	11.8	2.4	3.8	-2.3	-1.6	0.6	2.2	-1.7
Finland	9.3	2.8	17.3	2.1	16.7	3.4	8.0	-0.8	-0.7	1.4	7.3	0.6
France	24.8	6.6	26.0	7.1	27.7	7.3	1.1	0.5	1.7	0.2	2.8	0.6
Germany (West)	12.7	6.9	16.4	10.4	19.6	11.7	3.7	3.5	3.2	1.4	7.0	4.8
Germany	-	-	17.5	10.0	19.9	10.9	-	-	2.4	0.9	-	-
Greece	19.7	12.7	18.2	12.3	18.5	12.4	-1.5	-0.3	0.3	0.0	-1.2	-0.3
Hungary	-	-	23.9	10.3	22.5	13.1	-	-	-1.4	2.8	-	-
Ireland	30.7	13.3	34.9	13.4	24.9	15.7	4.2	0.1	-10.0	2.3	-5.8	2.4
Italy	10.7	11.5	19.3	18.6	15.9	15.7	8.6	7.1	-3.4	-2.9	5.2	4.2
Japan	8.3	10.8	11.2	12.0	12.9	14.3	3.0	1.2	1.7	2.3	4.6	3.5
Luxembourg	-	6.8	-	7.9	-	7.8	-	1.1	-	-0.1	-	1.0
Mexico	23.8	23.5	27.8	26.0	28.0	24.8	4.0	2.5	0.3	-1.2	4.2	1.3
Netherlands	15.4	3.3	17.9	9.1	16.1	9.0	2.5	5.8	-1.8	-0.1	0.7	5.7
New Zealand	18.5	9.5	29.0	12.1	27.9	16.3	10.5	2.6	-1.1	4.2	9.4	6.8
Norway	8.8	3.9	13.3	4.4	11.8	3.6	4.5	0.5	-1.5	-0.8	3.0	-0.3
Poland	-	-	33.3	13.6	33.8	14.5	-	-	0.5	0.9	-	-
Portugal	-	-	16.9	15.6	16.4	15.6	2.3	3.2	-0.5	0.0	-	-
Spain	-	16.9	25.1	17.4	19.0	15.6	-	0.5	-6.1	-1.8	-	-1.3
Sweden	10.0	2.4	20.8	2.5	16.1	3.6	10.8	0.1	-4.7	1.1	6.0	1.2
Switzerland	-	-	12.5	10.4	7.8	6.8	-	-	-4.6	-3.6	-	-
Turkey		20.3	-	19.7	-	21.1	-	-0.7	-	1.4	-	0.8
United Kingdom	23.5	9.7	32.2	17.4	29.1	16.2	8.6	7.7	-3.0	-1.2	5.6	6.5
USA	28.8	25.1	29.0	22.3	26.6	21.7	0.2	-2.8	-2.4	-0.6	-2.1	-3.4
OECD	17.4	10.8	21.6	11.3	20.5	12.2	4.8	1.1	-1.3	0.6	3.3	1.6

Table 2: Child poverty, around 2000

Poverty rates for children, households with children and by household type, percentages

