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Working Paper

Child Poverty in Middle-Income Countries

LIS Working Paper Series, No. 666

Provided in Cooperation with:
Luxembourg Income Study (LIS)

Suggested Citation: Nell, Emily; Evans, Martin; Gornick, Janet (2016) : Child Poverty in Middle-Income Countries, LIS Working Paper Series, No. 666, Luxembourg Income Study (LIS), Luxembourg

This Version is available at:
https://hdl.handle.net/10419/169226

LIS
Working Paper Series

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March 2016

Luxembourg Income Study (LIS), asbl

Child Poverty in Middle-Income Countries

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February 15, 2016

Abstract

This paper aims to better understand the income factors that influenced child poverty rates across a group of four diverse middle-income countries in 2010. We use data from LIS to analyze child poverty using harmonized measures of income in Russia, Mexico, South Africa, and Colombia. The paper addresses three main questions: First, how poor were children relative to other age groups in each country? Second, what income sources, including support from families and state transfers, protected children from higher rates of child poverty? For this question, we disaggregated incomes to identify tax and transfer profiles and their gross effect on poverty risk. Third, how did this look across a group of middle-income countries?

Introduction

This paper explores child poverty in Russia, Mexico, South Africa, and Colombia, during the year 2010, answering the following questions: How poor were children in Russia, Mexico, South Africa, and Colombia in 2010 relative to other age groups in each country? What were the incomes of households with children, underlying the child poverty rates? What role did social welfare policies, informal support from families, and individual earnings play in alleviating child poverty in 2010? Finally, how did income sources influence child poverty differently or similarly across middle-income countries? The rest of the paper will provide a motivational background for these research questions, an explanation of the research methods, figures highlighting the results, and, finally, a discussion of the implications and next steps.

Research Motivations

Why Children?

As one of the most vulnerable populations worldwide, children place a moral demand on all countries and our institutions to make sure that they are provided for. Poverty during childhood leaves children more than at risk for immediate adverse consequences but at heightened risk for experiencing life-long outcomes influenced by poverty. Persistent childhood poverty puts individuals at risk for a multitude of poor health outcomes, in addition to putting them at risk for a range of undesirable social consequences, including lower educational attainment and greater rates of incarceration (Magnuson & Votruba-Drzal, 2009). Mounting evidence documenting the harmful health effects of poverty during childhood moved physicians during a recent annual meeting of the Pediatric Academic Societies to put out a call to address childhood poverty as a serious underlying threat to children's health

(Klass, 2013). By focusing on child poverty, this paper highlights the need to eliminate poverty among one of the most vulnerable but instrumental life stages.

Why Middle-Income Countries?

Recent work by Gornick and Jäntti (2012a) utilized LIS' harmonized data, as this paper does, to explore child poverty cross-nationally. The authors analyzed child poverty in 2004 within and across five country clusters based on institutional similarities, the Anglophone countries, Continental European countries, Eastern European countries, Nordic European countries, and Latin American countries. Measuring poverty using a relative measure, 50% of median disposable household income, and an absolute measure, based on the United States' official poverty line, the authors find the greatest rates of child poverty among the Latin American countries. Related analysis by the authors (Gornick & Jäntti, 2012b) demonstrated that a country's national income or World Bank income status influences the increased risk of poverty for children, relative to other age groups, less than country-specific policy influences. These papers call attention to the significant rates of child poverty in middle-income countries, and highlight the importance of understanding country specific policies and their relationships to child poverty.

Understanding child poverty in middle-income counties is particularly significant as the majority of the world's poor, over 70%, no longer resides in low-income countries but now lives in middle-income countries (Kanbur & Sumner, 2012; Sumner, 2012b). Middle-income countries have a greater capacity to alleviate child poverty than low-income countries, suggesting that substantially reducing global child poverty may be increasingly possible (Sumner, 2012a). As the cost to GDP of eradicating extreme child poverty continues to come within reach for many middle-income countries, it is essential that we utilize knowledge about the most effective ways to tackle the issue. This paper aims to better

understand the way Russia, Mexico, South Africa, and Colombia are currently using social welfare policies to alleviate child poverty.

Background

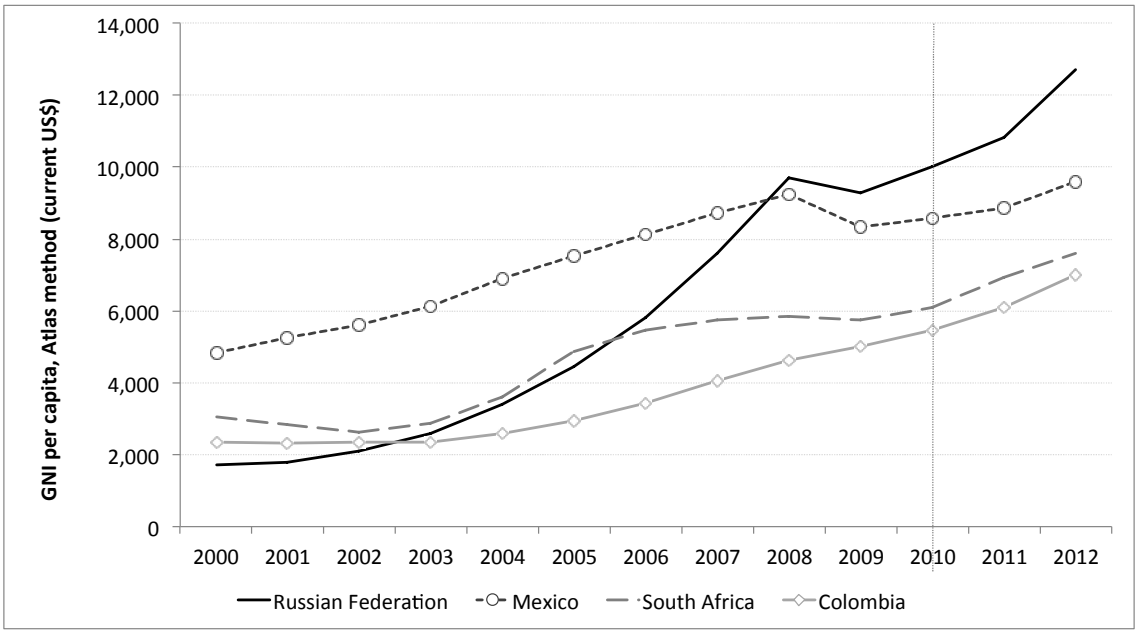
Economic Trends

Although the implications from the 2008 economic crisis continue to play out in ongoing ways worldwide, it is clear that the consequences ranged in their severity across countries. High-income countries were hit with the hardest financial shocks, with the rate of Gross Domestic Product (GDP) growth falling 7.7 percentage points on average in 2009. Middle-income countries' GDP fared slightly better yet still experienced an average growth rate decline of 6.9 percentage points. Low-income countries' economies, however, did notably better, with their GDPs experiencing an average growth rate decline of only 1.5 percentage points. GDP growth rates varied much more dramatically within the middle- and low-income groups, suggesting a wide range of responses to the global recession in these groups (Nabli, 2011).

Figure 1 provides insight into the economic health of Russia, Mexico, South Africa, and Colombia from 2000 to 2012. While Russia began the decade as the poorest country of the four, by the end of the decade, Russia had a dramatically higher per capita gross national income (GNI) than the other countries in our paper. Russia's economy has grown to such an extent that The World Bank recently changed their country classification from middle-income to high-income (2013). Focusing on the economic crisis up until 2010, we can see that the countries experienced very different levels of growth. Colombia's per capita GNI continued to grow at rates seen pre-2008 and was relatively unaffected by the crisis. Russia and Mexico, in contrast, both saw substantial dips in GNI from 2008 to 2009, with Russia quickly recovering from the slump. South Africa experienced a slight drop in per capita GNI

after 2008 but, similarly to Mexico, ends the period with a GNI close to the country's GNI in 2007.

Figure 1. Gross National Income (GNI) per capita, Atlas method (current US$)



Source: World Bank Development Indicators (2013)

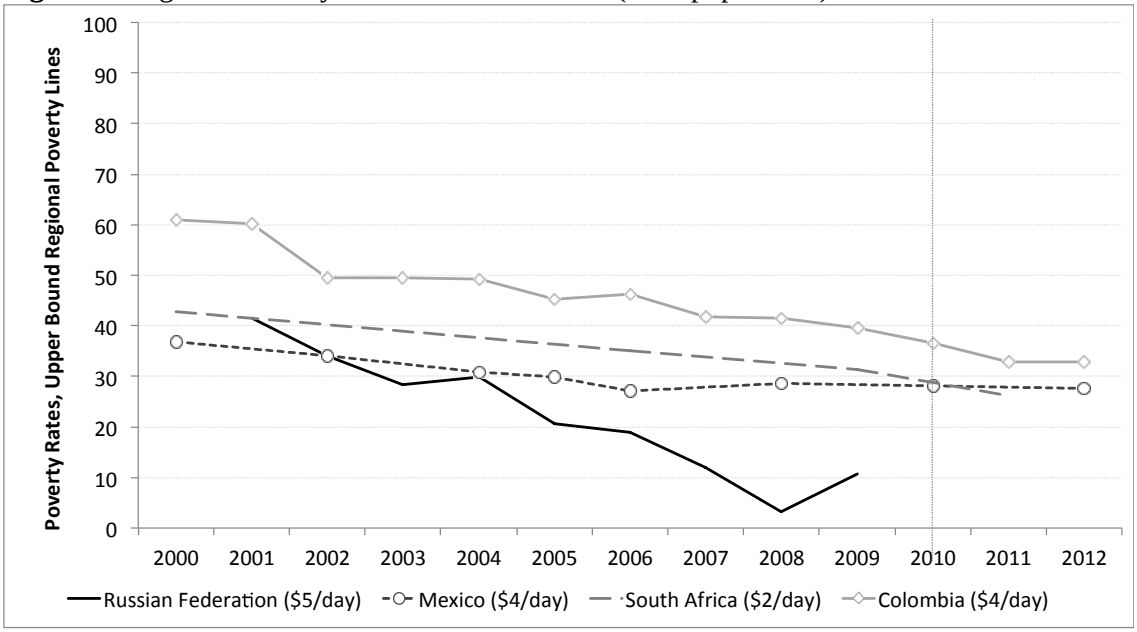
Poverty Trends

Despite the global recession, world poverty continued to decline through 2010. Perhaps because developing countries were largely less affected, the consistent reductions in worldwide poverty during this period meant that the first Millennium Development Goal (MDG), to halve the proportion of the world living in extreme poverty below $1.25/day, was met in 2010. Particularly in the context of the recession, this represents a huge victory for reducing poverty, as the MDG "deadline" was originally set for 2015 (Chen & Ravallion, 2012; Lowrey, 2012).

Figure 2 provides a picture of the way poverty has changed for the entire population in each country between 2000 and 2012. In order to account for different living standards across the four countries while also maintaining a priority on capturing poverty in terms of absolute needs, Figure 2, along with all subsequent poverty numbers, defines poverty by the

"Regional Poverty Lines" developed by the World Bank. The poverty trends are very similar when comparing the decade of poverty rates at the often-used $2/day to the decade of poverty rates at the regional poverty lines, but the regional poverty lines indicate much higher levels of overall poverty in Russia, Mexico, and Colombia. All four countries experienced substantial declines in poverty over the decade. Despite that Colombia began and finished the period with the highest overall poverty rates, they saw a 24.5 percentage point drop in poverty. Both Mexico and South Africa experienced less dramatic but consistent declines in poverty over the decade. Mexico ending 2010 with a 28.2% poverty rate, and South Africa ending 2009 with a 31.2% poverty rate. Data from 2001 to 2009 highlights Russia's incredible 30.8 percentage point drop down to a 10.7% population poverty rate in 2009.

