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Luxembourg Income Study Working Paper Series

Working Paper No. 527

Income Poverty and Income Support for Minority and Immigrant Children in Rich Countries

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“Income Poverty and Income Support for Minority and Immigrant Children in Rich Countries”*

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<L1> ABSTRACT

The Luxembourg Income Study (LIS) and the databases underlying the European Statistics on Income and Living Conditions (EU-SILC) allow estimates of the extent to which immigrant and nonimmigrant children are poor across a wide range of rich nations. These data also allow estimates of the effects of social transfers that reduce poverty amongst all families with children. For all of the fourteen countries in the combined sample, children in migrant families have greater market-income poverty rates and greater disposable income poverty rates than do children in native-born families by a factor of about 2 to 1. Still, safety nets are important for all such families. For instance, before transfers, more than half of children in migrant families in France and Sweden are in poverty; however, after transfers, these rates are more than halved in these nations for both migrant and native-born children. In contrast, in the United States (US) the antipoverty effect of social transfers for both native and migrant families is negligible, because net transfers overall are insignificant in comparison with other rich countries. Thus the differences in benefits across countries, for both migrants and natives, are greater than are the differences within countries for these same groups. If the United States is to do better in fighting child poverty and realizing the economic and social potential of all of its children, it needs to expand its efforts on behalf of both immigrant and native children.

<L1> I. Introduction

Field Code Changed

The well-being of the children of immigrants is a key concern in many rich nations. Much of the concern centers on how government policies alleviate poverty and inequality and provide opportunities to migrant children. These health, education, and income support policies are at the center of debates about how to promote the integration of immigrants and their children into a host society. Some analysts argue that the very availability of government redistribution discourages immigrant integration because it increases the number of low-skill migrants entering immigrant cohorts, and reduces incentives for immigrants to invest in host-country-specific human capital after they have arrived (Borjas 2006). Some see a race to the bottom whereby countries systematically reduce benefits so as to avoid attracting hordes of immigrants who would become benefit dependent (Menz 2006; Sapir 2006; Sassen 2008). A more nuanced and current view is that while immigrants are a net fiscal benefit to society, several European Union (EU) nations are experiencing “residual dependency” on their welfare states and are considering restricted access (Boeri 2009). But others argue that EU immigrants are quite unlikely to be welfare recipients (Kahanec and Zimmerman 2008).

Other analysts contend that immigrant poverty is itself a barrier to integration because it facilitates the exclusion of immigrants and their children from various social aspects of the host country and promotes a fragmented and intolerant society (Parsons and Smeeding 2006). In either case, the extent to which the children of immigrants and natives receive differential benefits from government income redistribution is important to the study of immigration both across and within countries.

In this paper, we examine poverty status and social transfer support for immigrants and their children in 18 countries. We use data from the Luxembourg Income Study (LIS) and the data sets underlying the European Statistics on Living Conditions (SILC) to construct relative measures of income poverty based on definitions of income that both exclude and include government redistribution. In particular, our estimates of cross-nationally equivalent measures of poverty and inequality provide an opportunity to compare the design and effectiveness of the mix of immigration and antipoverty policies in one nation with the same experiences in other nations. We are not able to study the children whom temporary immigrants leave behind in the sending country.

Our analysis reveals considerable cross-national variation in the degree of success and failure in alleviating poverty and inequality in the presence of shared pressures related to globalization, job instability, population aging, and migration. And while there is evidence of internationalization in the design and evaluation of social policy, national social policies continue to differ substantially in ways that are important to the analysis of the social outcomes experienced by different groups (Banks et al. 2005).

While all nations value low poverty, high levels of economic self-reliance, and equality of opportunity for younger persons, they differ dramatically in the extent to which they reach these goals. Clearly, the “right” solution depends on the institutions, culture, politics, and feasibility constraints under which it finds itself.

Our results strongly suggest that country-specific policies can and do make a difference in the material living conditions faced by immigrant children as well as majority children. We find that generous countries with strong redistributive welfare states also have strong antipoverty policies that help alleviate material deprivation for

both immigrant children and family-minorities as well as majorities within each country. Countries that have weak redistributive welfare states have smaller effects on both majority and minority poverty.

Further, our data do not yet suggest a race to the bottom in confining benefits to majority-only citizens or cutting benefits for immigrants and minorities. In an earlier paper with inferior European data, there was difficulty identifying immigrants and only those who were in Europe by 1990 were able to be studied (Smeeding et al. 2009). With the new SILC data we have the capability to study a more recent and more clearly defined set of immigrants observed in 2006 in Europe and also the LIS data for 2000–2004.

The paper begins by reviewing international concepts and measures of immigrant or minority status, and of relative income poverty. We also look at the ways in which immigrants affect poverty and how they are affected by policy. We conclude with a discussion of the relationship between policy differences and outcome differences for children and their families among the several countries, and consider the implications of our analysis for research and for antipoverty policy.

<L1> II. Cross-National Comparisons of Poverty: Methodology and Measurement

There is some consensus on the appropriate measurement of poverty in a cross-national context. Most of the available studies and papers on this topic share many similarities that help guide our methodological strategy. Differing national experiences in social transfer and antipoverty programs provide a rich source of information for evaluating the effectiveness of alternative social policies in fighting child poverty. Most

rich nations share a concern over low incomes and poverty.¹ While there is no international consensus on guidelines for measuring poverty, international bodies such as the United Nations Children’s Fund (UNICEF), the Organization for Economic Cooperation and Development (OECD), the European Statistical Office (Eurostat), and the Luxembourg Income Study (LIS) have published several cross-national studies of the incidence of child poverty in recent years. A large subset of these studies is based on LIS data.²

For purposes of international comparisons, poverty is almost always a relative concept. A majority of cross-national studies define the poverty threshold as one-half of national median income. In this study, we use the 50 percent of median income standard to establish our national poverty lines. We could have selected 40 percent of national median income as our relative poverty threshold because it is closer to the ratio of the official US poverty line to median US household (pre-tax) cash income (35 percent in 1997 and below 30 percent of median since 2000),³ but we have decided to stay with the conventional level in most of our analyses. Immigrant children are therefore evaluated as members of the society within which their families live.