	Children	Households with children	Single parent		Two parents		
			Not working	Working	No worker	One worker	Two workers
Australia	11.6	10.2	58.7	11.7	43.3	5.4	3.3
Austria	13.3	11.5	67.6	23.3	35.6	12.7	8.6
Belgium	4.1	3.3	22.8	11.4	16.1	2.8	0.6
Canada	13.6	11.5	89.7	27.7	75.3	22.9	3.5
Czech Republic	7.2	5.6	53.7	5.5	35.7	3.7	0.6
Denmark	2.4	2.1	22.2	4.0	19.0	6.4	0.7
Finland	3.4	3.3	25.0	7.2	25.8	5.4	1.3
France	7.3	6.7	61.7	9.6	37.9	6.3	1.6
Germany	12.8	9.5	55.6	18.0	51.5	6.4	1.9
Greece	12.5	11.1	18.8	20.0	13.4	16.8	4.8
Hungary	13.1	10.8	..	..	33.1	10.0	6.7
Ireland	15.7	13.5	88.7	22.1	74.8	17.4	1.6
Italy	15.7	14.3	76.8	13.4	61.1	23.9	1.6
Japan	14.3	12.9	52.1	57.9	46.0	12.3	10.6
Mexico	24.8	20.7	45.6	32.6	37.9	26.2	15.4
Netherlands	9.0	7.6	42.8	17.7	50.7	7.8	1.7
New Zealand	16.3	13.6	87.6	21.3	43.3	14.5	4.1
Norway	3.6	2.9	24.7	2.8	38.0	2.8	0.1
Poland	9.9	11.6	60.0	6.1	28.4	9.0	3.0
Portugal	15.6	13.1	84.8	20.3	50.6	32.4	4.8
Spain	15.6	13.7	68.2	32.8	64.7	18.1	4.7
Sweden	3.6	3.2	34.2	5.6	13.7	8.2	1.2
Switzerland	6.8	6.3	..	2.3	..	9.6	4.7
Turkey	21.1	17.6	51.6	65.4	25.2	17.2	15.7
United Kingdom	16.2	13.6	62.5	20.6	37.4	17.6	3.6
United States	21.6	18.4	93.0	39.9	77.7	30.5	8.3
OECD	12.0	10.3	56.2	20.0	41.4	13.3	4.4

Source: OECD Income Distribution Study.

Table 3: Poverty risks, households with children, around 2000

	Lone parents			All jobless households with children			Non-working lone parents		
	% of households with children	% of poor households with children	Risk	% of households with children	% of poor households with children	Risk	% of households with children	% of poor households with children	Risk
Australia	10.8	40.8	3.8	12.4	61.9	5.0	6.2	35.4	5.8
Austria	6.6	17.1	2.6	2.6	10.9	4.1	1.0	5.9	5.9
Belgium	12.1	47.1	3.9	4.8	26.6	5.5	1.6	11.3	6.9
Canada	8.7	32.0	3.7	4.0	29.0	7.2	2.0	15.8	7.8
Czech Republic	10.4	43.4	4.2	9.0	69.9	7.8	3.8	36.8	9.6
Denmark	4.2	14.2	3.4	4.6	41.9	9.2	0.7	7.8	10.5
Finland	10.0	31.6	3.2	4.1	31.2	7.7	1.8	13.9	7.5
France	7.7	30.4	4.0	7.4	50.8	6.8	2.5	23.0	9.2
Germany	14.0	40.5	2.9	11.7	59.4	5.1	5.0	26.0	5.2
Greece	3.4	6.0	1.8	2.8	3.7	1.3	0.7	1.2	1.7
Ireland	6.6	26.2	4.0	8.2	48.6	5.9	3.1	20.6	6.6
Italy	2.5	4.3	1.7	4.1	17.9	4.4	0.5	2.4	5.4
Japan	3.3	14.7	4.4	0.6	2.4	3.8	0.3	1.4	4.0
Luxembourg	3.9	19.9	5.1	1.6	7.7	4.7	0.4	4.0	9.7
Mexico	3.2	5.1	1.6	3.0	5.4	1.8	0.5	1.0	2.1
Netherlands	9.5	38.1	4.0	8.2	50.2	6.1	4.8	26.9	5.6
New Zealand	12.4	43.4	3.5	9.2	45.3	4.9	4.9	31.7	6.4
Norway	13.8	47.6	3.4	6.8	70.1	10.3	4.4	38.4	8.6
Poland	5.7	17.2	3.0	10.2	41.8	4.1	2.2	13.0	6.0
Portugal	3.1	7.7	2.5	2.0	9.4	4.6	0.6	3.8	6.5
Spain	1.9	5.6	2.9	4.4	20.7	4.8	0.4	2.0	5.0
Sweden	17.1	49.4	2.9	3.9	30.7	7.9	2.2	23.4	10.7
Switzerland	3.7	1.3	0.4	..	..	..	..	..	..
Turkey	1.6	5.3	3.3	4.8	8.3	1.7	0.9	2.6	3.0
United Kingdom	15.3	45.7	3.0	11.5	45.0	3.9	7.3	33.7	4.6
USA	11.2	29.9	2.7	3.1	14.9	4.7	1.8	9.2	5.1
OECD	7.8	25.6	3.1	5.8	32.2	5.3	2.4	15.7	6.4