Figure 2. Regional Poverty Line Headcount Ratio (% of population)



Source: POVCAL Net (2015)

Data and Methods

Data

This paper utilizes data from Russian, Mexican, South African, and Colombian datasets compiled and harmonized by LIS, the cross-national data center in Luxembourg.

Analyses use LIS' wave VIII, centered around 2010. Utilizing LIS datasets for this analysis brings both advantages and disadvantages. While many analysts argue that consumption may be a better measure to use in low- and middle-income countries given that income data are challenging to capture in less traditional or agricultural labor settings, consumption data are not consistently available in LIS. However, the distinct advantage to using LIS income data is that it enables us to disaggregate disposable income and examine the variety and balance of income sources (Haughton & Khandker, 2009).

Poverty Measures

In this study, poverty is determined using a per capita, PPP-adjusted, disposable household income measure and international regional poverty lines as defined by the World Bank. The often-used World Bank's international poverty lines define poor households as those with with PPP-adjusted per capita income below $2/day; households that fall below $1.25/day are defined as extremely poor. The $1.25/day international poverty line is an updated version of the World Bank's original "dollar a day" poverty line created to measure progress towards the Millennium Development Goals and is constructed from the average of national poverty lines found in the poorest 15 countries in the world (Ravallion, Chen, & Sangraula, 2009). The $2/day international poverty line was created from the median of the national poverty lines in all developing countries (Gentilini & Sumner, 2012).

While these poverty lines are extremely helpful in making international comparisons among developing countries, they cannot appropriately account for the dramatic variations in national living standards. Given that we are focusing on four upper-middle income countries that are very different for the poorest 15 countries in the world, we find it more useful to use the World Bank's regional poverty lines that account for some of the international variation in living standards. Households will be deemed *extremely poor* if they are living below the

"lower bound" regional international poverty line, meaning that they are found to be living below $1.25/day in South Africa, and below $2.50/day in Russia, Mexico, and Colombia. Households will be deemed *poor* if they are living below the "upper bound" regional international poverty line, meaning that they are found to be living below $2/day in South Africa, below $4/day in the Mexico and Colombia, and below $5/day in Russia.

Variable Definitions

Poor children are determined to be living in a household with a per capita income below the relevant international regional poverty line. Poor households have been found utilizing a measure of "disposable household income," a composite measure of all labor income, capital income, and transfer income coming into the household, minus the direct taxes and private transfers leaving the household. Unfortunately, only the South African datasets contains enough detailed income information to include each aspect of disposable household income in our variable creation and to disaggregate the variable into its independent components. The Colombian datasets do not include a measure of the private, informal, and family transfers that households paid out to other households. Russia and Mexican datasets only provide a measure of net income, and, therefore we are unable to disaggregate the taxes from disposable income. While these differences between datasets pose a challenge in interpretation, we choose to include all available data, even when not universally available, in order to provide the most complete picture possible. In this analysis, children are defined as younger than 18.

Russian Federation

Background

Russia has, overall, experienced huge success in poverty reduction since 2000. Measuring poverty using Russian regional absolute poverty lines, Denisova (2012) found that poverty dropped 14 percentage points from 2001 to 2009, ending with a 13.2% overall Russian poverty rate. Despite the decline in poverty rates since 2000, Russia experienced an increase in inequality with the Gini inequality index rising from .397 in 2001 to .422 in 2009. Consistent with the declines in poverty and strong economic growth Russia experienced in the last decade, this rise in inequality can largely be attributed to the growth in the gap between incomes in the top income decile and all others (Denisova, 2012),

Although Russia has been successful in reducing poverty population wide, children remain at greater risk for poverty than other groups in Russia. While pensioners have been generally very well protected from poverty, families with children, and specifically large families, single parents, and rural households, were found to be among the most vulnerable groups. Notably, the presence of children in the Russian households was found to increase the probably of becoming a poor household, but was not found to have any effect on the probability of leaving poverty. While this suggests that a new child increases the chance that a household will become a poor household, it also suggests that households with children are just as likely to leave poverty and experience poverty as transitory, rather than chronic, as all other households (Denisova, 2012).

The differences in poverty by age groups are not surprising when considering the recent history of social policies there. In 2000, Russia transitioned from a universal child benefit to a means-tested child benefit. Initially there were some issues with the targeting of the child benefit and only 31.3% of children in low-income households covered in the first year (Notten & Gassmann, 2008). This has improved dramatically since 2000, but analysis

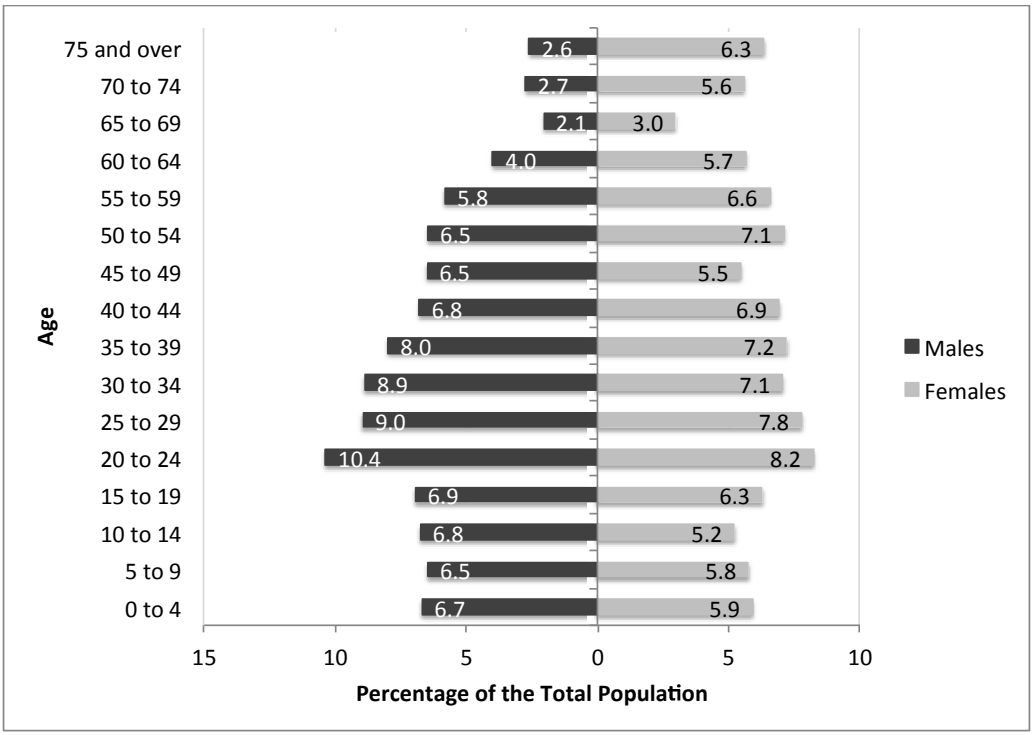
by Notten and Gassmann (2008) found that the universal child benefit had been more effective at fighting poverty in Russia.

Despite Russia's quick recovery after the global economic crisis and consistently high employment rates for both men and women, the country has not be able to prevent a high risk of poverty for families with children. This can largely be blamed on the way Russian social policies have consistently prioritized pensioners and the disabled over other groups in recent history. Russian's aging population holds a growing political importance and has been able to demand a significant increase in benefits to pensioners. These transfers are so extensive that recent reforms passed are likely to eliminate poverty entirely among pensioners (OECD, 2011). The effect of these policies is that pensioners collect more than double of the governmental support that families with children collect (Bradshaw, 2012).

Russian Children

Figure 3 provides a snapshot of the Russian population by age and gender in 2010. The four youngest cohorts constituted notably smaller percentages of the total population than Russians in their 20s and 30s, reflecting the consistent and dramatic fall of Russian fertility rates since the late '80s (OECD, 2011). Consistent with all the Russian cohorts under 50, the Russian child population was made up of a greater proportion of boys than girls.

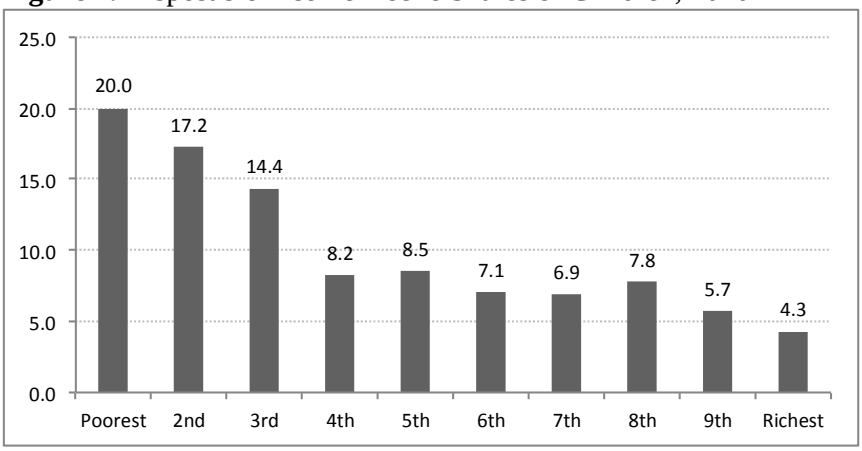
Figure 3. Russian Population Pyramid, 2010



Source: Authors' calculations from LIS

Figure 4 indicates what percentage of children were found in each household disposable income decile. The figure makes clear that children were much more likely to live in poorer households than richer households. Among all Russian children, 68.4% lived in households with disposable incomes below the country's median household income and 20.0% lived in households with an income in the poorest decile. These numbers demonstrate the place of children relative to other Russians. Table 1 demonstrates how Russian children were doing on international measures. In 2010, 6.1% of Russian children were living in extreme poverty and 12.6% of Russian children were poor.