<L2> Measurement Issues

Comparisons of poverty across nations are based on many choices. A poverty line, a measure of resources such as (market and disposable) income, and an equivalence scale to adjust for family size are all important precursors to accurate cross-national measurement of poverty status. We assess the poverty rate (percentage of persons who are poor) for all citizens and especially for children of minorities and majorities as follows:

- Poverty is based on disposable cash and near-cash income (DPI), which includes all types of money income, minus direct income and payroll taxes, and including all cash and near-cash transfers, such as food stamps and cash housing allowances, and refundable tax credits, such as the earned income tax credit (EITC). In determining the antipoverty effects of social transfers and tax policy, we also use a measure of “before-tax-and-transfer” market income (MI), which includes earnings, income from investments, private transfers, and occupational pensions.⁴
- In tracing the effects of income transfer policy from MI to DPI poverty, we determine the combined effects of government programs: social insurance and taxes (including all forms of universal and social insurance benefits, minus income and payroll taxes) and social assistance (which includes all forms of income-tested benefits targeted at poor people, including the EITC). Again, in making these poverty comparisons for children we use poverty lines of half of median DPI for all persons throughout.
- For international comparisons of poverty and inequality, the “household” is the only comparable income-sharing unit available for almost all nations. While the household is the unit used for aggregating income, the person is the unit of analysis. Household income is assumed to be equally shared among individuals within a household. Poverty rates are calculated as the percentage of all persons of each type who are members of households of each type with incomes below the poverty line. We focus here on the poverty rate of children (age 17 and under) regardless of their living arrangements, separating them according to majority- or minority-immigrant household units by presence of at least one immigrant or minority in each household.
- Equivalence scales are used to adjust household income for differences in needs related to household size. After adjusting household incomes to reflect differences in household size, we compare the resulting adjusted incomes to 50 percent of the median poverty line. The equivalence scale used for this purpose, as in many cross-national studies, is a single parameter scale with a square-root-of-household-size scale factor.⁵

Researchers have shown that both income and family structure affect children’s life chances and thus, the real income level of children and their parents is of serious social concern (Duncan et al. 1993; Sigle-Rushton and McLanahan 2004). The question of mobility into and out of poverty requires the use of longitudinal microdata. All of the comparisons in this paper are based on cross-sectional data, not longitudinal data.⁶

<L2> Definitions of Immigrants and Minorities

The definitions of “immigrant” that we find in the LIS project are not all completely consistent. These differences are crucial and reflect historical, political, social, and economic judgments made by each nation. These LIS definitions are:

Definition one: “born outside the survey country”; United States, Canada, Italy, France

Definition two: “non-national”; Australia, Germany, Sweden

Definition three: “multiple national”; Austria, Belgium, Portugal

Definition four: “nonwhite or minority”; United Kingdom

By far, the least satisfying definition is that used in the LIS UK data, where immigrant status is not at all identified. Definition three is taken from the Eurostat’s European Community Household Panel (ECHP) files used in LIS, which asks respondents about their current region and country relative to the one in which they were born. In contrast, the 2004-2006 definition in the new EU Statistics of Income and Living Conditions surveys (EU-SILC), which we also use in this paper, asks the following in all nations: (a) What was your country of birth (EU country of residence, other EU, or other nation)? And then, if not same as country of survey, (b) Do you hold one or two (or more) citizenships? Use of the SILC effectively combines definitions two and three above for all EU nations from 2004 forward. For the first time, we use the new SILC in our paper. The SILC suggests that it allows five possible combinations of immigrants

(1) "came from EU country and citizen (in host nation)"

(2) "came from non-EU country and citizen"

(3) "came from EU country and not citizen"

(4) "came from non-EU country and not citizen"

(5) "came from non-EU country and citizenship is other EU country"

But the available samples force us to combine the first five into one large immigrant group in order to have sufficient samples for analysis. Further, we decided to include only older (EU17) samples and not the “new” Eastern European countries in the SILC in order to limit the number of countries examined to a reasonable group. We find widespread support for our basic hypotheses whether we use the SILC or the LIS samples (as shown below) whether these nations are included or excluded.

Comment [d1]: Missing or extraneous words here?
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<L2> Minorities in Our Sample

These differences are apparent in Appendix Table 1, where we present estimates of the weighted percentage of households with children who are minority or immigrant. While on average, 16.5 percent of the populations studied are “minority or immigrant,” there is considerable variation in the percentage of minorities/immigrants with children in these national samples, owing to several factors, including sampling frames, types of surveys, and how immigrants and minorities are counted. The German Socio Economic Panel added a “booster” sample of immigrants in the 1990s and followed them as part of their survey. These were the bases for the 2006 SILC German estimates. While Germany is more representative of the current immigrant population, German survey takers suggest that their estimates are low because only German-speaking interviewers come to each address. If the sampling frame is household addresses, the data will include both legal and illegal immigrants, assuming that the latter respond as much as do the former. But if

Comment [d2]: The table header does not mention children: “Appendix Table A1: The Prevalence of Immigrant Households with an Immigrant Household Head across Countries,” which seems to contradict the text.

Check with Tim to see if this table should be relabeled to say ‘with children’

Comment [d3]: The table indicates an average of 16.6 percent immigrant—is the column “Percent Immigrant” mislabeled?

the language of interview is only the native one, we expect higher nonresponse from more recent immigrants than for older longstanding ones. Indeed, the US estimates of both legal and illegal immigrants, termed “undocumented aliens,” are based on the CPS samples that underlie the US LIS data employed here (Passel 2005). Other sampling frames may include only registered immigrants or registered households.

In Australia, we estimate that minorities represent about 27 percent of the population.⁷ This compares to about 21 percent in Canada (where naturalized citizens are not counted as minorities but nonnaturalized are so counted), 8 percent in Germany, and 13 percent in Ireland, Belgium, and the United States. In the US, when foreign-born but naturalized immigrants are also included in the definition of minority we have 13 percent of all households with an immigrant child (and we designate these by an asterisk in tables and figures that follow). Without the nationalized members, the US percentage is 9 percent. The more inclusive definition corresponds most closely to Australia’s definition. It also includes undocumented immigrants in the United States and perhaps also in Australia and Canada, though we are not certain of the extent of these phenomena at this time.⁸ Both US definitions provide the same result, namely that the United States has a weak welfare state for both types of immigrants as well as for majority units, and therefore strengthens our findings. The percentage of immigrant or minority therefore varies from the high (27) percent observed in Australia all the way down to 2.3 percent in the Italian 2000 LIS data. With regard to Sweden, we also observe that the 2000 LIS data show only 4 percent immigrant, but it should be noted that Swedish 2006 SILC data show 10 percent immigrant, suggesting rapid growth in immigrant populations in many EU nations. But as we see below in either data set the story is the same.

<L1> III. The Literature and the Data

There is a fairly large and recent literature on poverty and inequality in EU welfare state nations (e.g., Micklewright and Stewart 2001; Atkinson et al. 2002; Marlier 2008). And these have mentioned immigration since the release of the ECHP in the mid-1990s followed by the SILC in the mid-2000s. We cannot and do not measure “social exclusion” here (see Dennis and Guio 2003) despite the fact that its immigrant-native features might be appealing because such measures are not available outside of the EU. As far as the welfare state is concerned, emergence of elder safety nets has helped this group enormously in all nations, but left families and children whom we study here—both majority and minority—at risk (Marlier 2008). Studies of the level and dynamics of poverty suggest that labor market issues, especially high and persistent unemployment and short term job contracts, are as much of a problem as are low wages for natives (Amuedo-Dorantes and Serrano-Padial 2005). But far less is known about immigrants and minorities and their access to welfare state transfers in cash or in kind (health and education).