Notes: Risk is the ratio of each group among poor households with children relative to their share among all households with children.

..: Data not available.

Source: Calculated from OECD Income Distribution Study.

Table 4: Composition of child poverty by number of earners in household, OECD countries

	None employed	One employed	Two or more employed
Australia	61.9	20.7	17.4
Austria	10.9	41.3	47.7
Belgium	26.6	64.4	9.0
Canada	29.0	48.8	22.1
Czech Republic	69.9	24.1	5.9
Denmark	41.9	28.5	29.5
Finland	31.2	40.6	28.2
France	50.8	35.6	13.6
Germany	59.4	39.9	0.7
Greece	3.7	75.5	20.8
Ireland	48.6	44.6	6.7
Italy	17.9	76.6	5.5
Japan	2.4	48.6	49.0
Luxembourg	7.7	70.8	21.5
Mexico	5.4	62.8	31.8
Netherlands	50.2	35.7	14.2
New Zealand	45.3	36.7	18.0
Norway	70.1	28.8	1.1
Poland	41.8	49.9	8.4
Portugal	9.4	64.6	26.0
Spain	20.7	62.2	17.1
Sweden	30.7	44.4	24.9
Switzerland	..	55.8	44.2
Turkey	8.3	50.3	41.5
United Kingdom	45.0	36.5	15.6
USA	14.9	55.0	30.1
OECD	32.2	47.8	21.2

Source: Calculated from OECD Income Distribution Study.

Table 5: Family Cash Benefits, size and distribution, around 2000

	Benefits as % of disposable income		Distribution of benefits			
	Total	Lowest decile	<i>Lowest quintile</i>	<i>Richest quintile</i>	<i>Ratio Q1/Q5</i>	Gini coefficient
Australia	1.8	12.9	45.2	1.2	37.7	-47.3
Austria	3.0	8.7	23.9	12.2	2.0	-14.0
Belgium	3.8	5.9	15.6	20.9	0.7	5.2
Canada	1.0	11.3	28.9	2.6	11.1	-53.6
Czech Republic	2.1	10.4	33.2	7.5	4.4	-33.4
Denmark	1.3	3.0	22.6	10.5	2.2	-13.0
Finland	3.5	7.5	21.3	11.5	1.9	-12.6
France	5.1	17.0	26.8	9.8	2.7	-19.2
Germany	3.7	10.3	20.7	17.1	1.2	-6.0
Greece	0.4	1.6	19.9	17.8	1.1	-2.9
Hungary	5.0	18.6	26.4	14.8	1.8	-13.5
Ireland	2.9	15.4	33.4	9.8	3.4	-24.4
Luxembourg	4.2	13.9	24.7	13.1	1.9	-11.9
Netherlands	1.3	4.5	27.2	9.2	3.0	-20.3
New Zealand	1.5	17.8	58.2	2.5	23.3	-52.2
Norway	2.5	6.7	19.9	12.0	1.7	-11.8
Poland	1.3	6.0	25.0	17.0	1.5	-10.8
Portugal	0.8	2.8	22.0	15.1	1.5	-7.9
Sweden	4.0	7.9	20.7	9.7	2.1	-15.1
Switzerland	0.7	4.4	20.2	14.3	1.4	-8.9
United Kingdom	0.5	7.1	58.2	5.8	10.0	-51.8
United States	0.5	7.7	65.2	1.5	43.5	-59.5
Average	2.3	9.3	30.6	10.2	3.0	-23.3

Source: OECD Income Distribution study, 2004.

