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**Working Paper**

## Child Poverty and Family Poverty in OECD Countries

LIS Working Paper Series, No. 178

**Provided in Cooperation with:**

Luxembourg Income Study (LIS)

*Suggested Citation:* Forssén, Katja (1998) : Child Poverty and Family Poverty in OECD Countries, LIS Working Paper Series, No. 178, Luxembourg Income Study (LIS), Luxembourg

This Version is available at:

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Working Paper No. 178

**CHILD POVERTY AND FAMILY POLICY  
IN OECD COUNTRIES**

**Katja Forssén**

**March 1998**

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## 1 INTRODUCTION

Childhood in an underdeveloped environment is a stage of life very likely to be overshadowed by poverty. According to Rowntree (1901), the first stage in the cycle of poverty is childhood. In today's Western countries, Rowntree's theory does not necessarily apply, because various forms of support by welfare states improve the circumstances of families with children. Nevertheless, poverty continues to be one of the major problems of welfare states. It was long thought that poverty was going to vanish altogether from society as a result of economic growth and development of income redistribution schemes (Ringen 1988). Research in the last couple of decades, however, has disclosed the presence of widespread, even increasing poverty in the industrialized countries (Townsend 1979; Hagenaaars 1986; Smeeding et al. 1988; Casper et al. 1994; Atkinson et al. 1995). The problem of poverty has been acknowledged in all industrialized welfare states, but despite all efforts, it has not been resolved. Poverty has many faces: its causes and manifestations vary from place to place and time to time. The issue of poverty is also permeated with political conflict (Alcock 1993). There is no consensus on what causes poverty, who should be given aid, and in what ways.

The various factors leading to poverty are emphasized differently within different ideological approaches. As commonly done in liberal countries, it has been easy to blame slackening moral standards or dependency culture as causes or perpetrators of adult poverty (Murray 1984; see Dean et al. 1992; Wilson 1987). In the United States, for example, poverty is frequently said to have its roots in personal behavior: poverty is caused by individuals' unwillingness to do paid labor. From this perspective, the social security system can be seen in a negative light as a cause of dependency culture. In the Nordic societies, poverty is explained mainly through structural factors. As there is strong societal commitment to eradicating poverty, shortcomings in the income maintenance system are seen as the ultimate reason for the existence of poverty. The underlying idea behind the commitment to eradicating poverty and providing extensive subsistence security is that the market alone is seen as insufficient means for creating a good society. In the institutional welfare model typical of the Nordic countries, social policy is seen as an indispensable ingredient of a good

society. Sociopolitical redistributive mechanisms guarantee subsistence to those who cannot survive only by market-based income distribution (Titmuss 1958; Ringen 1997).

Although the primary explanatory models for child poverty are the same as poverty in general, the advocacy of policy solutions has involved more forceful ethical stances. There is rather strong agreement on the harmfulness of child poverty, and preventive measures are often justified by moral considerations. Child poverty is often seen as part and parcel of a cycle of deprivation that is passed on from generation to generation. Severing this chain of deprivation by preventing child poverty is of essential importance to society (Rutter and Madge 1976; Holman 1978; Jonsson 1973; Hessle 1983). A comprehensive income redistribution system and development of financial support schemes and services for families are the most important means towards this end.

Welfare states have addressed the issue of child poverty in a variety of ways. As in social policies more generally, countries can be divided into three different groups (see Esping-Andersen 1990) regarding their family policies. In Anglo-American countries representing the need-assessment model, there is little family social policy to speak of. Social security benefits are scant and are allotted according to need, not family status. In Central European countries that represent the corporatist model, the emphasis is on employment-related family income. The social security protection of families is formulated on the basis of the husband's employment contract, and the male-centeredness is accentuated by the fact that family benefits are paid to the father (Wennemo 1994). In Scandinavian countries with their institutionalized social policies, the goal is to protect people from poverty by means of extensive social entitlements. Universal income redistribution schemes, social and health services, and cost-free educational systems guarantee equal access to welfare.

Last-resort benefits and social services have also ameliorated the effects of poverty at the individual level. In cross-national comparisons of income differentials, the Scandinavian countries place very high in terms of income equality and prevention of poverty (Atkinson et al. 1995; Smeeding et al. 1988; Ritakallio 1994), as well as in terms of advanced family policies (Kamerman et al. 1994; Wennemo 1994).

The main aim of this study is to look at the development of child poverty in the comparative angle. The study seeks to detect connections between child poverty and the implemented family policies. The structure of this study is following: The section after this introduction is an overview of family policies in the different welfare state models. Section 3 specifies the goals of the study. Section 4 is a report of the results of the empirical analysis, describing the evolution of child poverty in different countries during the past two decades, and various factors connected to child poverty. Section 5 discusses the implications of the empirical results on child poverty in OECD-countries.

## **2 FAMILY POLICIES AND WELFARE STATE MODELS**

The concept of family policy is not unambiguous<sup>1</sup> (Kamerman et al. 1994; Ginsburg 1992; Wennemo 1994; Sainsbury 1996). In the functioning of welfare states, family policy is a much more vaguely defined area than, for example, health care or social insurance. The vagueness of family policy as a concept has to do with the fact that in many countries the family is seen as a private institution with which society must not interfere except in crisis circumstances (Havas 1995; Ginsburg 1992). Because of this, most countries entirely lack specific family policy laws or administration.

Family policy has been defined to mean everything that government does to and for the family (Kamerman et al. 1978). Some view family policy as involving not only families with under-age children but also other types of households, such as pensioners' families (Wilensky 1975). In the present study, family policy is interpreted as the entirety of benefit packages for families with younger children. This means that the general social security benefits such as sickness and unemployment compensation are included in addition to benefits targeted specifically for families with children, i.e., child allowances and tax deductions as well as services such as day care and family clinics.

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<sup>1</sup>As a matter of fact, "family policy" has been held to be a very contradictory concept (Henwood 1995). As well as activities in support of individuals and families, less desirable ones have been included (e.g., measures based on 1930s racist ideologies). Various family policy goals may also be seen as objectionable. A good example of this is China's one-child-per-family policy.

As family policies were being established in industrialized Western countries, the core question was who should bear the economic responsibility for children. Establishing family policies has been carried out in stages. The first stage -- financial aid to families -- was justified by the need to raise the birth rate. Later on, the main goal of family policies has been to divide the cost of children more evenly among different population groups (see Wennemo 1994; 1996). Family policy reforms have also been justified with factors less contingent on children -- for example, with the threat of across-the-board wage increases (Bradshaw et al. 1993; Kuusi 1964). In Finland, for example, the system of family wages was developed in order to prevent the necessity to raise wages for all employees. In the first part of this century, the central population policy goal -- increased birth rates -- was the dominant element of family policies in nearly all Western countries. Gradually, as the welfare state developed, the emphasis moved from birth rates to economic assistance for families, and finally to supporting the general welfare of families and children. The established family policy goals are generally compromises between various interest groups and may therefore be in conflict with each other (see Ilmakunnas 1995). Some of the goals contained in family policy packages are less directly family-oriented than others. While some involve specifically child care, children's health, education, and housing, other goals are more generally connected to the quality of life in families and to women's role in the labor market (Bradshaw et al. 1993). In Finland, family policy goals have largely developed in line with social policy goals. In the 1980s, the focal point in social policy development was family policies, as the care system for small children was being organized.

Many industrialized countries started to develop universal family support schemes after World War II, and by now nearly all countries have some kind of financial support systems for families. These are two main types: tax deductions for families with children, and direct income transfers. Family support systems in different countries may appear superficially alike, but there are differences in the volumes of different support schemes (see Wennemo 1994).

Although family policies are realized differently in different models, commonalities can be found in countries belonging to different welfare state types. There are several different welfare state typologies. The main focus in establishing typologies has generally been the functioning of welfare state institutions and their outcomes. One of the best known typologies

of welfare states comes from Gøsta Esping-Andersen's *The Three Worlds of Welfare State Capitalism*, in which the starting points for typologies are the concepts of de-commodification (need for people to subsist entirely by market means), and stratification (differences between social classes). Dividing the countries on the basis of political coalitions, Esping-Andersen calls these three groups *liberal*, *conservative-corporatist*, and *Social Democratic* models. Alongside these labels, the terms 'Anglo-American,' 'Central European,' and 'Nordic' are also used for these three models. The welfare programs used in the three different regimes differ in that the welfare programs are 'residual' in liberal regimes, 'institutional' in Social Democratic regimes, and 'conservative' in corporatist regimes (Kemeny 1995). The division into three different welfare regimes has also been criticized. Other groups of countries (e.g., the Mediterranean) which have been seen as representing different types of welfare programs, have been distinguished as additional regimes (Leibfried et al. 1991) -- alternatively some regimes have been split into smaller groups (Castles et al. 1990). It has been proposed that the liberal model should be divided depending on whether liberalism has been combined with a fairly strong labor movement (as in Australia and the England) or whether one liberal party on its own has been the political bellwether (as, say, Canada and the United States). Welfare state typologies have also been reformulated on the basis of the position of women, making readjustments according to how sociopolitical solutions treat people by genders (Lewis 1993; Sainsbury 1994; 1996).