There is a vast international literature on labor markets and work by legal and illegal immigrants and natives, and that literature shows that immigrants can sometimes reduce wages and job opportunities of natives (e.g., see Borjas 2006; Borjas et al. 2007 for the United States). But in other nations, immigration is shown to have no effect on unemployment rates (see Islam 2007 on Canada). The comparative literature is sparser but covers the United States and Canada where Canadian immigration policy leads to higher educational and better job outcomes for at least the first two generations of

immigrants (Aydemir and Sweetman 2007). In fact, high rates of undocumented immigration can have profound effects on low-wage unregulated job markets such as those of the United States (Borjas et al. 2007). The European economics literature compares occupational outcomes (von Tubergen 2006), earnings levels (Adsera and Chiswick 2006), and other economic consequences (Brucker et al. 2006) across immigrant and nonimmigrant groups. Almost all such inquiries suggest that international migrants arrive primarily seeking work and not redistributive social benefits per se. Of course, excellent higher education systems in many nations attract high-quality foreign students, but many then return to their native lands or go elsewhere for work (Crul and Vermeulen 2006).

But, the literature on immigrant versus nonimmigrant poverty and social program support is still in its infancy outside the United States. Menz (2006) and others write on welfare retrenchment in Europe in reaction to immigration, but provide no evidence of its actual effects on individual outcomes or poverty status (as in Boeri 2009). There is a paper that suggests higher child and family poverty amongst US immigrant children (Capps and Fortuny 2006). And there is one comparative EU-US paper by Morrissens (2006) that looks at six rich nations and finds varying outcomes for employment and unemployment benefit generosity only. Unemployment is included in the net tax transfer benefits we use in our paper, along with all other multiplicity of tax and transfer benefits not examined by Morrissens.

Finally, this paper updates our recent work using the LIS and ECHP to study all populations and children as well (Smeeding et al. 2009). The difference is that the SILC data used here offer better and more recent estimates of immigrant children in Europe.

<L2> Data

The data we use for this analysis are mainly taken from the Luxembourg Income Study (LIS) database, which now contains over 160 household income data files for 35 nations covering the period 1967 to 2004 (www.lisproject.org). But, because we are computing the levels of relative poverty for nations where we can identify migrants as suggested above, we have decided to focus on fourteen nations for the remainder of this paper, each with a 2000 or later LIS database, plus seven other nations outside of the LIS database so far, where the SILC files offer more recent samples as well as nations where immigrants are not well covered in the LIS. The final set includes five English-speaking nations (Australia, the United States, Canada, Ireland, and the United Kingdom), nine European nations (Austria, Belgium, France, Netherlands, Italy, and Germany) which also includes three Nordic nations (Denmark, Finland and Sweden). We include all of Germany, including the eastern states of the former German Democratic Republic (GDR), in most of our analyses. Thanks to the cooperation of Brian Murphy at Statistics Canada, we also have access to a special version of the Canadian data that includes all minority and immigrant units and therefore allows us to go beyond the LIS data where immigrant status is suppressed in the Canadian data for privacy purposes.

<L1> IV. Results: Poverty amongst Nations, Immigrant and Native Children

Much of the concern over social and economic vulnerability of all populations, immigrants and nonimmigrants alike, is centered on social programs that are mainly used to support the qualified (social insurance) and the needy (income maintenance) in all

nations. Here we examine poverty among households with children (under age 18) in both majority- and minority-immigrant groups and we examine the antipoverty effect of government policy for each of these subgroups. We conclude with a brief summary of what we have learned about how government support affects poverty and inequality for vulnerable children in a comparative perspective.

<L2> Overall—Global Relative Poverty Levels and Antipoverty Effects for Households with Children

Relative poverty rates using MI and DPI in the fourteen nations we cover in this paper are given in Figure 1. Households with children are measured by the incomes of their parents. The overall DPI poverty rate for all households with children using the 50 percent poverty threshold varies from 3 percent in Finland to 22 percent in the United States, with an average rate of about 11 percent across the fourteen countries in Figure 1. Earlier work (Munzi and Smeeding 2008; Gornick and Jäntti 2009) suggests that using a lower relative poverty rate (such as the 40 percent of median rate) makes little difference in terms of overall poverty rate rankings.

Higher overall DPI poverty rates are found in English-speaking nations with a relatively high level of overall inequality (United States, Canada, Australia, Ireland, and the United Kingdom), and in Mediterranean countries such as Italy. Canadian and British household child poverty rates are both about 15 percent and are, therefore, below the United States levels. The lowest poverty rates are more common in smaller, well-developed, and high-spending welfare states (Sweden, Finland, and Denmark) where they

are about 5 percent. Middle-level rates are found in major continental European countries where income support and unemployment compensation are more generous, where social policies provide more generous support to single mothers and working women (through paid family leave, for example), and where social assistance minimums are high. For instance, Austria, France, Belgium, Netherlands, and Germany have poverty rates for households with children that are in the 7 percent to 9 percent range.

Child poverty rates are highest in countries with many single parents, low wages, and low levels of transfer support. Poverty rates computed using household MI for families with children do not differ among countries as much as do those calculated after-taxes-and-transfers DPI. Different levels and mixes of government spending have sizable effects on national DPI poverty rates, but not so much on MI poverty rates (Smeeding 2006). The percentage difference between MI and DPI poverty is the smallest in the United States at only 8 percent. The difference is largest in Sweden, the United Kingdom, France, and Scandinavia, where it ranges from 60 percent to 75 percent. On average, tax-benefit programs reduce child poverty by about one-half.

These results are not surprising given twenty years or more of LIS research. They fit well with Esping-Andersen's (1990, 1999) welfare state typologies and other recent results (Gornick and Jäntti 2009). But now the question that needs to be answered is: How do these poverty rates and social policy impacts differ for minority- or immigrant-child households as opposed to majority-child households?

<L2> Immigrant and Minority Child Poverty

In all rich nations, and now especially in Europe, there is growing concern about the status of immigrant and other minority groups (Parsons and Smeeding 2006; Boeri

2009). We begin with Table 1, which summarizes child DPI poverty rates by majority and minority status for each country in our sample. In all countries but one, the DPI poverty rate for childed households is higher in the minority population than in the majority population. On average, poverty rates for children of minorities and immigrants are 20 percent, compared to 10 percent for comparable majority child populations.

In France, Germany, Sweden, and other low-child-poverty nations, the overall household minority poverty rate is more than twice the majority poverty rate. In the United States and Belgium, the minority poverty rate is nearly twice the majority poverty rate. When naturalized foreign-born household heads are included in the US minority definition, is the minority rate still more than 13 percentage points higher than the majority poverty rate.

This pattern of high overall minority poverty rates is reversed only in Italy, where minority poverty rates are actually lower than majority poverty rates. Immigrant poverty rates in Canada and Australia differ by about 8 to 10 percentage points from majority rates, despite evidence that the skill-biased immigration policies pursued in Canada and Australia are successful in selecting/admitting immigrants who are able to succeed economically after arriving. Ireland, which has the same immigrant strategy, has a smaller child poverty difference. Germany is another popular destination country, but one where the minority rate is far below the majority rate and one like the United States where skilled minority immigration is discouraged.