Figure 4. Disposable Income Decile Shares of Children, 2010



Source: Authors' calculations from LIS

Table 1. Child Poverty Rates, 2010

Children Living in Poor Households	12.6%
Children Living in Extremely Poor Households	6.1%

Source: Authors' calculations from LIS

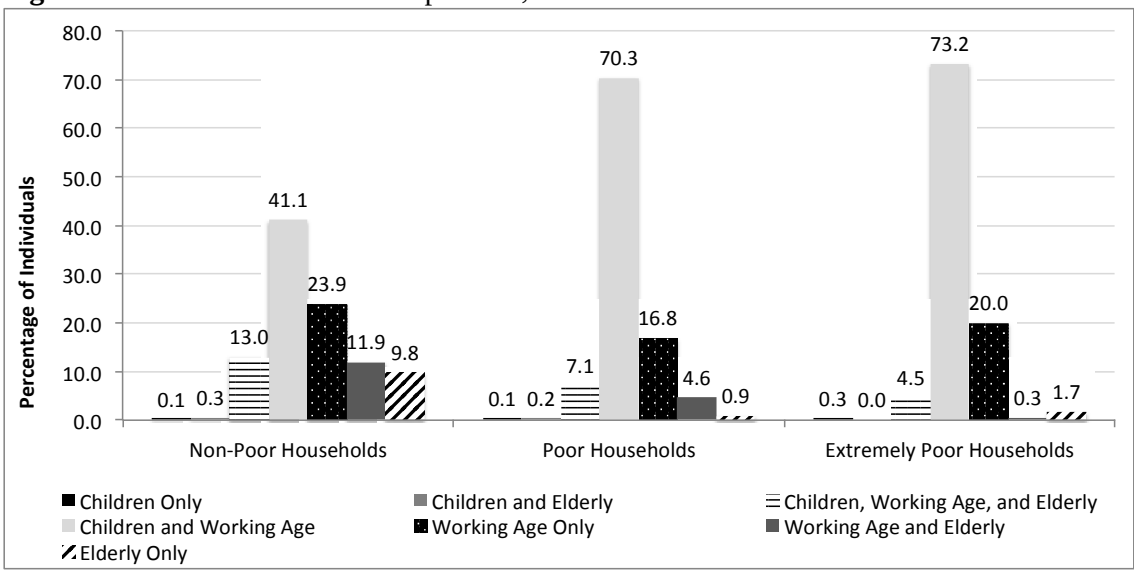
Households with Poor Children

Figure 5 highlights differences in the household composition for non-poor households, poor households, and extremely poor households. While the majority of poor and extremely poor households, 70.3% and 73.2% respectively, were comprised of children and working-age adults, the non-poor households looked somewhat more diverse, with only 41.1% of households comprised of children and working-age adults. On the whole, non-poor households were much more likely to have elderly members and no children living in the household. Households containing working-age adults and elderly adults, as well as only elderly adults were significantly more likely to be non-poor households.

Figure 6 shows employment rates of both men and women across non-poor, poor and extremely poor households. The figure highlights the dramatic employment differences between poor and non-poor households in Russia. While 82.7% of men and 75.9% of women

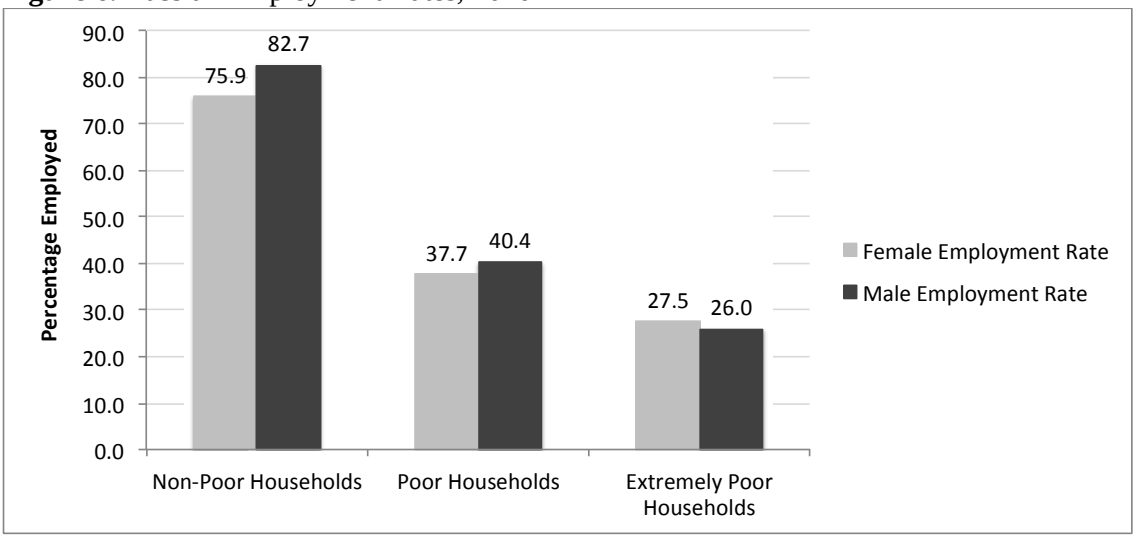
in non-poor households were employed, only 40.4% of men and 37.7% of women in poor households were employed. While both men and women in extremely poor households were less likely to be employed than those in both poor and non-poor households, women had a slightly higher employment rate than men in extremely poor households, suggesting that the lack of employment, and in particular male employment, may be a serious barrier to leaving extreme poverty.

Figure 5. Russian Household Composition, 2010



Source: Authors' calculations from LIS

Figure 6. Russian Employment Rates, 2010

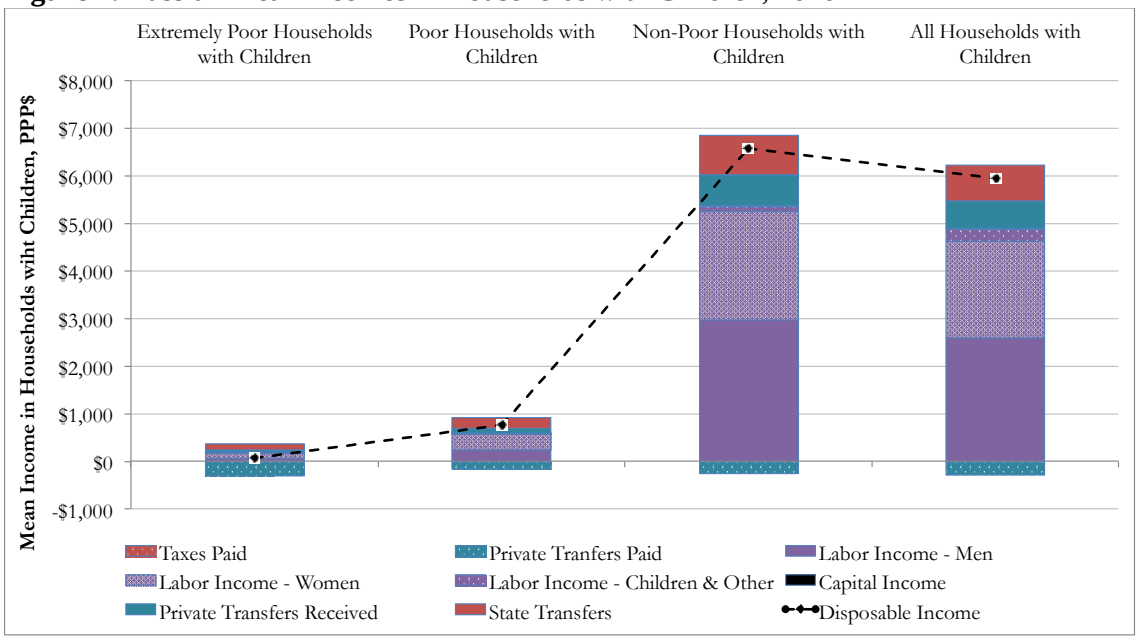


Source: Authors' calculations from LIS

Child Poverty and Household Income

In order to better understand the underlying household incomes that influence a country's child poverty rates, we disaggregate the household incomes to examine the influence of each component. Figure 7 provides a visual of the mean income in all households with children, extremely poor households with children, poor households with children, and non-poor households with children. Male labor incomes contributed the greatest amount to non-poor household incomes, but were closely followed by the contributions from female labor incomes. Both private transfers and state transfers contributed less to non-poor household incomes on average but still provide sizeable amounts. In contrast, labor income from females was the largest contributor to poor household incomes. This was followed by similar contributions from male labor incomes and state transfer incomes, and, finally, the smallest contribution from private transfers. Particularly notable about extremely poor households was the significant amount of their incomes that they sent out of the household to other family and friends.

Figure 7. Russian Mean Incomes in Households with Children, 2010



Source: Authors' calculations from LIS

Table 2 below provides hypothetical poverty rates given a variety of counterfactual scenarios. The table begins on the left with the child poverty rates that would have existed if households with children only had access to income from men's labor; 48.7% of children in Russia would have been considered poor. The next number represents the number of children that would have been poor if households with children had access to market incomes of both male and female household members; 24.4% of children in Russia would have been poor. The next box adds the informal transfers that pass between households of families and friends; 21.0% of children in Russian would have been poor under this counterfactual scenario. The final box adds the state taxes and transfers that pass between households and the government, and concludes with the actual child poverty rate of 12.6% in Russia in 2010.

In 2010, taxes and transfers reduced child poverty 11.8 percentage points. Utilizing the counterfactual child poverty rates, we can conclude that the vast majority of tax and transfer poverty reduction in Russia was due to the influence of state transfers. While informal and family transfers reduced child poverty by 3.4 percentage points, the influence of state transfers reduced child poverty an additional 8.4 percentage points.

Table 2. Counterfactual Russian Child Poverty Rates, 2010

	Market		**Informal & Family**		**State**		
	Male Labor Income	All Labor Income	Transfers Received	Transfers Paid	Transfers	Taxes	**Final Disposable Income**
Russian Federation 2010	48.7%	24.4%	20.3%	21.0%	12.6%		**12.6%**

Source: Authors' calculations from LIS

Mexico

Background

Progresa, Mexico's conditional-cash-transfer social policy targeted towards poor households with children old enough to go to school, was first introduced in 1997 among rural Mexican communities. In 2002, the program became Oportunidades and the reach was extended further to include a greater number of both rural and urban communities. Through

the introduction of this policy, families with children were able to receive a cash benefit with three purposes: to improve household nutrition, to subsidize school for all children of school age (this benefit rises by grade and at secondary school becomes higher for girls), and to cover the costs of school books and uniforms. In order to continually receive the cash benefit, children need to maintain a record of attending school at least 85% of the time, both mothers and children need to consistently attend their healthcare appointments and parenting classes (Barrientos & DeJong, 2006).

Analysis comparing a control group to the early program entrants found households in the program experienced a drop in poverty, a drop in the poverty gap, an increase in school enrollments and attendance, and improvements in health status indicators (Skoufias, 2001). While Oportunidades has been successful in improving the lives of many Mexican families, Mexico still struggles with a substantial proportion of the country's children living in poverty, particularly since 2008 and the global economic crisis. Despite only a modest growth in the child poverty rate from 2008 to 2012, 1.7 million Mexican children lived in households that newly fell into poverty during this period (Natali, Handa, Chzhen, & Martorano, 2014). Despite the positive influence of Oportunidades, the dramatic decline in remittances sent from the U.S. in 2008 and 2009 significantly reduced school attendance and increased child labor in households that had previously been receiving remittances (Alcaraz, Chiquiar, & Salcedo, 2012).

These studies highlight the fragile place of both poor and near-poor Mexican families with children. Because Mexican social policy has been largely focused on providing aid to the most needy and chronically poor households, there are many households floating right above the national poverty line that do not qualify for social welfare programs. Analysis by De la Fuente, Ortiz-Juarez, and Rodriquez-Castelan (2015) finds that these households are particularly vulnerable to economic shocks like the loss of employment and argues that

Mexican public policies need to work to find the mix "between targeted interventions and universal insurance schemes to serve this economic group" (p. 2).