Table 6: Impact of taxation and benefit systems on child poverty, OECD countries, 2000

Poverty rates (%) before (market) and after (disposable) taxes and transfers and differences by household types

		Single adult Working	Single adult not working	Two adults two or more working	Two adults one working	Two adults non working	All households with children
Australia	Market	43.7	97.6	6.4	22.2	98.0	24.1
	Disposable	11.7	58.7	3.3	5.4	43.3	10.2
	Difference	73.2	39.9	48.8	75.9	55.8	57.7
Belgium	Market	27.2	95.4	1.6	14.3	99.2	13.1
	Disposable	11.4	22.8	0.6	2.8	16.1	3.3
	Difference	58.1	76.1	62.5	80.2	83.8	74.7
Canada	Market	43.6	97.3	7.3	36.5	95.6	18.1
	Disposable	27.7	89.7	3.5	22.9	75.3	11.5
	Difference	36.3	7.8	52.4	37.2	21.2	36.7
Czech Republic	Market	16.6	98.6	1.7	23.8	97.3	17.2
	Disposable	5.5	53.7	0.6	3.7	35.7	5.6
	Difference	66.7	45.6	65.7	84.6	63.3	67.6
Denmark	Market	22.1	91.3	5.0	27.0	83.7	10.9
	Disposable	4.0	22.2	0.7	6.4	19.0	2.1
	Difference	82.0	75.7	85.3	76.1	77.2	80.4
Finland	Market	29.5	100.0	5.5	27.9	95.1	14.3
	Disposable	7.2	25.0	1.3	5.4	25.8	3.3
	Difference	75.6	75.0	76.8	80.6	72.9	76.8
France	Market	31.8	95.6	7.4	38.6	96.6	24.6
	Disposable	9.6	61.7	1.6	6.3	37.9	6.7
	Difference	70.0	35.4	78.4	83.6	60.8	72.7
Germany	Market	25.3	91.9	3.3	10.4	79.1	17.9
	Disposable	15.3	49.3	0.2	5.5	47.2	9.5
	Difference	39.6	46.3	94.3	46.7	40.3	46.9
Greece	Market	24.1	33.9	7.8	22.6	84.5	16.9
	Disposable	20.0	18.8	4.8	16.8	13.4	11.1
	Difference	17.0	44.6	37.7	25.7	84.2	34.4
Ireland	Market	54.2	97.4	4.3	27.6	97.4	20.7
	Disposable	22.1	88.7	1.6	17.4	74.8	13.5
	Difference	59.2	9.0	64.0	37.1	23.2	34.9
Italy	Market	17.8	94.0	1.4	22.1	88.2	14.6
	Disposable	13.4	76.8	1.6	23.9	61.1	14.3
	Difference	24.7	18.3	-14.3	-8.1	30.7	1.7
Japan	Market	56.5	75.3	8.5	9.8	38.4	10.7
	Disposable	57.9	52.1	10.6	12.3	46.0	12.9
	Difference	-2.5	30.8	-24.0	-25.8	-19.9	-19.9
Mexico	Market	35.8	56.6	17.2	28.8	53.0	24.5
	Disposable	32.6	45.6	15.4	26.2	37.9	21.9
	Difference	8.9	19.4	10.8	9.0	28.5	10.8
Netherlands	Market	28.3	93.6	2.7	14.3	86.8	13.9
	Disposable	17.7	42.8	1.7	7.8	50.7	7.6
	Difference	37.5	54.3	37.0	45.5	41.6	45.6
New Zealand	Market	55.0	100.0	6.6	29.5	97.4	24.1