These differences are consistent with those recently published by Eurostat (Marlier 2008) where at the 60 percent of median poverty standard, the poverty rates for immigrant households (heads or spouses born outside the EU country of destination)

were 40.6 percent compared to 17.6 percent for households with children whose parents were both born within the country of residence. We now turn to the matter of the effect of antipoverty policy on these results.

<L2> **Antipoverty Effects for Children by Majority-Minority Status**

We report MI and DPI poverty rates for majority and minority populations (with children) in each of the countries in our sample in Figures 2a and 2b. For majorities in the United States (Figure 2a), the antipoverty effect is a 10 percent reduction; for minorities (Figure 2b), it is only a 3 percent reduction, with a similar effect when naturalized immigrants are included. The average reduction in overall poverty across all countries is from 20 percent to 10 percent for majority children, but also from 35 percent to 20 percent for minority children. Effects for both groups are larger in the high spending welfare states (northern and central Europe) and smaller in the English-speaking nations. For minorities, starting and ending poverty rates are higher, as we expected, but percentage reductions in poverty are also high for minorities, for instance, in France, United Kingdom, Ireland, Belgium, and Sweden, where minority effects are about the same as for majorities.

Figure 3 plots the percentage difference between the MI and DPI poverty rates for households' minority or immigrant children against the percentage difference in MI and DPI poverty for majority or native households with children. Antipoverty effects are measured as the difference between MI and DPI poverty, expressed as a percentage of MI poverty. The scatter plot highlights the distribution of government antipoverty effects with respect to minority status in each country. First note that if antipoverty effects were evenly distributed across minorities and majorities each country's data point would fall

along the dashed 45-degree line, based on the size of their antipoverty effect. Data points from countries that reduced poverty by a higher percentage for natives fall below the 45-degree line (dashed line). This figure plots the simple regression line for the countries in our sample as well.

We denote LIS and SILC data according to grey and black in Figure 3. In cases where we have two estimates, we put the LIS estimate in the chart. In the appendix Figure A-1, we used all the SILC points we had, adding in only the LIS estimates. The results are very much the same in both figures. The regression line in Figure 3 shows that in most countries overall antipoverty reductions are systematically related for households with minority or immigrant children and for majority or native children. The results fall very much along a line. The LIS Nordic-Scandinavian nations are at the top end, the United States, Italy, and Canada at the bottom, with the rest of the European Union bunched in the middle. The United States stands out with a relatively small antipoverty effect, especially for minorities, but also for majorities. Italy also does less for both majority and minority children, Belgium, Ireland, Canada and the United Kingdom have almost identical percent poverty reductions for minority than for majority population groups. The others are lower by a relatively fixed differential of about 6 to 7 percentage points, meaning that the rest provide slightly higher support to majorities than minorities. But overall these nations are more or less equally successful in reducing MI poverty for both groups. The results are only slightly different when estimates in Figure A-1 rely on the SILC for the largest possible number of these same fourteen nations. We prefer the LIS emphasis in Figure 3 as we know the data much better and we have all of the non-EU estimates, but SILC gives the same result in Figure A-1.

<L1> V. Discussion and Explanation

Comparative cross-national relative poverty rankings suggest that the fourteen nations we analyze have several distinct groupings in terms of overall poverty, with the English-speaking and Southern European countries belonging to worst half of the ranking, and the North-Continental European countries and the Nordic ones to the better half. We find this pattern both for households with children from majorities and minorities. Indeed in the end, the country one ends up in makes much more difference than majority or minority status. National policies can make a difference!

The US poverty rates are at or near the top of the range for both population groups with their relative child poverty rates being particularly troublesome. We also know from previous work that a substantial fraction of the variance in nonelderly cross-national poverty rates appears to be accounted for not by the variation in work or in unemployment, but by the cross-national variation in the incidence of low pay. Because the United States has the highest proportion of workers in relatively poorly paid jobs, it also has the highest poverty rate, even among parents who work half time or more (Smeeding 2006). Countries that have a significantly lower incidence of low-paid employment also have significantly lower poverty rates than the United States.

But the prevalence of low-pay workers is, in fact, not the only reliable predictor of poverty rates. While low pay is a good predictor of poverty rates, and while poorly educated workers do not do well at keeping their families from poverty based on earnings alone, other factors, such as the antipoverty efforts of the government, are also important predictors of the poverty rate (Smeeding 2006). Social spending reduces poverty, as we

have seen above. And as a result of its low level of spending on social transfers to the non-aged with children, the United States has overall a very high poverty rate.

Immigrant children are more likely to be poor than native children and by a wide margin in some nations. However, for the most part, the effects of social tax-benefit programs on poverty for these children in Figure 3 vary much more extensively by country of destination than by immigrant versus nonimmigrant status. That is, high antipoverty effects are found for both groups in the majority of generous welfare state nations (e.g., Belgium, Sweden, France, Austria), and for somewhat less generous ones (e.g., Canada) as well. Small effects are found in the one nation not known for its generosity to any group (United States). In the rest, children receive substantial support though immigrant children receive just a little less support. Thus we conclude that policy can and does make a difference in poverty for both migrant-minority and majority children.

<L1> VI. Conclusions and Policy Implications

Other research suggests that what seems most distinctive about the American poor is that the least skilled among them are not helped in terms of education, and they work more hours than do the resident parents of most other nations where we can observe work hours (Smeeding, 2006). More generally, the United States differs from most nations that achieve lower poverty rates because of its emphasis on work and self-reliance for working-age adults, regardless of the wages workers must accept or the family situation of those workers—migrants or natives. This fits well with the low-wage US labor market where many minority immigrants appear in good economic times or disappear when

economic times are hard, as in 2009. These immigrants also receive less in transfer benefits than do their peers in other countries. Of course, these findings are in part due to the majority and minority-immigrant makeup of the United States, but they are even more heavily influenced by low pay and low social spending. Thus high minority-child poverty is not driving the incredibly high child poverty rates in the United States—other features of the US economic and social situation are responsible for this outcome for both majority and minority households with children.

We have a ways to go here in order to more firmly establish the ways in which different types of households are affected by social programs and how they aid children and families—migrant and non-migrant as well as minority and non-minority—in these nations. The interaction between household structure, poverty status, and minority status is clearly an important element of poverty and inequality in industrialized countries. Hours worked and taxes paid versus benefits received can be studied for all groups in each nation. Small overall effects of policy can be due to a combination of many low-wage working families who are paying large net taxes, while others are receiving high net benefits. The hours-education-earnings compositions differ greatly amongst the countries studied, with Australia and especially Canada having a more skill-driven immigration policy than that found in the United States. New and better data from the EU SILC will allow for a much better and more recent picture of immigrant makeup and social policy effects in those nations when these 2005 and 2006 data sets become part of LIS next year. Further, we have not been able to determine how health and education policies affect immigrant and minority versus majority youth. But it is our understanding that health care is largely need-based and immigrant-blind in most rich nations, except in the United

States, where insurance is often a prerequisite. Education systems in all nations serve the youth who reside there, though differences in school quality and outcome between immigrant and native children can also be noted.