In the feminist frame of reference, gender is emphasized in contrast to earlier typologies in which little attention had been paid to family policies, and even less to support related to motherhood. Sainsbury (1996) criticizes Esping-Andersen among others for insufficient consideration of the family. According to Sainsbury, Esping-Andersen does not treat the family in a systematic way: it is completely neglected in the analysis of the liberal welfare state regime, whereas the role of the family is clearly emphasized in the discussion of the two other regimes. In her own examination of four different welfare states from the point of view of gender, Sainsbury (1996) emphasizes that different components of social security protection and family support schemes may conflict with each other in how women's social rights are realized through them.

In the discussion which follows here, welfare state regimes will be described in broad detail from the point of view of family policies. In the corporatist countries, particularly Germany,

the Netherlands and Belgium, the welfare state is constructed on the basis of gender differentiation, i.e. on a male provider/housewife model. The Nordic welfare model, for its part, is based on equal opportunities between the sexes, normalization of women's paid labor, and weak male providership (Langan et al. 1991; Borchorst 1994). Table 1 below allows us to compare the levels of family policies in eight countries.

**Table 1. Indicators of family policies in various countries in the late 1980s and early 1990s**

	FIN	SWE	DEN	ITA	GER	UK	AUS	USA
Single parents receiving social assistance <sup>1</sup> (%)	32	33	38	4	10	70	94	49
Daycare fees of single parents in relation to their incomes <sup>1</sup> (%)	7	7	8	7	3	28	6	22
Universal child allowance scheme <sup>2</sup>	yes	yes	yes	no	yes	yes	yes	no
Proportion of child allowance of single parents' disposable incomes <sup>3</sup> (%)	13	10	15	-	7	..	10	-
Targeting of first family supports in the country <sup>4</sup>	F	F	F	M	M	N	F	F
Length of paid maternal leave (weeks) <sup>5</sup>	43	52	18	20	30	18	12	6
Maternity allowance as proportion of wages <sup>5</sup> (%)	80	90	90	80	100	46	60	60
Paternity leave <sup>5</sup>	yes	yes	yes	yes	yes	no	yes	no
Care leave after parental leave (weeks) <sup>5</sup>	111	26	10	136	0	22	52	0

Sources: <sup>1</sup>Bradshaw et al. 1996. <sup>2</sup>Millar et al. 1996. <sup>3</sup>LIS <sup>4</sup>Wennemo 1994. F = Supports targeted to single parents (not widows/widowers) or all women regardless of marital status. M = Supports targeted to only those in paid labor (illegitimate children receive no aid) or to families with many children (support paid to the father). N = neutral: Neither of the above conditions apply in support payments. <sup>5</sup>Gornick et al. 1996.

**In the liberal welfare states, the basic tenet of family policy** is the free market.<sup>1</sup> It is the task of the market to provide citizens with welfare services and benefits. Those who do not manage to secure themselves a living wage have access to public last-resort and need-based

<sup>1</sup>In the United States, for instance, seeing the idea of family policy to be in conflict with the ideologies of volunteerism and liberalism has affected the development of family policies. President Nixon, for example, vetoed the creation of a national daycare program, as it threatened to 'sovietize' the American family (Ginsburg 1992).

services and benefits. The United States, Australia, and England to some degree are representatives of the liberal welfare model. England differs from the two others in that it has some universal benefits (e.g., pensions and health care). With the social security cuts initiated in the mid-1970s, England can be seen as having moved closer to American need-tested social policy (Wilding 1993). In the liberal welfare states, the state has a minor role as provider of welfare services. The aim is to keep the social aspect of the state contained, need-based and selective. In practice, this has meant that family policy benefits have been targeted only to poor families and to children at risk, as is apparent for instance in the high proportion of welfare assistance recipients among single parents (see Table 1). In the United States, welfare assistance<sup>1</sup> has been tied in with various kinds of projects into which welfare customers are accepted for a certain period of time, during which they have certain obligations such as being employed or seeking to further their education or training. Few arrangements exist in the liberal regime countries to ease women's conflict between working and caring for their children. Benefits connected to motherhood and daycare are minimal. Paid maternity leave is mainly for employed women, and the compensation is clearly lower than the wages. Daycare on the whole is left to the private sector. The few daycare services subsidized and supervised by the government are mostly for children subject to child protection measures. On the other hand, despite the weaknesses in small children's care, over one half of the mothers of under 3-year-old children are employed outside the home (Kamerman et al. 1994) indicating that the bulk of daycare is arranged unofficially, mainly through social and family networks.

**Family policies in the corporatist welfare state model** are based on male providership, in which the family and employee insurance are of central importance. Corporatist social policies are found in Central European countries such as Germany, the Netherlands, France, Luxembourg, Italy, and Belgium. A characteristic of corporatist social policy is that basic security is directly tied in with employment performance covering only those in paid labor, not the whole population. Minimum sustenance security based on citizenship is not typical

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<sup>1</sup>In the United States, the former income support scheme AFDC (Aid to Families with Dependent Children) was legislated on the federal level, but the extent of support was determined by each state separately. The aid generally leaved the recipient below the official poverty line, and its real value clearly declined in the 1980s. The AFCD had great significance for single parents because reciprocity guaranteed other forms of support such as food stamps, Medicaid and housing benefits. The AFCD was targeted only to poor families with children. There was a "survivors' insurance" that was received by all widows and widowers regardless of their economic standing (Garfinkel et. al. 1994). During the Reagan administration, the conditions for the AFDC reciprocity were tightened, for example, by lowering the age limit for children entitled to aid and by denying aid to first-time mothers before the seventh month of pregnancy (Kamerman 1986). Now the income support program is called 'Temporary Assistance for Needy Families' (TANF).

within this model. The old-age pension of the home-making mother is determined on the basis of her husband's pension. The public sector is involved in the production of welfare only through its role in income transfers; it produces much more limited welfare services. Most of the services are offered by volunteer organizations, especially by the church. A so-called home-mother-ideology is in force: the care of children and old people is primarily the woman's duty. (Borchorst 1994; Meyer 1994.) Family policies center around the needs of two-parent families. In this regime, the rate of labor force participation of mothers with children under three years of age varies greatly from country to country. In Germany, 40 percent, Italy, 45 percent, and in France, 60 percent of young children's mothers are in the labor force (Kamerman et al. 1994). These are clearly lower figures than those in the Nordic countries, for example. The low labor participation rates in the corporatist countries are partly caused by inadequate daycare programs. In Germany, for example, childcare is principally only half-day care, with only single-parent families having access to full daycare.

**The goal of family policy in the Nordic welfare state model** is social integration, sought by maintaining high-quality public services that are reasonably priced and available to all who need them. Basic security is typically at a reasonable level, the state is in a central role as a provider, and benefits are universal. All citizens are in principle covered by the social security programs. A reasonable level of benefits is determined by minimal security on the one hand and income-relatedness on the other. The state is in a multi-faceted regulating role in society; it is used as an instrument that creates equality and social rights. In addition to the goal of making the cost of children equal across population groups, family policies are aimed at supporting the combination of work and family responsibilities and making it easier for women to work. Within the Nordic welfare state regime, the labor participation rate of women is very high: for instance, 86 percent of Swedish and 84 percent of Danish women with children below three years of age work outside the home (Kamerman et al. 1994). The high labor force participation rate of women is possible because of a comprehensive daycare system,<sup>1</sup> which is why the Nordic model has been called women-friendly (Hernes 1987; Leira 1993). The empirical data will show whether it may also be called children-friendly.

### 3 GOALS OF THE STUDY

In studies of economic inequality and poverty it has been quite common to examine the welfare state and its effects in addition to pure economic factors. It has been asked to what degree income transfers by the welfare state, taxation and services manage to reduce the differences in people's living circumstances that are caused by the functioning of the economy. Different countries can then have been compared for example from the point of view of poverty, inequality, or the effectiveness of the welfare state (Atkinson et al. 1995).

There are other factors besides economy and politics that have an effect on how welfare is distributed among citizens. The family as an institution has a major effect on welfare. A fundamental dividing factor from the point of view of the income formation process is the proportion of people who work within their own households. The structure of the household then determines what kind of sustenance the income level of the household makes possible (Uusitalo 1989). A three-person household of a single parent with two children and a low level of education will have a very different level of income (so-called income package) than a family of two highly educated parents and their one child. The scope of the welfare state and its redistributive potential are partially a result of power relations between groups imbedded in societal structure. The income distribution effects of economies, for their part, are a consequence of the distribution of property, education, and other resources, i.e., of structural characteristics of society. These impact also the level of individual households and their social and economic behavior (Uusitalo 1989). In this study, the redistributive effects of sociopolitical income transfers are examined in relation to child poverty. Besides institutional differences, the study also analyses what effects women's labor participation and household structures have on differences between child poverty incidence in different countries.

Poverty studies have generally concentrated on examining households and family types (Förster 1994; Wright 1992). Child poverty has also been studied, but children have generally not been examined separately from families (Smeeding et al. 1988; Rainwater 1988).

