**CHILD POVERTY: EUROPE VERSUS THE U.S.**

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**INTRODUCTION**

Children who live in families in poverty have much diminished lives. They tend to suffer from worse diets, poorer physical and mental health, worse quality housing with more overcrowding, poorer neighbourhoods with more pollution. They do less well at school and are more likely to be bullied and excluded and not surprisingly they have lowers subjective well-being (they are less happy). These experiences in childhood have knock on effects in adulthood – they are less likely to work, to get a decent job. They tend to partner earlier, have children earlier, suffer family breakdown more. They die earlier. The costs of child poverty are breath-taking for the individual, the state and society.[[2]](#footnote-2)

There is much debate about the causes of child poverty. Broadly this is a debate about the respective contributions of individual behaviour and social structure. Behaviour is of course important. Adults have children and particularly if they have more than they can afford or are or become lone parents their behaviour is likely to have generated poverty. But this is not inevitable. As we shall see different nations vary in the proportion of their children that are poor and that variation is not completely related to their general wealth. It depends on the structure of their economy and society and particularly the efforts their governments make to reduce child poverty directly by policies. No doubt these efforts are influenced by “ideologies of welfare” that determine what balance of responsibility for tackling child poverty between the family, the market and the state.

Regardless of the balance between the behavioural and structural causes of poverty, child poverty remains a particular injustice.[[3]](#footnote-3) Children don’t have a choice about their poverty. They are blinded to their prospects. They lack the understanding to realise their circumstances, at least in early childhood, and even later they are not well placed to do anything about their injustice. They are innocent, even if they do not entirely lack agency. They cannot choose their parents, family, community or country. It might have been expected from this that they would be the particular focus of discussions of social justice but as Gordon[[4]](#footnote-4) has argued

“A space alien visiting earth and reading the economic theory and political philosophy literature on distributional justice for children would be unlikely to discern that children are citizens with human rights that are independent and coequal with adults with whom they live. The space alien might also conclude that these academic authors had never seen children were unlikely to have children of their own, or at least if they did have children they were completely unconcerned with the distributional justice or the economic goods their children received”.

**ANALYSIS**

States assist families in the burdens of child rearing through interventions in the market economy to ensure adequate wages, gender equal pay and managing the economy to maximise employment. They also provide free or subsidised services - education, care, health, housing, and sometimes commodities like water, energy or food subsidies. But by far the most important element of state intervention are transfers direct cash and tax benefits that increase the incomes of families with children or reduce their tax liabilities.[[5]](#footnote-5) The Office of Economic and Development (OECD) provides analysis of the varying efforts that rich countries make.

It can be seen in Figure 1 that the highest spenders all tend to be European countries, while the United States is a comparatively low spender - just ahead of Mexico, Greece and Turkey. The highest spenders tend to make more use of cash benefits while the US makes almost no use of cash benefits and relies on services and tax breaks. In the last 20 years the US has cut its spending on cash spending from 0.29% of GDP in 1995 to 0.07% in 2015. It increased its spending on services from 0.30 to 0.57% of GDP and on tax breaks from zero to 0.48% of GDP over the same period. The picture for other countries varies, but to take the UK for an example it increased cash spending from 1.59% of GDP to 2.25% of GDP, services spending from 0.42 to 1.32% and tax spending from zero to 0.13% over the same period.

**Figure 1: Public expenditure on family benefits by type of expenditure, in percent of GDP, 2015 and latest available**



Source: OECD Family database Table PF1.1A

In order to understand the impact of this spending effort on child poverty, we need to relate it to child poverty rates. This is easiest for European Union countries because Eurostat, the EU statistical service, runs a survey which produces data that enables us to compare child poverty before and after transfers. Before transfers means the level child poverty would be if families only had to rely on their net earnings from the market place. After transfers is the poverty rate that exist after the income form benefits is taken into account. Ideally it would be desirable to separate the impact of cash benefits and tax benefits, and that would be possible if we had access to the raw data[[6]](#footnote-6), but it is not possible using the published data. Figure 2 shows the child poverty rates for the latest year available before and after transfers. The countries are ranked by the % reduction in child poverty achieved by transfers (highest on the right). The at-risk-of poverty rate is equivalent income before housing costs less than 60% of the national median.

The first thing to note in this Figure is how variable both the pre-transfer and post-transfer poverty rates are. The pre-transfer child poverty rate is over 40% in the UK and less than 20% in Czechia. The post-transfer child poverty rate is over 30% in Romania and less than 10% in Iceland. But the real purpose of the Figure is to demonstrate the impact of transfers. Child poverty rates fall by more than 60% in Hungary, Finland and Iceland entirely due to state effort. But there are countries at the other end of the distribution that achieve much less reduction in their child poverty rates – Spain, Romania and Italy have reductions of less than 15%. These countries tend to be those spending least in Figure 1.