<L2> Policy Implications

The experience of the United States can give many lessons to other nations' domestic antipoverty and inequality policies for immigrants and nonimmigrants alike. As long as the United States relies almost exclusively on low-skill immigration and on the job market to generate incomes for working-age families, changes in the jobs and wage distributions that affect the earnings of less-skilled workers will inevitably have a big effect on poverty among children and prime-age adults. One expects that such low-skill workers are paid wages that are below those paid to even the lowest skilled US native workers (for evidence see Borjas 2006 and Borjas et al. 2007). At the same time, welfare reform in the United States has pushed many native-born low-income women into the labor market and they have stayed there as Temporary Assistance for Needy Families (TANF) rolls continue to fall. It is hard to believe that many immigrant mothers in the United States are enjoying TANF benefits both due to their rarity and due to sanctions against foreign-born mothers in state TANF programs. Even with the \$25.4 billion spent on TANF today, only \$11.2 billion is in the form of cash assistance; the rest is now in the form of child care and transportation assistance, training, and other services (Pear 2003). While the switch from cash to services has undoubtedly helped account for higher earnings among low-income parents, it has not helped move many of them from poverty.

Of course, labor markets alone cannot reduce poverty because not all of the poor can be expected to “earn” their way out of poverty. Single parents with young children, disabled workers, and the unskilled will all face significant challenges earning an adequate income, no matter how much they work and no matter what is their nationality.

The relationship between antipoverty spending and poverty rates is of course complicated, so the arguments discussed above are, at best, suggestive. But it seems to us that national antipoverty policies can make a difference in the lives of children, regardless of their minority-majority status. As the British have demonstrated, carefully crafted public policy can certainly reduce poverty (Bradshaw 2002; Hills 2003; Hills and Waldfogel 2004; Smeeding and Waldfogel 2009).

Of course, the direct and indirect costs of antipoverty programs are now widely recognized (and frequently overstated) in public debate (see Lindert 2004; Garfinkel, Rainwater, and Smeeding 2006). The wisdom of expanding programs targeted at children and poor families, especially those of immigrant background, depends on one’s values and subjective views about the economic, political, and moral trade-offs of poverty alleviation. For many critics of public spending on the poor, it also depends on a calculation of the potential economic efficiency losses associated with a larger government budget and targeted social programs for minority and majority families.

It is hard to argue that the United States cannot afford to do more to help the poor; particularly low-skilled lowly paid workers, and especially in this recession. If the nation is to be successful in reducing child poverty, it will need to make antipoverty spending a higher priority, as did the British and as do most other nations. In particular, it will have to do a better job of combining work and benefits targeted to low-wage workers in low-

income families. There is already evidence that such programs produce better outcomes for native kids (Clark-Kauffman, Duncan, and Morris 2003).

They could also work in the United States if redistributive tax policy were broadened to serve all workers who pay taxes, including the parents of immigrant children. Expansions in the EITC, in the refundability of tax credits, and in the availability and quality of early childhood education and health insurance could help all young children and their families, both immigrant and native.

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Notes

¹In fact, “official” measures of poverty (or measures of “low income” status) exist in very few nations. Only the United States (US Census Bureau 2003b) and the United Kingdom (UK Department for Work and Pensions 2007) have regular “official” poverty series. In Canada there is a series of Low Income Cutoffs (LICOS) which are often debated but never formally introduced as national guidelines (Statistics Canada 2005). In Northern Europe and the Nordic countries the debate centers instead on the level of income at which minimum benefits for social programs should be set and on “social exclusion” (Atkinson et al. 2002). Most recognize that their national social programs already ensure a low poverty rate under any reasonable set of measurement standards for natives at least. The case of immigrants is less well-known in all of these nations, though the same poverty lines are used for all residents of a country, immigrants or majority citizens.

²For UNICEF, see UNICEF Innocenti Research Centre (2000), Bradbury and Jäntti (2005), and Chen and Corak (2005); for the OECD, see Förster and Pellizzari (2005); for the European Union, see Atkinson et al. (2002); and, for LIS, see Gornick and Jäntti (2009), Smeeding (2005), and Rainwater and Smeeding (2003).

³In 1998, the ratio of the US (four-person) poverty line to median family income was 38 percent. Since then both ratios have fallen to the 30 percent level (Smeeding 2005) while the ratio to median household income was 31 percent. Median household income (\$38,855) is far below median family income (\$47,469) because single persons living alone (or with others to whom they are not directly related) are both numerous and

have lower incomes than do families (US Census Bureau 2003a; 2003b). Families include all units with two or more persons related by blood, marriage, or adoption; single persons (unrelated individuals) are excluded. In contrast, households include all persons sharing common living arrangements, whether related or not, including single persons living alone. Different adjustments for family or household size might also make a difference in making such comparisons.

⁴Market income includes earnings, income from investments, occupational (private and public sector) pensions, child support, and other private transfers. For the calculation of poverty rates, MI refers to gross income in all countries but Austria, Belgium, Greece, Ireland, Italy and Spain, where MI is net of taxes and social contributions.

⁵Formally, adjusted disposable income (ADPI) is equal to unadjusted household income (DPI) divided by household size (S) raised to an exponential value (e), $ADPI = DPI/S^e$. We assume the value of e is 0.5. To determine whether a household is poor under the relative poverty measure, we compare its ADPI to 50 percent of the national median ADPI. National median ADPI is calculated by converting all incomes into ADPI and then taking the median of this “adjusted” income distribution. The equivalence scale which we employ is robust; especially when comparing families of different size and structure (e.g., elders and children). See Atkinson, Rainwater, and Smeeding (1995) for detailed and exhaustive documentation of these sensitivities.

⁶ In fact, several recent cross-national poverty studies suggest that mobility into and out of poverty is lower in the United States than in almost every other rich country (Bradbury, Jenkins, and Micklewright 2001; Goodin et al. 1999; Duncan et al. 1993).

⁷Remember that these are “non-Australians” who include both non-naturalized and naturalized citizens.

⁸Indeed, we worked with the Canadian survey takers to eliminate all incomplete records and those where the immigrant had so recently arrived as to have no Canadian income. Overall, 2.20 percent of the immigrant records and 2.15 percent of the immigrant population have been dropped due to this screen.