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<sup>1</sup>In Finland, the subjective right of children to daycare means that if the parents desire, the children can be at daycare even if both parents are unemployed. As this has resulted in a shortage of daycare places and high costs

Consequently, the numbers of children living in poverty have been overshadowed by data on poor households with children. The results have been about poor households with children rather than directly about child poverty. In the present study, the focus is specifically on **child poverty, as poverty figures are obtained by multiplying the number of poor families with children by the number of children in them.** The resulting figures show the number of children living in poor households. It may be estimated that the child poverty rate will be somewhat higher than the poverty rate of families with children -- this is because a high number of children is a poverty risk factor. The procedure used here gives families with children a weight according to the numbers of children in them, whereas the use of household units gives equal weight to families regardless of the number of children. The use of child households instead of the often-used weight based on the number of individuals in a family causes the adults of a household to be left outside the investigation. This way, for example children in single-parent families receive more accurately the weight they actually have in the total child population.<sup>1</sup>

The purpose of the present study is to examine the evolution of child poverty in some OECD countries from the 1970s to the 1990s. The main emphasis is on the situation of the late 1980s and early 1990s. The study charts connections between child poverty and realized family policies. The poverty concept used in this study is based on the so-called relative income method. In other words, those whose disposable consumption unit income is smaller than one half of the median income of the total population are considered to be poor. 'Family policy' here is used to indicate income transfers received by families with children, be they benefits connected to unemployment, motherhood, sickness, minimum income support, or child-related benefits. In this study by looking for factors that are connected to the pervasiveness of child poverty, answers are sought to the question of whether there can be seen childrenization on poverty in some industrial countries, and if so, for what reason. Strong indications of the growing incidence of child poverty in the United States has been detected by Casper and McLanahan (1994) among others. The present study will give answers to the following questions: What causal factors may explain the spread of child poverty? What are the connections of child poverty to family policy, family structure and women's labor participation?

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for municipalities, a debate has ensued on what would be the best solution for the children themselves.

<sup>1</sup>It follows from this method of weighting that the results somewhat deviate from those of earlier ones which have used the same data.

The research task will be met by using the Luxembourg Income Study (LIS)<sup>2</sup> as the principal source of data. The countries included in the study fall into the different subsections in line with the categorization of the LIS data. The so-called third wave of LIS -- the data from different countries from the late 1980s and early 1990s -- is the most comprehensive from the point of view of general representativeness. Because of this, the parts of this study dealing only with the 1990 situation treat a higher number of countries from the different welfare state regimes. In longitudinal investigations covering more years, for which the LIS data is more limited, the study is restricted mainly to Finland, Sweden, Germany, England, and the United States. LIS has Finnish data from the income distribution surveys only for the years 1987 and 1991. Income distribution data from household budget surveys have been converted to correspond to the LIS data categories, has been used to fill in for the missing years.

## **4 CHILD POVERTY IN DIFFERENT COUNTRIES**

### **4.1 Evolution of child poverty from the 1970s to 1990s**

It has been said that the extent of family policies reveals how children are valued in different countries. In the Western industrialized countries, the provision of a reasonable level of welfare for children has widely been seen ultimately as the moral responsibility of the state. However, countries differ greatly from each other in how this goal has been approached and with what degree of success. In liberal countries, the numbers of children in poverty were clearly on the rise in the 1980s. Poverty among children in the Nordic countries is clearly rarer than in the liberal welfare states (Mitchell 1991; Smeeding 1988). In the Nordic countries, support for parents is a high priority both in work life and within the family sphere. The Nordic family policy system has been evaluated as being very efficient and comprehensive (Kamerman et al. 1994). Nevertheless, no matter how comprehensive family policies may be, all societies have groups of disadvantaged parents and children who, for one reason or another, have not benefited from the family policies in effect.

**Figure 1. Poverty in childhood and in the total population in the late 1980s and early 1990s (%)**

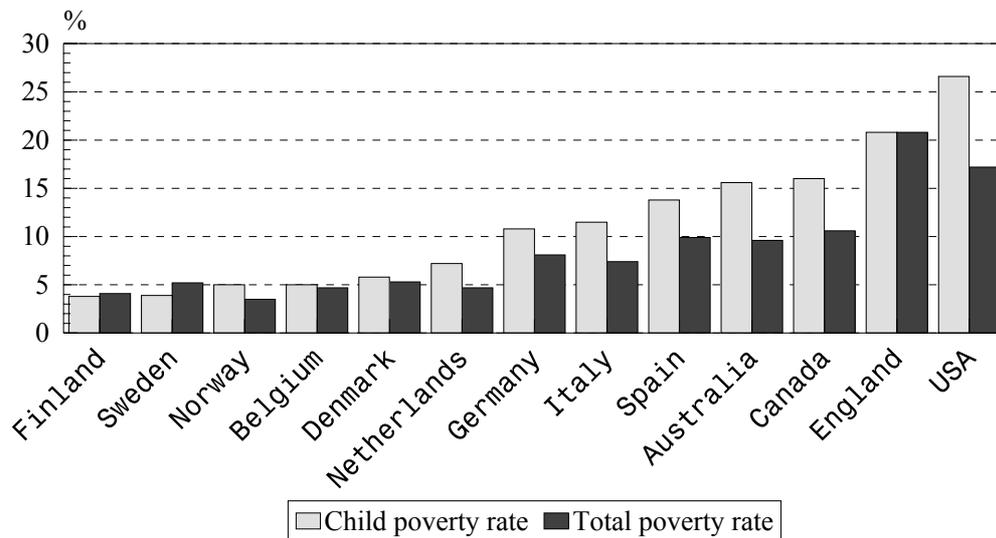
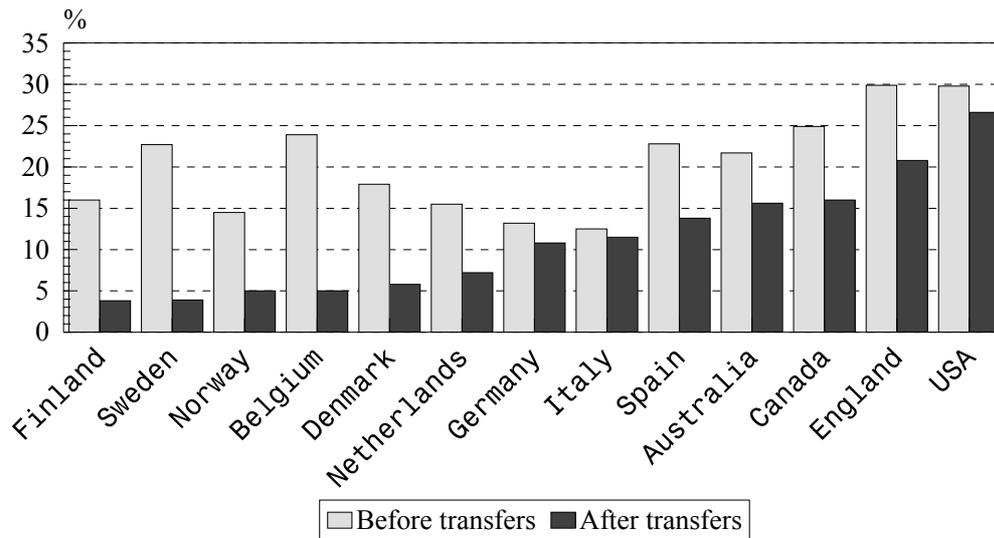


Figure 1 gives children's poverty rates and general poverty rates in 13 different countries, and reveals that the differences between regimes in child poverty and general poverty parallel each other: the Nordic countries have low poverty rates, then come the Central European countries, and last the liberal countries, in which poverty is fairly common. However, it is notable that the differences in child poverty rates are larger than those in the total populations. Finland and the United States are at the extremes. In Finland, 4 percent of children lived below the poverty line in 1990, whereas in the United States 27 percent of all children were living in poor circumstances. The U.S. rate, in other words, was seven times higher than Finland's, indicating that every fourth child in the United States lived in poverty in 1990. In the Nordic countries, as well as in Belgium and England, children's poverty rates were about the same as those of the total population, but in most corporatist and liberal countries, child poverty is more common than population-wide poverty. This finding is partly explainable by the fact that regardless of welfare state model, all countries have developed old-age security schemes which lower old people's poverty risk, but have no corresponding uniform principle regarding family policies. Of the 13 countries, Finland, Sweden, Norway, Belgium and

<sup>2</sup>For more detail on LIS data, see Smeeding et al. 1990.

Denmark stand out as a group with a low occurrence of poverty: both general and child poverty rates remain below 6 percent. There is notable variation among the liberal countries. In the United States, as noted above, 27 percent of all children live in poverty. The next highest poverty rate of children is in the England, where over 20 percent of children are poor.