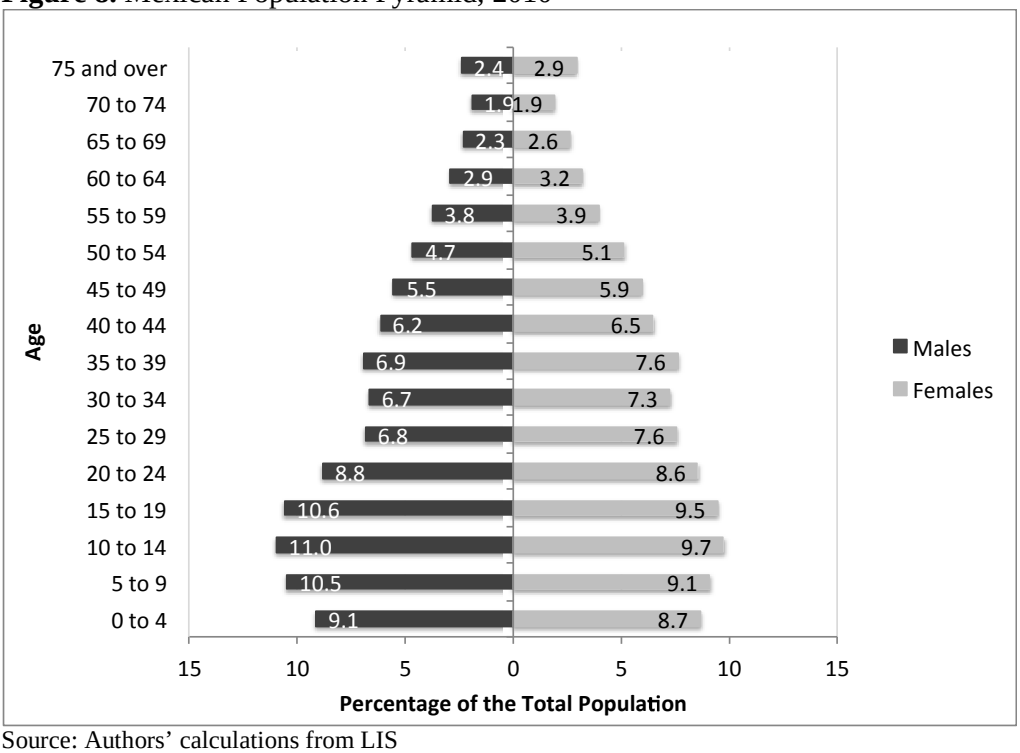
As an upper-middle-income country with a higher per capita GDP than many other Latin American countries, Mexico has a greater capacity to utilize public funds and public policies to fight child poverty. However, substantially reducing the child poverty rate in Mexico will take a greater investment than currently undertaken by the government. "Making large advances in reducing child poverty calls for political will, comprehensive programmes and well-targeted instruments" (Advis & Rico, 2012, p. 405). Qualitative analysis of Mexican elites by Medrano (2013) found "similarities between the prevailing elite perceptions of the causes of poverty and the core assumptions behind the Oportunidades program about the causes of poverty" (p. 220). Many participants supported the idea that poverty is due to an inability to access basic goods and services like healthcare and education, emphasizing the importance of investing in education for children's future job prospects. Participants did not, overall, support raising taxes to tackle poverty or discuss ways to improve the lives of adults and children currently living in poverty. Evidence from other countries suggests more universal social programs targeting the many causes of poverty are needed to complement the targeted Oportunidades in order to substantially reduce child poverty, but the political will to implement these policies does not yet exist among Mexican elites.

Mexican Children

Figure 8 provides a snapshot of the Mexican population by age and gender in 2010. In contrast to Russia, the four youngest cohorts constituted notably larger percentages of the total population than older cohorts of Mexicans. With the exception of a few cohorts after ages 10 to 14, Mexican cohorts decreased in size as the age of the group increased. In

contrast to Mexicans over 24, the Mexican child population was made up of a greater proportion of boys than girls.

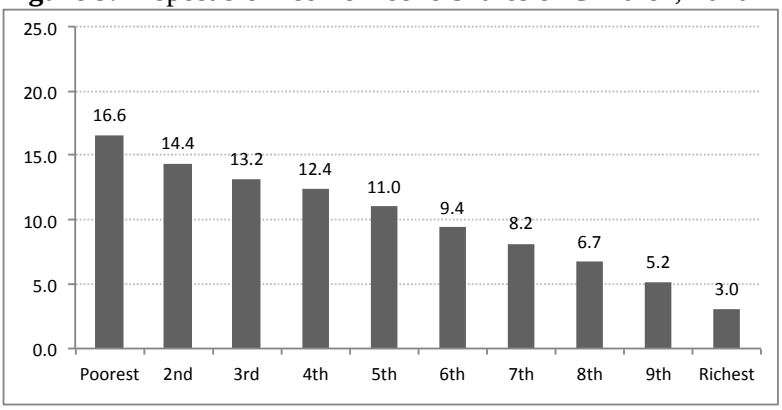
Figure 8. Mexican Population Pyramid, 2010



Source: Authors' calculations from LIS

Figure 9 indicates what share of children could be found in each household disposable income decile. Fully 67.6% of Mexican children lived in households with disposable incomes below the country's median household income and 16.6% of Mexican children lived in households with an income in the poorest decile. These numbers demonstrate the place of children relative to other Mexicans. Table 3 reports how Mexican children compared on international measures. In 2010, 14.9% of Mexican children were living in extreme poverty and 27.9% of Mexican children were poor.

Figure 9. Disposable Income Decile Shares of Children, 2010



Source: Authors' calculations from LIS

Table 3. Child Poverty Rates, 2010

Children Living in Poor Households	27.9%
Children Living in Extremely Poor Households	14.9%

Source: Authors' calculations from LIS

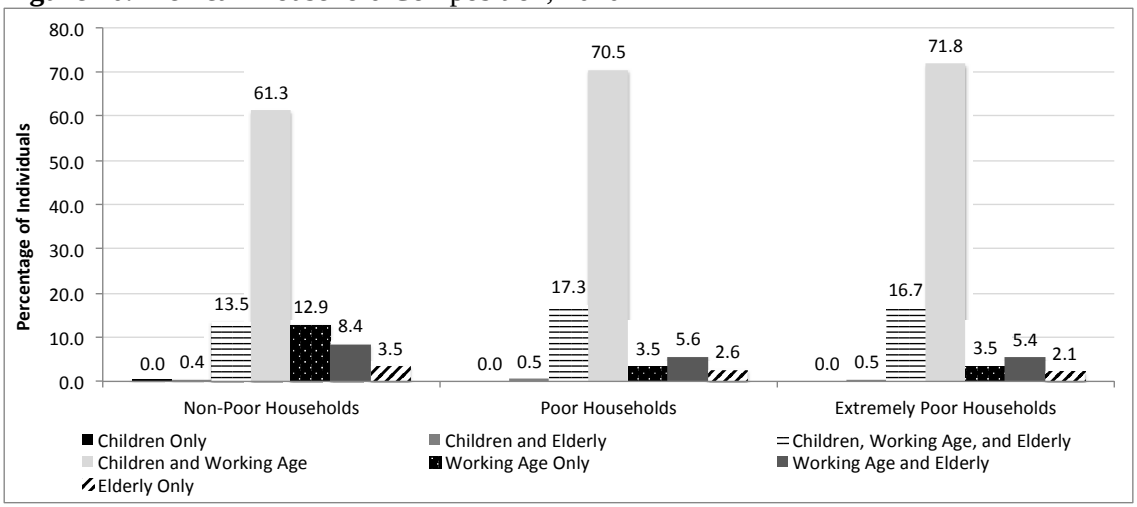
Households with Poor Children

Figure 10 highlights differences in the household composition of non-poor households, poor households, and extremely poor households. The majority of all three household types were households comprised of children and working-age adults. Children and working-age adults made up 61.3% of non-poor households but represented a greater proportion of both poor and extremely poor households, 70.5% and 71.8% respectively. The remainder of both poor and extremely poor households are concentrated among households that contain children, working-age adults, and the elderly. The remainder of the non-poor households looked a bit more diverse; 13.5% were households comprised of all three generations, another 12.9% were comprised of working-age adults only, and 8.4% were working-age adults and elderly adults. On the whole, non-poor households were less likely to have children living in the household.

Figure 11 shows employment rates of both men and women across non-poor, poor and extremely poor households. The figure highlights the dramatic employment differences between poor and non-poor households in Mexico. While 85.6% of men and 52.3% of

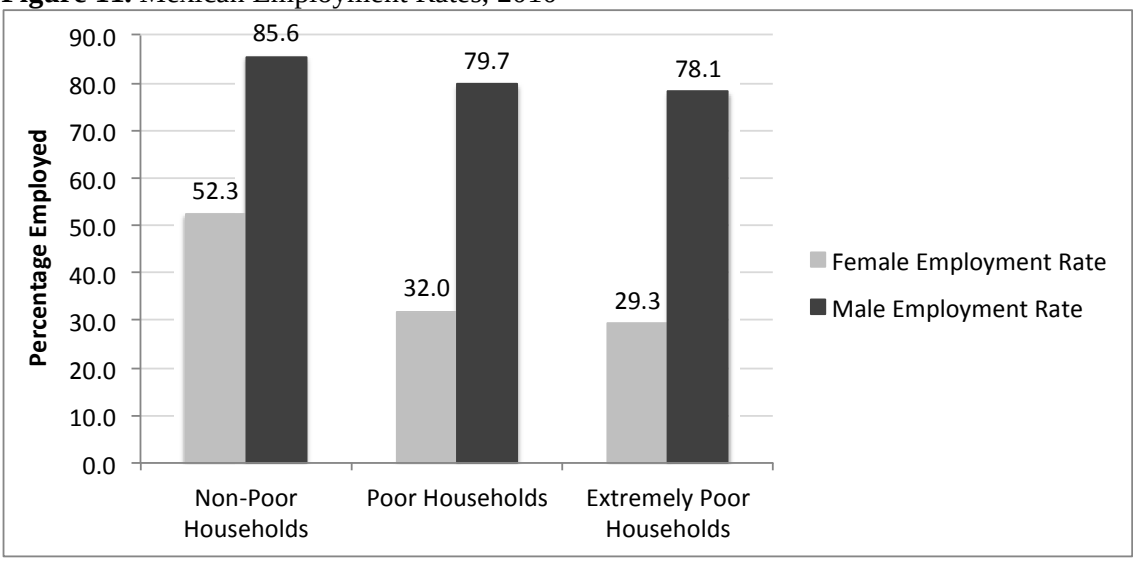
women in non-poor households were employed, only 79.7% of men and 32.0% of women in poor households were employed. While men in both poor and extremely poor households were less likely to be employed than men in non-poor households, the percentage point differences between employment rates in the three groups are very small. This suggests that poverty risk may not be due to a lack of employment among men in poor households but the wage rate among these employed men.