Figure 1: Market Income and Disposable Income Poverty Rates For All Households With Children (-17)

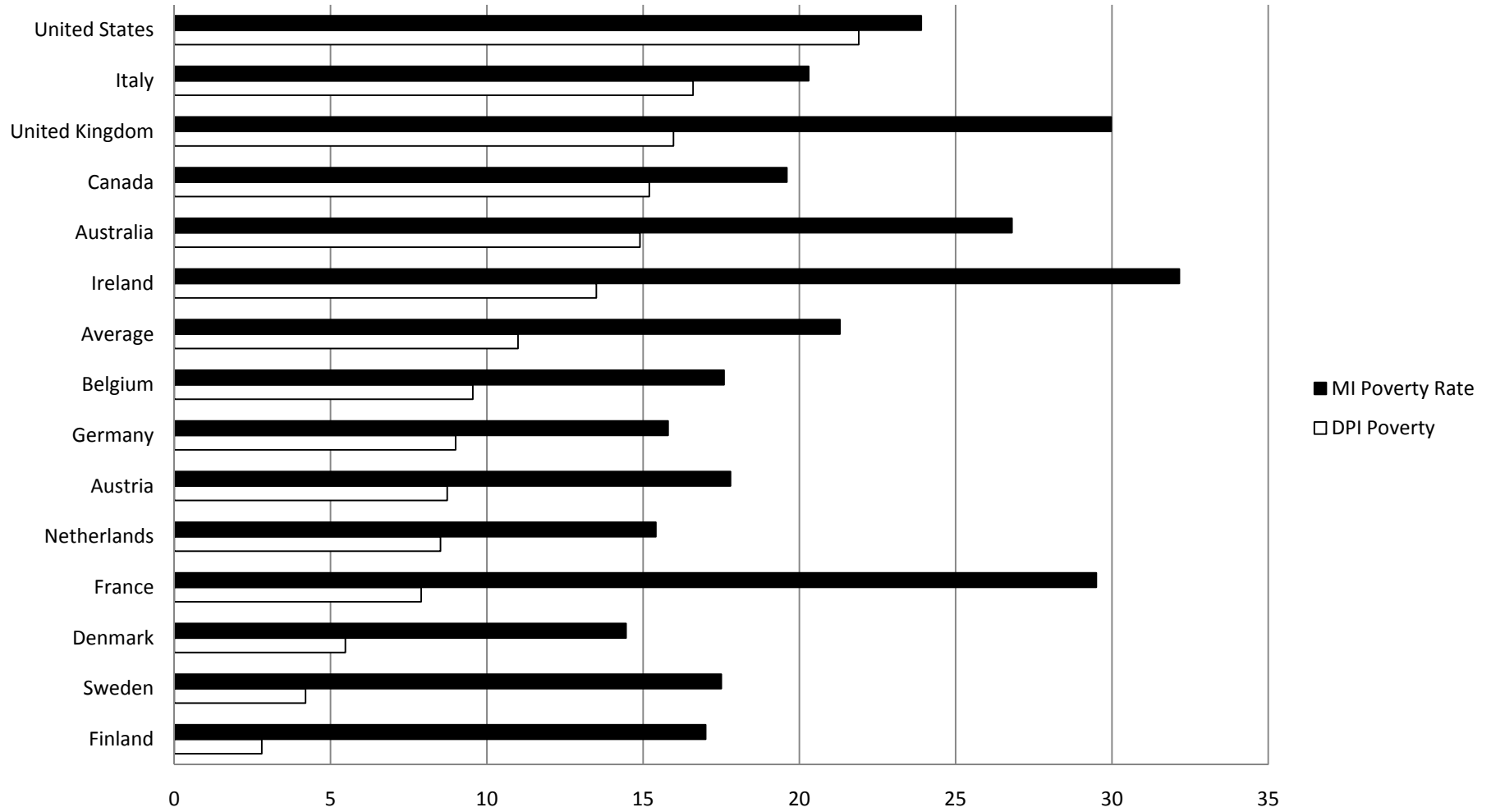


Figure 2a: Market Income and Disposable Income Poverty for Majority Households With Children

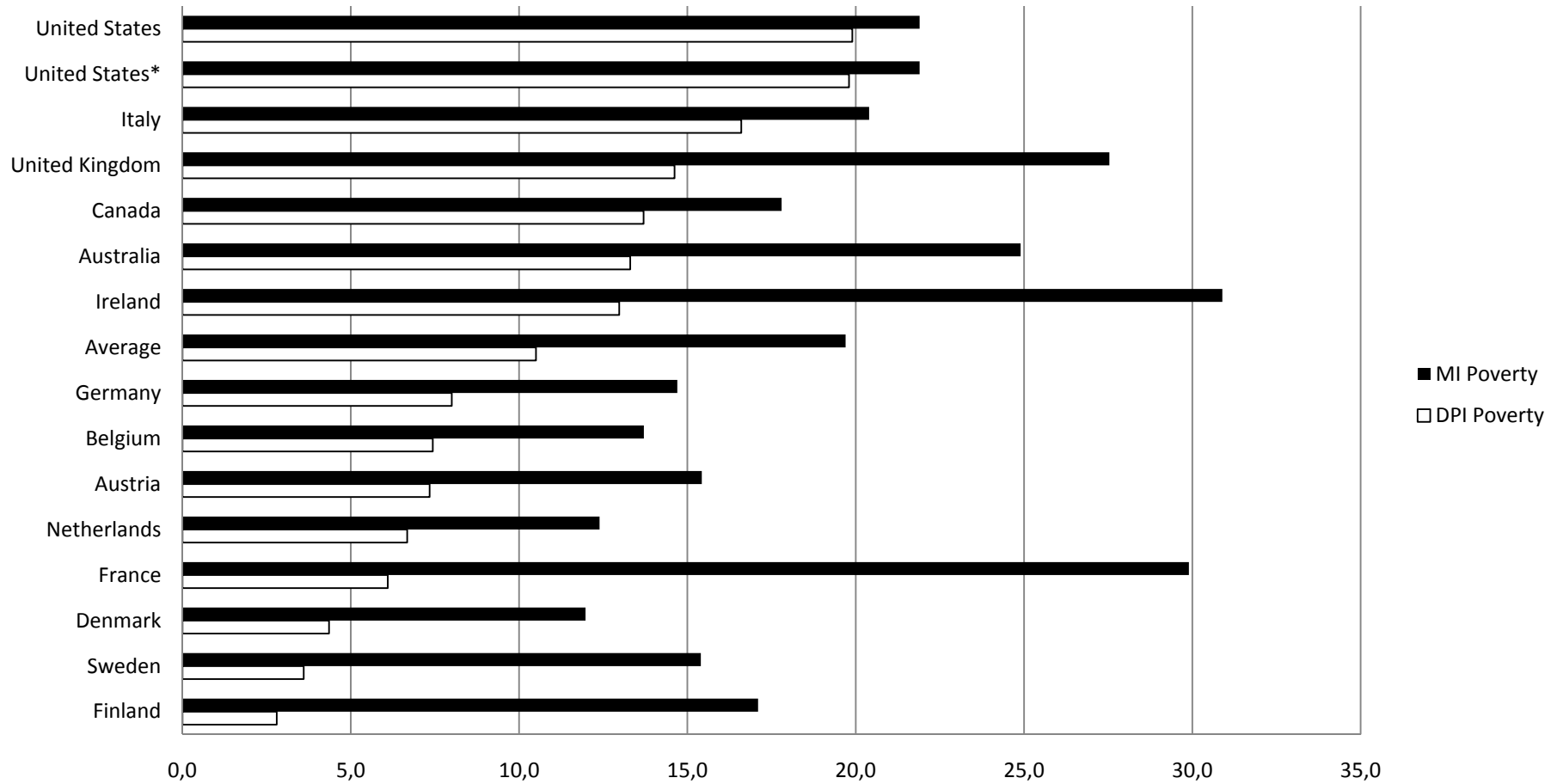


Figure 2b: Market Income and Disposable Income Poverty for Minority Households With Children