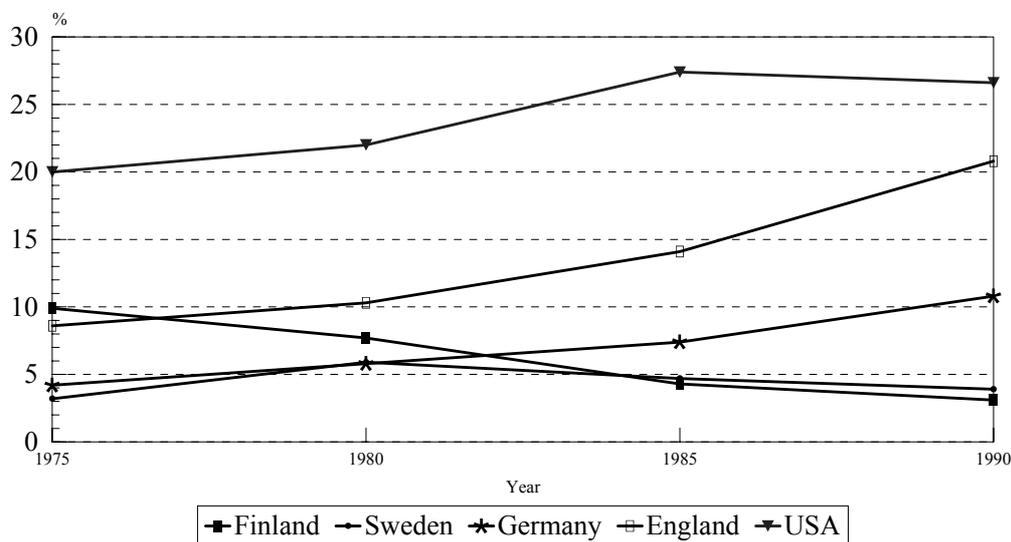
**Figure 2. Child poverty before and after income transfers, late 1980s--early 1990s (%)**



Market-produced income differentials can be adjusted by income transfers. Figure 2 shows poverty rates in different countries both before and after income transfers, making it possible to evaluate how effectively child poverty has been reduced by the different welfare states. The standard measure of the effectiveness of a welfare state in removing poverty is the difference in poverty rates before and after income transfers (Mitchell 1991). Figure 2 shows that Belgium and Sweden have succeeded best in lowering poverty rates of children, both with 20 percent -unit reductions. This means that every fifth non-poor child in Belgium and Sweden is above the poverty line as a result of income transfers. Finland and Denmark have succeeded next best, lowering child poverty by 12 percent-units. The United States, Germany and Italy represent countries with minor differences (1--3 percent-units) between child poverty rates before and after income transfers. This is because these countries have few support schemes targeted for children (see Table 1). In the United States there are no child allowances, in Italy there is no child allowances, aid for single parents nor maintenance allowance and Germany has no aid for single parents (Millar et al. 1996).

The expansion of child poverty may be examined on the one hand through the development of children's poverty risk, and on the other hand through the development of poverty profiles in different countries. Figure 3 shows the evolution of child poverty in Finland, Sweden, Germany, England and the United States between the years 1975 and 1990. In Finland, child poverty has decreased a great deal during this time period: from 9.9 in 1975 down to 3.1 percent in 1990. In Sweden also, the curve depicting the evolution of child poverty took a downturn from 1980. In other countries, child poverty has increased, except that between 1985 and 1990 it went down by 1.2 percent-units in the United States.

**Figure 3. Evolution of child poverty in some countries 1975 to 1990 (%)**



In England, child poverty has increased markedly during the research period, rising from 8.6 percent in 1975 to 20.8 percent in 1990. In liberal countries especially, social security protection in general and last-resort benefits in particular have been reduced since the early 1980s. During this time period, under the leadership of Margaret Thatcher, the British welfare state underwent a drastic reduction of social protection. For example, no adjustments for inflation were made in child allowances between 1987 and 1991.<sup>1</sup> The cutbacks have taken British welfare policy ever more clearly into a residualistic direction and towards tougher and tougher need assessment (Ginsburg 1992).

<sup>1</sup> In the United Kingdom, the proportion of need-tested benefits out of all social expenditures grew from 16 to 35 % in 1980-1995. At the same time, the number of recipients doubled. There was pressure to tighten the conditions of need-tested benefits. In 1993, for example, a committee set up by the government was considering whether the present support of single parents makes for a conflict between the goal of eradicating poverty and

In corporatist countries, changes in family policies have not been as extreme, yet some cuts in social security were made in many of these countries in the 1980s. In 1980, some fundamental changes in family policy were made in Germany, mainly in the area of maternity insurance. Social security protection in Germany is tied in with employment contracts and is mainly earnings-related. Under male providership, this means that women are in weak positions as social security recipients, which affects their poverty risk and consequently the poverty risk of their children.

Another method of testing the childrenization of poverty assumption is to look the profiles of poverty in different countries. As the proportion of poor children among all children grows, it can be said that there is 'childrenization' process in poverty. Looking at poverty from the poverty profiles angle reveals where in different welfare societies the problem of poverty is concentrated. When the proportion of children among all poor people grows, we can also say that there is childrenization process in poverty. Contrary to the study of poverty risk, the study of poverty profiles shows the absolute sizes of population groups living in poverty. In large population groups there are large numbers of poor people regardless of whether the poverty risk in the group is high or low. In a longitudinal examination, the poverty profiles can be seen to be impacted fundamentally by changes in social structures (Ritakallio 1994). For example, a reduction in the number of families with many children may result in a lower proportion of poor children out of the total number of poor people, even if children's poverty risk stayed the same. In the following, the development of poverty profiles will be examined by one factor only -- family type. Has poverty in different countries gravitated to new groups in the course of fifteen years?

**Figure 4. Changes in poverty profiles in 13 different countries between 1975 and 1990**

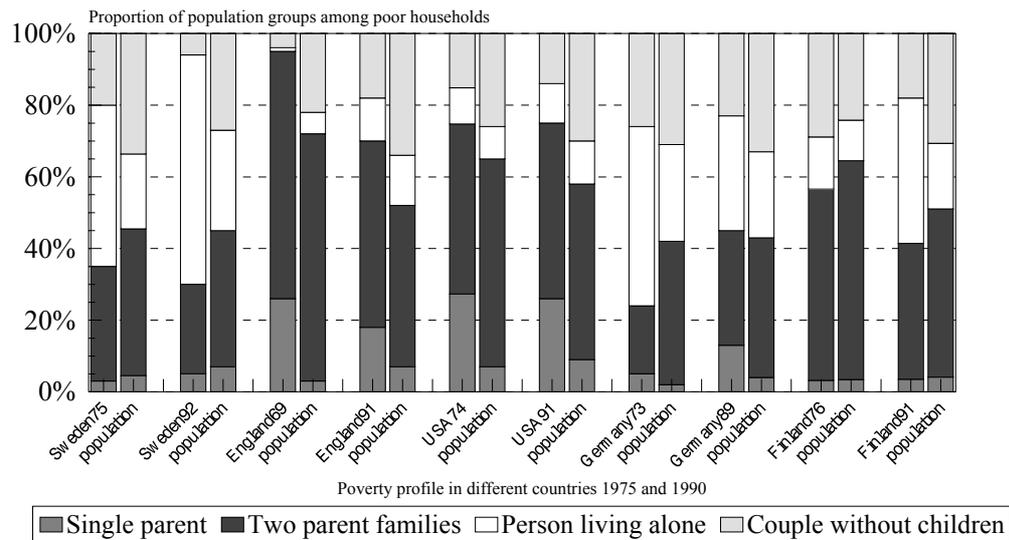


Figure 4 depicts the changes in the poverty profiles of five countries in the course of about fifteen years. Next to the poverty profiles of each country, data on the population structures for the same years shows how poverty profiles may deviate from the population profiles. In Finland, the greatest change in the poverty profiles is the increased number of poor single people. In 1971, the largest group living in poverty was that of two-parent families, although their proportion among the poor was smaller than their proportion among the whole population. Childless couples and people living alone were over-represented in the poor population relative to their proportion in the total population. The other groups clearly constituted smaller proportions of the poor than of the total population.

Some twenty years ago, the largest group of the Swedish poor were people living alone, their proportion among the poor also clearly higher than among the total population. Another large group of the poor were the two-parent families, but they were clearly a smaller percentage of the poor than of the total population. In 1992, the Swedish poverty profile was fairly similar

to that of twenty years earlier; except that the proportion of those living alone out of all poor households had clearly increased, while the proportions of the other groups had decreased.

In England, poverty in 1969 was most prevalent among families with children, particularly among two-parent families. The proportion of single-parent families among the poor was clearly larger than their proportion among the total population. By 1991, the situation had changed so that the differences between poverty groups had narrowed down. Two-provider families still continue to be the largest poor groups, with the single-parent families and childless couples following. Single-parent families are the only group which is a smaller proportion of the poor than of the total population.

In the United States, the poverty profiles of 1974 and 1991 are nearly identical. Of those living in poverty, the largest group consists of two-parent families, and the second largest of single-parent families. The proportion of single parents among the poor is clearly larger than their proportion among the whole population.

The German poverty profile in 1973 is similar to that of Sweden's in 1975. The largest group in poverty were people living alone, with their proportion among the poor clearly larger than their proportion of the whole populace. In 1989, poverty in Germany is concentrated in the categories of dual-provider families and people living alone. The proportion of single parents out of all poor households had also risen since 20 years earlier.