Figure 10. Mexican Household Composition, 2010



Source: Authors' calculations from LIS

Figure 11. Mexican Employment Rates, 2010

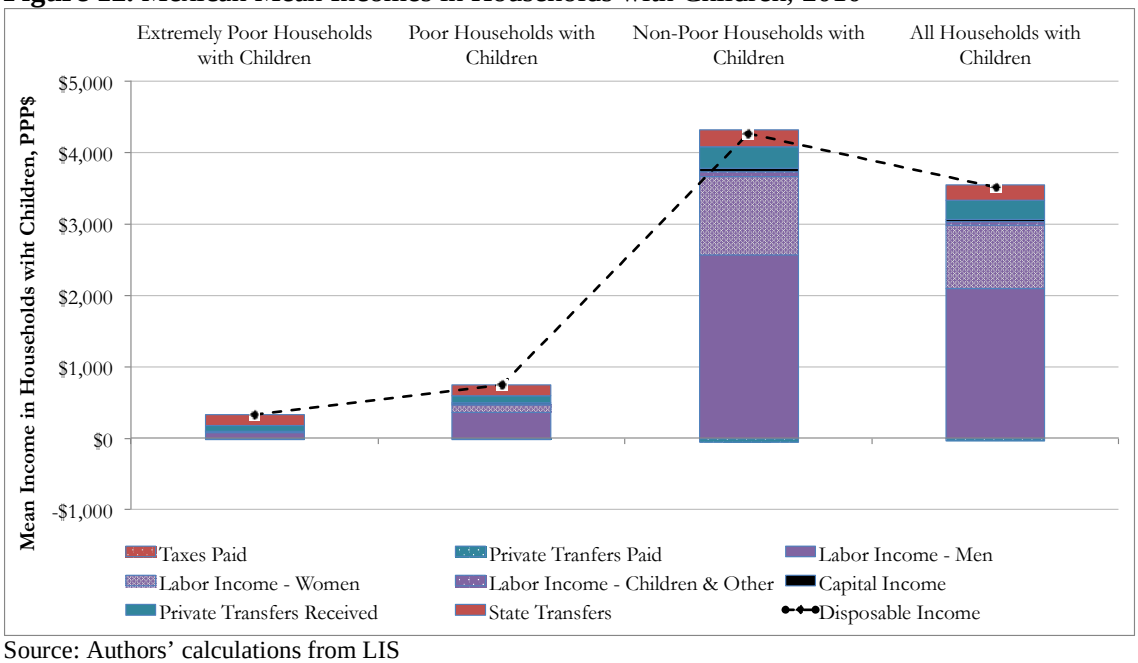


Source: Authors' calculations from LIS

Child Poverty and Household Incomes

In order to better understand the underlying household incomes that influence a country's child poverty rates, we disaggregate the household incomes to examine the influence of each component. Figure 12 provides a visual of the mean income in all households with children, extremely poor households with children, poor households with children, and non-poor households with children. Male labor incomes contributed the greatest amount to non-poor household incomes, representing 60.1% of the mean household income. Female labor incomes represented 25.8% of non-poor household incomes, followed by smaller proportions of private and state transfers. In contrast, labor income from females was the smallest contributor to poor household incomes. The greatest contributions to poor household incomes were from male labor, followed by state transfers. Notably, extremely poor households received nearly 45.7% of their incomes from state transfers and another 25.4% of their incomes from private transfers.

Figure 12. Mexican Mean Incomes in Households with Children, 2010



Source: Authors' calculations from LIS

Table 4 provides hypothetical poverty rates given a variety of counterfactual scenarios. The table begins on the left with the child poverty rates that would have existed if

households with children only had access to income from men's labor; 52.3% of children in Mexico would have been considered poor. The table also indicates that 37.9% of children would have been poor with access to market incomes of both male and female household members; 33.5% of children in Mexico would have been poor with access to market income and the informal transfers that pass between households of families and friends. After adding the state taxes and transfers that pass between households and the government, we find the actual child poverty rate of 27.9% in Mexico in 2010.

Utilizing the counterfactual child poverty rates and the household income compositions, we can conclude that both state transfers and informal private transfers were influential components in preventing higher rates of child poverty in Mexico. Informal and family transfers reduced child poverty rates by 4.4 percentage points in 2010, and state transfers and taxes reduced child poverty rates by a slightly higher 5.6 percentage points.

Table 4. Counterfactual Mexican Child Poverty Rates, 2010

		Market		Informal & Family		State		
		Male Labor Income	All Labor Income	Transfers Received	Transfers Paid	Transfers	Taxes	**Final Disposable Income**
Mexico	2010	52.3%	37.9%	33.1%	33.5%	27.9%		**27.9%**

Source: Authors' calculations from LIS

South Africa

Background

Since the end of Apartheid in South Africa, the country has been seriously committed to tackling challenges to the well-being of its inhabitants, implementing a variety of initiatives aimed at decreasing poverty and improving the welfare of its poorest members. Despite the widely recognized success of these efforts at alleviating large amounts of poverty, they consistently fail to meet the total need for social welfare in South Africa and both

poverty and material deprivation remains significantly higher among South Africans of African descent (Gradin, 2013).

Recent analysis using the South African national poverty lines found that although poverty continued to drop slowly across the entire population during the years leading up to and following the world economic crisis of 2008, the poorest of the poor population was dramatically affected and extreme poverty rose between 2006 and 2009. In 2011, 45.5% of the country, about 23 million people, was living in poverty. 10.2 million of those living in poverty were also living below the food poverty line, a national poverty line meant to measure those who do not have money sufficient to purchase enough food to meet their daily needs. Notably, two-thirds of African children were found to be living in a poor household in 2011, while only 2% of white children were living in households with incomes below the national poverty line (Hall, 2012; Statistics South Africa, 2014).

These very high poverty rates make sense when considering that the post-Apartheid era in South Africa has consistently seen some of the highest levels of inequality in the world. Unequal access to labor market incomes has been engraining a deep divide between the well-off economically productive parts of its population who generate contributions to the state, and the economically marginalized who benefit from these state transfers (Leibbrandt, Finn, & Woolard, 2014; Ulriksen, 2012). The low levels of employment in South Africa has meant a delay in many younger adults setting up their own households. Many young adults are postponing leaving their family's home or are being forced to move back in with family members, especially in rural areas where it is particularly challenging to find work. Poorer South African families are increasingly being forced to congregate around sources of income from the social welfare safety net, predominately old age pensions (Klasen & Woolard, 2009).

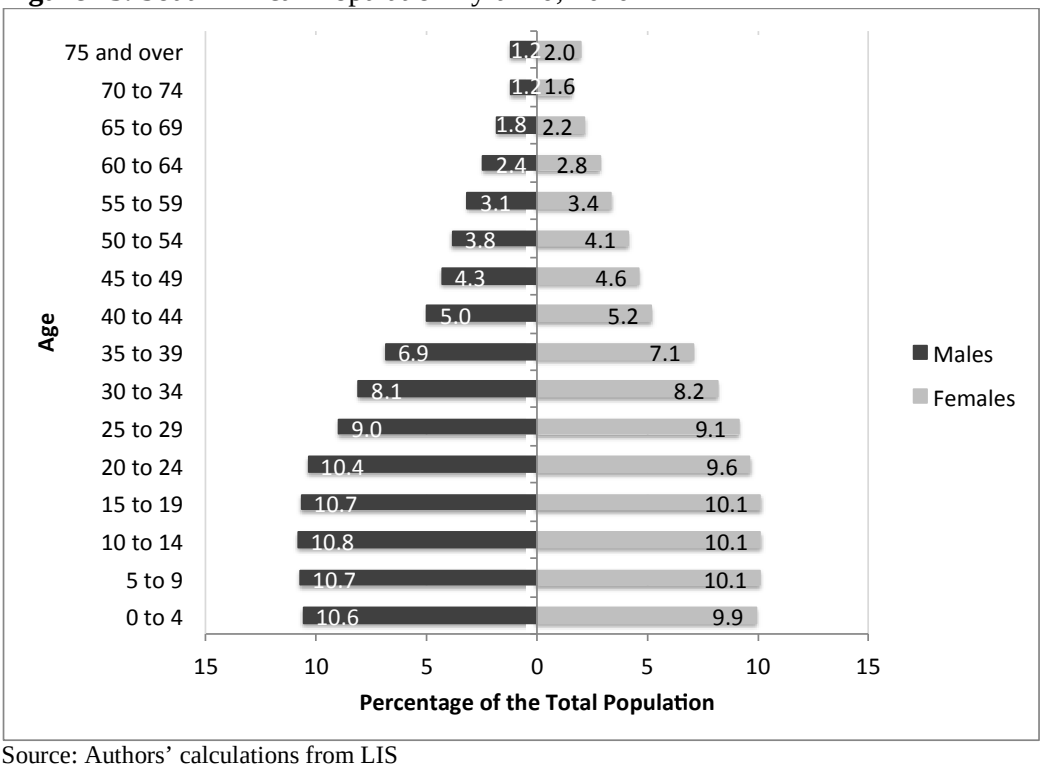
At the moment South African began the transition from Apartheid to democracy in 1994, the country had already developed a relatively strong social welfare system for a middle-income country. Today the South African social security system largely disperses unconditional cash transfers through four major programs: the State Old Age Pension (for those over 60), the Disability Grant, the Child Support Grant (for children up to 18 with low-income caregivers), and the Foster Child Grant (for children placed with a foster parent). The Child Support Grant was introduced in 1998 and the number receiving the benefit has consistently risen since then, to 9.4 million recipients in 2010. (Woolard & Leibbrandt, 2013)

In order to better address the dire situation of many South African children, the age limit has been raised multiple times and, in 2010, the income requirements were greatly expanded. While 60% of age-eligible children receive a benefit from at least one of the state grants, estimates find that near 70% of age-eligible children are also income-eligible for the child support grant alone (Woolard & Leibbrandt, 2013). Unfortunately, some groups at risk of poverty still are not utilizing the Child Support Grant to its full potential. Take-up among infants and maternal orphans, in particular, is much lower than other groups. (Case, Hosegood, & Lund, 2005)

South African Children

Figure 13 provides a snapshot of the South African population by age and gender in 2010. The four youngest cohorts of South Africans, ages 0 to 19, were the largest in size with 40.2% of the female population and 42.8% of the male population. The cohorts continually decrease in size after age 19. In contrast to South Africans over 24, the South African child population represented a greater proportion of boys than girls.

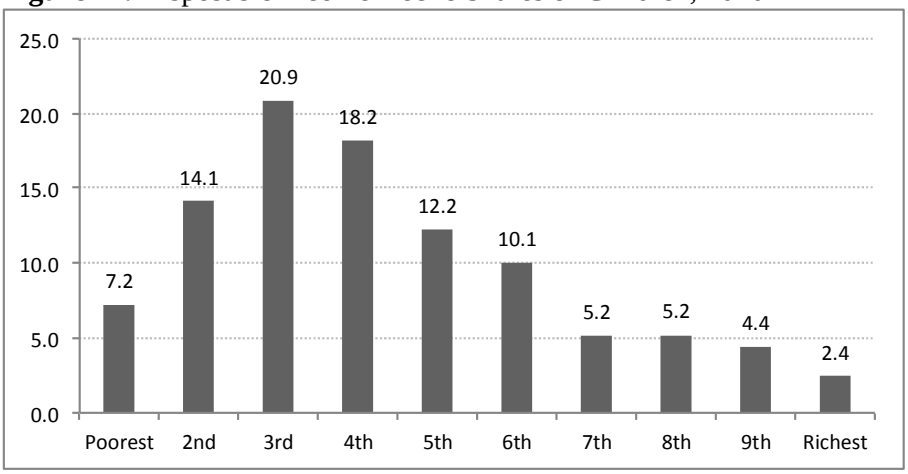
Figure 13. South African Population Pyramid, 2010



Source: Authors' calculations from LIS

Figure 14 indicates what share of children can be found in each household disposable income decile. Fully 72.7% of South African children lived in households with disposable incomes below the country's median household income and 7.2% of South African children lived in households with an income in the poorest decile. Notably, the greatest percentage of South African children could be found in the 3rd income decile, not the poorest decile, where the greatest percentage was found in Russia and Mexico. These numbers demonstrate the place of children relative to other South Africans. Table 5 demonstrates how well South African children were doing by international measures. In 2010, 35.5% of South African children were living in extreme poverty and 51.9% of children were poor.