**Figure 2: Pre and post transfer under 18 at-risk-of-poverty rates 2018 unless stated. Countries ranked by % reduction (right axis)**

Source: Eurostat data base extracted May 2020.

How does the US compare? Unfortunately, there is no comparative data available on pre- and post-transfer child poverty rates. We can however make some comparisons of poverty rates – from three sources: the Luxembourg Income Study (LIS), the UNICEF Innocenti Rsearch centre in Florence Report Card and OECD.

First LIS. They publish child poverty rates for countries included in their study. Not many have very up-to-date data but Table 1 extracts child poverty rates for a selection of countries which have fairly recent data (circa 2016). It shows that the US has the highest child poverty rates on all three thresholds, except for Estonia at the less than 40% median threshold. The US is higher than Australia, Canada and all the other European countries included on all other measures.

**Table 1: Child poverty rates for selected countries at three net equivalent income thresholds. Circa 2016**

|  |  |  |  |
| --- | --- | --- | --- |
|  | <40% | <50% | <60 |
| Australia2014 | 5.8 | 11.4 | 18.9 |
| Austria2016 | 7.3 | 11.4 | 17.7 |
| Belgium2016 | 5.1 | 12.2 | 18.7 |
| Canada2017 | 6.3 | 11.9 | 20.7 |
| Czechia 2016 | 4.9 | 9.3 | 14.2 |
| Denmark2016 | 1.8 | 4.3 | 11 |
| Finland2016 | 1.2 | 3.4 | 8.9 |
| Germany2016 | 5.9 | 11.4 | 18.7 |
| Hungary2015 | 4.3 | 9.3 | 17.6 |
| Italy2016 | 11.2 | 20.4 | 28.9 |
| Poland2016 | 4.6 | 8.4 | 14.8 |
| Estonia2016 | 16 | 22 | 28.3 |
| UK2016 | 5.2 | 10.9 | 21.5 |
| US2016 | 12.8 | 21.3 | 30.5 |

Source: Luxembourg Income Study Key Figures <https://www.lisdatacenter.org/lis-ikf-webapp/app/search-ikf-figures>

Second, the UNICEF Office for Research in Florence has published a series of Innocenti Report Cards on child well-being in rich countries based on a range of indicators, including child poverty. Innocenti Report Card 16 is the latest and provides the child poverty rates based on the threshold of net income less than 60% median. The data for EU countries is derived from EU SILC but for the other countries comes from analysis of national sources on a common basis. Figure 3 presents the results and shows the US had the 42nd highest child poverty rate out of 46 countries, only exceeded by Israel, Turkey, Romania and Mexico.

**Figure 3: Child poverty rate. Net income less than 60% median**

Notes: Sources: EU-SILC, 2017, HILDA (Australia), CASEN (Chile), ENIGH, Household Economic Survey (New Zealand), CPS (USA), Canadian Income Survey, Survey of Living Conditions (Japan), Household Expenditure Survey (Israel). Data for 2017 (2016 for Australia, Chile, Iceland, Israel, Japan, Mexico, New Zealand, Norway, Korea, Switzerland and Turkey).

Source: UNICEF Innocenti Report Card 16. Forthcoming 2020.

The third source is the OECD which publishes child poverty rates using a threshold of 50% median. Table 3 shows that the US had a child poverty rate of 20.9%, much higher than the OECD average and higher than any EU country except Spain. The OECD data also allows us to compare the poverty rates of various types of households with children. The US has higher poverty rates of lone parent and couple households than most European countries and higher poverty rates than most European countries for working households. Only its poverty rates for non-working households are not exceptional in the European context – quite similar to Sweden’s for example.

**Table 2: Child poverty rate and poverty rates of households with children by various characteristics. Net equivalent income less than 50% median. Circa 2016**