The examination of poverty profiles supports only for Germany the childrenization of poverty assumption. In the United States, the percentage of families with children out of all poor households has stayed the same during the twenty-year period, but the poverty profiles are strongly predominated by families with children. In all other countries but Finland and Sweden, the proportion of single-parent households out of all poor households is larger than their proportion out of all households. This illustrates the capability of Nordic family policies to equalize risks.

According to Seebohm Rowntree (1901), poverty is firmly tied in with the life-cycle, being most common in the generation providing for under-age children. After the children have grown up, poverty eases off, to emerge again in old age. Rowntree's cycle of poverty no

longer fits the way it fit in the York of the early 1900s (Kangas & Ritakallio 1998). The development of the welfare state has greatly affected the distribution of poverty, transferring it to different age groups. Sociopolitical solutions in different countries have produced different types of poverty profiles for different age groups. At the same time as we assess whether there is childrenization process in poverty, we also partially assess whether the old poverty cycle remains valid. The incidence of child poverty and children's proportion in the poverty profile reveal the extent to which the poverty cycle holds for today's childhood.

The evolution of child poverty in different countries has been in accordance with the welfare state typology. The Nordic countries are countries with low rates of child poverty. The proportion of families with children among poor families has diminished and is clearly lower than their proportion among the total population. Also the poverty rate of children has diminished in the Nordic countries. In liberal countries, the United States and England the direction has been for a long time towards an increase in child poverty. Since the late 1970s, poverty rates of children have risen in these countries. In the poverty profiles, this can be seen as an overly high proportion of single parents in the poor populations. In Germany, which represents the corporatist model, poverty among children has also risen, although the poverty rate there remains almost 10 percent-units lower than in the liberal countries. The childrenization of poverty assumption is supported by fact on the German situation: families with children have become a more and more dominant part of the poverty profile, and numbers of children living in poor households have clearly increased. Rowntree's theory of the connection between life cycles and poverty is clearly supported by the liberal countries and corporatist countries but don't get support from the Nordic countries.

The results indicate quite explicitly that the choice of family policy model has a clear effect on the prevalence of poverty. The Nordic countries in the past 20 years have clearly invested in family policies, which shows up as receding child poverty figures. In other countries, cuts in family policies and means-tested policies are reflected in growing child poverty. Is the childrenization of poverty also connected to the issue of changes in family structures and women's employment participation, in addition to changes in income transfer systems? That issue will be studied in a next chapter.

## **4.2 Causal factors behind child poverty**

In the past three decades, all of the industrialized Western countries have undergone major changes in family structures and employment patterns (Lewis 1993; Nurmi 1996). Depending on the perspective, it can be said either that family policies have influenced the changes or that they have developed in response to the problems created by the changes. Research most frequently suggests the former alternative, namely that family policies have developed to meet the new needs (Bradshaw et al. 1996). In Finland, for instance, women's working outside the home became common long before the comprehensive daycare system was in place. The structural changes in society have altered the overall picture of poverty. In Finland, for example, poverty among old people has become rare, and new groups have emerged as high-risk groups (Ritakallio 1994). Poverty is connected to factors in many areas, such as social policy, education, gender, and family structure. In the following, I will examine in more detail the connections of child poverty risk to family structure, women's labor market participation, and income transfers.

### **Family Structure**

Increases in the proportion of single parents has been a common development in the Western industrialized countries over the last few decades (Lewis 1993). For example in Finland, the proportion of single-parent families among families with children has grown from 10 percent in 1970 to the current 15 percent. The growth has been even stronger for example in England, where the number of single-parent families has risen from 12 to 19 percent. This increase in the number of single parents has altered the picture of poverty, as single parenthood in many countries is a poverty risk. A stable and lasting marriage continues to be a long-term security against poverty for most women and children (Leibfried and Ostner 1991). Single parenthood is a clear poverty and deprivation risk factor, because single parents are generally women, and women's wages are lower than men's. Single parents also do not benefit from many scalar advantages, especially those connected to housing. Two adults living together have proportionally lower housing expenses than a single adult. Expenses of child rearing are also

easier to bear if there are two adults sharing them instead of one (Alcock 1993; Lewis 1993). In many countries, single parents' going to work is difficult because of inadequate daycare systems (Garfinkel et al. 1994). As the poverty risk of single parents has grown, a larger share of social assistance benefits has gone to single-parent families. In some countries--the United States and the England, for instance--this has engendered a discussion on the effect of benefits on people's willingness to work (Murray 1994; see Dean et al. 1992).

Table 2 combines information from different countries on several facets of single parenthood. In all these countries, single parenthood is on the rise. There is no significant difference between the liberal and Nordic models regarding how common single parenthood is. In Italy alone has single parenthood not become as common as elsewhere. Italy, as well as Germany and, surprisingly, also Australia have clearly lower numbers of out-of-wedlock children than the rest of the countries. In all countries, single parents continue to be mostly women. In Italy, the proportion of men among single parents is about the same as in the other countries, but the reason for single parenthood is different, i.e., the male single parents are often widowers.

**Table 2. Aspects of single parenthood in different countries 1980 and 1990**

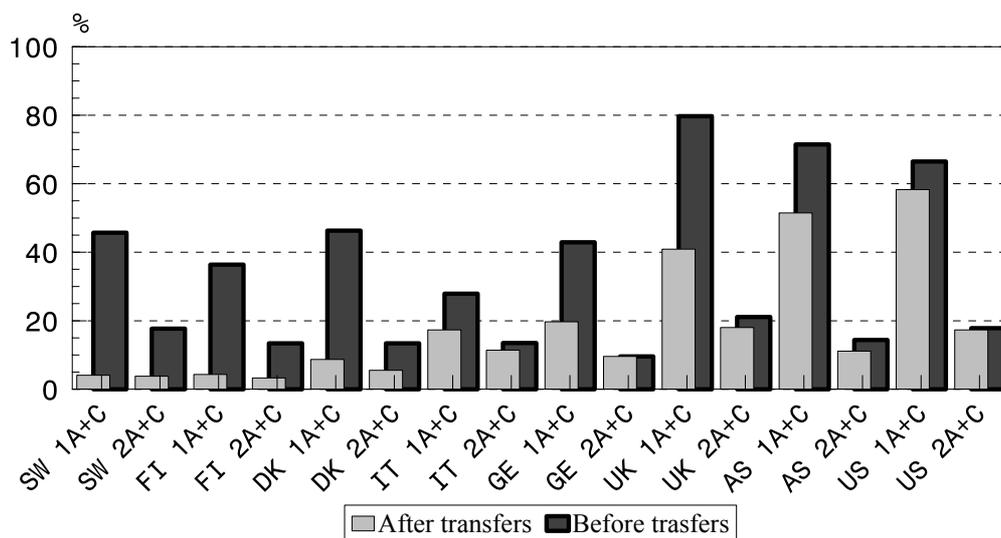
Country	Single parent families of families with children		Demographic factors of countries			Civil status of single parents			Gender
	1980	1990	Born out of wedlock %	Birth rate	Divorces	Single (%)	Widowed (%)	Divorced/separated (%)	Female single parents, %
<b>Finland</b>	12,2	15,2	29,0	1,85	2,6	30	8	58	88
<b>Sweden</b>	18	19	47,0	2,09	2,3	62	3	35	84
<b>Denmark</b>	12	18	46,0	1,76	2,7	11	7	80	84
<b>Germany</b>	9	12	15,5	1,40	2,2	10	19	62	86
<b>Italy</b>	4	7	6,3	1,25	0,4	17	35	46	87
<b>England</b>	12	19	30,0	1,79	2,9	34	6	52	91
<b>Australia</b>	13	15	16,8	1,90	2,5	25	8	66	89
<b>USA</b>	22	25	25,0	2,10	4,7	33	7	60	90

Sources: Whiteford and Bradshaw 1994. Birthrates: Miller et al. 1996. Finnish data: SVT, population, 1994:5.

As already pointed out, with the exception of the Nordic countries, the proportion of single parents among poor households in the countries in this study is clearly higher than their proportion among the total population. Child poverty is linked to family structure and single

parenthood. Figure 5 depicts children's poverty rates at the beginning of the 1990s by country and family type. The poverty risk of single parents is generally higher than that of two-parent families. In Finland and Sweden, the poverty rates for both family types are equally low after income transfers, although the poverty risk of single parents before transfers is about two times higher than that of two-parent families. Income transfers have successfully equalized differences in poverty risks between family types. In the Nordic countries, single parenthood is not a poverty risk because family policy supports are targeted more towards single parents than towards families with two parents. In Italy, England, Australia and the United States, the difference in poverty risk for two-parent families before and after income transfers is small or non-existent. It may be said that income transfers in these countries have not been especially strongly targeted to two-parent families. In these countries, the poverty risk of single-parent families remains high after income transfers. It is especially high in England, Australia and the United States. In the United States, the income transfer system removes little of single parents' poverty risk: in 1991, for example, only 12 percent of the pre-transfers risk was removed, whereas the corresponding percentages in Finland and Sweden were 88 and 91 percent respectively.