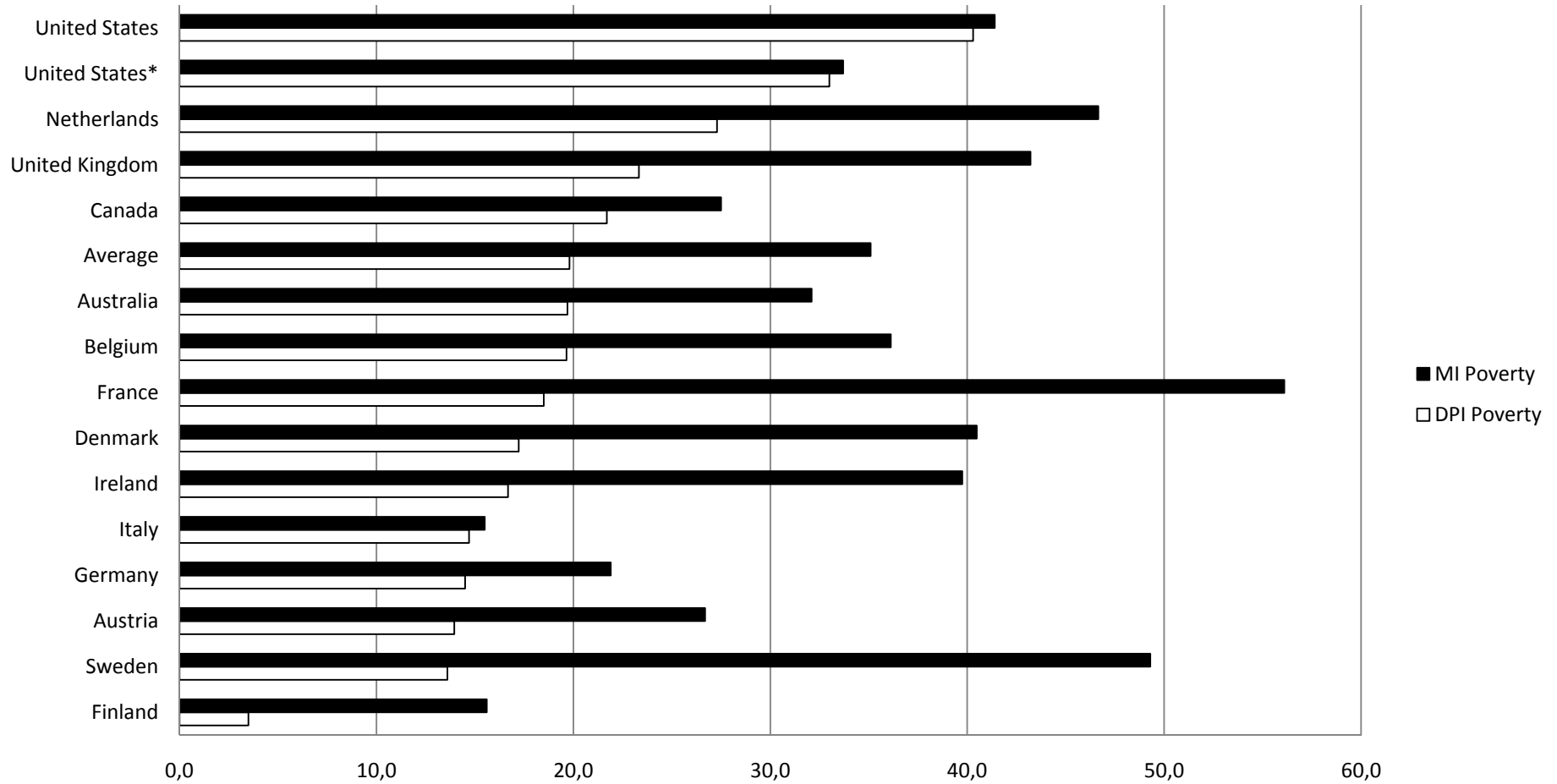


Figure 3. Antipoverty Effects for Immigrant and Majority Children, LIS and EU-SILC