Norway	Disposable	21.3	87.6	4.1	14.5	43.3	13.6
	Difference	61.3	12.4	37.9	50.8	55.5	43.5
	Market	14.0	97.0	0.4	9.5	94.1	10.0
Poland	Disposable	2.8	24.7	0.1	2.8	38.0	2.9
	Difference	80.0	74.5	87.5	70.5	59.6	71.5
	Market	51.1	95.0	4.0	43.0	94.1	28.8
Portugal	Disposable	13.7	69.1	1.9	14.9	41.8	11.6
	Difference	73.3	27.3	52.3	65.4	55.5	59.7
	Market	21.2	87.3	3.8	34.3	91.4	13.4
Spain	Disposable	20.3	84.8	4.8	32.4	50.6	13.1
	Difference	4.2	2.9	-25.7	5.3	44.6	2.8
	Market	36.8	80.8	6.7	22.2	81.1	17.3
Sweden	Disposable	32.8	68.2	4.7	18.1	64.7	13.7
	Difference	10.9	15.6	29.9	18.5	20.2	20.7
	Market	33.7	98.2	3.5	33.3	96.6	13.8
Switzerland	Disposable	5.6	34.2	1.1	8.2	13.7	3.2
	Difference	83.3	65.1	68.8	75.4	85.8	76.7
	Market	7.5	..	3.2	9.8	..	5.7
United Kingdom	Disposable	2.3	..	4.7	9.6	..	6.3
	Difference	69.4	..	-47.0	2.4	..	-10.8
	Market	41.7	96.7	6.1	32.6	98.8	25.0
USA	Disposable	20.6	62.5	3.6	17.6	37.4	13.6
	Difference	50.5	35.4	41.4	46.1	62.2	45.6
	Market	51.2	98.3	10.8	36.6	93.5	22.6
OECD	Disposable	40.3	93.8	8.3	30.5	77.9	18.4
	Difference	21.2	4.6	23.6	16.7	16.7	18.9
	Market	32.0	82.2	5.2	24.0	80.8	16.8
	Disposable	17.3	51.4	3.4	13.0	39.6	9.6
	Difference	45.9	37.5	35.7	46.0	51.0	42.9

..: Data not available.

Source: Calculated from OECD Income Distribution Study.

Table 7: Net incomes of social assistance recipients as % of median household income 2003

	Lone parent with two children		Couple with two children	
	No housing related benefits	With housing-related benefits	No housing related benefits	With housing-related benefits
Australia	50.0	56.7	52.4	58.3
Austria	39.0	50.1	40.1	49.7
Belgium	50.0	50.0	43.3	43.3
Canada	40.4	40.4	37.0	37.0
Czech Republic	48.2	48.2	52.8	52.8
Denmark	46.4	54.0	46.1	51.6
Finland	32.3	49.2	36.8	51.5
France	29.2	44.7	29.2	42.6
Germany	33.8	58.5	32.7	54.1
Greece	1.9	1.9	1.7	1.7
Hungary	20.7	21.6	16.9	17.6
Ireland	31.6	44.6	36.4	48.6
Italy	0.0	0.0	0.0	0.0
Japan	51.0	51.0	49.0	49.0
Netherlands	38.8	45.6	36.9	42.6
New Zealand	47.1	54.8	44.9	51.0
Norway	36.5	44.3	39.7	39.7
Poland	46.6	46.6	54.5	54.5
Portugal	29.0	29.0	35.7	35.7
Spain	24.0	24.0	23.2	23.2
Sweden	25.9	42.4	30.0	44.3
Switzerland	32.6	48.8	32.5	46.5
United Kingdom	32.2	50.1	34.3	49.9
United States	18.8	21.2	20.1	22.2
OECD	32.8	40.3	33.8	39.9

Notes: Housing benefits assuming that rent before benefits is 20% of APW wage.

Source: OECD 2004, Benefits and Wages, OECD Indicators.