Figure 14. Disposable Income Decile Shares of Children, 2010



Source: Authors' calculations from LIS

Table 5. Child Poverty Rates, 2010

Children Living in Poor Households	35.5%
Children Living in Extremely Poor Households	52.0%

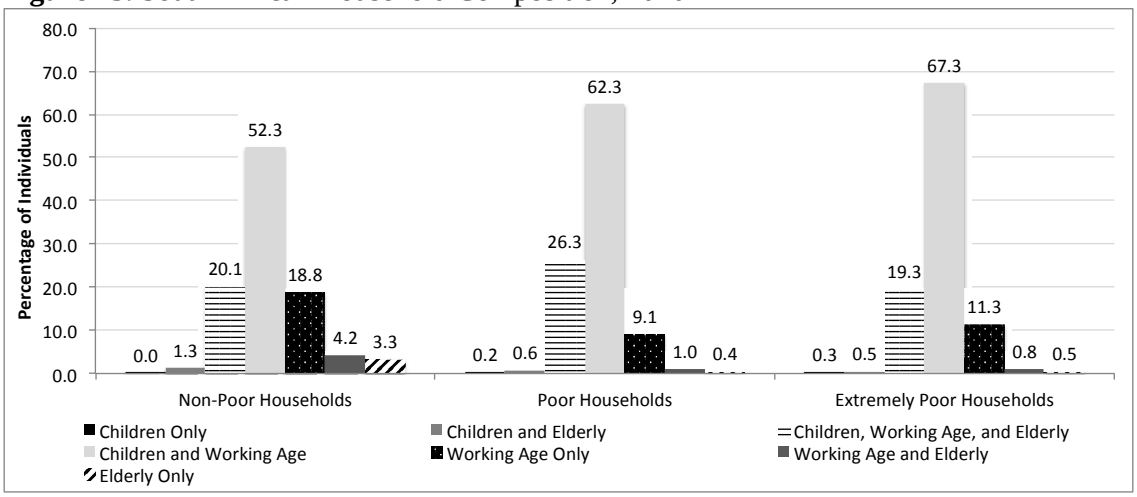
Source: Authors' calculations from LIS

Households with Poor Children

Figure 15 highlights differences in the household composition for non-poor households, poor households, and extremely poor households. The majority of all three household types were households comprised of children and working-age adults. Children and working-age adults made up 52.3% of non-poor households but represented a greater proportion of both poor and extremely poor households, 62.3% and 67.3% respectively. The remainder of both poor and extremely poor households was largely made up of households that contain children, working-age adults, and the elderly, followed by working-age only households, representing 9.1% of poor households and 11.3% of extremely poor households. The remainder of the non-poor households looked a bit more diverse. 20.1% were households comprised of all three age groups, and another 18.8% were comprised of working-age adults only. Working-age and elderly households and elderly only households represented 4.2% and 3.3% of the non-poor households but 1.0% of the poor and 0.8% of extremely poor households.

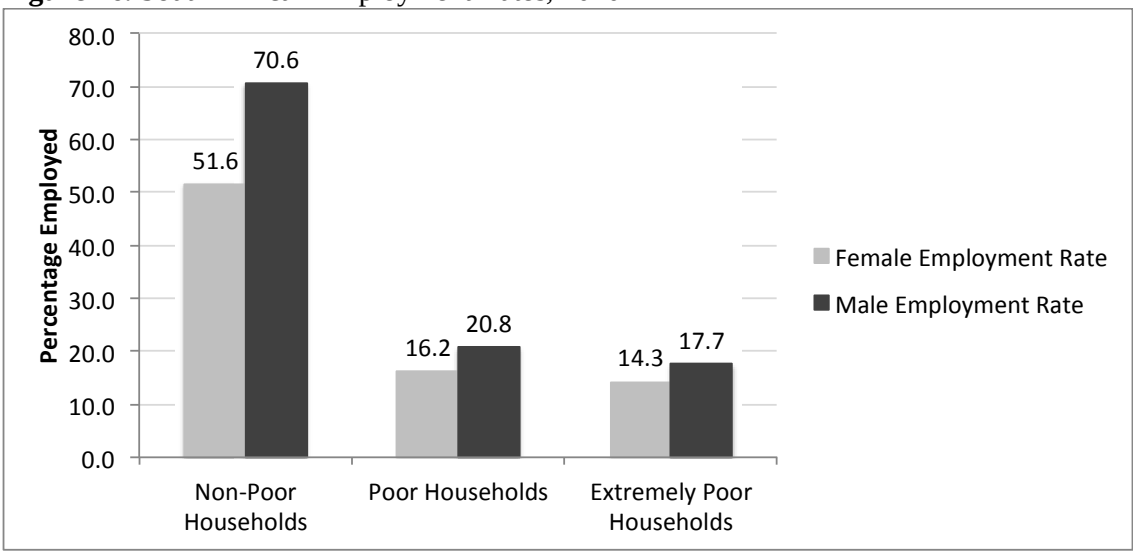
Figure 16 shows employment rates of both men and women across non-poor, poor and extremely poor households. The figure highlights the dramatic employment differences between poor and non-poor households in South Africa. While 70.6% of men and 51.6% of women in non-poor households were employed, only 20.8% of men and 16.2% of women in poor households were employed. This 49.8 percentage point difference between non-poor and poor households in male employment rates and 35.4 percentage point difference in female employment rates suggests that lack of employment may be a large barrier to leaving poverty in South Africa. While still lower than male employment rates, female employment rates are much closer to the male employment rate in poor and extremely poor households.

Figure 15. South African Household Composition, 2010



Source: Authors' calculations from LIS

Figure 16. South African Employment Rates, 2010

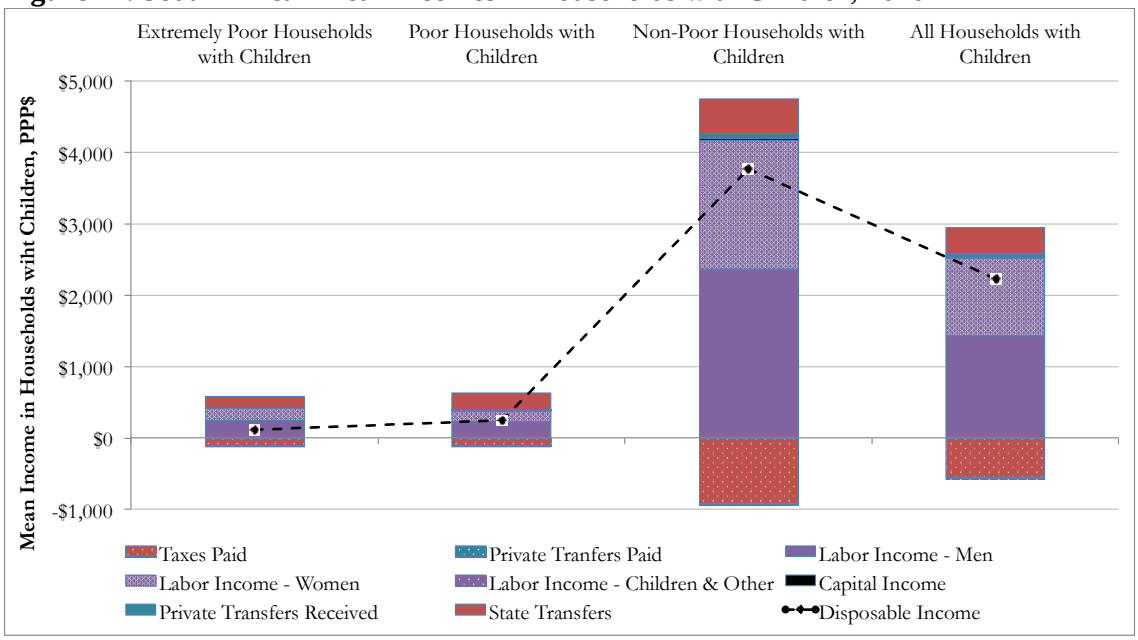


Source: Authors' calculations from LIS

Child Poverty and Household Incomes

In order to better understand the underlying household incomes that influence a country's child poverty rates, we disaggregate the household incomes to examine the influence of each component. Figure 17 provides a visual of the mean income in all households with children, extremely poor households with children, poor households with children, and non-poor households with children. Male labor incomes contributed the greatest amount to non-poor household incomes. Female labor incomes closely followed male labor incomes in their contribution to the total household income, followed by a substantial but much lower amount from state incomes. In poor households, state transfers comprised the greatest income source, greater than both male and female labor incomes. In extremely poor households, male incomes contributed the greatest, followed by similar contributions from female labor incomes and state transfers. South Africa is notable for the very small contributions from private transfers and the large amount of both state transfers and state taxes that dramatically influence household income totals.

Figure 17. South African Mean Incomes in Households with Children, 2010



Source: Authors' calculations from LIS

Table 6 provides hypothetical poverty rates given a variety of counterfactual scenarios. The table begins on the left with the child poverty rates that would have existed if households with children only had access to income from men's labor; 76.4% of children in South Africa would have been considered poor. 64.8% of children would have been poor with access to market incomes of both male and female household members. 64.1% of children in South Africa would have been poor with access to market income and the informal transfers that pass between households of families and friends. After adding the state taxes and transfers that pass between households and the government, we find the actual child poverty rate of 51.9% in South Africa in 2010.

Utilizing the counterfactual child poverty rates and the household income compositions, we can conclude that state transfers were the most influential component in preventing higher rates of child poverty in Mexico. Informal and family transfers reduced child poverty rates by 0.7 percentage points in 2010, and state transfers and taxes reduced child poverty rates by a slighter higher 12.2 percentage points.

Table 6. Counterfactual South African Child Poverty Rates, 2010

		Market		Informal & Family		State		
		Male Labor Income	All Labor Income	Transfers Received	Transfers Paid	Transfers	Taxes	**Final Disposable Income**
South Africa	2010	76.4%	64.8%	63.7%	64.1%	49.7%	51.9%	**51.9%**

Source: Authors' calculations from LIS

Colombia

Background

The use of conditional cash transfer (CCT) programs targeted towards reducing poverty in children and elderly populations has become a popular approach in many Latin American countries, including Colombia. Colombia, in 2000, instituted the "Familias en Accion" program which provides grants to poor households with children, under the conditions that the children under seven regularly see a healthcare provider and children aged seven to 18 attend school 80% of the time. Households receive a grant for each eligible child in the household and the benefit doubles when the children move from primary school to secondary school. Modeling the design after the Mexican "Progresa", the transfers are targeted towards mothers, and encourages those mothers to attend classes on health, vaccination, and contraception (Attanasio, Battistin, Fitzsimons, & Vera-Hernandez, 2005; Ayala, 2006).

The Familias en Accion program has been found to have a considerable impact on household consumption among households that receive the benefit, and has specifically been linked to increased consumption of protein-rich foods, children's clothes, and children's footwear. As expected due to the program requirements, the program has also improved the percentage of children who regularly attend preventative healthcare visits and substantially improved school attendance among older children, ages 12 to 17. Notably, the combination of increased consumption and preventative health has enhanced the nutritional status of

young children, as measured by height. All of these small steps have led Familias en Accion to be recognized for significant reductions in both Colombian health inequalities and education inequalities (Attanasio et al., 2005; Sahn & Younger, 2006).