**Figure 5. Child poverty by family type before and after income transfers at the beginning of the 1990s (%)**



1A + C = single parent with one or more children under 18 years.  
 2A + C = two-parent family with one or more children under 18 years

In Italy and Germany, the differences between the post-income-transfer poverty rates of both two-parent and single-parent families are greater than in the Nordic countries but clearly

smaller than in the liberal countries. The income transfer arrangements in these two countries are not targeted towards two-parent families to any significant degree. In Germany, particularly, the difference in pre- and post-transfer poverty rates of two-parent families is minimal.

The poverty risk is also linked to the number of children in a family. Families with more than two children face a higher risk than smaller families. In the United States, for instance, the poverty rate of families with more than two children is 40 percent. In the Nordic countries, the poverty risk of larger families has been reduced significantly in the past couple of decades by income transfers.

### **Work Participation**

Another development in the industrialized Western countries in the last few decades is a clear increase in women's labor force participation rates. At the level of families, the change has been such that, with the exception of the corporatist countries, more and more often both parents of two-parent families work outside the home, and it is getting increasingly common for single parents to work as well. The participation of 15 to 64 year-old women grew for example in Sweden from 62 to 79 percent, and in the United States from 50 to 69 percent between 1970 and 1990 (Danzinger et al. 1995). Because of this development, the majority of women can provide for their children relatively well with their employment income. The dependence of citizens on the family has therefore declined (Sørensen 1996). The income-earning potential of families has been disturbed by unemployment which started to grow in the 1980s and which women encounter more often than men. Table 3 below presents unemployment statistics of families with children in the early 1990s.

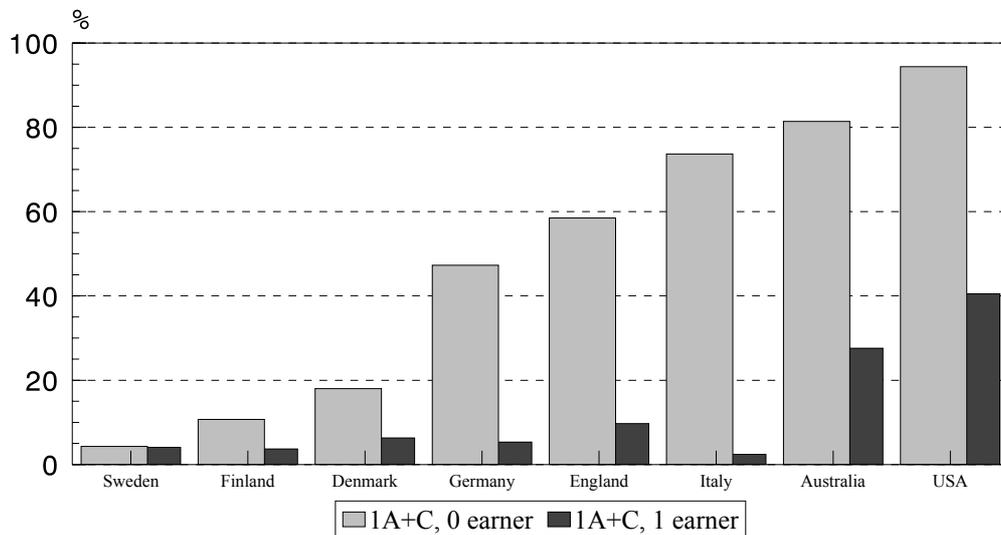
**Table 3. Data on labor force participation of types of families with children in the early 1990s\***

Country	Labour force participation by family type						Unemployment rate by family type		
	Single parent			Women in conjugal unions			Whole population	Single parents	Women in conjugal unions
	Full-time	Part-time	Total	Full-time	Part-time	Total			
Finland	61	4	65	62	8	70	17	14	7
Sweden	41	29	70	42	38	80	8	12	6
Denmark	59	10	69	64	20	84	12	16	10
Italy	58	11	69	29	12	41	12	7	4
Germany	28	12	40	21	20	41	10	15	9
England	17	24	41	21	41	62	7	8	5
Australia	23	20	53	24	32	56	9	17	7
USA	47	13	60	45	19	64	6	9	4

\*Bradshaw et al. 1996

The countries differ fairly strongly in terms of women's participation in paid labor. In the Nordic countries, it is much more common than in corporatist countries. In the liberal countries, labor participation of women in conjugal relationships is quite close to the Nordic level. Single parents' full-time labor force participation is common in Finland and Denmark, and least common in England, Australia, and Germany. In all but the corporatist countries, the labor force participation rates of women in conjugal unions are higher than those of single parents. In all countries, unemployment among single parents is more common than among two-parent families, and in all countries but Finland the unemployment rate of single parents is higher than that of the total population. However, in all countries the unemployment rates of women in conjugal unions are lower than those of the total population. It has been claimed that single parents place worse in the labor market because of discrimination against them. In Sweden, for example, employers are said to fear that single parents are a higher absentee risk than others (Hobson et al. 1996).

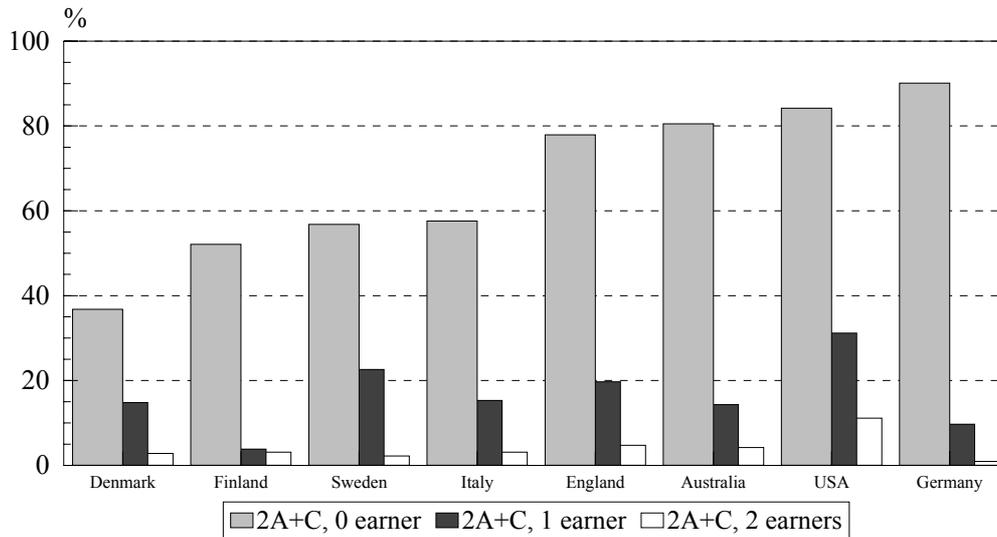
As indicated earlier, the economic welfare of families with children is linked to the family structure, and especially to the number of wage earners in the family. It has been considered self-evident that a single parent without employment income is in a weaker economic position than an employed single parent. Yet this is not so in all countries. In the following figures (Figures 6 and 7), post-income-transfer poverty risks of single parents and two-parent families are differentiated by numbers of salary earners.

**Figure 6. Poverty rates of single parents by number of wage earners, early 1990s (%)**

1A + C = single parent with one or more children under 18 years.  
 2A + C = two-parent family with one or more children under 18 years

Except in Sweden, a non-working single parent is at clear risk of poverty. Especially in the United States, a single parent is almost certainly poor if not working. The reason for this is the absence of general family support programs. But not even work guarantees American single parents a reasonable level of income, as 40 percent of them live in poverty. In other countries besides the United States and Australia, the poverty risk of a working single parent is fairly low. Of the countries compared here, Sweden is the only one where a single parent's non-working status does not increase the risk of poverty. In fact, it could thus be claimed that in Sweden there may exist a problem with disincentive to work. If profitability of work is examined solely from the point of view of poverty risk, it can be said that in Sweden it is not worthwhile for a single parent to seek work for economic reasons. What makes the situation less obvious is that as many as 33 percent of all Swedish single parents work part-time (Bradshaw et al. 1996), for wages that do not necessarily take them over the poverty line. On the other hand, the overall situation of a Swedish single parent is notably better than that of single parents in liberal and corporatist countries. In Sweden, whether they work or not, single parents face little poverty risk.

**Figure 7. Poverty rates of two-parent families by number of wage earners in various countries in the early 1990s (%)**



1A + C = single parent with one or more children under 18 years.  
 2A + C = two-parent family with one or more children under 18 years

The number of income earners in a two-parent family is also a significant poverty risk determinant. In all countries, absence of employment income for both parents clearly increases the poverty risk. By comparing Figures 6 and 7, it can be seen that apart from Australia and the United States, the absence of production factor income constitutes a greater poverty risk for two-parent families than for single parents. The countries divide into two groups, so that in the liberal countries and Germany, lack of employment income raises the poverty risk of two-parent families close to 80 percent, whereas in the Nordic countries and Italy, the poverty risk of no-employment-income families is clearly lower, though still quite high. The poverty rates of one-income, two-parent families do not follow the tripartite typology of welfare states. The poverty risk for one-salary two-parent families is lowest in Finland and Germany. For Germany, the explanation is probably the strong male providership ideology. After the United States, Sweden has the next highest poverty risk for one-earner, two-parent families. Surprisingly, Italy also has a high poverty risk for this group regardless of the strong stay-at-home-mother ideology. The problem of work disincentive that in Sweden is valid for single parents, occurs in Finland with two-parent families with either one or two earners. There is hardly any difference in the poverty rates of one-earner and dual-earner two-parent families, with both remaining under 4 percent.