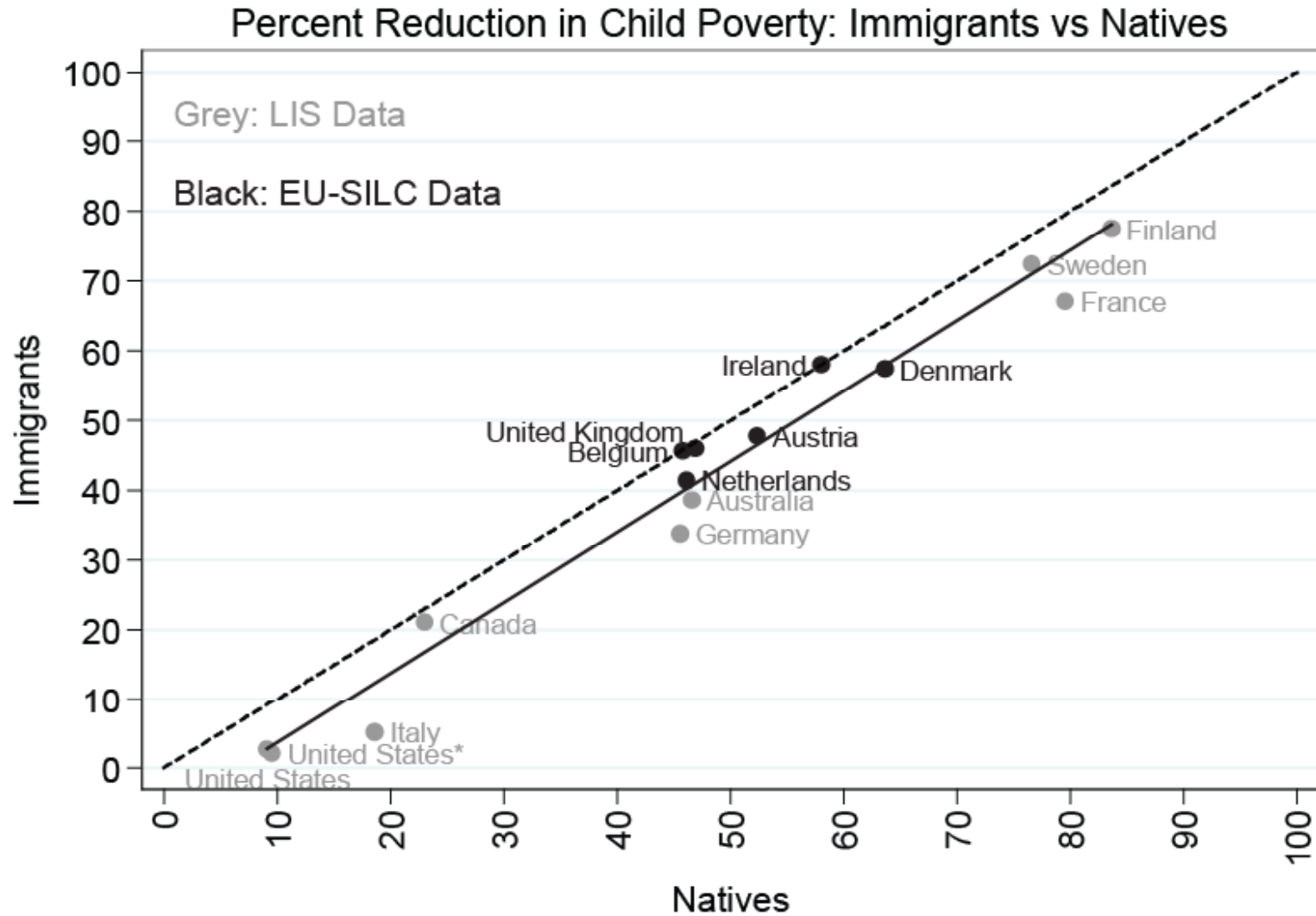
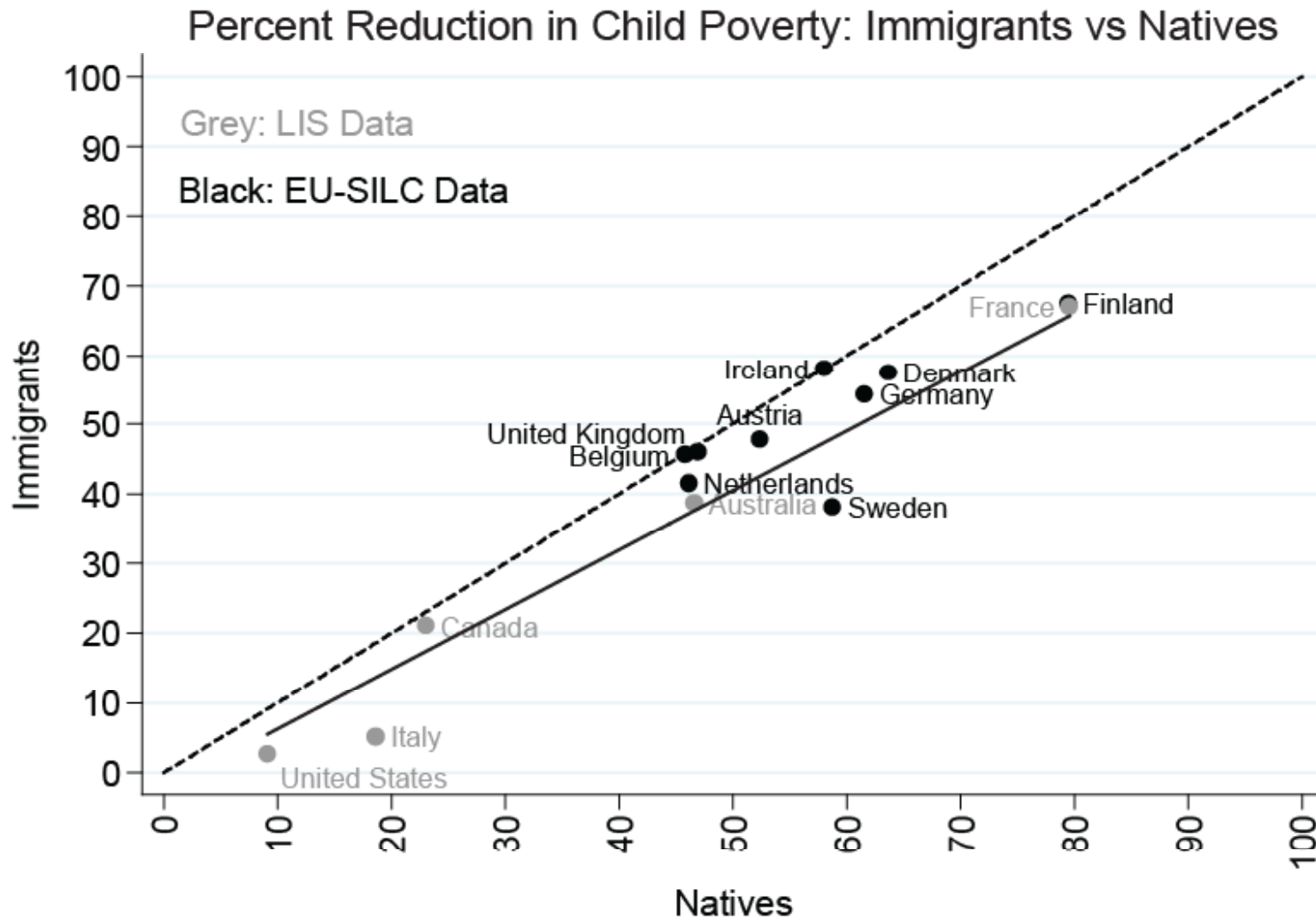


Table 1: Child Poverty By Minority Status Across Countries

Country	Child Poverty	
	Majority	Minority
United States	19.9	40.3
United States*	19.8	33.0
Italy	16.6	14.7
United Kingdom	14.6	23.3
Canada	13.7	21.7
Australia	13.3	19.7
Ireland	13.0	16.7
Germany	8.0	14.5
Belgium	7.4	19.7
Austria	7.3	14.0
Netherlands	6.7	27.3
France	6.1	18.5
Denmark	4.4	17.2
Sweden	3.6	13.6
Finland	2.8	3.5
Average	10.5	19.8

Figure A-1. Antipoverty Effects for Immigrant and Majority Children, LIS and EU-SILC – Anglos



Appendix Table A1: The Prevalence of Immigrant Households^a with an Immigrant Household Head across Countries

Country	Data Set	Year	Percent Immigrant
Australia	LIS	2001	27.4
Canada	SLID	2002 ^b	20.8
Austria	SILC	2006	16.6
USA	LIS	2000	12.9
Ireland	SILC	2006	12.8
United Kingdom	SILC	2006	12.8
Belgium	SILC	2006	12.6
Germany	LIS	2000	8.3
France	LIS	2000	8.3
Netherlands	SILC	2006	6.7
Denmark	SILC	2006	6.1
Finland	LIS	2000	5.6
Sweden	LIS	2001	4.1
Italy	LIS	2000	2.3
Average			16.6

Source: Authors calculations from LIS and (EU) SILC using sample weights for

^aHouseholds containing at least one immigrant. It was not possible to determine the immigrants native composition of household members in all datasets.

^bSLID is one Survey of Labor Income Dynamics in Canada; the same survey as is used by LIS.