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
|     |   Children (0-17) | All working-age households with at least one child | Single adult household with at least one child | Two or more adult household with at least one child | Jobless households with at least one child | Working households with at least one child |
| Australia | 12.5 | 10.9 | 36.7 | 8.4 | 65.0 | 5.3 |
| Austria | 11.5 | 10.9 | 24.1 | 10.0 | 71.7 | 8.0 |
| Belgium | 12.3 | 10.9 | 32.2 | 8.6 | 71.8 | 5.3 |
| Brazil | 30.1 | 25.6 | 54.8 | 23.3 | 83.1 | 20.2 |
| Canada | 14.2 | 12.5 | 46.9 | 10.3 | 81.2 | 9.7 |
| Chile | 21.5 | 18.9 | 42.6 | 16.7 | 73.9 | 16.3 |
| China | 33.1 | 28.5 | 42.3 | 27.1 | 48.1 | 27.4 |
| Costa Rica | 27.5 | 23.4 | 49.7 | 20.9 | 76.7 | 19.8 |
| Czech Republic | 8.5 | 7.0 | 32.8 | 5.0 | 74.1 | 4.5 |
| Denmark | 3.7 | 3.0 | 8.2 | 2.7 | 31.7 | 1.9 |
| Estonia | 9.6 | 8.8 | 21.6 | 7.6 | 67.6 | 7.8 |
| Finland | 3.3 | 2.8 | 14.9 | 1.5 | 35.5 | 1.4 |
| France | 11.5 | 9.4 | 25.9 | 6.0 | 43.2 | 6.9 |
| Germany | 12.3 | 10.6 | 29.6 | 7.7 | 43.3 | 4.0 |
| Greece | 17.6 | 17.2 | 27.7 | 16.9 | 63.5 | 14.0 |
| Hungary | 7.7 | 6.1 | 23.5 | 4.8 | 59.5 | 3.7 |
| Iceland | 5.8 | 5.0 | 23.0 | 2.8 | 16.5 | 4.7 |
| Ireland | 10.0 | 8.6 | 34.5 | 5.4 | 50.8 | 3.3 |
| Israel (a) | 23.2 | 20.1 | 31.8 | 19.7 | 81.6 | 17.1 |
| Italy | 17.3 | 16.5 | 37.0 | 15.0 | 81.4 | 14.1 |
| Japan | 13.9 | 12.8 | 50.8 | 10.7 | 36.3 | 12.5 |
| Korea | 15.2 | 14.0 | 56.6 | 12.9 | 57.8 | 13.3 |
| Latvia | 13.2 | 10.7 | 34.5 | 8.3 | 95.9 | 8.5 |
| Lithuania | 17.7 | 14.9 | 45.8 | 10.7 | 86.6 | 12.1 |
| Luxembourg | 13.0 | 12.2 | 41.1 | 10.7 | 67.3 | 10.8 |
| Mexico | 19.8 | 17.4 | 34.7 | 16.3 | 49.4 | 16.8 |
| Netherlands | 10.9 | 8.9 | 29.5 | 6.3 | 65.3 | 5.4 |
| New Zealand | 14.1 | 11.3 | 46.1 | 7.3 | 75.3 | 7.0 |
| Norway | 7.7 | 6.3 | 21.8 | 4.2 | 59.0 | 4.3 |
| Poland | 9.3 | 8.6 | 16.4 | 8.4 | 60.1 | 7.6 |
| Portugal | 15.5 | 13.9 | 30.2 | 12.8 | 80.5 | 10.8 |
| Russian Fed. | 19.6 | 16.5 | 35.0 | 15.6 | 61.2 | 15.2 |
| Slovak Republic | 14.0 | 11.0 | 37.3 | 10.2 | 88.9 | 6.6 |
| Slovenia | 7.1 | 6.3 | 31.6 | 5.0 | 73.4 | 5.3 |
| South Africa | 32.0 | 26.7 | 49.8 | 23.2 | 77.8 | 11.9 |
| Spain | 22.0 | 20.1 | 40.2 | 19.0 | 86.8 | 17.6 |
| Sweden | 8.9 | 7.4 | 25.8 | 4.9 | 77.0 | 5.0 |
| Turkey | 25.3 | 21.4 | 31.4 | 21.3 | 51.6 | 19.1 |
| United Kingdom | 11.8 | 10.5 | 23.2 | 8.6 | 39.2 | 7.0 |
| United States | 20.9 | 18.2 | 46.3 | 14.6 | 74.5 | 14.2 |
|  |  |   |   |   |   |   |
| OECD average | 13.1 | 11.6 | 32.5 | 9.8 | 63.9 | 8.9 |

Source OECD Family data base Charts CO2.2.A, C and D

**DISCUSSION**

There is pretty clear and consistent evidence here that for a rich country the US has unusually high child poverty rates, whichever poverty threshold is used. Why is this? There are a variety of national characteristics that could explain this finding – demographic, labour market, the earnings structure and social policies. We can rule out quite a number of these factors. Labour demand has been quite buoyant in the US in recent years (and before the C-19 epidemic) with high levels of male and female employment and low unemployment. Hours worked in the US is much higher than in European countries and the minimum wage is also comparatively high. Single parent families are more common is the US but not as high or very different to some European countries.[[7]](#footnote-7) Fertility is comparatively high but not exceptionally different to some European countries and it is very unlikely that these differences in child poverty could be driven by family size or structure.