Overall, it appears that as far as child poverty is concerned, the poverty risk of single parents in particular follows the logic of the tripartite welfare state typology. The variation between countries regarding two-parent families with either no earned income, one salary or two salaries does not fit into the three-category typology.

### **Income Transfers**

The importance of social security systems as a deterrent to child poverty has been emphasized in international studies (Smeeding et al. 1988; Smeeding 1988; Danzinger et al. 1995; Bradshaw et al. 1996). The effectiveness of an income transfer system may be assessed by examining how much it reduces poverty rates. This can be done using a poverty reduction coefficient, calculated in the following way: the difference between pre-transfer and post-transfer poverty rates is divided by the pre-transfer rate, and the resulting quotient multiplied by 100 (see Mitchell 1991). Table 4 shows the poverty reduction coefficient separately for single-parent and two-parent families for five countries in the years 1980, 1985, and 1990.

**Table 4. Poverty reduction coefficient of income transfer systems on child poverty in five countries between 1980 and 1990**

	<b>POVERTY REDUCTION COEFFICIENT %</b>			<b>POVERTY RATE AFTER TRANSFERS, %</b>		
	1980	1985	1990	1980	1985	1990
<b>FINLAND</b>						
Single parent families	54	84	88	12,2	4,9	4,3
Two parent families	37	70	75	6,8	3,7	3,3
<b>SWEDEN</b>						
Single parent families	78	89	91	8,3	4,5	4,1
Two parent families	27	50	78	5,5	4,7	3,8
<b>GERMANY</b>						
Single parent families	55	55	54	13,5	23	19,7
Two parent families	57	30	0	2,1	6,8	9,6
<b>USA</b>						
Single parent families	13	6	12	54,9	59,2	58,3
Two parent families	4	0	0	15,7	19,9	17,8
<b>ENGLAND</b>						
Single parent families	69	85	49	21,8	12,3	40,9
Two parent families	33	43	15	10,1	14,9	19

In the Nordic countries, income transfers have been effective in removing poverty from families with children. In both Finland and Sweden, the preventative effect of income transfers has grown significantly in the ten-year period for both family types with children. For single parents, the income transfer system is more significant than for two-parent families. Since Nordic family policy clearly supports single parents, there was nearly no difference in the poverty rates of one- and two-parent families by the beginning of the 1990s. As measured by the relative income method, it seems that the recession has had no effect on the respective situations of Finnish one- and two-parent families, which again may be explained by the effectiveness of the income transfer system. In 1994, the reductive impact of income transfers had become even greater, with 94 and 86 percent of the pre-transfer poverty being removed for single-parent and two-parent families respectively.

Contrary to the situation in the Nordic countries, in corporatist Germany the poverty reduction effect of the income transfer system is low, albeit higher than that in the United States. Single parents' poverty in Germany is reduced more strongly by income transfers, but for example in 1989 transfers had zero effect on the poverty rates of two-parent families. In the few years from 1980 to 1990, the poverty risk of two-parent families had risen from 2.1 to 9.6 percent. While the poverty risk has been growing, the reductive effect of income transfers has gone down from 57 percent to zero, indicating that cuts have been made especially in income transfers to two-parent families. The poverty reduction coefficient of income transfers is minor in the United States as well. In England, income transfers ameliorate single parents' poverty, but the recent trend has been that income transfers have lessening power in reducing the poverty of single parents. In England, the poverty reduction coefficient of income transfers was at its most potent around 1985, at that time greater than the effect of income transfers in the Nordic countries.

On the basis of the poverty reduction coefficient of income transfers, the countries examined here bifurcate into two classes: the Nordic countries on the one hand, and the liberal countries and Germany on the other hand. In the Nordic countries, the poverty reduction coefficient of income transfers is high both for two-parent and one-parent families. In the rest of the countries, the poverty reduction effect of income transfers is evident only for single-parent households.

### **4.3 The depth of poverty in different countries**

The evolution of child poverty varies greatly in countries representing different welfare state models. A distinct trend seems to be that child poverty in the Nordic countries has declined steadily in the past fifteen years, and the difference between the two family types has disappeared almost entirely. In the liberal and corporatist countries child poverty has increased, and families with children are now a clearly larger proportion among poor households. This bifurcated development can be explained by the effectiveness of income transfer systems. In the Nordic countries, poverty has been lessened much more effectively than in the other countries under comparison here. Besides the extent of poverty, it is also important to examine how deep poverty is, i.e. how poor the poor are. The previous sections indicated that child poverty is more frequent in certain risk groups like single-parent households and families with no employment income. The next table shows the connections of these and some other factors to the so-called poverty gap.

The poverty gap figure tells how poor the different population sectors are on an average. In the present study, the average poverty gap figures for different demographic groups in the different countries have been converted to correspond to the 1991 U.S. dollar value. Then, MC analysis has been used to determine the mean value for all households with children (incomes above the poverty threshold have been changed to zero), to which all the adjusted deviations for the different groups can be related. The adjusted deviations indicate the deviation for each examined variable from the grand mean of the model. In Finland, for example, the mean poverty gap in 1991 was 384 dollars a year for a single parent with no income. Before income transfers, the gap was 8,113 dollars a year.

**Table 5. Relationship of child household poverty gap to age, educational attainment, number of children, number of wage earners and ethnic background (MC-analysis).** Poverty gaps of all countries converted to correspond to the 1991 exchange rate of the U.S. dollars.

COUNTRY	FINLAND 1991		SWEDEN 1992		GERMANY 1989		ENGLAND 1991		AUSTRALIA 1989		USA 1991	
BEFORE / AFTER TRANSFERS	Before	After	Before	After	Before	After	Before	After	Before	After	Before	After
<b>Grand mean</b>	<b>581,4</b>	<b>61,2</b>	<b>3692,5</b>	<b>280,4</b>	<b>356,8</b>	<b>167,4</b>	<b>1086,9</b>	<b>257,8</b>	<b>842,8</b>	<b>268,6</b>	<b>1168,5</b>	<b>580,3</b>
<b>AGE</b>	<b>.04</b>	<b>.01</b>	<b>.13</b>	<b>.04</b>	<b>.01</b>	<b>.02</b>	<b>.02</b>	<b>.07</b>	<b>.04</b>	<b>.05</b>	<b>.06</b>	<b>.09</b>
below 30 years	208,0	18,4	1027,2	82,2	19,2	21,8	92,3	92,0	173,9	94,5	254,1	193,0
30 or above	-24,2	-2,1	-254,2	-20,3	-2,9	-3,3	-26,3	-26,2	-27,6	-14,9	-72,4	-55,0
<b>VOCATIONAL TRAINING</b>	<b>.12</b>	<b>.07</b>	<b>.07</b>	<b>.16</b>	<b>.04</b>	<b>.01</b>	<b>.05</b>	<b>.05</b>	<b>.07</b>	<b>.03</b>	<b>.10</b>	<b>.11</b>
no education	241,2	40,7	261,5	-117,5	11,9	-4,3	82,2	-31,3	121,8	21,7	205,2	121,4
trade / vocational school	-18,3	-9,4	-198,9	4,3	45,0	3,6	30,4	40,9	-41,4	-3,7	-141,5	-97,4
college or university	-350,5	-39,9	-462,8	398,7	-98,5	-0,3	-200,6	-39,4	-117,8	-22,1	-293,7	-165,4
<b>NUMBER OF CHILDREN</b>	<b>.15</b>	<b>.05</b>	<b>.33</b>	<b>.08</b>	<b>.02</b>	<b>.02</b>	<b>.05</b>	<b>.13</b>	<b>.05</b>	<b>.10</b>	<b>.09</b>	<b>.12</b>
1 child	-191,0	-22,4	-1734,2	-85,6	4,5	9,6	-153,6	-117,8	-128,9	-124,0	-195,6	-171,8
2 children	-166,4	-11,4	-30,1	115,9	-29,8	-1,0	-23,9	-33,1	-46,6	-41,4	-119,2	-83,9
3 children or more	386,3	33,7	1546,9	-68,5	42,6	-7,7	133,4	123,6	97,1	90,2	235,0	183,6
<b>NUMBER OF WAGE EARNERS</b>	<b>.52</b>	<b>.09</b>	<b>.63</b>	<b>.43</b>	<b>.89</b>	<b>.49</b>	<b>.88</b>	<b>.40</b>	<b>.83</b>	<b>.55</b>	<b>.71</b>	<b>.50</b>
1A+C, no income	7531,6	323,2	4581,9	11,2	5028,5	802,6	3801,8	227,1	3926,1	1124,1	4648,5	1755,6
1A+C one income	648,3	12,4	292,4	-307,8	52,5	31,0	577,5	-41,9	582,6	87,2	633,5	314,4
2A+C, no income	7298,7	543,2	4048,7	203,1	5043,6	716,7	3676,4	773,0	3775,4	467,7	4612,5	1797,2
2A+C one income	1097,2	-10,9	2015,5	1048,2	-205,7	-22,1	-768,8	-63,5	-405,5	-113,8	-175,8	-17,1
2A+C, two income	293,9	-4,8	-1816,1	-247,4	-335,0	-65,6	-1171,0	-164,2	-721,7	-191,4	-830,8	-354,6
<b>ETHNIC BACKGROUND / CITIZENSHIP</b>	<b>..</b>	<b>..</b>	<b>.02</b>	<b>.01</b>	<b>.01</b>	<b>.02</b>	<b>..</b>	<b>..</b>	<b>.04</b>	<b>.08</b>	<b>.08</b>	<b>.09</b>
white/majority			-1272,7	-0,5	1,8	-3,2			-31,8	-28,5	-115,9	-67,3
other than above			5,8	114,8	-18,8	24,1			132,4	119,4	284,6	165,3
<b>R<sup>2</sup></b>	<b>31,7</b>	<b>1,5</b>	<b>55,4</b>	<b>21,8</b>	<b>80,1</b>	<b>24,5</b>	<b>81,6</b>	<b>20,5</b>	<b>73,4</b>	<b>33,8</b>	<b>64,4</b>	<b>37,8</b>