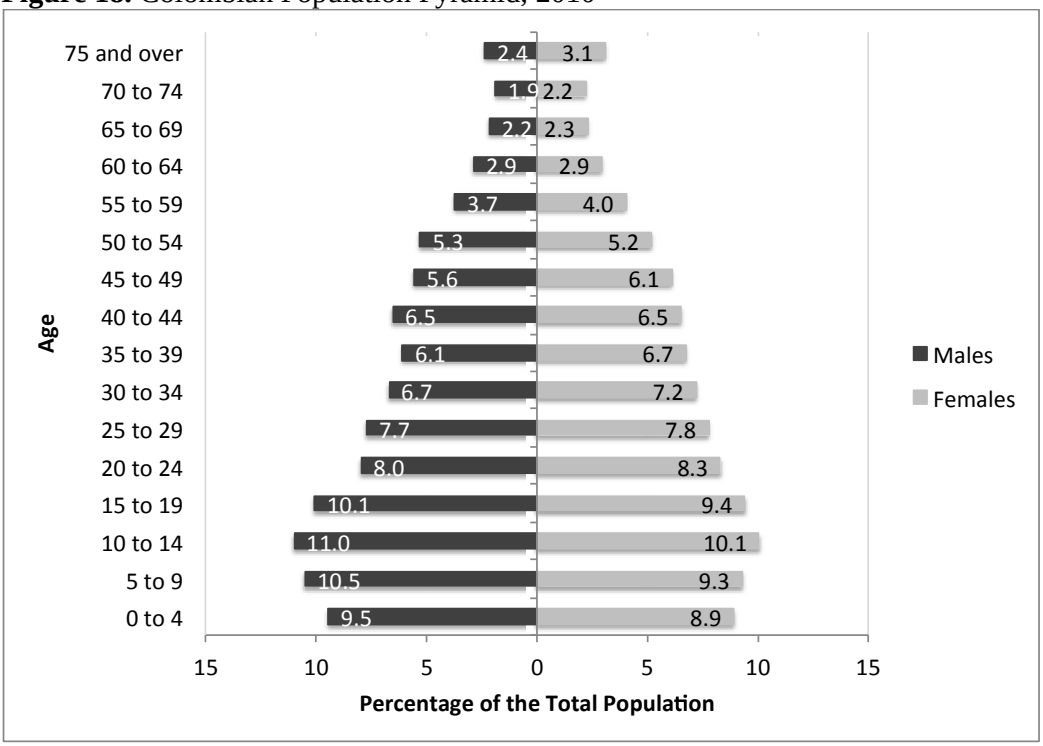
Despite the success that conditional cash transfers programs have had overall in reducing poverty incidence, poverty gaps, and inequality across the region, Colombia still struggles with a substantial child poverty problem. Inequalities in labor incomes has generally been declining across Latin America, but Colombia has not seen this trend play out. Colombia continues to experience substantial labor income inequalities that are largely driven by huge skill premiums offered to those with high educational attainment, in combination with high unemployment and a widespread informal sector (Acosta, Leite, & Rigolini, 2011; Joumard & Vélez, 2013; Moller, 2012).

Due to the drastic differences in household incomes that characterize Colombian families, the Familias en Accion program has not been substantial enough to seriously tackle child poverty in Colombia. In fact, some of the country's worst off have struggled to take advantage of the country's investment in poor communities because they did not have the institutional capabilities of banking, health, and educational infrastructure, to implement the program when it was first established (Ayala, 2006). The combination of powerful labor income inequalities and a highly regressive pension transfer system that dominates Colombian social welfare spending, has meant that around 90% of cash transfers in Colombia actually go to the incomes of the richest 40% of the population (Moller, 2012).

Colombian Children

Figure 18 provides a snapshot of the Colombian population by age and gender in 2010. The four youngest cohorts of Colombians, ages 0 to 19, were the largest in size with 37.7% of the female population and 41.1% of the male population. The cohorts after age 19 were much smaller and generally continued to decrease in size as the groups' age rose. In contrast to Colombians over 19, the Colombian child population represents a greater proportion of boys than girls.

Figure 18. Colombian Population Pyramid, 2010

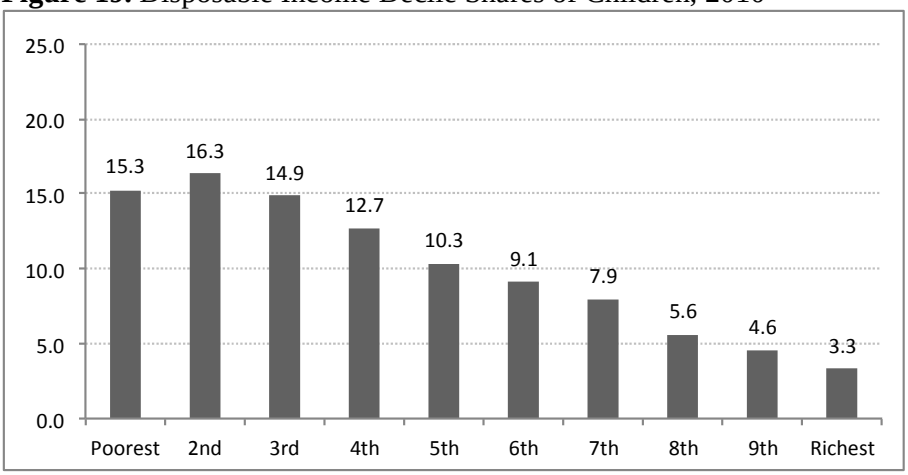


Source: Authors' calculations from LIS

Figure 19 indicates what share of children can be found in each household disposable income decile. 69.5% of Colombian children lived in households with disposable incomes below the country's median household income and 15.3% lived in households with an income in the poorest decile. These numbers demonstrate the place of children relative to other Colombians. Table 7 demonstrates how well Colombian children were doing by

international measures. In 2010, 33.5% of Colombian children were living in extreme poverty and 55.7% of children were poor.

Figure 19. Disposable Income Decile Shares of Children, 2010



Source: Authors' calculations from LIS

Table 7. Child Poverty Rates, 2010

Children Living in Poor Households	33.5%
Children Living in Extremely Poor Households	55.7%

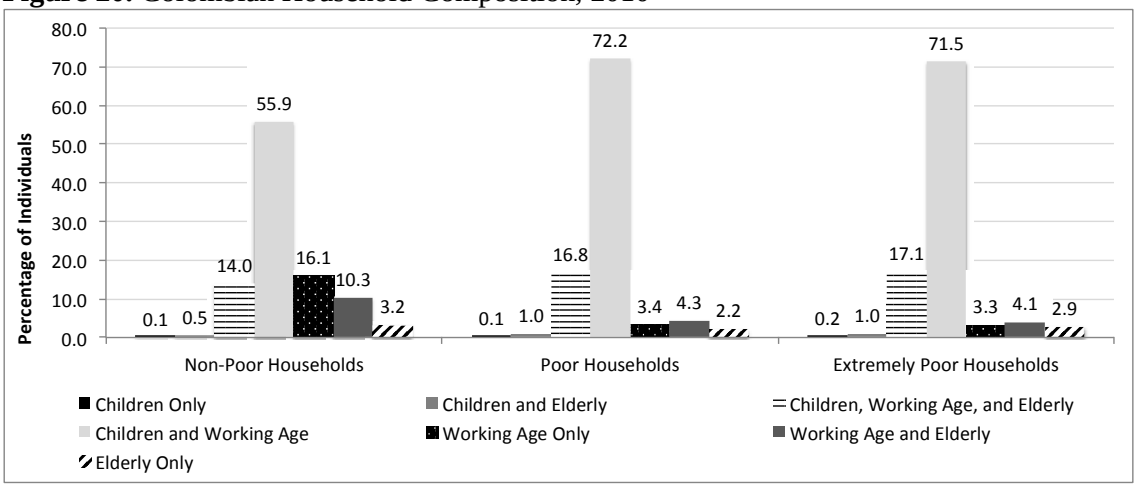
Source: Authors' calculations from LIS

Households with Poor Children

Figure 20 highlights differences in the household composition for non-poor households, poor households, and extremely poor households. The majority of all three household types were households comprised of children and working-age adults. Children and working-age adults made up 55.9% of non-poor households but represented a greater proportion of both poor and extremely poor households, 72.2% and 71.5% respectively. The remainder of both poor and extremely poor households was largely made up of households that contain children, working-age adults, and the elderly, 16.8% and 17.1% respectively. The remainder of the non-poor households looked a bit more diverse. 16.1% were households comprised of working-age adults only, 14.0% were comprised of all three age groups, and another 10.3% were working-age and elderly adults.

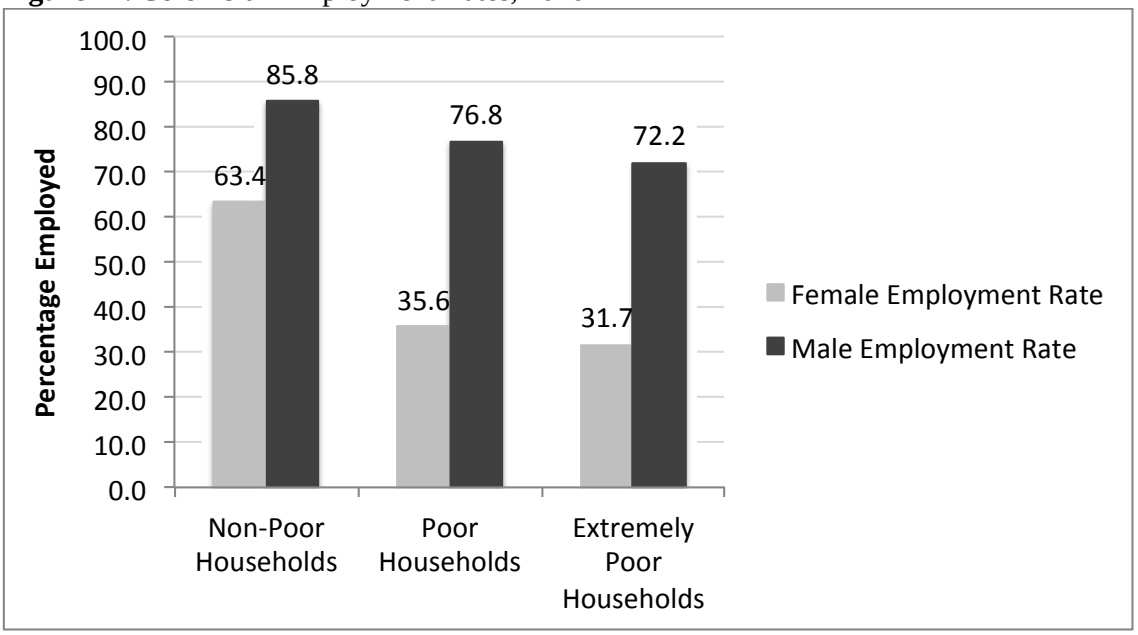
Figure 21 shows employment rates of both men and women across non-poor, poor and extremely poor households. The figure highlights the dramatic employment differences between men and women in Colombia and the relatively small difference found in employment rates between poor and non-poor households in Colombia. While 85.8% of men in non-poor households were employed, 76.8% of men in poor households and 72.2% of men in extremely poor households were employed. This relatively small percentage point difference suggests that it is not men's employment rates but men's wages that influence household poverty in Colombia. There was a more dramatic 27.8 percentage point difference in the female employment rate between non-poor and poor households. While it is notable that 31.7% of extremely poor households have an employed female, there was a greater difference in the employment rates between genders in poor households than non-poor households. This suggests that female employment may be an important factor preventing poverty in Colombian households with children.