What is clearly to blame is social policy. What makes the difference is the lack of family benefits - cash transfers that in other countries contribute to reducing the child poverty rates that would exist if families just relied on market income. We have already seen some evidence to support this conclusion in Figure 1 – the US has very low spending as a proportion of its GDP on family benefits. Further evidence comes from comparative analysis of the value and structure of family benefits. The US has never had the universal tax funded child benefit that exists in most European countries. It did have a means-tested child benefit in the form of Aid to Families with Dependent Children (AFDC) but it was abolished. The only help that poor families can get of this kind is from the food stamps programme (SNAP) which is highly variable across states. One innovation which has been of great help to working families with children was the introduction of Earned Income Tax Credits, but the problem is that it only benefits those with an earned income ?above a threshold.

One way that the impact of these policies can be observed is by modelling them using standard cases.[[8]](#footnote-8) The OECD tax/benefit model enables this to be done and in figure 4 we have presented the results for the US compared to European countries for a couple with two children with one parent working full-time on 65% of the average wage. It shows the level of the benefits they would receive and the taxes they would pay as a proportion of average earnings. In the US (actually the model is based on Wisconsin rules) net wages would be increased by $3505 or 6.5%of average earnings. This is entirely due to Earned Income Tax Credit, this family case is not eligible for SNAP or housing benefit. Other countries tend to use a combination of elements. The package in the US is not actually the lowest among these countries but it is considerably below the level of most. Note for editors I could repeat this analysis for other family types, earnings levels ad finitum.

**Figure 4:** **Child benefit package as % average earnings. Couple plus two children one employed for 65% of the average wage other not working. 2018**

Source: Own calculations using <http://www.oecd.org/els/soc/tax-benefit-web-calculator/>

It is beyond the scope of this chapter to explain why the US social policies for families with children are so much less generous than most European countries. Family benefits do not follow the normal path of the political economy of the welfare state theories[[9]](#footnote-9). There the US welfare state is classified as Liberal – but so are the UK and Ireland with much more generous family benefits. Nevertheless, the absence of an adequate safety net for children in the US drives the much higher child poverty rates which has long term consequences for American society as well as enormous extra costs . It also makes families with children much more vulnerable in a crisis – in a recession[[10]](#footnote-10) or now at the time of writing a dreadful epidemic. Most national responses to the epidemic seemed to have involved attempts to maintain employment and in some places short-term increases in sickness and unemployment benefits – but for families with children they only have limited impact when there are no or inadequate child benefits.

1. Emeritus Professor of Social Policy, University of York, UK. [↑](#footnote-ref-1)
2. There is a huge and international literature. But see for example

Griggs, J. with Walker, R. (2008) The costs of child poverty for individuals and society: A literature review, York: Joseph Rowntree Foundation (www.jrf.org.uk/report/costs-child-poverty-individuals-and-societyliterature-review).

And

 Hirsch, D. (2013) An estimate of the cost of child poverty in 2013 http://www.cpag.org.uk/sites/default/files/Cost%20of%20child%20poverty%20research%20update%20(2013).pdf [↑](#footnote-ref-2)
3. Bradshaw, J. (2018) Social Justice for children, in Craig, G. (ed) *A Handbook on Global Social Justice*, Edward Elgar. [↑](#footnote-ref-3)
4. Gordon, D. 2008 Children, policy and social justice, in Craig, G., Burchardt, T. & Gordon, D. (eds.). Social Justice and Public Policy: Seeking fairness in diverse societies. Policy Press, p. 157 - 180 24 p. [↑](#footnote-ref-4)
5. Van Mechelen, N. and J. Bradshaw (2013), ‘Child benefit packages for working families, 1992–2009’, in I. Marx and K. Nelson (eds), Minimum Income Protection in Flux, Houndmills, Basingstoke: Palgrave Macmillan, pp. 81–107. [↑](#footnote-ref-5)
6. As has been recently demonstrated in an assessment of transfers on inequality Bradshaw, J. and Movshuk, O. (2018) Inequality in the UK in comparative perspective, in Fee, D. and Kober-Smith, A. (eds) Inequalities in the United Kingdom: New Discourses, Evolutions and Actions, Emerald Publishing: Paris [↑](#footnote-ref-6)
7. Nieuwenhuis, R. and Maldonado, L. (eds) (2018) The Triple Bind of Single-Parent Families: Resources, employment, and policies to improve wellbeing, Bristol: Policy Press, [↑](#footnote-ref-7)
8. Bradshaw, J. (2018) Family Benefit Systems in Bjork Eydal, G. and Rostgaard, T. Handbook of child and family policy, Edward Elgar Publishing [↑](#footnote-ref-8)
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Chzhen, Y., Hämäläinen, S., & Vargas, J. (2014). Significant Changes to Family-related Benefits in Rich Countries during the Great Recession (UNICEF Office of Research Working Paper WP-2014-13) Florence: UNICEF [↑](#footnote-ref-10)