Table 5 may be examined from several different perspectives. First, the findings can be examined for each country separately. This will reveal which demographic group in the country has the biggest poverty gap, and how much it has been lowered by income transfers. Second, the table shows the differences between demographic groups in different countries, and the largest groups in different countries. Third, comparisons by monetary values reveal the average depth of poverty in different demographic groups and in different countries.

Finland has clearly been able to reduce the average poverty gaps of different demographic groups. The factor most clearly connected to the poverty gap is absence of income. It increases the average poverty gap of two-parent families by 543 and of single-parent families by 323 dollars a year. The average poverty gap (50 dollars) of Finnish two-parent families with one employment income is the lowest in all the countries examined here. That this is lower than the poverty gap for dual-income families again hints at the possible existence of a disincentive problem. In accordance with results presented earlier in this study, the focal point of the problems with the Finnish income transfer system is the conflict situation between two-parent families with either one or two incomes. The poverty risks for these groups are equal, but the average poverty gap is larger for dual-income families than for single-income, two-parent families. Other factors that increase the poverty gap in Finland are higher numbers of children, low educational attainment, and age below 30 years.

The U. S. and Australian models are similar to Finland's in so far as age, a large number of children, low educational attainment, and absence of employment income increase the poverty gap. The countries differ from Finland by their larger poverty gaps and higher explanatory power of the models. For example, the average poverty gap for a single parent with no employment income is 2,336 dollars in the United States and 1,393 dollars in Australia. Before income transfers, the German, Swedish and England models are the same as those for the other countries -- in other words, the poverty gap is at its highest for families of below 30-year-old single parents with many children, little education, and no employment income. However, in the post-income transfer situations in these countries, some factors do not concur with the general idea of factors connected with poverty. As the situation before income transfers appears "logical," the "illogical" findings can be said to be distortions caused by the income transfer systems. In Sweden, educational attainment and number of children in a family are factors causing a distorted situation; in Germany and the England, educational

attainment is such a factor. In all these three countries, people with the highest educational attainment have the highest average poverty gap and the uneducated the lowest one, although the situation before income transfers was "logical," i.e., the reverse. Furthermore, in Sweden poverty gaps of two-child families are higher than those of families with either one child or more than two children. Having two children in Sweden, therefore, adds to the poverty gap, but having three or more lowers it. The third contradictory finding is that the average poverty gap in Sweden is 1,329 dollars for a one-income, two-parent family and 488 dollars for a two-parent family with no employment income at all. In the pre-transfer situation also this relationship is reversed. The results strongly indicate that in Sweden particularly, the transfer system, designed to equalize income differences, creates distortions. This claim should be subjected to closer analysis, which however is not possible within the scope of this study. According to Mitchell (1991), poverty gap studies involving different demographic groups in different countries are too sensitive to extreme singular values, as the gaps are expressed in averages. However, the poverty gap figures for individual countries are seen by Mitchell as reliable comparative data that give quite a different idea of countries' poverty situations than poverty-rate figures do. The following table shows how income transfers have reduced the child poverty gaps at the beginning of the 1990s.

**Table 6. The effect of income transfers in reducing child poverty gap in the early 1990s**

COUNTRY	REDUCTION IN POVERTY RATE <sup>1</sup>	REDUCTION IN POVERTY GAP <sup>2</sup>
Finland	76,3 %	88,6 %
Sweden	82,8 %	92,4 %
Germany	18,2 %	81,5 %
England	30,4 %	79,8 %
Australia	28,1 %	65,1 %
USA	10,7 %	48,7 %

<sup>1</sup>Poverty rate before income transfers minus poverty rate after income transfers, divided by poverty rate before income transfers. <sup>2</sup>Poverty gap before income transfers minus poverty after income transfers, divided by poverty gap before income transfers.

Income transfers in all countries reduce the poverty gap more effectively than they reduce the poverty rate. Surprisingly, Germany and the England are now in the group where the poverty gap has been reduced quite effectively. Although child poverty in these countries is clearly

more common than in the Nordic countries, the depth of poverty has been reduced quite effectively. In the United States, the reduction effect of income transfers on the poverty gap is low in comparison to other countries. This indicates that in the United States, the living situations of children in poor households are helped considerably less through the income transfer system.

It can be said that on the whole, all countries have been able to affect the poverty gaps of various groups by the income transfer systems, mainly by reducing the gaps. However, all countries continue to have the same risk groups, the most obvious of those being families with many children as well as households without employment income. Where data is available for comparisons between different ethnic groups or nationalities, the results are the same: the poverty gap of the mainstream population is in all countries clearly lower than that of any minorities. Therefore, ethnic minorities may be added to the groups typically at risk of poverty. The reductive effect of the income transfer systems on the poverty gap improves the picture of poverty for Germany and England. Although there are a lot of poor German and English children, they live closer to the relative poverty line than the poor American children do.

## **5 SUMMARY**

Poverty research shows that the overall picture of poverty has changed in the last twenty years. Feminist researchers have emphasized that poverty has become feminized. In this study, as a further inference from the claim of feminization of poverty, it was assumed that poverty also has become 'childrenized.' This assumption proved true for all the other countries studied except Finland and Sweden. The factors connected to child poverty are aligned according to welfare state regimes. In the liberal welfare countries, children's poverty risk is hardly reduced at all by income transfers. In the Nordic countries, particularly in Finland, the income transfer system has evened out the effects of most factors connected to poverty. However child poverty is analyzed more specifically in the framework of family types and numbers of employment income earners in families, the explanatory power of welfare state regimes wanes.

It appears that differences in child poverty between the countries studied and across the welfare state regimes are growing. There is a divide among the countries in how families with children are supported: in the Nordic countries, families with children are supported not only by income transfers but also by comprehensive social services, whereas in liberal countries the support for families with children is almost totally limited to means-tested benefits. The Nordic countries have managed to prevent poverty risk for children in different family types almost totally. Thanks to the income transfer and daycare systems that support women's paid employment, the poverty risk for children in different kinds of households is nearly at a minimum. As least as far as economic welfare is concerned, the Scandinavian model may be called not only woman-friendly but also child-friendly.

Childrenization of poverty and fairly extensive problems with child poverty are facts of social life outside the Nordic countries. The notion that the responsibility for children's welfare belongs to the family has survived in both liberal and corporatist countries. This reflected in tough means-testing for benefits and services and scarcity of individual social rights, these again reflected in the high child poverty rates that have grown worse in many countries in the past few years. From the point of view of child poverty, social policies in the liberal countries can be characterized as neglectful of children. The absence of comprehensive family policies is linked to overly high regard for family privacy. Setting up support systems for families has been restrained by ideological factors, such as fear of "sovietization of families." Ideological perspectives that emphasize the territorial integrity of the family do not encourage development of services targeted for women and children. Yet more and more women have been compelled to find employment outside the home. The necessary services have had to be purchased either from the private or unofficial sectors. Those without enough money to buy these services have been provided with means-tested daycare services, often planned specifically for children at risk. Conservative values and marginal conditions within a changing society have pushed children and families with children into situations that are often riddled with conflict and lead to unfortunate end results. High rates of child poverty bear partial witness to this.

The situation of the children in Nordic countries appears comparatively bright in the international perspective. Poverty in families with children is less common in Nordic countries than in many other OECD countries. For instance in Finland in long-term

perspective, the poverty risk of Finnish children has fallen from the level of liberal countries to almost nothing. As the income transfer system has developed, the poverty risks for one-parent and two-parent families have settled on the same level (below 3 percent). The results of this study are based on the relative income concept, which has been found to have reacted weakly to the recession of the 1990s (see Uusitalo 1997). When assessed, for example, by the social assistance reciprocity measure, the poverty rates--especially those of single parents--have clearly risen during the recession (see Forssén 1998). It is therefore important to emphasize that this study only represents one perspective on the economic welfare of families with children.

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