Table 8: Change in child poverty rates under differing assumptions, OECD countries, 2000

	Poverty rate (%)			
	Actual household poverty rate	Change in jobless households	Increase in share of two-income couples	Combined reform
Australia	10.2	6.5	9.9	5.8
Austria	11.5	11.3	11.0	10.8
Belgium	3.3	3.0	2.5	2.5
Canada	11.5	10.3	11.1	9.1
Czech Republic	5.6	2.8	5.2	2.7
Denmark	2.1	1.8	(2.1)	1.8
Finland	3.3	2.9	(3.3)	2.8
France	6.7	4.6	6.0	3.8
Germany	9.5	5.8	7.8	4.2
Greece	11.1	11.1	7.3	6.5
Ireland	13.5	9.7	10.9	6.0
Italy	14.3	13.6	7.7	4.9
Japan	12.9	(12.9)	12.5	12.5
Luxembourg	6.9	(6.9)	5.2	5.0
Mexico	21.9	21.7	18.2	17.2
Netherlands	7.6	5.7	7.0	4.8
New Zealand	13.6	9.9	12.6	9.1
Norway	2.9	1.7	2.7	1.7
Poland	11.6	9.0	8.8	4.8
Portugal	13.1	(13.1)	10.5	8.6
Spain	13.7	12.6	9.8	7.3
Sweden	3.2	2.7	(3.2)	2.7
Switzerland	6.3	..	5.3	4.9
Turkey	17.5	17.3	17.0	16.7
United Kingdom	13.6	10.2	12.4	8.8
USA	18.4	17.8	16.9	15.6
OECD	10.2	9.0	8.7	7.0

Notes: Column 1 shows the poverty rate for households with children around 2000 (except Belgium, which is 1995); Column 2 shows what the poverty rate would be if the share of workless households was reduced to the level of the third best performing country (Portugal) and the poverty rate within household groups was held constant; Column 3 shows the poverty rate if the number of single income couples decreased and the number of two income couples increased to the level of the third best performing country (Denmark), and the poverty rate within groups was held constant. Column 4 shows the effects of a combined reform, reducing joblessness and increasing the share of two-income couple. Countries which perform better than the benchmark are assumed to be unchanged, and these and the benchmark counties are shown in brackets.

..: Data not available.

Source: Calculated from OECD Income Distribution Study.

Table 9: Net incomes of full-time minimum-wage earners, in per cent of median household income

	Lone parents	Couples
Australia	83.8	73.1
Belgium	62.1	53.0
Canada	53.1	47.3
Czech Republic	48.2	52.8
France	54.4	51.2
Greece	32.6	28.2
Hungary	40.9	34.4
Ireland	63.7	50.2
Netherlands	52.7	44.4
New Zealand	61.4	50.3
Poland	46.6	54.5
Portugal	42.8	47.6
Spain	23.9	22.0
United Kingdom	74.8	63.1
United States	36.6	35.1
OECD	51.8	47.1

Notes: Includes housing benefits, assuming that rent before benefits is 20% of APW wage.

Source: OECD 2004, Benefits and Wages, OECD Indicators.

Table 10: In-work earnings required to reach the poverty line (60% of median income)

Per cent of average production workers wage (APW)

	Lone parent with two children		Couple with two children	
	No housing related benefits	With housing-related benefits	No housing related benefits	With housing-related benefits
Australia	10	2	22	1
Austria	66	66	86	86
Belgium	47	47	58	58
Canada	58	58	88	88
Czech Republic	66	66	76	76
Denmark	73	71	87	21
Finland	57	37	99	99
France	84	78	98	98
Germany	50	1	57	57
Greece	92	92	108	108
Hungary	89	89	119	119
Ireland	38	38	84	84
Italy	59	59	65	65
Netherlands	75	75	101	101
New Zealand	17	9	41	29
Norway	66	66	104	104
Poland	68	68	78	66
Portugal	102	102	107	107
Spain	97	97	114	114
Sweden	71	56	108	108
Switzerland	78	78	92	92
United Kingdom	39	39	66	39
United States	101	101	117	117

Notes: Housing benefits assuming that rent before benefits is 20% of APW wage.

Source: OECD 2004, Benefits and Wages, OECD Indicators.