Figure 20. Colombian Household Composition, 2010



Source: Authors' calculations from LIS

Figure 21. Colombian Employment Rates, 2010

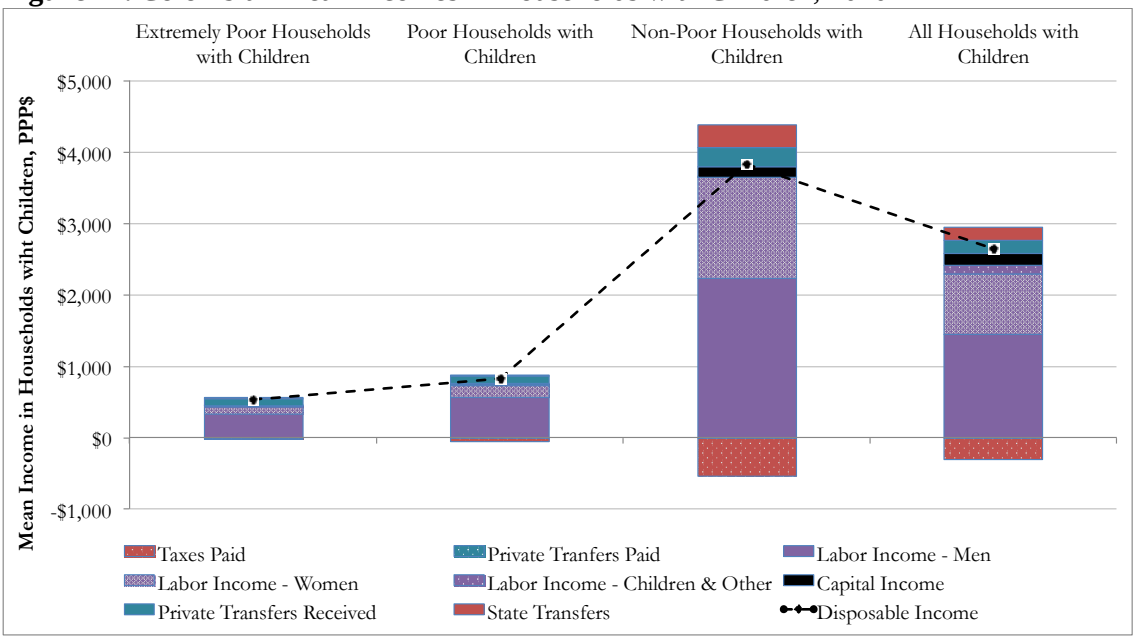


Source: Authors' calculations from LIS

Child Poverty and Household Incomes

In order to better understand the underlying household incomes that influence a country's child poverty rate, we disaggregate the household incomes to examine the influence of each component. Figure 22 provides a visual of the mean income in all households with children, extremely poor households with children, poor households with children, and non-poor households with children. Male labor incomes contributed the greatest amount to non-poor, poor, and extremely poor household incomes. Female labor incomes closely followed male labor incomes in their contribution to the total household income in non-poor households but represented a smaller proportion of household incomes in poor households. While state transfers represented a small but important part of non-poor household incomes, these state transfers were essentially non-existent in poor Colombian households. Notably, private transfers represented an important contribution to these poor households.

Figure 22. Colombian Mean Incomes in Households with Children, 2010



Source: Authors' calculations from LIS

Table 8 below provides hypothetical poverty rates given a variety of counterfactual scenarios. The table begins on the left with the child poverty rates that would exist if households with children only had access to income from men's labor; 71.8% of children in Colombia would have been considered poor. With access to market incomes of both male and female household members, 57.2% of children would have been poor. With access to market income and the informal transfers that pass between households of families and friends, 53.0% of children in Colombia would have been poor. After adding the state taxes and transfers that pass between households and the government, we find the actual child poverty rate of 55.7% in Colombia in 2010.

Utilizing the counterfactual child poverty rates and the household income compositions, we can conclude that private transfers were the most influential component in preventing higher rates of child poverty in Colombia. Informal and family transfers reduced child poverty rates by 4.2 percentage points in 2010, and state transfers and taxes actually increased child poverty rates by 2.7 percentage points. The income profiles above make clear

that while state transfers and taxes are contributing to non-poor households, it is private transfers that are preventing poor households from even deeper poverty.

Table 8. Counterfactual Colombian Child Poverty Rates, 2010

		Market		Informal & Family		State		
		Male Labor Income	All Labor Income	Transfers Received	Transfers Paid	Transfers	Taxes	**Final Disposable Income**
Colombia	2010	71.8%	57.2%	53.0%		50.2%	55.7%	**55.7%**

Source: Authors' calculations from LIS

Cross-National Results

Consistent with the poverty rates for the whole population, Colombia had the largest rate of children living in poverty in 2010 with an alarming 55.7% child poverty rate. Colombia was closely followed by South Africa who had an equally alarming 51.9% child poverty rate in 2010. South Africa was followed by Mexico with 27.9% of children living in poverty, and, finally, Russia with 12.6% of children living in poverty. Although Colombia experienced the greatest number of children living in poverty, South Africa had a slightly greater percentage of children living in extreme poverty, highlighting the particularly dire needs of poor children in South Africa.

Table 9 and Figure 23 below provide a snapshot comparison of the four countries' counterfactual child poverty rates. Figure 23 takes the entire percentage point decrease from the hypothetical male labor income child poverty rates to the actual poverty rates witnessed in each country and details the distinct contributions of female earnings, net informal transfers, and net state transfers. The exercise demonstrates the large differences between countries.

South Africa and Colombia, the countries with greatest percentages of children living in poverty, took two very distinct approaches to preventing even higher rates of child poverty. In South Africa, where over three quarters of the child population would have been living in poverty if they were solely relying on income from male labor, the country actually experienced a child poverty rate 24.5 percentage points lower. 48.3% of this reduction in the

child poverty rate was due to state taxes and transfers, and 5.9% due to informal transfers. Colombia, which experienced a child poverty rate 16.1 percentage points lower than would have been expected with male incomes as the sole contributions, relied entirely on informal transfers, rather than formal government transfers. These informal transfers were responsible for 26.9% of the drop in the child poverty rate, while the net effect of state taxes and transfers actually contributed to an increase in child poverty rates. In contrast to Colombia and South Africa, Russia and Mexico relied on both state and informal transfers to prevent higher rates of child poverty. In Russia, 22.4% of the reduction in child poverty rates was due to state taxes and transfers and 12.0% was due to the influence of informal transfers. In Mexico, 23.1% was from the effect of state taxes and transfer and 18.0% from informal transfers.

Figure 23 also highlights the inescapable influence that women's labor income had on child poverty rates in all four countries. Women's collective income in households with children accounted for over half, and the clear majority, of the counterfactual poverty reduction in Russia, Mexico, and Colombia. In Colombia, women's labor income accounted for a momentous 81.5% of the poverty reduction. Only in South Africa were state transfers more influential in reducing child poverty than women's labor incomes.

Table 9. Counterfactual Child Poverty Rates, 2010

		Market		Informal & Family		State		Final Disposable Income
		Male Labor Income	All Labor Income	Transfers Received	Transfers Paid	Transfers	Taxes	
Russian Federation	2010	48.7%	24.4%	20.3%	21.0%	12.6%		**12.6%**
Mexico	2010	52.3%	37.9%	33.1%	33.5%	27.9%		**27.9%**
South Africa	2010	76.4%	64.8%	63.7%	64.1%	49.7%	51.9%	**51.9%**
Colombia	2010	71.8%	57.2%	53.0%		50.2%	55.7%	**55.7%**

Source: Authors' calculations from LIS

Figure 23. Counterfactual Child Poverty Reduction by Income Component, 2010

Source: Authors' calculations from LIS

Conclusions

In an analysis of poverty and the ranging policy responses utilized by countries in the OECD, Pisu (2012) finds that the countries with the lowest levels of child poverty have two common similar characteristics, low unemployment rates among parents and strong redistribution policies that are targeted towards children. These commonalities highlight the benefits of utilizing complementary approaches to fighting child poverty through both universal and targeted approaches, supporting employment among all adults and creating policies specifically targeted towards households with children. The huge influence of women's labor income on child poverty rates found here emphasizes that not just parental employment but women's employment in particular is an extremely important factor in preventing households with children from falling into poverty.

Other analysis by Notten and Gassmann (2008) compared the impact of universal benefits to targeted means-tested benefits on child poverty rates. The authors argue that universal benefits are more effective than means-tested benefits when fighting child poverty, but conclude that the generosity of the benefits is the most significant influence. They find that increasing benefit levels is the most effective way to have a dramatic influence on child poverty rates. Therefore, in order for these four countries to effectively fight child poverty they need to ensure low unemployment among parents, paying particular attention to the unemployment rate among mothers, and back a generous social welfare system that makes supporting households with children a spending priority.

Although Russia had the lowest child poverty rate of the four countries here, families with children are at much higher risk of poverty than are other households in Russia. This fact can be blamed on the way Russian social policies have prioritized pensioners and the disabled over other groups in recent history. The cumulative effect of these policies has been that pensioners collect more than double the governmental support that families with children collect (Bradshaw, 2012). In order to continue reducing child poverty in Russia, the government needs to address the spending priorities of the social welfare system and ensure greater support for poor households with children. Although unemployment is relatively low in Russia, more could be done to decrease wage inequalities and support poor working parents. Policy recommendations targeted towards reducing child poverty in Russia should include raising the notably low minimum wage, increasing wages population wide, raising the level of aid to poor households, and reforming the flat tax system into a more progressive tax structure (Ivanov & Suvorov, 2012).

While Oportunidades has been successful in improving the lives of many Mexican families, Mexico still struggles with a substantial proportion of the country's children living in poverty. Mexican social policy has been largely focused on providing aid to the most

needy and chronically poor households, but there are many households who are just barely making ends meet that do not qualify for social welfare programs. Despite the success of the Oportunidades program, 27.9% of children in Mexico are living in poverty, making clear that the government needs to work to continue to expand the reach of the program and support a greater number of poor and struggling families. While the male employment rate in Mexico is relatively high, even among poor and extremely poor households, the female employment rate is notably lower. In order to address child poverty in Mexico, the government should work to both increase employment among working-age women and increase wages among all working adults.

Since the end of Apartheid, South Africa has increasingly made fighting poverty a policy priority, as demonstrated by the influence of state taxes and transfers on preventing higher rates of child poverty presented here. Analysis by Woolard and Leibbrandt (2013) of this recent history has demonstrated that the reduction in poverty over the post-Apartheid was strongly associated with the expansion of social grant programs. The authors find that while economic growth in South Africa has sustained the continual growth of the grant system thus far, this rate of growth may be difficult to sustain, particularly as the economy slows post-economic crisis. In order to continue to make large steps in reducing child poverty, South Africa needs to focus on bolstering the labor market and helping the notable percentage of unemployed working-age adults enter the labor market. In complement to the current level of cash transfers in the country, this could be very effective in further reducing child poverty.

Despite the success of the conditional cash transfers in Colombia, the extreme labor inequalities and regressive pension system have prevented the country from reducing child poverty at its full potential. Colombia needs to take steps to both reduce unemployment and increase targeted social welfare policies in order to more effectively reduce child poverty. The fact that 90% of cash transfers in Colombia go to the richest 40% of the population,

largely through pensions, highlights the need for the country to make a dramatic shift and institute policies that make poor households, particularly poor households with children, a serious spending priority (Moller, 2012). In addition to shifting gears on social welfare spending, Colombia needs to take steps to address the labor income inequalities in the country. Important steps identified by Joumard and Velez (2013) include: creating demand for jobs in the formal sector by reducing the costs of operating in the formal sector; supporting the growth of public employment; improving access to tertiary education for all Colombians; and reducing the gender gap in education, employment, and pay.

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